

2019 Annual Report

Notice of

2020 Annual Meeting of Shareholders and Proxy Statement



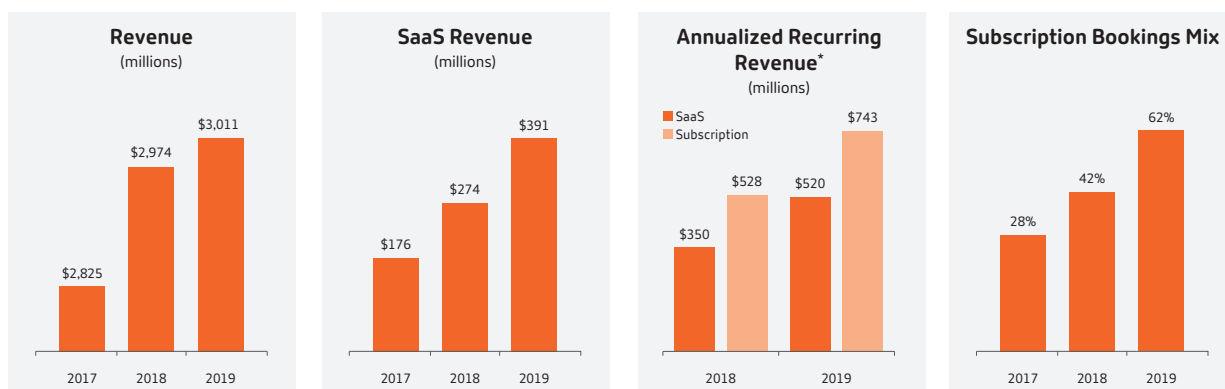
FINANCIAL HIGHLIGHTS

All financial data has been adjusted to reflect continuing operations.

Year ended December 31

(In thousands, except per share data)	2019	2018	2017
Revenues:			
Subscription	650,810	455,276	314,735
Product and license	583,474	734,495	766,777
Support and services	1,776,280	1,784,132	1,743,174
Total net revenues	3,010,564	2,973,903	2,824,686
Cost of net revenues	464,047	433,803	439,646
Gross margin	2,546,517	2,540,100	2,385,040
Operating expenses	2,010,399	1,862,140	1,814,043
Income from continuing operations	536,118	677,960	570,997
Other expense, net	(26,618)	(48,505)	(20,651)
Income from continuing operations before income taxes	509,500	629,455	550,346
Income tax (benefit) expense	(172,313)	53,788	528,361
Income from continuing operations	681,813	575,667	21,985
Loss from discontinued operations, net of income tax	-	-	(42,704)
Net income (loss)	681,813	575,667	(20,719)
Income per share from continuing operations—diluted	5.03	3.94	0.14
Loss per share from discontinued operations—diluted	-	-	(0.27)
Net earnings (loss) per share—diluted	5.03	3.94	(0.13)
Weighted average shares outstanding—diluted	135,495	145,934	155,503

In 2019, Citrix subscription revenue grew by **43%**



*Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

To Our Stakeholders:

Today, we are seeing expansion of the use cases and drivers of adoption of our technology. In addition to the enhanced security, increased productivity, and improved employee experience and engagement that our solutions provide, many of our customers are beginning to appreciate how Citrix Workspace makes their businesses more resilient and sustainable.



David J. Henshall
President and CEO

At Citrix, it has long been our mission to power a better way to work. Our solutions empower employees throughout an organization to do their very best work—securely and efficiently, on any device, across any network, anywhere in the world. This value proposition, along with an elegant user interface that simplifies the complexity created by the proliferation of applications running across diverse networks, continues to resonate with large enterprise customers globally.

Today, we are seeing expansion of the use cases and drivers of adoption of our technology. In addition to the enhanced security, increased productivity, and improved employee experience and engagement that our solutions provide, many of our customers are beginning to appreciate how Citrix Workspace makes their businesses more resilient and sustainable. Security, risk management, environmental sustainability, employee experience and workforce diversity have all become standard boardroom discussion topics, and we believe Citrix can be part of the solution to address each of these business challenges.

- **Risk mitigation and business continuity.** When it comes to risk—from regional disturbances created by severe weather patterns to global pandemics—our solutions can help our customers' employees maintain productivity and business continuity, regardless of where they are working. COVID-19 has stressed every facet of business, society, and our institutions. In this time of crisis, the mission critical value of our solutions has become apparent. Our teams worked around the clock to enable customers to expand access to our technology, and manage their businesses during this challenging time. We are proud to have helped customers around the world, including many providers of essential services transition to accommodate social distancing guidelines.
- **Reducing greenhouse gas emissions.** Citrix Workspace eliminates the need for applications and data to reside on end point devices. This means that customers can transition away from more energy intensive desktops with large screen displays and high-performance processors towards more energy efficient laptops and thin client devices. And because no data is required to live on these devices, it can extend the useful life of an individual device by up to 40 percent. This can significantly improve the energy efficiency of organizations. Longer-term, Citrix Workspace, combined with flexible remote work policies, can drive down corporate office space needs and reduce employee commuting, which further reduces a company's carbon footprint.

TOTAL 2019 REVENUE
IN BILLIONS

\$3.01

SAAS PORTION OF TOTAL
SUBSCRIPTION REVENUE

60%

SUBSCRIPTION PORTION
OF TOTAL PRODUCT
BOOKINGS

62%

TOTAL SUBSCRIPTION
ANNUALIZED RECURRING
REVENUE IN MILLIONS

\$743

- **Boosting employee experience and increasing workforce diversity.**

Companies struggle to attract and retain the very best talent. For most, it is even harder to attract and retain talent at a rate that will improve the overall diversity of their employee base and their leadership. Citrix Workspace helps customers expand their aperture in terms of geography, ability, and work style, which can promote a richer mix of talent, no matter where they reside. At the same time, it helps simplify the complexity problem created by the proliferation of applications, which can significantly improve employee experience, helping to drive employee retention. In fact, a Citrix study conducted by Quartz found that 90 percent of employees felt that access to good workplace technology, like Citrix Workspace, enabled productivity, innovation and creativity.

As a trusted technology partner with hundreds of thousands of customers globally, spanning nearly every industry around the world, we believe we have a meaningful opportunity to help our customers decrease greenhouse gas emissions and positively impact the livelihood and living conditions of people around the world. Our technology enables opportunity and supports sustainability—both of which are powerful and motivating.

Like many of our customers, we too are committed to decreasing our environmental footprint and improving our Environmental, Social, and Governance (ESG) related disclosures. For years, we have supported corporate citizenship initiatives, instituted policies and structures to promote diversity, inclusion, and belonging, and studied gender pay-equity across our organization. In 2020, we are committing to greater transparency in areas where we have systems and processes that can provide data for external disclosure. We are currently assessing system requirements and enhancing processes so that we can become more holistically transparent with regard to ESG-related disclosures.

Business Transformation

Over the past few years, we have been transforming Citrix in three distinct and interrelated ways. Our first transformation has been to evolve our product and marketing strategy from providing individual point solutions to a more platform-based approach. This enables us to more effectively address customer challenges today and should better enable us to monetize the value of the solutions we are providing over time. Our second transformation has been shifting from a thirty-year-old on-premises license software business to a cloud-first model. This transition started with development, where we have prioritized investment to develop compelling innovation within our cloud offerings. Our goal is to create greater differentiation that will drive new seat growth and eventually the migration of our existing installed base to our cloud offerings. Our third transformation ties the first and the second to the financial model, moving from the traditional perpetual license and maintenance model to a subscription model.

Our subscription revenue is comprised of three components: SaaS (which accounted for 60 percent of our subscription business in 2019), on-premise term (which essentially serves as a bridge for on-premise customers who are not yet ready to adopt our cloud-based solutions), and our consumption-based business that is delivered via Citrix Service Providers (or CSPs). In 2019, subscription bookings as a percentage of total product bookings increased to 62 percent, up from 42 percent in 2018.

This business model transition affects all three of our financial statements. On the income statement, there is a headwind to reported revenue as a greater portion of bookings is recognized in future periods. As a result, operating margin and earnings are similarly muted. On the balance sheet, deferred revenue is impacted by the business model transition as a decreasing amount of initial maintenance is recognized, commensurate with fewer perpetual licenses sold. Meanwhile, more contract value accumulates off of the balance sheet in “unbilled revenue¹” which represents the portion of bookings that have neither been recognized for revenue nor billed. On the cash flow statement, where we have historically collected cash for the entire value of a license and maintenance contract up-front, we are now billing more of our customers annually for SaaS agreements. As a result, more of our cash from operations is expected to be collected over the length of the contract rather than the entire value of the contract collected up front.

The subscription model transition has had a notable impact on our financials, and the timing and magnitude of impact has been difficult to predict. In the second quarter of 2019, the new product bookings mix shifted more dramatically towards subscription than we had forecasted, which created a larger-than-predicted headwind to our recognized revenue, margin, and earnings for the quarter and for the full year. The consequence of a richer mix of subscription relative to perpetual new product bookings has been considerable. Looking ahead, the mix within subscription, namely the mix between SaaS and on-premise term, is difficult to predict and may create some variability relative to our expected reported results.

In 2019, we introduced what we believe is the most helpful key performance indicator, or KPI, to measure our performance in any given period. ARR—or annualized recurring revenue²—is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract’s recurring total contract value and dividing by the length of the contract. Since this metric is not impacted by the timing of revenue

1. Unbilled Revenue primarily represents contractually committed future billings under our subscription agreements that have not been invoiced and, accordingly, are not recorded in accounts receivable or deferred revenue within our consolidated financial statements.

2. Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract’s recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

recognition and it is normalized for contract duration, we believe this is the best way for us to manage our business and it is the best metric for external stakeholders to measure our performance.

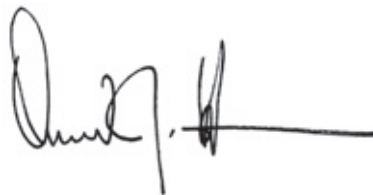
We ended 2019 with Subscription ARR of \$743 million, up 41 percent year-over-year. Within Subscription ARR, SaaS ARR ended the year at \$520 million, up 49 percent year-over-year.

Long-Term Strategy

With our historical strength in the desktop and application virtualization market, we estimate that we have penetrated nearly 30 percent of the seats in our installed base. We believe that secular drivers, including the ever-increasing importance of security, employee experience and productivity, environmental impact, recruiting and retaining diverse talent, and now business continuity, all create longer-term tailwinds for Citrix. We believe that these tailwinds combined with our product innovations provide us with an opportunity to extend our footprint within our customer base well beyond our current penetration rate. As this penetration rate rises, we expect to have opportunities to continue to deliver additional value and monetize the value we provide to this growing set of users.

Today, our strategy is focused in and around Workspace with Networking as the way to optimize delivery of the Workspace to customers. We believe our investments in innovation and our commitment to customer success will continue to drive the desired outcomes for our customers and for our long-term shareholders.

On behalf of the Board and our employees, we thank you for your continued interest in Citrix.

A handwritten signature in black ink, appearing to read "David J. Henshall", with a long horizontal line extending to the right.

David J. Henshall
President and CEO

Citrix—Part of the Solution

What matters most? The answer depends on who you ask. For some, it might be finding more time to spend with loved ones, pursuing interests, or gaining life enriching experiences. For others, it may be to reduce our impact on the environment or to contribute to the betterment of society. Currently, the importance of protecting our families, those in the most vulnerable populations, and our broader communities has taken center stage.

The social, psychological, and economic impacts of COVID-19 are likely changing the ways in which we will live and work in the foreseeable future. It is in these challenging times that the culture and resilience of Citrix shines and the value of our solutions come into focus. During the early stages of the pandemic, business continuity quickly shot to the top of IT priority lists. Our teams worked day and night to meet the demands of our customers. Our solutions enable secure, remote work across any network, anywhere in the world. So, employees can be as productive at home as they are in the office.

Through this crisis, we are helping customers deploy our technology to enable mobile workers in some of the most critical areas—in hospitals to support the surge in usage, in universities so they can continue to educate, in global financial institutions to continue to support the broader economy, and in governments to help lawmakers guide their constituents.

Product and engineering teams can collaborate. Sales and account management teams can connect and service their customers. And finance, legal, and human resources groups can support the business all from their respective home offices, spare bedrooms, living rooms, and kitchen tables. This means people can better manage the added stress in their lives, such as those now trying to facilitate their children's distance learning programs when schools are closed while fulfilling their professional obligations. Our solutions are helping employees balance their myriad of professional and personal commitments.

There are few things more motivating than knowing that the work we are doing matters. This global pandemic has recast the ability to work remotely. What was once perceived as a requirement for a subset of an employee base is now a mission critical enabler of business continuity in the near-term and risk mitigation in the long-term.

Citrix—Supporting UN Sustainable Development Goals

We are proud to be part of the larger business continuity and risk mitigation discussion now and going forward. We are equally proud to enable customers to achieve their environmental and social responsibility objectives and to support nine of the UN Sustainable Development Goals.



Citrix Workspace can help decrease negative environmental impact in the following ways:



- Enables the use of more energy efficient thin clients.** When organizations deploy Citrix Workspace and manage client devices to optimize for energy efficiency, they can, depending on the size of their employee base, dramatically decrease the greenhouse gas emissions (GHG) associated with client computing. For example, a desktop uses an average of 200 W/hour when in use. So, a computer that is on for eight hours a day uses almost 600 kWh and emits 175 kg of CO₂ per year. This compares to a laptop that uses between 50 and 100 W/hour or uses 150 to 300 kWh and emits between 44 and 88 kg of CO₂ per year.¹ Some of the most efficient thin clients, like Chromebooks, use ~20 W/hour.² In other words, Workspace makes it possible to reduce GHG emissions from employee computing considerably, assuming a fully equipped desktop deployment as a starting point.



- Provides workforce mobility and decreases transportation related GHG emissions.** The ability for employees to work on any device, on any network, anywhere when paired with a supportive work from home policy decreases reliance on fossil fuels, lessens the burden of traffic, and decreases GHG emissions. To illustrate, emissions from transportation account for 14 percent of global GHG and 30 percent of GHG in the United States. In the U.S., transportation is the largest contributor to GHG emissions with 70 percent of Americans getting to work by private car. Work from home employees in the U.S. avoid emitting 3.6M tons of commuting related GHGs, which is the equivalent of 91 million trees planted.

1. <https://www.energuide.be/en/questions-answers/how-much-power-does-a-computer-use-and-how-much-co2-does-that-represent/54/>.

2. <https://www.digitaltrends.com/laptop-reviews/acer-c7-chromebook-review/>

11 SUSTAINABLE CITIES AND COMMUNITIES



- **Re-thinking the real estate footprint.** Over time, as more companies adopt policies that encourage employees to work from home, it could decrease physical office space requirements. In recent years, while the global energy intensity per building has improved, the number of buildings is increasing, up more than 2 percent annually. Without action at scale, carbon emissions related to buildings is expected to double by 2050.

These are the ways in which our solutions help our large enterprise customers that span every industry across the world support the UN Sustainable Development Goals of climate action, improving life on land, and building sustainable cities and communities.

As a company headquartered on the Florida coast, we are keenly aware of the consequences of climate change, and we are committed to decreasing our environmental impact. We are in the process of evaluating systems to help us to better collect and track our environmental impact related data and regularly report the data externally. In the meantime, we are committed to continuing to support our ongoing efforts to decrease our carbon footprint.

Some of things we are doing to minimize our impact on the environment include:

- Consolidating engineering labs
- Allocating resources for automation to turn devices on and off
- Considering the environmental impact of assets in the procurement of IT assets
- Working with green companies that ensure that IT asset components are recycled
- Reducing and/or removing single-use plastics in our cafes and break rooms
- Providing EV charging stations at our Fort Lauderdale, Raleigh, and Santa Clara offices
- Installing LED fixtures as part of our new build and construction projects
- Maximizing natural light and utilizing solar panels, LED lighting, optimizing HVAC and lab equipment for minimal power use and utilizing photovoltaic electricity and thermal solar when possible
- Eliminating the majority of bottled water from offices and using biodegradable, recyclable, and/or reusable products
- Following LEED (Leadership in Energy and Environmental Design) principles in our offices

1 NO POVERTY



2 ZERO HUNGER



5 GENDER EQUALITY



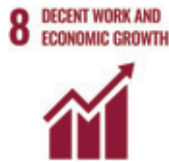
10 REDUCED INEQUALITIES



Citrix Workspace can help address social and economic inequities and support stronger, healthier communities. It enables employers around the world, across every industry, to expand the aperture of recruiting and retention efforts. By enabling remote work, companies can increasingly offer employment opportunities across urban, suburban, and rural locations. This expansion means that economic opportunities are not limited to developed countries and can accelerate opportunities in developing regions of the world. These opportunities can reach beyond traditional talent pools to those who may not be able to work traditional 9-to-5 jobs or may require accommodations due to other limitations or life circumstances. The downstream effect of this inherent broadening of economic opportunity and improved availability of quality employment can help to decrease poverty and hunger domestically and abroad.

At Citrix, **gender and under-represented minority pay equity** is a topic we have long been working on and are committed to ensuring that there is no gap within our own company. In 2019, we retained Affirmity to conduct a global pay equity study to evaluate the size and/or significance of disparities in earnings by gender globally and by ethnicity, specifically under-represented minorities, in the United States. Base pay and total pay were examined using the following groupings for comparison: job profile, years of service, average performance across the last two years, location and salary grade. Globally, a total of 156 job families were analyzed, of which 154 job families had no statistical significance in pay differences. Regarding data analyzed for under-represented minority groups in the United States and gender globally, we found less than 0.5 percent potential issues, down from 0.9 percent in the prior year. During our 2020 compensation planning cycle, potential issues were analyzed to identify other potential explanations for disparities and all appropriate remediation has been completed as necessary. Annually, we expect to continue to engage an independent pay equity study firm prior to compensation planning so that we can continue to monitor, identify root causes, and consider appropriate remediation as necessary.

We view the importance of **Diversity, Inclusion & Belonging** in the same light—our solutions create a better way to work and embrace the power of human difference. Here at Citrix, our diverse workforce spans multiple generations, and lives and operates in more than 40 countries. In 2019, we launched “Cultivating a Culture of Belonging,” a learning series to share to best practices and offer support as we champion inclusiveness and belonging. Through this program, employees are learning how our identities inform our perspectives and how to incorporate other points of view. The program helps employees identify how to encourage an inclusive work environment, how to uncover unconscious biases that can result in prejudice and stereotypes in the workplace, and which factors contribute to



Our most recent celebration of Black History Month exemplifies the power of ERGs in attracting, retaining, and developing under-represented groups at Citrix. Our Black Professionals Network was able to engage nearly 800 attendees across ten events and registered 30 new members

successfully fostering diversity in the workplace. In 2020, we are working to expand this training globally.

We celebrate diversity through our **Employee Resource Groups** (ERGs), that support underrepresented groups of employees and build “safe spaces” for members, educate allies, and attract and retain talent. ERGs are an important component of our Diversity, Inclusion & Belonging efforts, addressing topics like career development, mentoring, advocacy, networking, and other areas of focus for ERG members. In addition, ERGs benefit Citrix by connecting us around the globe, improving our workforce representation, and providing awareness and feedback that make us better as a company and a steward in the communities we serve. Citrix has the following ERGs:

- Women’s Inspirational Network (WIN)—Women
- Pride Alliance—LGBTQ+
- Black Professionals Network (BPN)—Employees of African descent
- Latino Professionals Group (LPG)—Employees of Latino descent
- Citrix Emerge—Employees emerging in careers
- Citrix Enabled—Disabilities, neurodiversity, and mental health
- Military Veterans—Military veterans and military families
- Foster Family & Adoption Group—Support for adoption and/or fostering children
- Parent & Caregivers—Caregivers of children and parents
- Asian and Pacific Islanders—Employees of Asian and Pacific Islander descent

We are proud to have been named to the 2019 Disability Equality Index (DEI)[®] Best Places to Work for Disability. Considerations for this include:

- Company-wide written statement of commitment to Diversity & Inclusion specifically mentioning disability displayed on our webpage
- Senior Executive who is internally known as being a person with a disability
- Great benefits that include an Employee Assistance Program (EAP) and health insurance plans that offer disability and mental health benefits above and beyond what is required by law
- Supplier diversity program specifically focused on buying from suppliers that are owned by people with a disability or disabled veterans
- Officially recognized disability-focused Employee Resource Group (ERG)

Awards and Partners



For 2020, we have joined the Inclusion Works program at Disability:IN, connecting with its 49 member companies committed to creating an inclusive culture for people of diverse abilities, including physical disabilities, neurodiversity, and mental health in the workplace. We are in the process of developing a roadmap to improve our accessibility and broaden our inclusion of employees with disabilities.

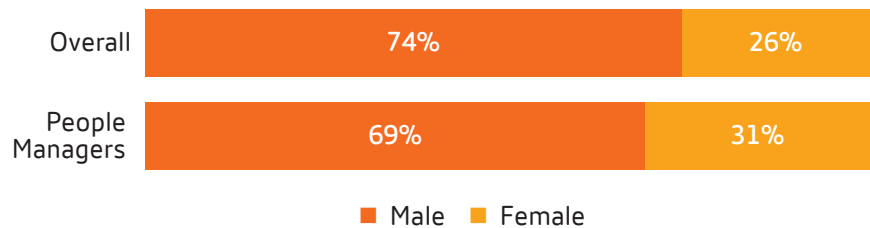
Similarly, our veteran engagement is strong with our active Military Veterans ERG, focused on:

- Helping current members of the military succeed in technology careers following military service
- Giving back to the military community by supporting organizations such as the USO and Wounded Warrior Project

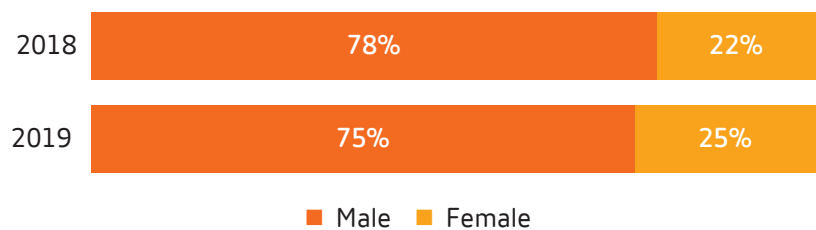
In 2019 Citrix made Veterans Day an observed U.S. holiday to remember the sacrifices made by those who have served and continue to serve. In August of 2019, Citrix was honored by the Department of Defense for support of Military Reservists with a Patriot Award from their Employer Support of the Guard and Reserve (ESGR) program. Our wide range of measures including flexible schedules, time off prior to and after deployment, caring for families, and granting leaves were cited as reasons for the honor. Additionally, we are piloting a program that connects veterans who are candidates for open positions at Citrix with members of our ERG to offer coaching and assistance in translating their military experience into business terms. We have also created a toolkit for hiring managers that assists them with interviewing veterans and evaluating their unique skill set.

We are expanding our external reporting to cover the overall employee population, people managers, and leadership levels. We are also including more detail for underrepresented minorities in the United States. While there is still work to be done, we have increased the number of female leaders by growing the diversity of our external networks and conducting targeted outreach for key positions. Looking ahead, we will continue to focus on expanding our presence at diversity recruiting events, embedding bias mitigations tools into our hiring process, and working closely with our diversity and inclusion partners to increase outreach.

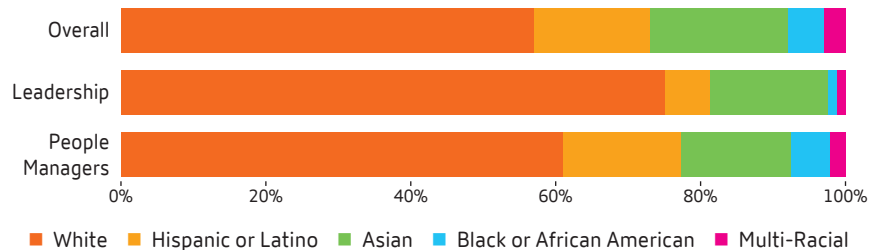
2019 Global Gender Headcount—Overall and People Managers



2018 and 2019 Global Gender Headcount—Leadership



2019 U.S. Race and Ethnicity Headcount—Overall, Leadership, and People Managers



Leadership represents VP levels and above

Our commitment to Diversity, Inclusion & Belonging extends down through our supplier base. **Supplier Diversity** at Citrix identifies and promotes the equitable inclusion of diverse third-party suppliers within all of our business operations. Our goal is to include at least one qualified diverse supplier for each of our purchasing opportunities, when diverse suppliers exist within the category. We track our spend with existing diverse suppliers and provide tier two reporting to our customers when requested. Through the partnerships with our Corporate Diversity Councils: Disability:IN, National Gay Lesbian Chamber of Commerce (NGLCC), National Minority Supplier Development Council (NMSDC), and Women Business Enterprise National Council (WBENC), we are able to identify suppliers in each of these diversity categories. In 2019, we hosted an Interactive Supplier Diversity Fair where 22 diverse suppliers, 5 Supplier Diversity Advocacy organizations, and Citrix employees across various departments convened to discuss how diverse suppliers can gain business opportunities and/or expand existing relationships with Citrix.

The theme of diversity extends to our **Corporate Citizenship** philosophy as well. Like the diversity across our employee base, our Corporate Citizenship efforts are broad and reflect the individual and collective interests and passions of our employee base. Our program is based on volunteerism through Simply Serve and financial donations through Simply Give. In 2019, 3,134 employees participated in Corporate Citizenship activities benefitting 1,179 charities across 40 countries.

- **Simply Serve:** Citrix employees receive 16 hours of paid volunteer time each year with three additional volunteer days available to be used to support disaster relief volunteer efforts. In response to COVID-19, we are identifying opportunities for employees to virtually volunteer.

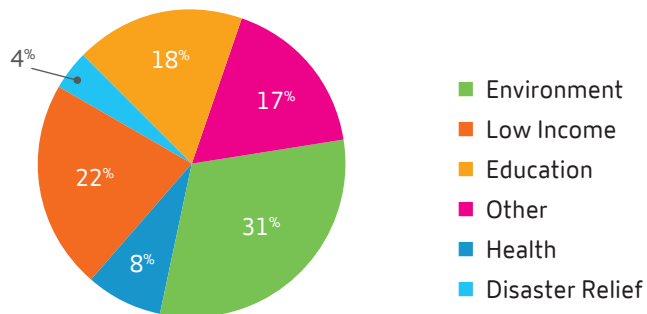
2,672
VOLUNTEERS

5,672
DOLLARS FOR DOERS HOURS

39,735*
VOLUNTEER HOURS

*UP 6 PERCENT FROM 2018

Where we volunteer



- **Simply Give:** Citrix matches donations up to \$2,000 USD per employee per year to qualifying nonprofits. Through the Dollars for Doers program, employees can volunteer their own time and earn Cause Cards to donate to their favorite nonprofits. In 2020, we are doubling this to \$4,000 USD per employee to support COVID-19 relief and recovery efforts. Additionally, we have set up a COVID-19 Relief and Recovery Fund to assist the most vulnerable populations impacted by the pandemic.

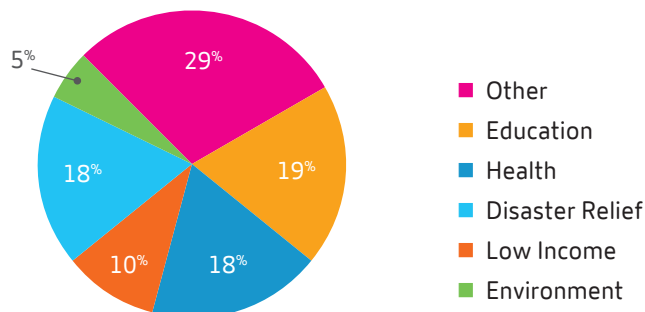
\$2,096,382*
TOTAL COMMUNITY INVESTMENT

\$679,042
EMPLOYEE DONATIONS (MATCHED BY CITRIX)

\$52,363
IN DISASTER RELIEF AID
(KERALA FLOODS, PULWAMA MARTYR'S, GILROY SHOOTING)

*UP 10 PERCENT FROM 2018

Where we donate





Citrix believes in supporting the health and well-being of employees by taking a holistic view of what it means to lead a healthy and balanced life. We provide our employees with programs and services to help them reach goals from exercising regularly and eating healthy, contributing to their community, balancing work and family, to taking charge of their financial health. Last year more than 300 Citrix parents and partners took advantage of our global 18-week paid parental leave for the birth, adoption, and care for new family members, and more than 8,000 employees worldwide created a visible movement about ending the stigma of mental health. From our Green Ribbon campaign in honor of Mental Health Awareness month, our World Mental Health Day helping to raise awareness of suicide prevention, and global mindfulness sessions, to employees sharing individual experiences on Citrix’s intranet, employees globally started a conversation about mental health awareness and support. Onsite and virtual Health Expos in various countries provided free health checks to more than 1,400 employees and supported local running, cycling, and walking events to promote a healthy lifestyle.

The solutions that we create for customers, the way in which we value and manage our employees, and the support we give to our communities all reflect our priority of supporting UN Sustainable Development Goal #3— Promoting Good Health and Well-Being. Citrix Workspace helps the world socially distance during pandemics, and during times of normalcy, it protects one of employees’ scarcest resources—time. In the hours and minutes that they would otherwise commute to and from the office, hunt for relevant documents, log into a myriad of applications, or perform menial tasks, they can instead dedicate that time to meaningful work, healthy activities, or spending time with family and friends—all of which support physical, mental, and emotional health.

Governance

Oversight of our Environmental, Social, and Governance (ESG) - related disclosures is provided by the Nominating and Corporate Governance Committee of Citrix’s Board of Directors with the Compensation Committee providing oversight of our gender pay equity and diversity, inclusion and belonging metrics and performance. At the board level, diversity is a top priority. When nominating new directors, our board considers diverse talent, experience, and skills along with personal characteristics such as gender, race, ethnicity and culture. In terms of board independence, currently we have eight independent board members who meet regularly without management presence. The board conducts an annual self-assessment and evaluation focused on structure, process and culture. Citrix’s compliance policies and guidelines include, among others: corporate governance

guidelines, code of business conduct, anti-bribery, anti-harassment, anti-discrimination, data privacy, global trade, conflict minerals, and information security.

Citrix is wholly committed to improving transparency and external disclosures related to ESG measures. While the acquisition of some data will require infrastructure investments and take more time, we are making progress and will continue to work towards improving the quantity and quality of our disclosures in the future.



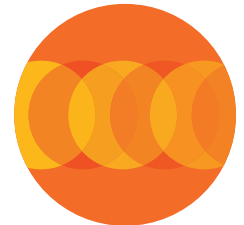
Courage

We dream big, and we are bold and selfless in pursuit of those dreams.



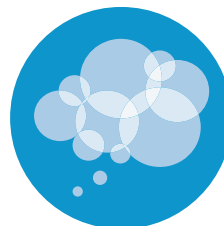
Integrity

We act with honesty and hold each other accountable.



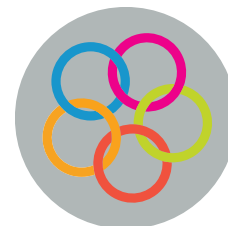
Unity

We collaborate and win together.



Curiosity

We are continuously innovating, learning and improving.



Respect

We are open, inclusive and empathetic.

Notice of

2020 Annual Meeting of Shareholders and Proxy Statement



Letter from our CEO

Dear Shareholder,

April 16, 2020

On behalf of Citrix, thank you for your continued investment. We value your support, which is essential to the success of our efforts to deliver long-term value to our shareholders and fulfill our corporate mission — empowering employees throughout an organization to do their very best work, securely and efficiently, on any device, across any network, anywhere in the world.

The importance of our mission — giving people the flexibility to work from home, or anywhere — has come into focus as we face the COVID-19 pandemic. The social, psychological and economic impacts of COVID-19 may change the ways in which we will live and work. In these challenging times the culture and resilience of the Citrix community has shone. During the early stages of the pandemic, business continuity quickly became a top priority for our customers. Our teams worked tirelessly to make sure that we could help our customers meet their business continuity needs.

I am proud of our team, and proud that Citrix is able to contribute to our collective ability to respond to the challenges we face during this most difficult time for our global community. You can read more about how we are helping to provide solutions in response to COVID-19 in this year's Annual Report under the heading *Citrix – Part of the Solution* available at investors.citrix.com/financials/annual-reports.

I also direct you to my CEO letter in this year's Annual Report where I summarize our 2019 results — a year of strong financial performance and acceleration of our business transformation. Further, I also discuss the opportunities to extend our footprint and provide product innovations to our users in support of our long-term strategy.

At Citrix, we take corporate responsibility seriously and work together with all of our stakeholders — shareholders, employees, customers, business partners and members of the communities in which we operate — to provide a better tomorrow for the next generation. We generate long-term shareholder value by providing services that help create a more sustainable world. We achieve that by building a diverse and inclusive culture, operating responsibly and conducting our business in an ethical, transparent and accountable way. As discussed in my CEO letter, we are committed to greater transparency in areas where we have systems and processes that can provide data for external disclosure. In other areas, we are working to implement systems so that we can become more holistically transparent with regard to ESG-related disclosures.

Please see ways you can vote your shares beginning on page 1 in this year's Proxy Statement. We appreciate your continued support of Citrix and encourage you to vote your shares in advance of the meeting.

Very truly yours,

A handwritten signature in black ink, appearing to read 'David J. Henshall', is written over a horizontal line.

DAVID J. HENSHALL
Chief Executive Officer, President
and Director



Letter from our Chairman

Dear Shareholder,

April 16, 2020

As Chairman, I would like to take the opportunity to share my perspective on a range of topics that I believe are important to Citrix's ability to create long-term sustainable value. These include Citrix's executive compensation and equity compensation practices, our diverse and experienced Board of Directors as well as our focus on sustainable business practices and commitment to engaging with our shareholders.

Commitment to Pay-for-Performance. The Compensation Committee of the Board of Directors and the full Board have taken a thoughtful approach to aligning the metrics of performance-based awards with those that have driven and will continue to drive Citrix's business transformation and we are committed to pay-for-performance. For example:

- Beginning in 2018 and for 2019, the Compensation Committee linked performance-based equity awards with subscription bookings as a percentage of total subscription and product bookings to directly align performance-based awards to Citrix's multi-year strategic business transition to a cloud-based subscription business. During the second quarter of 2019, and as discussed in the company's earnings announcement in July 2019, Citrix gained significant momentum in its business transition to a subscription-based business.
- Given this increased momentum, the Compensation Committee determined that the company had a unique opportunity to increase the acceleration of its transition, which, if successful, would advance long-term value creation for shareholders. Accordingly, beginning in 2020, the Committee decided to link performance-based equity awards with ARR⁽¹⁾ growth, which, as we have discussed on our earning calls, is the metric best aligned with the company's business transition and strategy. ARR, in short, is the best indicator of the overall health and trajectory of the business because it captures the pace of Citrix's transition and is a forward-looking indicator of top line trends.

Thoughtful Approach to Equity Compensation. As detailed in this Proxy Statement, we are seeking shareholder approval of Citrix's Second Amended and Restated 2014 Equity Incentive Plan. We believe stock-based incentive awards play an important role in building a culture of employee ownership, helping Citrix to attract and retain talent while creating an ownership mindset among Citrix employees that closely aligns the interests of the company, Citrix employees and shareholders. Citrix's ability to continue to award employees with equity is crucial to our recruitment and retention strategy and will help position Citrix to continue to accelerate our transformation to a cloud-based subscription business, driving shareholder value and long-term sustainable growth.

Prioritizing Diversity and Refreshment of the Citrix Board. We believe that diversity of perspectives and breadth of experience are important attributes of a well-functioning board. As such, our Board of Director nominees are a diverse group of individuals who possess a wide range of backgrounds and experience, including diversity of knowledge, skills and expertise, as well as diversity of personal characteristics, including gender, ethnicity, culture, thought and geography. The attributes of our directors help the Board to effectively oversee risks and provide guidance, positioning Citrix to continue to drive shareholder value and long-term sustainable growth.

(1) Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

We believe that a diverse board is an effective board. Each time we evaluate our leadership structure, add a new director, or change the composition of our Board committees, we do so in a thoughtful manner to ensure that the right skills, experiences, and perspectives are brought to our meetings and discussions. Over the past 5 years, we have added 6 new directors. We are pleased that JD Sherman joined our Board of Directors in March 2020, bringing a strong technology focus and expertise in finance and operations. As part of the Board's review of Board composition, Jesse A. Cohn will not be nominated for re-election at the 2020 Annual Meeting. We thank Jesse for his service on the Citrix Board over the last five years. His many contributions as a Board member were valuable and appreciated as the company executed a significant shift in our strategy and business model.

Enhanced Cybersecurity Risk Management. Citrix solutions empower customers to do their best work — securely and efficiently, on any device, across any network, anywhere in the world. Effectively managing risks associated with cybersecurity and privacy is essential to our ability to deliver for our customers and our shareholders. In response to the rapidly evolving threat landscape and an increasingly complex regulatory environment, we took a number of steps during 2019 to enhance Citrix's cybersecurity risk posture.

Most notably, as discussed in greater depth on page 15 in this year's Proxy Statement, during 2019, the Board formed a new Technology, Data and Information Security Committee to oversee information technology policies, plans and programs relating to enterprise cybersecurity and data protection risks, including risks associated with our products, services, and information technology infrastructure. This Committee works in coordination with the Audit Committee to oversee our management of risks related to information technology systems and processes, including privacy, network security and data security, and any audits of such systems and processes.

Commitment to Environmental, Social and Governance Oversight and Disclosures. A growing area of Board focus is oversight of Citrix's environmental and social practices and their impact on our business and key stakeholders. We believe that effective oversight of these matters is critical to Citrix's long-term success. Formal oversight of Citrix's policies and practices regarding corporate social responsibility and environmental, social and governance (ESG) is through the Nominating and Corporate Governance Committee. Citrix plans to increase its ESG-related disclosures.

Ongoing Commitment to Shareholder Engagement. Each year, members of the Board of Directors and senior management conduct outreach to a broad group of shareholders to better understand their perspectives on our strategy, as well as on our governance, compensation, and sustainability practices. We greatly value the feedback received through these conversations and the insights gained are shared with the Board of Directors on an ongoing basis. Members of the Board of Directors and senior management engaged with investors representing more than 32% of shares outstanding in 2019. As detailed on page 36 of this Proxy Statement, these discussions covered a range of topics and the Board continues to use shareholder input to inform our practices and policies.

We look forward to our continued engagement with you and I encourage you to read this year's Proxy Statement and Annual Report. On behalf of the Board, thank you for your investment in, and continued support of, Citrix.

Very truly yours,



ROBERT M. CALDERONI
Chairman of the Board of Directors

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CITRIX SYSTEMS, INC.
851 West Cypress Creek Road
Fort Lauderdale, Florida 33309

NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS
To Be Held at 5:00 p.m. Eastern Time on Wednesday, June 3, 2020

To the Shareholders of Citrix Systems, Inc.:

The 2020 Annual Meeting of Shareholders of Citrix Systems, Inc., a Delaware corporation, will be held on Wednesday, June 3, 2020, at 5:00 p.m. Eastern time, at our offices at 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309, United States for the following purposes:

1. to elect ten members to the Board of Directors, each to serve for a one-year term and until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal;
2. to approve a second amendment and restatement of our Amended and Restated 2014 Equity Incentive Plan;
3. to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2020;
4. to hold an advisory vote on the compensation of our Named Executive Officers; and
5. to transact such other business as may properly come before the 2020 Annual Meeting or any adjournments or postponements thereof.

The proposal for the election of directors relates solely to the election of ten directors nominated by our Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any shareholder.

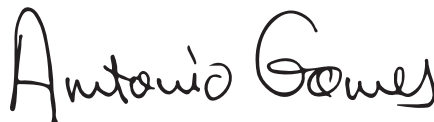
Only shareholders of record at the close of business on April 7, 2020 are entitled to notice of and to vote at the 2020 Annual Meeting and at any adjournment or postponement thereof.

All shareholders are cordially invited to attend the 2020 Annual Meeting in person. To ensure your representation at the 2020 Annual Meeting, we urge you to vote via the Internet at www.proxyvote.com or by telephone by following the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail and which instructions are also provided on that website, or, if you have requested a proxy card by mail, by signing, voting and returning your proxy card to Vote Processing, c/o Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, New York 11717. For specific instructions on how to vote your shares, please review the instructions for each of these voting options as detailed in your Notice of Internet Availability and in this Proxy Statement. If you attend the 2020 Annual Meeting, you may vote in person even if you have previously returned your proxy card or have voted via the Internet or by telephone.

We are monitoring the novel coronavirus, or COVID-19, developments and the related recommendations and protocols issued by public health authorities and federal, state, and local governments. As part of our precautions regarding COVID-19, we are planning for the possibility that alternate arrangements for attendance at the 2020 Annual Meeting may be required, including the possibility of holding the meeting solely by means of remote communication. If we determine that alternative 2020 Annual Meeting arrangements are advisable or required, then we will announce our decision and post additional information at <https://investors.citrix.com>. Please check this website in advance of the 2020 Annual Meeting date if you are planning to attend in person. **If we hold the 2020 Annual Meeting by means of remote communication, shareholders will be able to attend the meeting by visiting www.virtualshareholdermeeting.com/CTXS2020 by using the 16-digit control number included in your proxy materials.**

In addition to their availability at www.proxyvote.com, this Proxy Statement and our Annual Report to Shareholders are available for viewing, printing and downloading at investors.citrix.com/financials/annual-reports.

By Order of the Board of Directors,



ANTONIO G. GOMES
 Executive Vice President, Chief
 Legal Officer and Secretary

Fort Lauderdale, Florida
 April 16, 2020

WHETHER OR NOT YOU PLAN TO ATTEND THE 2020 ANNUAL MEETING, PLEASE PROMPTLY COMPLETE YOUR PROXY AS INDICATED ABOVE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. PLEASE REVIEW THE INSTRUCTIONS FOR EACH OF YOUR VOTING OPTIONS DESCRIBED IN THIS PROXY STATEMENT AND THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS YOU RECEIVED IN THE MAIL.

CITRIX SYSTEMS, INC.
851 West Cypress Creek Road
Fort Lauderdale, Florida 33309

PROXY STATEMENT
For the 2020 Annual Meeting of Shareholders
To Be Held on June 3, 2020

April 16, 2020

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Citrix Systems, Inc., a Delaware corporation, for use at the 2020 Annual Meeting of Shareholders to be held on Wednesday, June 3, 2020 at 5:00 p.m. Eastern time, at our offices at 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309, United States, or at any adjournments or postponements thereof. An Annual Report to Shareholders, containing financial statements for the year ended December 31, 2019, and this Proxy Statement are being made available to all shareholders entitled to vote at the 2020 Annual Meeting. The Notice of Internet Availability was mailed, and this Proxy Statement and the form of proxy were first made available, to shareholders on or about April 16, 2020.

The purposes of the 2020 Annual Meeting are to:

- elect ten directors for one-year terms;
- approve a second amendment and restatement of our Amended and Restated 2014 Equity Incentive Plan;
- ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2020;
- hold an advisory vote to approve the compensation of our Named Executive Officers; and
- transact such other business as may properly come before the 2020 Annual Meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on April 7, 2020, which we refer to as the record date, will be entitled to receive notice of and to vote at the 2020 Annual Meeting. As of that date, 123,450,644 shares of our common stock, \$0.001 par value per share, were issued and outstanding. Shareholders are entitled to one vote per share on any proposal presented at the 2020 Annual Meeting. If you are a shareholder of record, you may vote via the Internet at www.proxyvote.com or by telephone at 1-800-690-6903 by following the instructions on the Notice of Internet Availability of Proxy Materials or physical proxy card you received in the mail and which are also provided on that website; or, if you have requested a proxy card by mail, by signing, voting and returning your proxy card. If you are a shareholder who holds shares through a brokerage firm, bank, trust or other similar organization (that is, in "street name"), please refer to the instructions from the broker or organization holding your shares.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by:

- filing with our Secretary, before the taking of the vote at the 2020 Annual Meeting, a written notice of revocation bearing a later date than the proxy;
- properly casting a new vote via the Internet or by telephone at any time before the closure of the Internet or telephone voting facilities;
- duly completing a later-dated proxy relating to the same shares and delivering it to our Secretary before the taking of the vote at the 2020 Annual Meeting; or
- attending the 2020 Annual Meeting and voting in person (although attendance at the 2020 Annual Meeting will not in and of itself constitute a revocation of a proxy).

Any written notice of revocation or subsequent proxy should be sent so as to be delivered to our principal executive offices at Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309, Attention: Secretary, before the taking of the vote at the 2020 Annual Meeting. If a broker, bank or other nominee holds your shares, you must contact them in order to find out how to revoke or change your vote.

We are monitoring the novel coronavirus, or COVID-19, developments and the related recommendations and protocols issued by public health authorities and federal, state, and local governments. As part of our precautions regarding COVID-19, we are planning for the possibility that alternate arrangements for attendance at the 2020 Annual Meeting may be required, including the possibility of holding the meeting solely by means of remote communication. If we determine that alternative 2020 Annual Meeting arrangements are advisable or required, then we will announce our decision and post additional information at <https://investors.citrix.com>. Please check this website in advance of the 2020 Annual Meeting date if you are planning to attend in person. **If we hold the 2020 Annual Meeting by means of remote communication, shareholders will be able to attend the meeting by visiting www.virtualshareholdermeeting.com/CTXS2020 by using the 16-digit control number included in your proxy materials.**

The representation in person or by proxy of at least a majority of the outstanding shares of our common stock entitled to vote at the 2020 Annual Meeting is necessary to constitute a quorum for the transaction of business. Abstentions and broker non-votes (discussed below) will be counted as present or represented for purposes of determining the presence or absence of a quorum for the 2020 Annual Meeting. When a quorum is present at any meeting of shareholders, the holders of a majority of the stock present or represented and voting on a matter shall decide any matter to be voted upon by the shareholders at such meeting, except when a different vote is required by express provision of law, our amended and restated certificate of incorporation (as currently in effect, our "Certificate of Incorporation") or our amended and restated bylaws (as currently in effect, our "Bylaws").

For Proposal 1 (the election of ten directors), each nominee shall be elected as a director if the votes cast for such nominee's election exceed the votes cast against such nominee's election. Any director who fails to receive the required number of votes for his or her re-election is required to submit his or her resignation to the Board of Directors. Our Nominating and Corporate Governance Committee (excluding any director nominee who failed to receive the required number of votes) will promptly consider any such director's resignation and make a recommendation to the Board of Directors as to whether such resignation should be accepted. The Board of Directors is required to act on the Nominating and Corporate Governance Committee's recommendation within 90 days of the certification of the shareholder vote for the 2020 Annual Meeting.

For each of Proposal 2 (approval of a second amendment and restatement of our Amended and Restated 2014 Equity Incentive Plan), Proposal 3 (the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2020), and Proposal 4 (the advisory vote to approve the compensation of our Named Executive Officers), an affirmative vote of a majority of the stock present, in person or represented by proxy, and voting on such matter is required for approval.

Broadridge Financial Solutions will tabulate the votes at the 2020 Annual Meeting. The vote on each matter submitted to shareholders will be tabulated separately.

Broker non-votes are shares held by a nominee (such as a bank or brokerage firm) which, although counted for purposes of determining a quorum, are not voted on a particular matter because voting instructions have not been received from the nominees' clients (who are the beneficial owners of such shares). Under national securities exchange rules, nominees who hold shares of common stock in street name for, and have transmitted our proxy solicitation materials to, their customers but do not receive voting instructions from such customers, are not permitted to vote such customers' shares on non-routine matters. Proposal 3 is considered a routine matter under such rules and nominees therefore have discretionary voting power as to Proposal 3. For non-routine matters, these broker non-votes shall not be counted as votes cast and therefore will have no effect on Proposals 1, 2 and 4. Similarly, abstentions are not counted as votes cast and thus will have no effect on any proposal.

The persons named as attorneys-in-fact in the proxies, David J. Henshall and Arlen R. Shenkman, were selected by the Board of Directors and are officers of Citrix. All properly executed proxies submitted in time to be counted at the 2020 Annual Meeting will be voted by such persons at the 2020 Annual Meeting. Where a choice has been specified on the proxy with respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. **If no such specifications are indicated, such proxies will be voted FOR Proposal 1 (the election of each of the director nominees), FOR Proposal 2 (approval of a second amendment and restatement of our Amended and Restated 2014 Equity Incentive Plan), FOR Proposal 3 (the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2020), and FOR Proposal 4 (the advisory vote to approve the compensation of our Named Executive Officers).**

Aside from the proposals included in this Proxy Statement, our Board of Directors knows of no other matters to be presented at the 2020 Annual Meeting. If any other matter should be presented at the 2020 Annual Meeting upon which a vote may properly be taken, shares represented by all proxies received by the Board of Directors will be voted with respect to such matter in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

No dissenters' rights are available under the General Corporation Law of the State of Delaware, our Certificate of Incorporation or our Bylaws to any shareholder with respect to any of the matters proposed to be voted on at the 2020 Annual Meeting.

Unless otherwise indicated, references in this Proxy Statement to "Citrix," the "company," "we" and "us" refer to Citrix Systems, Inc., a Delaware corporation and its consolidated subsidiaries.

Proxy Highlights

This summary should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019 and the entire Proxy Statement.



2020 Annual Meeting of Shareholders

Date and Time:

June 3, 2020, 5:00 p.m. Eastern time

Location:

Our offices at 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309⁽¹⁾

Record Date:

April 7, 2020

Date of First Distribution of Proxy Materials:

April 16, 2020

Accelerating our Transformation

Citrix is an enterprise software company focused on helping customers improve the productivity and user experience of their most valuable assets, their employees. We do this by creating a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive—anytime, anywhere, on any device. Our Networking solutions, which can be consumed via hardware or software, complement our Workspace solutions by delivering the applications and data employees need across any network with security, reliability and speed.

As our customers manage the complexity created by the proliferation of Software-as-a-Service (SaaS)-based applications and the emergence of hybrid multi-cloud environments, our solutions are designed to provide end-users with the simplicity of a common user experience while ensuring IT administrators are able to deliver applications and data with the security and controls necessary to protect the enterprise and its customers.

As an organization, we continue to accelerate our transformation, evolving our business in three primary ways:

- **On-Premise to Cloud:** As the share of applications and data continues to move rapidly from on-premise data centers to the cloud, our product development and engineering resources have increasingly focused on delivering cloud-based solutions;
- **Perpetual to Subscription:** Our business model is shifting away from selling perpetual licenses towards subscription, or recurring contracts in the form of SaaS, on-premise term, and consumption-based agreements; and
- **Point Products to Platform:** Our offerings and our go-to-market activities are shifting away from selling individual point products towards our platform solution, in a tiered offering that provides us the ability to deliver a variety of value-enhancing modules to our customers in the future.

We believe execution of our strategic priorities will continue to drive results for our stakeholders. Exiting 2019, progress in our business transformation to a cloud-based subscription business was evidenced by:

- Subscription bookings as a percent of total product bookings increased to 62% in 2019, up from 42% in 2018;
- Subscription ARR⁽²⁾ accelerated to \$743 million at the end of 2019, a 41% year-over-year increase, with SaaS ARR of \$520 million accounting for 70% of total subscription ARR as of the end of 2019; and
- Subscription revenue grew 43% year-over-year in 2019.

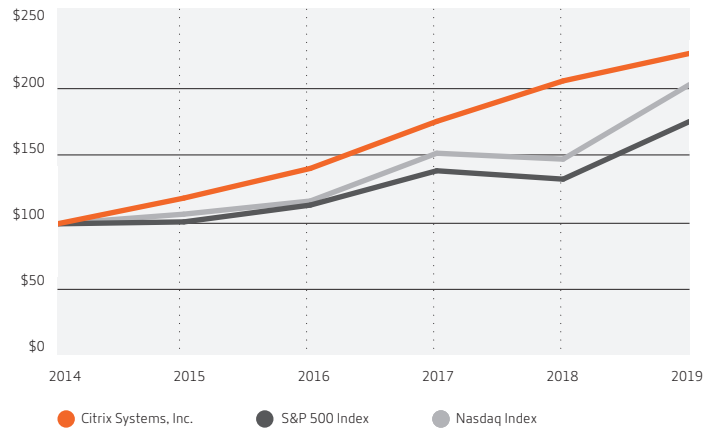
(1) Please see note regarding possible alternate arrangements for attendance at the 2020 Annual Meeting as a result of COVID-19.

(2) Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

2019 Highlights:



As illustrated in the graph below, our total shareholder return (assuming reinvestment of dividends)⁽¹⁾⁽²⁾, or TSR, over the five-year period ended on December 31, 2019 was approximately 123%, outpacing the S&P 500 and Nasdaq indices.



- (1) For purposes of this graph, the reinvestment of Citrix's \$0.35 per share cash dividend paid during the fourth quarter of 2018 and each quarter during 2019 was calculated using the closing price on Nasdaq on each quarterly dividend payment date.
- (2) In January 2017, we completed the separation of our GoTo business and its subsequent merger with LogMeIn, Inc. For the purpose of this graph, the distribution of LogMeIn common stock to our shareholders in connection with such separation and merger is treated as a non-taxable cash dividend of \$18.59 (equal to the opening price of LogMeIn common stock on February 1, 2017 multiplied by .1718 of a share of LogMeIn common stock). Such amount was deemed reinvested in Citrix common stock at the closing price on February 1, 2017 using the daily dividend reinvestment methodology. Other financial data providers may use different methodologies to adjust for the GoTo separation, which may produce different results.

Executive Compensation Highlights

The following table details the concepts guiding our compensation plan design and how we put them into practice, including actions taken by the Compensation Committee to reflect our compensation plan design and the company's accelerated transformation this past year to a cloud-based subscription business:

Concept	Implementation
Link executive target compensation directly with company performance	<ul style="list-style-type: none"> To provide direct alignment with company performance and key drivers of shareholder value, target compensation⁽¹⁾ for our Named Executive Officers was⁽²⁾: <ul style="list-style-type: none"> 52%, on average, performance-based⁽³⁾ 89%, on average, at risk⁽⁴⁾
Payout opportunity levels for our executive variable cash compensation plan should motivate performance that meets or exceeds our financial plan objectives while mitigating undue exposure to under-performance of these objectives	<ul style="list-style-type: none"> In 2019, each executive officer's variable cash compensation plan award was based 100% on the achievement of financial operating targets consistent with our corporate operating plan Based on 2019 company performance, executive variable cash compensation plan awards for 2019 paid out at 98.3% of the target amount Over the past eleven years, our variable cash compensation plan awards have paid out between 58.8% and 170.9% of target and paid above 100% less than half of the time
Our executives should be incentivized to achieve financial goals that are directly tied to our multi-year business strategy and drivers of growth and value creation for our shareholders	<ul style="list-style-type: none"> At least 60% of annual equity awards to our Chief Executive Officer and at least 50% of annual equity awards to our other Named Executive Officers, other than Jessica Soisson who was not serving as an executive officer during compensation planning, are awarded as performance-based restricted stock units; and for 2019, these annual awards vest based on subscription bookings as a percentage of total product and subscription bookings, which we believe is an indicator of the success of our business transformation over the relevant performance period In addition, in 2020, our Compensation Committee determined to tie the payout of performance-based restricted stock awards to ARR growth to further align executive compensation with what we believe is the best indicator of the overall health and trajectory of our subscription business transition because it captures the pace of our transition and is a forward-looking indicator of top line trends
Our compensation program should be flexible to account for the specific challenges facing the company and the company's strategic initiatives at any given time while also maintaining a long-term focus on shareholder value and creation	<ul style="list-style-type: none"> Each year, the Compensation Committee reviews our variable cash compensation plan and performance-based equity awards granted to executive officers to ensure that they fit our strategic and operational initiatives and reflect feedback we receive from our shareholders

- (1) Includes 2019 base salary and target variable cash compensation, both in effect at the end of 2019, and the grant date fair value of equity compensation granted in 2019. Does not include the performance-based awards granted in February 2019 for retention purposes and that are included in the Summary Compensation Table, Grants of Plan-Based Awards Table and Outstanding Equity Awards at Year End Table as described herein. Such awards were forfeited in January 2020 by the executives. See *Equity-Based Long-Term Incentives* beginning on page 50.
- (2) Calculations exclude Arlen R. Shenkman, who joined Citrix as our Executive Vice President and Chief Financial Officer on September 9, 2019, Jessica Soisson, our former Interim Chief Financial Officer, who served in such role from April 24, 2019 through September 8, 2019, and Andrew H. Del Matto, our former Executive Vice President and Chief Financial Officer whose employment with our company ended on April 26, 2019.
- (3) Performance-based compensation includes target variable cash compensation and the grant date fair value of performance-based restricted stock units granted in 2019, other than the forfeited February 2019 awards. See *Equity-Based Long-Term Incentives* beginning on page 50.
- (4) At risk compensation includes target variable cash compensation and the grant date fair value of equity compensation that was granted in 2019, other than the forfeited February 2019 awards.

See *Individual Executive Compensation Decisions* beginning on page 54 for further details regarding our Named Executive Officers' compensation.

Governance Highlights

The following summary of our governance policies and facts highlights our commitment to governance practices that protect shareholder rights:

✓ Proxy access	✓ Long-standing commitment to corporate responsibility
✓ Annual elections of all directors	✓ Stock ownership guidelines for executive officers and directors
✓ Majority voting for director elections	✓ Policies prohibiting hedging, short selling and pledging of our common stock
✓ Lead independent director	✓ Commitment to Board refreshment and diversity of our Board of Directors
✓ Active shareholder engagement	✓ Independent directors regularly meet without management present
✓ Annual Board self-assessment process	✓ Board oversight of risk management
✓ Executive compensation recovery policy	✓ Annual say-on-pay vote

Shareholder Engagement

Our executives regularly engage with shareholders to better understand their perspectives on a wide range of strategy, business and governance issues. Our Board of Directors and senior management team welcomes and values the views and insights of our shareholders and conducts an annual outreach effort to connect with our larger shareholders in order to ensure open lines of communication.

In 2019, we reached out to our largest shareholders and proxy advisory firms to understand their perspectives and discuss our business strategy, governance, sustainability and executive compensation policies with a goal of using feedback received during these meetings to inform our policies and practices. Over the course of the year, we held meetings with institutional shareholders representing over 32% of Citrix's outstanding common stock as well as proxy advisory firms.

These shareholder meetings covered a wide range of topics, including: our business model transition and strategy; corporate governance practices such as board composition; our diversity and inclusion programs; cybersecurity and data privacy; succession planning; shareholder views regarding equity plan preferences and administration; and other matters of shareholder interest. Peter J. Sacripanti, the Chairperson of our Compensation Committee and a member of our Nominating and Corporate Governance Committee, and David J. Henshall, our President and Chief Executive Officer, participated in the majority of meetings along with other senior executives of the company.

Members of the leadership team, the Chairperson of our Compensation Committee, and other members of our Board of Directors who participate in shareholder engagement meetings regularly discuss shareholder feedback with relevant Board committees and the full Board of Directors. In general, feedback from our shareholders regarding our compensation programs and corporate governance practices has been positive. The Board of Directors carefully considers the feedback from shareholders in assessing and updating our executive compensation and corporate governance profile.

Examples of how this feedback has informed our governance practices are shown below.

What We Heard	How We Responded
Investors shared their feedback on preferences with respect to burn rate, dilution and plan duration and design as well as their desire to see robust disclosure of the company's overall equity compensation philosophy, including the impact of share repurchases and buybacks in prior years	Thoughtfully addressed shareholder feedback when considering and approving the Second Amended and Restated 2014 Equity Incentive Plan, which will continue to permit Citrix to use equity compensation to recruit and retain talent which we believe will continue to accelerate our business transition
Investors wanted to ensure that our executive compensation metrics closely align with long-term shareholder interests and business transition goals	Incorporated an Annualized Recurring Revenue (ARR) metric for our performance-based restricted stock awards in 2020, aligning long-term executive compensation with a key indicator of the overall health and trajectory of our subscription business transition
Investors were interested in understanding the Board of Director's and management's approach to oversight of cybersecurity risk	Enhanced Board oversight of cybersecurity through the Technology, Data and Information Security Committee to oversee policies, plans and programs relating to enterprise cybersecurity and data protection risks
Investors were interested in understanding Citrix's ESG practices and how the Board of Directors exercises oversight of ESG topics including diversity, human capital management and corporate social responsibility	Increasing our focus on ESG initiatives and board-level oversight of our diversity, inclusion and belonging efforts throughout the company by leveraging benchmarking and data to identify focus areas and improvement opportunities. Examples include the expansion of employee resource groups and community programs focused on diversity, inclusion and belonging

We believe it is important to continue to engage with our shareholders on a regular basis to understand their perspectives and to give them a voice in shaping our governance and executive compensation policies and practices. We also consider the shareholder advisory (say-on-pay) vote of our Named Executive Officer compensation when evaluating our compensation program. For more information, see *Evaluation Process* beginning on page 40.

Our Board of Directors

The following table provides summary information about each director and the standing committees on which they currently serve. Each director, other than Jesse A. Cohn, has been nominated for re-election at this Annual Meeting to serve for a one-year term.

Committee Memberships						
Name	Experience	Other Public Company Boards	Audit	Nominating and Corporate Governance	Compensation	Technology, Data and Information Security
Robert M. Calderoni Chairman	Former Executive Chairman, Citrix Former Chairman & CEO, Ariba	3				
Nanci E. Caldwell Lead Independent Director	Former EVP & CMO, PeopleSoft	3		●	●	
Jesse A. Cohn Independent	Partner, Elliott Management	1		●		
Robert D. Daleo Independent	Retired Vice Chairman, EVP & CFO, Thomson Reuters	0	●			●
Murray J. Demo Independent	EVP & CFO, Rubrik	0	●			
Ajei S. Gopal Independent	CEO, ANSYS	1			●	●
David J. Henshall President & CEO	Former EVP, CFO & COO, Citrix	1				
Thomas E. Hogan Independent	Former Chairman & CEO, Kony	0	●			
Moira A. Kilcoyne Independent	Founder, MAK Management Consulting Retired Managing Director/Chief Information Officer, Morgan Stanley	2				●
Peter J. Sacripanti Independent	Chairman Emeritus and Partner, McDermott Will & Emery	1		●	●	
J. Donald Sherman Independent	President & COO, HubSpot	0	●			

● Chair ● Member



Voting Matters

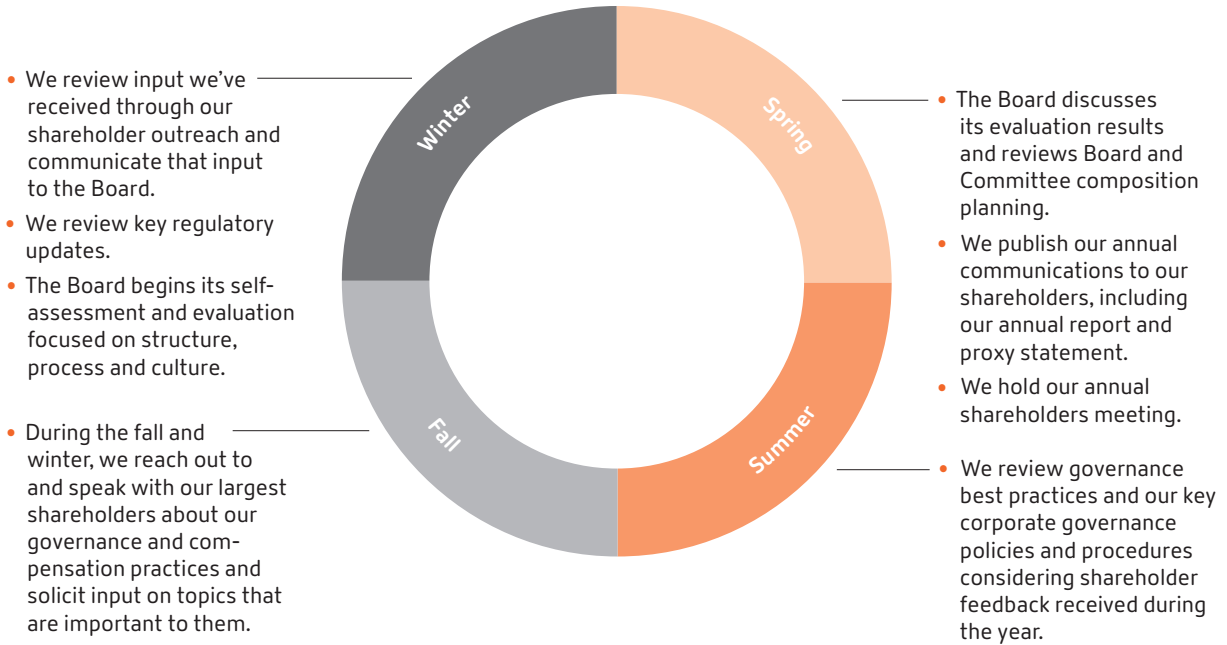
The proposals to be considered at the 2020 Annual Meeting are as follows:

		Board recommendation	See page number for more detail
PROPOSAL 1	Election of Directors	FOR each Nominee	81
PROPOSAL 2	Second Amended and Restated 2014 Equity Incentive Plan	FOR	82
PROPOSAL 3	Ratification of Appointment of Independent Registered Public Accounting Firm for 2020	FOR	95
PROPOSAL 4	Advisory Vote to Approve the Compensation of our Named Executive Officers (Say-on-Pay)	FOR	96

Part 1 Corporate Governance

Corporate Governance Cycle

Our annual corporate governance cycle is shown below:



Independence of Members of Our Board

Our Board of Directors has determined that nine of our directors (Ms. Caldwell, Mr. Cohn, Mr. Daleo, Mr. Demo, Dr. Gopal, Mr. Hogan, Ms. Kilcoyne, Mr. Sacripanti, and Mr. Sherman) are independent within the meaning of the director independence standards of The Nasdaq Stock Market LLC, or Nasdaq, and the Securities and Exchange Commission, or the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. Furthermore, our Board of Directors has determined that each member of each of our regular standing committees of the Board of Directors is independent within the meaning of Nasdaq's and the SEC's director independence standards. In making this determination, our Board of Directors solicited information from each of our directors regarding whether such director, or any member of his or her immediate family, had a direct or indirect material interest in any transactions involving Citrix, was involved in a debt relationship with Citrix or received personal benefits outside the scope of such person's normal compensation. The Board of Directors determined that each of Mr. Calderoni, who served as our Executive Chairman through December 31, 2018 and currently serves as our Chairman but no longer as an employee of the company, and Mr. Henshall, who is currently serving as our President and Chief Executive Officer, is not independent within these definitions.

Board Leadership Structure

Our Corporate Governance Guidelines provide our Board of Directors with flexibility to select the appropriate leadership structure based on the specific needs of our business and the best interests of our shareholders. Our Corporate Governance Guidelines set forth our general policy that the positions of Chairperson of the Board of Directors and Chief Executive Officer will be held by different persons. In certain circumstances, however, our Board of Directors may determine that it is in our best interests for the same person to hold the positions of Chairperson and Chief Executive Officer, or, in the case of Mr. Calderoni's appointment as Executive Chairman in July 2015, for the position of Chairperson to also be an executive role. In such event or if the Chair is otherwise held by a director who is not independent under the applicable Nasdaq and SEC rules, our Corporate Governance Guidelines provide that the Board of Directors will appoint an independent member of our Board of Directors as the Lead Independent Director, who is currently Nanci E. Caldwell. While Mr. Calderoni ceased to be Executive Chairman on

January 1, 2019, he continues as Chairman in a non-employee capacity, and Ms. Caldwell continues in the position of Lead Independent Director. The Chairperson or Lead Independent Director, as the case may be, will preside at executive sessions of the independent directors and will have such further responsibilities as the full Board of Directors may designate from time to time.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held at least four times a year following regularly scheduled in-person meetings of our Board of Directors. Executive sessions do not include Messrs. Calderoni and Henshall, and the Lead Independent Director of our Board of Directors, Ms. Caldwell, is responsible for chairing the executive sessions.

Executive Succession

Executive succession is regularly reviewed and discussed by our Board of Directors in Board meetings and in executive sessions of the Board of Directors. At least one Board meeting each year is focused on human capital, including formal reviews of executive talent, organizational structure and succession planning for the role of Chief Executive Officer and other senior executive roles. In these sessions, among other discussion topics, our Board of Directors reviews the assumptions, processes and strategy for various succession events and reviews potential internal and external successor candidates. The Board of Directors' goal is to have a long-term and continuing program for effective executive development and succession and to be prepared for both short-term unexpected loss of a key leader and permanent transitions.

Considerations Governing Director Nominations

Director Qualifications

The Nominating and Corporate Governance Committee of our Board of Directors is responsible for reviewing with the Board of Directors from time to time the appropriate qualities, skills and characteristics desired of members of the Board of Directors in the context of the needs of the business and in light of the current make-up of our Board of Directors. This assessment includes consideration of the following minimum qualifications that the Nominating and Corporate Governance Committee believes must be met by all directors:



The Nominating and Corporate Governance Committee also may consider numerous other qualities, skills and characteristics when evaluating director nominees, such as:

- an understanding of and experience in software, hardware or services, technology, accounting, governance, finance and/or marketing;
- leadership experience with public companies or other major complex organizations;
- experience on another public company board; and
- the specific needs of our Board of Directors and the committees of our Board of Directors at that time.

Our Board of Directors believes that a diverse membership with varying perspectives and breadth of experience is an important attribute of a well-functioning board and will enhance the quality of our directors' deliberations and decisions. As a result, the Nominating and Corporate Governance Committee will consider the diversity of background and experience of a director nominee (such as diversity of knowledge, skills, experience and expertise) as well as diversity of personal characteristics (such as diversity of gender, race, ethnicity, culture, thought and geography) among its members in the overall context of the composition of the Board of Directors. The Nominating and Corporate Governance Committee and the Board of Directors discuss the composition of our Board of Directors, including diversity of background and experience, as part of the annual Board of Directors evaluation process.

Process for Identifying and Evaluating Director Nominees

Our Board of Directors delegates the director selection and nomination process to the Nominating and Corporate Governance Committee, with the expectation that other members of the Board of Directors, and of management, will be requested to take part in the process as appropriate. Generally, the Nominating and Corporate Governance Committee identifies candidates for director nominees, in consultation with management and the other directors, through the use of search firms or other advisers, through the recommendations submitted by shareholders or through such other methods as the Nominating and Corporate Governance Committee deems to be helpful to identify candidates. Once candidates have been identified, the Nominating and Corporate Governance Committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee gathers information about the candidates through interviews, detailed questionnaires, comprehensive background checks or any other means that the Nominating and Corporate Governance Committee deems to be helpful in the evaluation process. The Nominating and Corporate Governance Committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of our Board of Directors. Based on the results of the evaluation process, the Nominating and Corporate Governance Committee recommends candidates for the Board of Directors' approval as director nominees for election to our Board of Directors. The Nominating and Corporate Governance Committee also recommends candidates to the Board of Directors for appointment to the committees of the Board of Directors. The Chairman of the Board of Directors assists the Nominating and Corporate Governance Committee with Board composition and evolution planning, including review of committee memberships.

Board Evaluation Program

Our Board of Directors undertakes an evaluation process each year. In early 2020, our Board of Directors, with the assistance of an outside adviser, conducted one-on-one interview discussions to assess the Board's performance and how to best serve the interests of our shareholders in the future. These one-on-one interview discussions focused on an assessment of the structure, composition, processes, roles, relationships and culture of our Board of Directors and its committees. The interview discussions also addressed appropriate Board size, committee composition and effectiveness, and the functional, business and organizational skills that may be required of future Board members, executive succession, and perspectives on long-term corporate strategy. The results of the evaluation were shared with the Chairman of the Board of Directors and Lead Independent Director, and discussed in executive session with the full Board of Directors present.

Procedures for Recommendation of Director Nominees by Shareholders

The Nominating and Corporate Governance Committee will consider director nominee candidates who are recommended by our shareholders. Shareholders, in submitting recommendations to the Nominating and Corporate Governance Committee for director nominee candidates, shall follow the procedures described below.

Generally, the Secretary of the company must receive any such recommendation for nomination not later than the close of business on the 120th day, nor earlier than the close of business on the 150th day, prior to the first anniversary of the date the Proxy Statement was sent to shareholders in connection with our preceding year's annual meeting.

All recommendations for nomination must comply with the requirements for shareholder nominations set forth in our Bylaws, including that any such recommendation must be in writing and include the following:

- name and address of the shareholder making the recommendation, as they appear on our books and records, and of such record holder's beneficial owner;
- number of shares of our capital stock that are owned beneficially and held of record by such shareholder and such beneficial owner;
- name of the individual recommended for consideration as a director nominee;
- all other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including the recommended candidate's written consent to being named in the Proxy Statement as a nominee and to serving as a director if approved by our Board of Directors and elected; and
- a written statement from the shareholder making the recommendation stating why such recommended candidate meets Citrix's criteria and would be able to fulfill the duties of a director.

Nominations must be sent to the attention of our Secretary by one of the two methods listed below:

By U.S. mail (including courier or expedited delivery service) to:

Citrix Systems, Inc.
851 West Cypress Creek Road
Fort Lauderdale, FL 33309
Attn: Secretary of Citrix Systems, Inc.

By facsimile to: (954) 337-4607

Attn: Secretary of Citrix Systems, Inc.

Our Secretary will promptly forward any such nominations to the Nominating and Corporate Governance Committee. As a requirement for being considered for nomination to our Board of Directors, a candidate will need to comply with the following minimum procedural requirements:

- a candidate must undergo a comprehensive private investigation background check by a qualified firm of our choosing;
- a candidate must complete a detailed questionnaire regarding his or her experience, background and independence;
- a candidate must submit to the Board of Directors his or her written consent to serve as director if elected; and
- a candidate must submit to our Board of Directors a statement to the effect that (1) if elected, he or she will tender promptly following his or her election an irrevocable resignation effective upon his or her failure to receive the required vote for re-election at the next meeting at which he or she would face re-election, and (2) upon acceptance of his or her resignation by our Board of Directors, in accordance with our Corporate Governance Guidelines, he or she shall resign as a member of the Board of Directors.

Once the Nominating and Corporate Governance Committee receives the nomination of a candidate and the candidate has complied with the minimum procedural requirements above, such candidacy will be evaluated and a recommendation with respect to such candidate will be delivered to our Board of Directors.

Our Bylaws also provide that shareholders satisfying certain requirements, including ownership and holding period requirements with respect to our common stock, may nominate directors for potential inclusion in our Proxy Statement. In general, a shareholder, or a group of up to twenty shareholders, owning three percent or more of our outstanding common stock continuously for at least three years may nominate and include in our proxy materials director nominees constituting up to two individuals, or 20% of the Board of Directors, whichever is greater, provided that the shareholder(s) and the nominee(s) satisfy the requirements specified in our Bylaws. See *Additional Information — Shareholder Proposals* on page 97 for further information.

Policy Governing Director Attendance at Annual Meetings of Shareholders

All directors are offered the opportunity to attend our annual meeting of shareholders at our expense. Other than Mr. Henshall, no members of our Board of Directors attended our annual meeting of shareholders held in June 2019.

Code of Ethics

We have adopted a “code of ethics,” as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, which we refer to as our Code of Business Conduct and which applies to all of our directors and employees worldwide, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of our Code of Business Conduct is available in the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html>.

A copy of our Code of Business Conduct may also be obtained, free of charge, upon a request directed to: Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309, Attention: Investor Relations. We intend to disclose any amendment to or waiver of a provision of our Code of Business Conduct, to the extent required by rules and regulations, that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website, available at <https://www.citrix.com/about/governance.html>. For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <https://www.citrix.com/about/governance.html>.

Risk Oversight

We view risk assessment and oversight as a primary component of our governance and management framework. To that end, our Board of Directors plays an active role in reviewing Citrix’s corporate strategy and priorities, and holds management accountable for creating a culture that actively manages risk.

Our Board of Directors, directly and through committees (as described below and as set forth in the relevant committee charters), is involved in risk oversight through direct decision-making authority with respect to significant matters as well as the ongoing oversight of management. Among other areas, the Board of Directors is directly involved in overseeing risks related to our corporate strategy, including product, go-to-market and sales strategy, executive officer succession, business continuity, crisis preparedness and competitive and reputational risks. In addition, each committee of the Board of Directors oversees certain aspects of risk management and periodically reports and makes recommendations back to the full Board of Directors.

The committees of the Board of Directors execute their oversight responsibility for risk management as follows:

- **The Audit Committee** has responsibility for overseeing our internal financial and accounting controls, work performed by our independent registered public accounting firm and our internal audit function, overseeing our enterprise risk management (ERM) program, and overseeing risks related to our investments, financing activities, capital allocation strategies and insurance programs. As part of its oversight function, the Audit Committee regularly reviews the compliance policies and processes by which our exposure to certain significant areas of risk is assessed and managed. The Audit Committee also regularly discusses with management and our independent registered public accounting firm our major financial and controls-related risk exposures and steps that management has taken to monitor and control such exposures. In addition, under the supervision of the Audit Committee, Citrix established a Helpline available to all employees for the anonymous and confidential submission of complaints relating to any matter to encourage employees to report questionable activities directly to our Audit Committee.

- **The Compensation Committee** is responsible for ensuring that our compensation practices are consistent with our overall philosophy and drive their intended outcomes, overseeing risks related to our cash and equity-based compensation programs and practices, and evaluating whether our compensation plans encourage participants to take excessive risks that are reasonably likely to have a material adverse effect on Citrix. For a detailed discussion of our efforts to manage compensation-related risks, see *Compensation-Related Risk Assessment* below.
- **The Nominating and Corporate Governance Committee** is responsible for overseeing risks related to the composition and structure of our Board of Directors and its committees, our corporate governance, and certain areas of regulatory compliance. In this regard, the Nominating and Corporate Governance Committee conducts an annual evaluation of the Board of Directors and its committees, plans for director and executive officer succession, reviews transactions between Citrix and our officers, directors, affiliates of officers and directors, or other related parties for conflicts of interest, and annually reviews our most significant compliance policies. The Nominating and Corporate Governance Committee also periodically reviews reputational, intellectual property and litigation-related risks with management.
- **The Technology, Data and Information Security Committee**, which was formed in September 2019, is responsible for overseeing information technology policies, plans and programs relating to enterprise cybersecurity and data protection risks, including risks associated with our products, services, and information technology infrastructure. For a detailed discussion of our efforts to manage cybersecurity-related risks, see *Cybersecurity and Data Privacy Risk* below.

Enterprise Risk Management

As described above, the Audit Committee oversees our ERM program. ERM is a company-wide initiative that, with the oversight of the Audit Committee, involves Citrix management, including our Chief Legal Officer and our internal audit function, including our Vice President, Internal Audit in an integrated effort to (1) identify, assess, prioritize and monitor a broad range of risks and (2) formulate and execute plans to monitor and, to the extent possible, mitigate the effect of those risks.

The Audit Committee receives a report concerning our enterprise risk management efforts on a quarterly basis, with a full report out to the Board of Directors annually. These reports are designed to provide visibility to the Audit Committee and Board of Directors about the identification, assessment and management of critical risks and management's risk mitigation strategies. The reports address strategic, operational, financial reporting, succession and compensation, cybersecurity, compliance, reputational, governance and other risks, as appropriate.

Cybersecurity and Data Privacy Risk

In response to the rapidly evolving threat landscape, we took a number of steps during 2019 to continue to evolve and advance our cybersecurity oversight, management and governance programs.

As discussed further under the section titled *Our Board Committees* beginning on page 24, our Board of Directors formed a new Technology, Data and Information Security Committee in September 2019, chaired by Moira A. Kilcoyne, an experienced former Chief Information Officer, to oversee information technology policies, plans and programs relating to enterprise cybersecurity and data protection risks, including risks associated with our products, services, and information technology infrastructure. This committee works in coordination with the Audit Committee to oversee our management of risks related to information technology systems and processes, including privacy, network security and data security, and any audits of such systems and processes.

In addition, in 2019 we expanded a management-level cross-functional internal committee chaired by our Chief Legal Officer that is charged with security governance, coordination and monitoring of cyber risks, potential cyber incidents, and key mitigation initiatives. Also in 2019, we hired a new Chief Information Security Officer to lead our cyber security function, as well as a new Chief Information Officer to lead our Information Technology (IT) organization. Both organizations are evolving to meet our commitments to customers and employees in the current risk environment.

In 2019, we also reorganized several functions to enhance our cyber-risk governance program. Specifically, we consolidated cyber-risk governance, physical security and Internal Audit functions under a newly-formed Legal, Compliance and Audit organization reporting to our Chief Legal Officer. This reorganized function works with the security and IT functions to execute cyber-risk governance initiatives, supported by periodic auditing and testing.

Compensation-Related Risk

We believe that our executive officer and employee compensation plans are appropriately structured so as not to incent excessive risk taking that would be reasonably likely to have a material adverse effect on our business. In particular, the Compensation Committee considered the following aspects of our compensation plans and policies when evaluating these areas:

- Our Board of Directors annually approves a corporate operating plan with goals that it believes are appropriate and reasonable in light of past performance and current market opportunities. Our corporate operating plan is the basis for the performance targets in our annual variable cash compensation plans.
- For our variable cash compensation plans, awards are based on the achievement of at least two objective performance measures, thus diversifying the risk associated with any single indicator of performance.
- For our variable cash compensation plans, we select performance measures that we believe are less susceptible to manipulation (for example, non-GAAP corporate operating margin) than other performance measures that we could select (for example, non-GAAP earnings per share).
- All of our executive and corporate variable cash compensation plans are capped at 200% of payout awards so as to prevent award payments in excess of specific returns to the business and our shareholders, even if we dramatically exceed our performance or financial targets.
- Payouts under our performance-based plans, if target performance metrics are not achieved, result in compensation at levels below full target payout, rather than an “all-or-nothing” approach, which could engender excessive risk taking.
- We implemented a performance-based restricted stock unit program for 2019, which awards our executive officers with restricted stock units based on subscription bookings as a percentage of total product and subscription bookings during the relevant performance period, which we believe is an indicator of the success of our business transformation and a driver of value creation for our shareholders. This program has been capped at 200% of target awards to prevent excessive compensation even if we dramatically outperform our goals.
- Our base salary component of compensation does not encourage risk taking because it is a fixed amount.
- No opportunities for non-qualified deferrals of compensation were offered to our executive officers in 2019, and none will be offered in 2020.
- The Compensation Committee, or in the case of our President and Chief Executive Officer, the entire Board of Directors, determines achievement levels under our variable cash compensation plan and performance-based restricted stock unit awards vesting after reviewing the company’s performance.
- Our executive stock ownership policy requires executives to hold significant levels of stock, which aligns an appropriate portion of their personal wealth to our long-term performance.
- Our executive officers are subject to a formal executive compensation recovery policy, or “clawback” policy, which allows us to recoup from our executive officers excess proceeds from certain incentive compensation received by such executive due to a material restatement of Citrix’s financial results due to an executive officer engaging in an act of embezzlement, fraud, willful misconduct or breach of fiduciary duty.

Corporate Social Responsibility

At Citrix, we are committed to improving the lives of our employees, customers, partners, shareholders, and the communities in which we live and work. We believe that a strong focus on corporate social responsibility and conducting our business in an ethical, transparent and accountable way generates value for all our stakeholders.

Please refer to our Annual Report under the heading *Citrix – Part of the Solution* available at <https://investors.citrix.com/financials/annual-reports>, which describes our commitment to sustainability and corporate social responsibility efforts.

Policy Governing Shareholder Communications with our Board

Our Board of Directors provides to every security holder the ability to communicate with the Board of Directors as a whole and with individual directors on the Board of Directors through an established process for security holder communication as follows:

- For communications directed to our Board of Directors as a whole, security holders may send such communications to the attention of the Chairperson of the Board of Directors by one of the two methods listed below:

By U.S. mail (including courier or expedited delivery service) to:

Citrix Systems, Inc.
851 West Cypress Creek Road
Fort Lauderdale, FL 33309
Attn: Chairperson of the Board of Directors, c/o Secretary

By facsimile to: (954) 337-4607

Attn: Chairperson of the Board of Directors, c/o Secretary

- For security holder communications directed to an individual director in his or her capacity as a member of our Board of Directors, security holders may send such communications to the attention of the individual director by one of the two methods listed below:

By U.S. mail (including courier or expedited delivery service) to:

Citrix Systems, Inc.
851 West Cypress Creek Road
Fort Lauderdale, FL 33309
Attn: Secretary of Citrix Systems, Inc.

By facsimile to: (954) 337-4607

Attn: Secretary of Citrix Systems, Inc.

We will forward any such security holder communication to the Chairperson of the Board of Directors, as a representative of the Board of Directors, or to the director to whom the communication is addressed, on a periodic basis. We will forward such communications by certified U.S. mail to an address specified by each director and the Chairperson of the Board of Directors for such purposes or by secure electronic transmission.

Part 2 Board of Directors

Our Directors

The following table sets forth our current directors, ten of whom are being nominated for re-election at the 2020 Annual Meeting. Our Board of Directors has nominated all directors other than Jesse A. Cohn for re-election to one-year terms at the 2020 Annual Meeting.

The biographical description below for each director includes the specific experience, qualifications, attributes and skills that led to the conclusion by our Board of Directors that such person should serve as a director of Citrix.

Name	Position(s) with Citrix
Robert M. Calderoni	Chairman of the Board of Directors
Nanci E. Caldwell	Lead Independent Director
Jesse A. Cohn	Director
Robert D. Daleo	Director
Murray J. Demo	Director
Ajei S. Gopal	Director
David J. Henshall	Director, President and Chief Executive Officer
Thomas E. Hogan	Director
Moira A. Kilcoyne	Director
Peter J. Sacripanti	Director
J. Donald Sherman	Director

Director Nominees



Robert M. Calderoni

Chairman of Citrix; Former Executive Chairman of Citrix; Former Interim Chief Executive Officer and President of Citrix; Former Chairman and Chief Executive Officer of Ariba, Sunnyvale, CA (Software and IT services company)

Age: 60

Director Since: June 2014

Chairman Since: July 2015

Other Boards: Since 2007, Mr. Calderoni has served on the Board of Directors of KLA-Tencor, a publicly-traded semiconductor equipment company; and since January 2017, he has served on the Board of Directors, and is currently Chairman, of LogMeIn, Inc., a publicly-traded remote access and remote software company. In March 2020, Mr. Calderoni joined the Board of Directors of ANSYS, Inc., a publicly-traded engineering simulation software provider.

Key Director Qualifications: Mr. Calderoni served as Chairman and Chief Executive Officer of Ariba, Inc., a cloud applications and business network company, from October 2001 until it was acquired by SAP, a publicly-traded software and IT services company, in October 2012, and then continued as Chief Executive Officer of Ariba following the acquisition until January 2014. Mr. Calderoni also served as a member of the global managing board at SAP AG between November 2012 and January 2014 and as President SAP Cloud at SAP AG from June 2013 to January 2014. Mr. Calderoni has also held senior finance roles at Apple and IBM and served as Chief Financial Officer of Avery Dennison Corporation. From October 2015 to January 2016, Mr. Calderoni served as the Interim Chief Executive Officer and President of Citrix. Mr. Calderoni served as Executive Chairman of Citrix from July 2015 through December 2018. Mr. Calderoni currently serves as Chairman of the Board of Citrix. Mr. Calderoni previously served on the Board of Directors of Juniper Networks, Inc., a publicly-traded networking company from 2003 to 2019.

The Board believes Mr. Calderoni's qualifications to sit on our Board of Directors include his extensive leadership and business development experience as the leader of a publicly-traded software-as-a-service company and his deep financial, accounting, corporate finance and operations expertise, including business transition situations, gleaned through his experience in managing large-scale global enterprises.



Nanci E. Caldwell

Lead Independent Director, Citrix; former Executive Vice President and Chief Marketing Officer, PeopleSoft, Inc., Pleasanton, CA (Human resources management software company)

Age: 62

Director Since: July 2008

Committees: Compensation, Nominating and Corporate Governance (Chair)

Other Boards: Since December 2015, Ms. Caldwell has served on the Board of Directors of Equinix, Inc., a publicly-traded IT data center company, and on the Board of Directors of Canadian Imperial Bank of Commerce, a publicly-traded financial institution. Since November 2016, Ms. Caldwell has served on the Board of Directors of Donnelley Financial Solutions, Inc., a publicly-traded financial communications and data services company.

Key Director Qualifications: Since 2005, Ms. Caldwell has served as a member of a number of Boards of both public and private technology companies, including Talend SA, a publicly-traded data integration company from 2017 to 2020; Deltek, Inc., a publicly-traded enterprise management software company from 2005 to 2012; Network General, now NetScout Inc., a publicly-traded provider of integrated network performance management solutions from 2005 to 2007; and Hyperion Solutions Corporation, a publicly-traded provider of performance management software acquired by Oracle in 2007, from 2006 to 2007. From April 2001 until it was acquired by Oracle in December 2004, Ms. Caldwell served as Executive Vice President and Chief Marketing Officer for PeopleSoft, Inc., a publicly-traded human resources management software company. In addition, from June 2009 to December 2014, Ms. Caldwell served as a member of the Board of Tibco Software Inc., a publicly-traded business integration and process management software company.

The Board believes Ms. Caldwell's qualifications to sit on our Board of Directors include her extensive experience with technology and software companies in the areas of sales and marketing, and her executive leadership and management expertise with publicly-traded companies.



Jesse A. Cohn

Partner and Head of U.S. Equity Activism, Elliott Management Corporation, New York, NY (Hedge fund manager)

Age: 39

Director Since: July 2015

Committees: Nominating and Corporate Governance

Other Boards: Since April 2020, Mr. Cohn has served on the Board of Directors of Twitter, Inc., a publicly-traded global platform for public self-expression and conversation in real time.

Key Director Qualifications: Mr. Cohn is a partner and head of U.S. equity activism at Elliott Management Corporation, a \$32 billion investment firm. Mr. Cohn joined Elliott in 2004 and manages both public and private investments for the firm. Mr. Cohn also serves on the Board of Directors of several private companies. Mr. Cohn initially joined the Board in connection with our entry into a cooperation agreement with affiliates of Mr. Cohn's employer, Elliott Management.



Robert D. Daleo

Retired Vice Chairman, Thomson Reuters, New York, NY (Integrated information solutions provider)

Age: 70

Director Since: May 2013

Committees: Audit (Chair), Technology, Data and Information Security

Key Director Qualifications: Prior to his retirement in December 2012, Mr. Daleo served as Vice Chairman of Thomson Reuters, a publicly-traded global provider of integrated information solutions to business and professional customers. Mr. Daleo previously served as Executive Vice President and Chief Financial Officer of Thomson Reuters or its predecessors from 1998 through 2011, and was a member of The Thomson Corporation Board from 2001 to April 2008. Prior to joining The Thomson Corporation, he held various financial and operational leadership positions with The McGraw-Hill Companies, Inc., a publicly-traded content and analytics provider, and Automatic Data Processing, Inc., a publicly-traded provider of business outsourcing solutions.

The Board believes Mr. Daleo's qualifications to sit on our Board of Directors include his experience in managing a large-scale global enterprise, extensive financial accounting, corporate finance, operations and business development expertise through his experience as Chief Financial Officer of a large multinational company, as well as his prior board-level experience with Thomson Reuters and Equifax Inc.



Murray J. Demo

Executive Vice President and Chief Financial Officer, Rubrik, Inc., Palo Alto, CA (Cloud data management company)

Age: 58

Director Since: February 2005

Committees: Audit

Key Director Qualifications: Mr. Demo currently serves as Executive Vice President and Chief Financial Officer of Rubrik, Inc., a privately-held cloud data management company. From October 2015 to January 2018, Mr. Demo served as Chief Financial Officer of Atlassian Corporation, a publicly-traded enterprise software company. Previously, Mr. Demo served as Executive Vice President and Chief Financial Officer of Dolby Laboratories, a publicly-traded global leader in entertainment technologies, from May 2009 until June 2012. Mr. Demo has also served as Executive Vice President and Chief Financial Officer of LiveOps, a privately-held virtual call center company, and as Executive Vice President and Chief Financial Officer of Postini, Inc., a security software company, which was acquired by Google in September 2007. Mr. Demo also held various executive-level finance roles at Adobe Systems, including Executive Vice President and Chief Financial Officer. Mr. Demo previously served on the Board of Xoom Corporation, a formerly publicly-traded global online money transfer provider that was acquired by PayPal in November 2015, from May 2012 to November 2015; and from December 2011 to December 2015, Mr. Demo served on the Board of Directors of Atlassian Corporation.

The Board believes Mr. Demo's qualifications to sit on our Board of Directors include his extensive experience with finance and accounting matters for global organizations in the technology industry, including the experience that he has gained in his roles as Chief Financial Officer of publicly-traded companies.



Ajei S. Gopal

President and Chief Executive Officer, ANSYS, Inc., Canonsburg, PA (Engineering simulation software provider)

Age: 58

Director Since: September 2017

Committees: Compensation, Technology, Data and Information Security

Other Boards: Since February 2011, Dr. Gopal has served on the Board of Directors of ANSYS, Inc., a publicly-traded provider of engineering simulation software.

Key Director Qualifications: Since January 2017, Dr. Gopal has served as President and Chief Executive Officer of ANSYS, Inc., a publicly-traded provider of engineering simulation software. Dr. Gopal served as President and Chief Operating Officer of ANSYS from August 2016 through December 2016. Prior to joining ANSYS, Dr. Gopal served as an Operating Partner at Silver Lake Partners, a technology investment equity firm, from April 2013 to August 2016, including a secondment to serve as Interim President and Chief Operating Officer of Symantec Corporation from April 2016 to August 2016. Dr. Gopal has also served as Senior Vice President at Hewlett-Packard Company, a publicly-traded hardware, software and IT services company, from May 2011 to April 2013. Dr. Gopal has also served as Executive Vice President at CA Technologies, a publicly-traded business software company, from July 2006 to May 2011 and as Executive Vice President and Chief Technology Officer at Symantec Corporation, a publicly-traded cybersecurity software and services organization, from September 2004 to July 2006.

The Board believes Dr. Gopal's qualifications to sit on our Board of Directors include his experience in global operations, business growth strategies and investment discipline, as well as product development and innovation in large software and technology companies.



David J. Henshall

President and Chief Executive Officer, Citrix

Age: 51

Director Since: July 2017

Other Boards: Since January 2017, Mr. Henshall has served on the Board of Directors of LogMeIn, Inc., a publicly-traded remote access and remote software company.

Key Director Qualifications: Mr. Henshall has served as our President and Chief Executive Officer and as a member of our Board of Directors since July 2017. Mr. Henshall served as our Executive Vice President and Chief Financial Officer beginning in September 2011 and as our Chief Operating Officer beginning in February 2014. Mr. Henshall was appointed Acting Chief Executive Officer and President from October 2013 to February 2014. From January 2006 to September 2011, Mr. Henshall served as our Senior Vice President and Chief Financial Officer, and from April 2003 to January 2006, he served as our Vice President and Chief Financial Officer.

The Board believes Mr. Henshall's qualifications to sit on our Board of Directors include his decades of experience in the software industry, including his 17 years as an executive at Citrix, and his deep understanding of our historical and current business strategies, objectives, markets and products.



Thomas E. Hogan

Former Chairman and Chief Executive Officer, Kony, Inc., Austin, TX (Digital strategy company)

Age: 60

Director Since: December 2018

Committees: Audit

Key Director Qualifications: From September 2019 through February 2020, Mr. Hogan served as President of North America and a Member of the Executive Committee of Temenos AG, a publicly-traded banking solutions software company. Prior to the acquisition of Kony, Inc., in September 2019 by Temenos, Mr. Hogan served as Chief Executive Officer of Kony, Inc., a privately-held digital strategy company since 2014. He served as Chairman of the Board of Kony, Inc. from 2017 through its acquisition in 2019. Prior to joining Kony, Mr. Hogan served as Senior Vice President of Software at Hewlett Packard, a publicly-traded hardware, software and IT services company, from January 2006 to November 2009 and as Executive Vice President of Sales, Marketing, and Strategy from November 2009 to March 2011. Mr. Hogan has also served as President and Chief Executive Officer of Vignette, a publicly-traded enterprise content management company, from 2002 to 2006 and as Senior Vice President of Global Sales and Operations at Siebel Software, a publicly-traded customer relationship management application software company from January 1999 to January 2001. Mr. Hogan began his career at IBM in January 1982, where he held a variety of executive positions.

The Board believes Mr. Hogan's qualifications to sit on our Board of Directors include his decades of executive and operational experience with technology and software companies.



Moira A. Kilcoyne

Founder MAK Management Consulting, New York, NY (Private strategic management consulting company) and Retired Managing Director/Chief Information Officer, Morgan Stanley, New York, NY (American multinational investment bank and financial services company)

Age: 58

Director Since: June 2018

Committees: Technology, Data and Information Security (Chair)

Other Boards: Since December 2016, Ms. Kilcoyne has served on the Board of Directors of Quilter plc, a publicly-traded advice, investments and wealth management provider. Since November 2019, Ms. Kilcoyne has served on the Board of Directors of Arch Capital Group Ltd., a publicly-traded insurance, reinsurance and mortgage insurance writer.

Key Director Qualifications: Ms. Kilcoyne held various senior management roles at Morgan Stanley between 1989 and 2016, including most recently serving as Global Co-Chief Information Officer and Managing Director and Co-Head of Global Technology and Data from 2013 until 2016, and as the Chief Information Officer of Brokerage Venture, Wealth and Investment Management and as a Managing Director from 2010 until 2013. During 2007, Ms. Kilcoyne served as Managing Director and Head of Corporate Systems at Merrill Lynch before returning to Morgan Stanley. Ms. Kilcoyne began her career at IBM, where she served in multiple technical roles before moving on to Morgan Stanley.

The Board believes Ms. Kilcoyne's qualifications to sit on our Board of Directors include her extensive global technology and operations experience, especially related to the financial industry.



Peter J. Sacripanti

Chairman Emeritus and Partner, McDermott Will & Emery, New York, NY (International law firm)

Age: 64

Director Since: December 2015

Committees: Compensation (Chair), Nominating and Corporate Governance

Other Boards: Since January 2017, Mr. Sacripanti has served on the Board of Directors of LogMeIn, Inc., a publicly-traded remote access and remote software company.

Key Director Qualifications: Since 1996, Mr. Sacripanti has served as a Partner at McDermott Will & Emery, an international law firm with 2,000 full-time employees in North America, Europe and Asia. In this position, he represents and defends major corporations and industry groups, including Fortune 500 companies. From 2009 to 2016, Mr. Sacripanti served as co-chairman of the firm's Executive Committee.

The Board believes Mr. Sacripanti's qualifications to sit on our Board of Directors include his management of an international business organization and his years of experience representing large corporations on a variety of legal matters.



J. Donald Sherman

President and Chief Operating Officer, HubSpot, Inc., Cambridge, MA (Developer and marketer of software products for inbound marketing and sales)

Age: 54

Director Since: March 2020

Committees: Audit

Key Director Qualifications: Since March 2014, Mr. Sherman has served as President and Chief Operating Officer of HubSpot, Inc., a publicly-traded developer and marketer of software products for inbound marketing and sales. Mr. Sherman has served as Chief Operating Officer of HubSpot, Inc. since March 2012. Prior to joining HubSpot, Mr. Sherman served as Chief Financial Officer of Akamai Technologies, a publicly-traded intelligent edge platform for securing and delivering digital experiences from 2005 to 2012. From 1990 to 2005, Mr. Sherman served in various positions at IBM including as Vice President of Financial Planning and Assistant Controller of Corporate Financial Strategy and Budgets. Mr. Sherman previously served on the Board of Fiserv, Inc., a publicly-traded global provider of financial services technology from November 2015 to August 2019.

The Board believes Mr. Sherman's qualifications to sit on our Board of Directors include his extensive experience with finance and operational matters for global organizations in the technology industry, including the experience that he has gained in his roles as Chief Operating Officer and Chief Financial Officer of publicly-traded companies.

Meetings and Meeting Attendance

Our Board of Directors met seventeen times during the year ended December 31, 2019. Each of the directors attended at least 75% of the aggregate of the total number of meetings of our Board of Directors and the total number of meetings of all committees of our Board of Directors on which he or she served during fiscal 2019.

Our Board Committees

Our Board of Directors has standing Audit, Compensation, Nominating and Corporate Governance, and Technology, Data and Information Security Committees. Each of the Audit, Compensation, Nominating and Corporate Governance, and Technology, Data and Information Security Committees has a written charter that has been approved by the Board of Directors. Each committee reviews the appropriateness of its charter at least annually. The table below provides current membership for each standing Board committee.

Name	Audit	Compensation	Nominating and Corporate Governance	Technology, Data and Information Security
Robert M. Calderoni				
Nanci E. Caldwell		●	●	
Jesse A. Cohn			●	
Robert D. Daleo	●			●
Murray J. Demo	●			
Ajei S. Gopal		●		●
David J. Henshall				
Thomas E. Hogan	●			
Moira A. Kilcoyne				●
Peter J. Sacripanti		●	●	
J. Donald Sherman	●			

● Chair ● Member

From time to time, our Board of Directors may form committees in addition to our standing committees.

Audit Committee

Our Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by Nasdaq and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. In addition, our Board of Directors has determined that each member of the Audit Committee is financially literate and that Messrs. Daleo, Demo and Sherman each qualify as an "audit committee financial expert" under the rules of the SEC. The Audit Committee met nine times during the year ended December 31, 2019. The Audit Committee operates under a written charter adopted by our Board of Directors, a current copy of which is available in the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html>.

As described more fully in its charter, the Audit Committee oversees our accounting and financial reporting processes, internal controls and audit functions. In fulfilling its role, the Audit Committee:

- reviews the financial reports and related disclosure provided by us to the SEC, our shareholders or the general public;
- reviews our internal financial and accounting controls;
- oversees the appointment, compensation, retention and work performed by any independent registered public accounting firms we engage;
- oversees procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations;
- oversees our internal audit function;
- serves as the Qualified Legal Compliance Committee of Citrix in accordance with Section 307 of the Sarbanes-Oxley Act of 2002, and the related rules and regulations promulgated by the SEC;
- recommends, establishes and monitors procedures designed to facilitate (1) the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing matters, and (2) the receipt of confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;
- advises the Board of Directors on matters relating to our investment policies, financing activities and worldwide insurance program;
- engages advisers as necessary; and
- determines the funding from us that is necessary or appropriate to carry out the Audit Committee's duties.

Compensation Committee

Our Board of Directors has determined that each of the members of the Compensation Committee is independent as defined by the Nasdaq rules. In addition, each member of the Compensation Committee is a "non-employee" director as defined under Section 16 of the Securities Exchange Act of 1934, as amended. The Compensation Committee met ten times during the year ended December 31, 2019. The Compensation Committee operates under a written charter adopted by our Board of Directors, a current copy of which is available in the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html>.

As described more fully in its charter, the Compensation Committee is responsible for determining and making recommendations with respect to all forms of compensation to be granted to our executive officers and preparing an annual report on executive compensation for inclusion in the Proxy Statement for our annual meeting of shareholders in accordance with applicable rules and regulations.

In fulfilling its role, the Compensation Committee also:

- reviews and makes recommendations to our management on company-wide compensation programs and practices;
- approves the salary, variable cash compensation, equity-based and other compensation arrangements of our executive officers reporting directly to our President and Chief Executive Officer;
- recommends, subject to approval by the entire Board of Directors, the salary, variable cash compensation, equity-based and other compensation arrangements of our President and Chief Executive Officer;
- selects a peer group to conduct a competitive analysis of the compensation paid to our executive officers and considers the composition of such peer group on an annual basis;
- appoints, retains, compensates, terminates and oversees the work of any independent experts, consultants and other advisers, reviews and approves the fees and retention terms for such experts, consultants and other advisers and considers at least annually the independence of such consultants;
- considers the independence of and potential conflicts of interests with compensation consultants, legal counsel or other advisers, including based on factors required to be considered by the SEC or Nasdaq;

- evaluates director compensation and recommends to the full Board of Directors appropriate levels of director compensation;
- establishes policies and procedures for the grant of equity-based awards and periodically reviews our equity award grant policy;
- recommends, subject to approval by the entire Board of Directors, any equity-based plans and any material amendments to those plans;
- evaluates whether our compensation plans encourage participants to take excessive risks that are reasonably likely to have a material adverse effect on Citrix;
- evaluates our compensation philosophy and reviews actual compensation for consistency with our compensation philosophy;
- reviews and recommends for inclusion in our annual Proxy Statement the Compensation Discussion and Analysis section; and
- reviews and evaluates, on a periodic basis, our stock ownership guidelines for directors and executive officers and recommends any modifications to such guidelines to the Board of Directors for its approval.

The Compensation Committee has the authority to engage its own outside advisers, including experts in particular areas of compensation, as it determines appropriate, apart from counsel or advisers hired by management. In December 2016, the Compensation Committee retained Frederic W. Cook & Co., Inc., which we refer to as FW Cook, as its independent compensation consultant to assist the Compensation Committee in evaluating the compensation of our executive officers and directors and continued to work with FW Cook through June 2019. In July 2019, the Compensation Committee retained Semler Brossy Consulting Group, LLC, which we refer to as Semler Brossy, as its independent compensation consultant.

Our Corporate Governance Guidelines and the charter of the Compensation Committee provide that any independent compensation consultant, such as Semler Brossy, engaged by the Compensation Committee works for the Compensation Committee, not our management, with respect to executive officer and director compensation matters. Please read the *Compensation Discussion and Analysis* included in this Proxy Statement for additional information on the role of FW Cook and Semler Brossy in the compensation review process for 2019.

Nominating and Corporate Governance Committee

Our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee meets the independence requirements promulgated by Nasdaq. The Nominating and Corporate Governance Committee met three times during the year ended December 31, 2019. The Nominating and Corporate Governance Committee operates under a written charter adopted by our Board of Directors, a current copy of which is available at the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html>.

As described more fully in its charter, the Nominating and Corporate Governance Committee:

- reviews and makes recommendations to our Board of Directors regarding the Board's composition and structure;
- establishes criteria for membership on the Board of Directors and evaluates corporate policies relating to the recruitment of members of the Board of Directors;
- recommends to our Board of Directors the nominees for election or re-election as directors at our annual meeting of shareholders;
- reviews policies and procedures with respect to transactions between Citrix and our officers, directors, affiliates of officers and directors, or other related parties; and
- establishes, implements and monitors policies and processes regarding principles of corporate governance in order to assist the Board of Directors in complying with its fiduciary duties to us and our shareholders. As described above in the section entitled *Procedures for Recommendation of Director Nominees by Shareholders*, the Nominating and Corporate Governance Committee will consider nominees recommended by shareholders.

Technology, Data and Information Security Committee

In September 2019, our Board of Directors formed the Technology, Data and Information Security Committee. The Technology, Data and Information Security Committee met two times during the year ended December 31, 2019. The Technology, Data and Information Security Committee operates under a written charter adopted by our Board of Directors, a current copy of which is available at the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html>.

As described more fully in its charter, the Technology, Data and Information Security Committee:

- oversees and assesses the quality and effectiveness of our cybersecurity team, technology, policies and procedures protecting our information technology systems, data, products and services across all business functions;
- oversees and reviews periodically our controls to prevent, detect and respond to cyber-attacks or data breaches involving our information technology systems, data, products and services, taking into account the potential for external and internal threats to the company and its customers, partners, vendors and employees;
- reviews and approves our incident response plans, policies and frameworks, including policies for the escalation and reporting of significant security incidents to our Board of Directors, regulatory agencies and law enforcement, as appropriate;
- oversees our compliance with global data privacy and security regulations and requirements applicable to the data we receive, collect, create, use, process and maintain (including personal information and information regarding customers, partners and vendors) and assesses the effectiveness of the systems, controls and procedures used to ensure compliance with applicable global data privacy and security regulations and requirements;
- reviews with management our business continuity and disaster recovery capabilities, our business continuity and disaster recovery plans, policies and frameworks;
- in coordination with the Audit Committee, oversees the company's management of risks related to its information technology systems and processes, including privacy, network security and data security, and any audits of such systems and processes;
- reviews our strategies and operational plans relating to the development, deployment, integration and servicing of products, services, applications and systems (including policies, procedures and controls related thereto) to identify and mitigate data security and privacy risks in such strategies and programs;
- oversees the company's funding and resourcing of its information technology and security functions; and
- monitors and discusses, with management, emerging security, data protection and privacy trends in the technology landscape.

Cybersecurity Committee

In March 2019, our Board of Directors formed a Cybersecurity Committee to oversee management's investigation of and response to the cyber incident we disclosed on March 8, 2019. The Cybersecurity Committee consisted of Ms. Kilcoyne (Chair) and Messrs. Daleo and Calderoni, each of whom served on the Cybersecurity Committee from its formation until its dissolution in September 2019. The Cybersecurity Committee met eleven times during the year ended December 31, 2019.

In fulfilling its role, the Cybersecurity Committee:

- oversaw management's investigation of and response to the cyber incident we disclosed on March 8, 2019, including the investigation and remediation of any vulnerabilities identified as part of management's investigation; and
- oversaw management's work to implement policies, procedures, IT systems and other technical measures to improve the quality of, reliability of and security of the company's systems and networks.

The Cybersecurity Committee was supported by external forensic experts, legal counsel, and strategic communications advisers.

The Cybersecurity Committee was disbanded in September 2019 following formation of the Technology, Data and Information Security Committee.

Director Compensation

Non-employee Director Cash Compensation

It is our policy that any employee directors do not receive cash or equity compensation for their service as members of our Board of Directors.

The Compensation Committee, with assistance from its independent compensation consultant, FW Cook through June 2019 and Semler Brossy as of July 2019, oversees director compensation and reviews the appropriateness of our non-employee directors' compensation on a regular basis. Most recently, in December 2019, Semler Brossy prepared a comprehensive benchmarking of our non-employee director cash compensation program against the compensation programs offered by our peer companies and reviewed this benchmarking in detail with the Compensation Committee.

Under our non-employee director cash compensation program, non-employee members of our Board of Directors receive retainer fees, which are paid in cash in semi-annual installments (pro-rated if a director joins mid-year). Each non-employee director was entitled to receive the retainers detailed in the tables below (provided that committee Chairpersons were only entitled to receive a retainer as committee chair and were not entitled to the non-chair membership retainer for the committee(s) he or she chairs). In addition, non-employee directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or any of its committees that are conducted in person. In January 2020, after review and discussion of the updated benchmarking of our non-employee director cash compensation program by the Compensation Committee's independent compensation consultant and the amount of work required by such applicable committee members, our Compensation Committee approved, effective January 1, 2020, an increase in the annual retainer to be paid to each director from \$60,000 to \$70,000, an increase in the annual retainer to be paid to the Chairperson of the Technology, Data and Information Security Committee from \$32,500 to \$42,500 and an increase in the annual retainer to be paid to each member of the Technology, Data and Information Security Committee from \$15,000 to \$17,500.

The following table summarizes our 2019 non-employee director cash compensation program:

Board Retainers

Compensation Element	2019 Annual Cash Compensation
Annual Board Member Retainer	\$60,000(1)
Annual Retainer for Chairman of the Board	\$100,000 (in addition to Annual Board Member Retainer)
Annual Retainer for Lead Independent Director	\$40,000 (in addition to Annual Board Member Retainer)

Committee Retainers

Committee	2019 Cash Compensation	
	Chair	Member
Audit Committee	Annual: \$42,500	Annual: \$17,500
Compensation Committee	Annual: \$32,500	Annual: \$15,000
Nominating and Corporate Governance Committee	Annual: \$25,000	Annual: \$10,000
Technology, Data and Information Security Committee(2)	Annual: \$32,500(3)	Annual: \$15,000(4)
Cybersecurity Committee(5)	One-time: \$30,000 Monthly: \$15,000	One-time: \$15,000 Monthly: \$7,500

- (1) Annual retainer for board members was increased to \$70,000 effective January 1, 2020.
- (2) The Technology, Data and Information Security Committee was formed in September 2019.
- (3) Annual retainer for the Chairperson of the Technology, Data and Information Security Committee was increased to \$42,500, effective January 1, 2020.
- (4) Annual retainer for members of the Technology, Data and Information Security Committee was increased to \$17,500, effective January 1, 2020.
- (5) The Cybersecurity Committee was formed in March 2019 and was disbanded in September 2019 following formation of the Technology, Data and Information Security Committee.

In connection with *ad hoc* committees that may be formed from time to time, committee fees, if any, are determined by the Board of Directors upon the recommendation of the Compensation Committee with advice from its independent compensation consultant.

Non-employee Director Equity-based Compensation

Equity Awards to our Non-employee Directors

The Compensation Committee, with assistance from its independent compensation consultant, reviews the appropriateness of equity awards granted to our non-employee directors under the company's Amended and Restated 2014 Equity Incentive Plan (as amended), which we refer to as the Amended and Restated 2014 Plan, on a regular basis. In December 2019, Semler Brossy prepared a comprehensive benchmarking of our non-employee director equity awards against the equity awards offered by our peer companies and reviewed this benchmarking in detail with the Compensation Committee.

For 2019, each non-employee director was eligible to receive an annual grant on the first business day of the month following our annual shareholders' meeting consisting of restricted stock units valued at \$250,000 that vest in equal monthly installments over a one-year period, which we refer to as an annual vesting period. The number of restricted stock units issued is calculated based on the closing price per share as reported by Nasdaq of our common stock on the date of grant. During 2019, newly appointed directors (i.e., directors appointed prior to the annual shareholders' meeting) were entitled to a pro-rated annual grant upon election to the Board of Directors. Such grant is an award valued at \$250,000 and pro-rated based on the director's date of appointment and the current annual vesting period. Such pro-rated grant vests monthly over the remaining portion of the current annual vesting period.

In January 2020, upon further benchmarking by the Compensation Committee's independent compensation consultant, and the Compensation Committee's recommendation, the Board of Directors approved that, for annual grants made on or after January 1, 2020, rather than vesting on a monthly basis, each annual grant will vest annually on the earlier of the first anniversary of the award date or the day immediately prior to the company's next regular meeting of shareholders following the award date and each newly appointed director's pro-rated grant will vest at the conclusion of the current annual vesting period.

Outside Directors' Deferred Compensation Program for Non-Employee Directors

We offer our non-employee directors an outside directors' deferred compensation program to defer restricted stock units awarded to them under the Amended and Restated 2014 Plan and cash compensation. In advance of payment of cash compensation or a restricted stock unit award and in compliance with the program's requirements, a non-employee director may elect to defer the receipt of all of his or her cash compensation and/or restricted stock units until ninety days after such director's separation from service from us or upon a change in control. Deferred cash compensation is converted into a number of deferred stock units on the date that the cash compensation would otherwise be paid and upon the vesting of deferred awards of restricted stock units, any amounts that would otherwise have been paid in shares of common stock are converted to deferred stock units on a one-to-one basis. In each case, the deferred stock units are credited to the director's deferred account.

Matching Gifts Program

Our non-employee directors are eligible to participate in the company's charitable matching gifts program pursuant to which we match donations made to qualifying tax-exempt 501(c)(3) charitable and non-governmental organizations on a one-for-one basis. We match up to \$15,000 USD per year for executives and non-employee directors under this program.

Director Stock Ownership Guidelines

To further align the interests of members of our Board of Directors with our shareholders, our Board of Directors adopted stock ownership guidelines for our non-employee directors. Pursuant to these guidelines, each non-employee director is required to own shares of our common stock (which includes vested but deferred restricted stock units) equal in value to at least five times the Board member annual cash retainer. New directors are expected to meet the standards set forth in the guidelines within five years after the date of his or her election to our Board of Directors. Shares owned by directors are valued at the current market value.

Director Compensation Limits

The Amended and Restated 2014 Plan and our proposed Second Amended and Restated 2014 Equity Incentive Plan, if approved by our shareholders, provides for a limitation of \$795,000 with respect to the value of the annual equity compensation grant that may be awarded to any non-employee director and a limitation of \$500,000 with respect to the value of any annual cash compensation that may be paid to any non-employee director.

The following table sets forth a summary of the compensation earned by, or paid to, our non-employee directors in 2019:

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2019

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) (1)(2)(3)	All Other Compensation (\$) (4)	Total (\$)
Robert M. Calderoni	227,500	249,984	40,237	517,721
Nanci E. Caldwell	140,000	249,984	60,660	450,644
Jesse A. Cohn	70,000(5)	249,984	35,060	355,044
Robert D. Daleo	173,750(6)	249,984	69,368	493,102
Murray J. Demo	77,500	249,984	1,604	329,088
Ajei S. Gopal	78,750	249,984	14,281	343,015
Thomas E. Hogan	77,500	390,318(7)	1,615	469,433
Moira A. Kilcoyne	220,625	249,984	1,604	472,213
Peter J. Sacripanti	102,500	249,984	33,249	385,733
J. Donald Sherman(8)	—	—	—	—

- (1) These amounts represent the aggregate grant date fair value of the stock awards in the year in which the grant was made. The assumptions we used for calculating the grant date fair value are set forth in Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 14, 2020. These amounts do not represent the actual amounts paid to or realized by our directors for these awards during fiscal year 2019.
- (2) Consists solely of restricted stock units. During 2019, each continuing non-employee director was entitled to an annual grant consisting of a number of restricted stock units equaling \$250,000 in value vesting in equal monthly installments over a 12 month period. Pursuant to our outside directors' deferred compensation program for non-employee directors, each of Messrs. Cohn and Daleo, and Dr. Gopal elected to defer settlement of his 2019 annual restricted stock unit award. Please see the discussion above under the heading *Outside Directors' Deferred Compensation Program for Non-Employee Directors* for additional details on our deferral program.
- (3) As of December 31, 2019, our non-employee directors held the following number of unvested restricted stock units: Mr. Calderoni, 1,491.326 restricted stock units; Ms. Caldwell, 1,491.326 restricted stock units; Mr. Cohn, 1,491.028 restricted stock units; Mr. Daleo, 1,491.028 restricted stock units; Mr. Demo, 1,491.326 restricted stock units; Dr. Gopal, 3,697.650 restricted stock units; Mr. Hogan, 1,491.326 restricted stock units; Ms. Kilcoyne, 1,491.326 restricted stock units; and Mr. Sacripanti, 1,491.326 restricted stock units. As of December 31, 2019, our non-employee directors held the following number of vested deferred restricted stock units: Mr. Calderoni, 17,271.461 restricted stock units; Ms. Caldwell, 31,736.068 restricted stock units; Mr. Cohn, 25,431.482 restricted stock units; Mr. Daleo, 39,652.955 restricted stock units; Dr. Gopal, 8,077.494 restricted stock units; and Mr. Sacripanti, 11,990.424 restricted stock units.
- (4) Reflects the value of restricted stock units issued as a result of the quarterly dividends paid on March 22, 2019, June 21, 2019, September 20, 2019 and December 20, 2019 (\$25,237 for Mr. Calderoni; \$45,660 for Ms. Caldwell; \$35,060 for Mr. Cohn; \$54,368 for Mr. Daleo; \$1,604 for Mr. Demo; \$14,281 for Dr. Gopal; \$1,615 for Mr. Hogan; \$1,604 for Ms. Kilcoyne; and \$18,249 for Mr. Sacripanti) and the company's 2019 matching charitable donations made under our matching charitable gift program that is available to our employees, executives and directors (\$15,000 for Mr. Calderoni, \$15,000 for Ms. Caldwell; \$15,000 for Mr. Daleo; and \$15,000 for Mr. Sacripanti).
- (5) Pursuant to our outside directors' deferred compensation program for non-employee directors, Mr. Cohn elected to defer his cash fees in 2019. Mr. Cohn received 671 deferred stock units based on fees of \$70,000 foregone, with no matching or premium given in calculating the number of stock units awarded and an amount of \$128.65 is held in a deferred cash account in lieu of fractional shares.
- (6) Pursuant to our outside directors' deferred compensation program for non-employee directors, Mr. Daleo elected to defer his cash fees in 2019. Mr. Daleo received 1,678 deferred stock units based on fees of \$173,750 foregone, with no matching or premium given in calculating the number of stock units awarded and an amount of \$164.60 is held in a deferred cash account in lieu of fractional shares.
- (7) Mr. Hogan was elected to the Board on December 10, 2018. He did not receive an equity grant in 2018. In connection with his appointment, on January 2, 2019, Mr. Hogan received a pro-rated annual grant of restricted stock units valued at \$140,334. Mr. Hogan also received an annual grant on July 1, 2019.
- (8) Mr. Sherman was elected to the Board on March 4, 2020.

Part 3 Executive Management

Our Leadership Team

The following table sets forth our executive officers and the positions currently held by each such person with Citrix. The biographical descriptions below outline the relevant experience, qualifications, attributes and skills of each executive officer.

Name	Position
David J. Henshall	President, Chief Executive Officer and Director
Arlen R. Shenkman	Executive Vice President and Chief Financial Officer
Mark J. Ferrer	Executive Vice President and Chief Revenue Officer
Antonio G. Gomes	Executive Vice President, Chief Legal Officer and Secretary
Paul J. Hough	Executive Vice President and Chief Product Officer
Donna N. Kimmel	Executive Vice President and Chief People Officer
Timothy A. Minahan	Executive Vice President, Business Strategy and Chief Marketing Officer
Mark J. Schmitz	Executive Vice President and Chief Operating Officer
Jeroen M. van Rotterdam	Executive Vice President of Engineering



David J. Henshall

Age: 51

Mr. Henshall has served as our President and Chief Executive Officer and as a member of our Board of Directors since July 2017. Mr. Henshall served as our Executive Vice President and Chief Financial Officer from September 2011 until July 2017 and as our Chief Operating Officer from February 2014 until July 2017. Mr. Henshall was appointed Acting Chief Executive Officer and President from October 2013 to February 2014. From January 2006 to September 2011, Mr. Henshall served as our Senior Vice President and Chief Financial Officer, and from April 2003 to January 2006, he served as our Vice President and Chief Financial Officer.



Arlen R. Shenkman

Age: 49

Mr. Shenkman has served as our Executive Vice President and Chief Financial Officer since September 2019. Prior to joining Citrix, Mr. Shenkman served as Executive Vice President and Global Head of Business Development and Ecosystems of SAP from May 2017 to August 2019, where he was responsible for driving business development by building new ecosystems, fostering strategic partnerships, incubating new business models, and overseeing investments and mergers and acquisitions. Prior to that role from January 2015 to May 2017, Mr. Shenkman served as Chief Financial Officer of SAP North America, SAP's largest business unit, responsible for all finance functions in North America, including forecasting and planning, identifying efficiencies, and ensuring the region's overall financial health. Mr. Shenkman previously served as SAP's Global Head of Corporate Development from January 2012 to January 2015 and was a principal architect of SAP's rapid transformation into a cloud company.



Mark J. Ferrer**Age: 60**

Mr. Ferrer has served as our Executive Vice President and Chief Revenue Officer since October 2017. Prior to joining Citrix, Mr. Ferrer served as Chief Operating Officer and Executive Vice President of Global Customer Operations of SAP from August 2011 to September 2017, where he led the go-to market and customer engagement initiatives for one of the largest sales forces in the technology industry.



Antonio G. Gomes**Age: 54**

Mr. Gomes has served as our Executive Vice President, Chief Legal Officer and Secretary since October 2019. Mr. Gomes served as our Executive Vice President, General Counsel, Secretary and Chief Legal Compliance Officer from April 2015 to September 2019, and as our Vice President and Deputy General Counsel, Secretary and Chief Legal Compliance Officer from February 2008 to March 2015. Prior to joining Citrix, Mr. Gomes was a Partner in the corporate practice of Goodwin Procter LLP, an international law firm, from February 2005 to January 2008.



Paul J. Hough**Age: 55**

Mr. Hough has served as our Executive Vice President and Chief Product Officer since October 2016. Prior to joining Citrix, Mr. Hough served as Corporate Vice President, Developer Division at Microsoft from September 2012 to August 2015. Prior to that, Mr. Hough served in a variety of roles in the Microsoft Office Division driving vision and execution for the program management of Office suite culminating with the introduction of Office365. Mr. Hough holds 11 patents.



Donna N. Kimmel**Age: 57**

Ms. Kimmel has served as our Executive Vice President and Chief People Officer since November 2015. Prior to joining Citrix, Ms. Kimmel served as Senior Vice President, Human Resources at GTECH and IGT from February 2014 to November 2015. Prior to that, Ms. Kimmel served as Senior Vice President and Chief Human Resources Officer of Sensata Technologies, a private-to-public spinoff from Texas Instruments from April 2006 to December 2012.



Timothy A. Minahan**Age: 50**

Mr. Minahan has served as our Executive Vice President, Business Strategy and Chief Marketing Officer since July 2017. Mr. Minahan served as our Senior Vice President and Chief Marketing Officer from November 2015 to July 2017. Prior to joining Citrix, Mr. Minahan served as Senior Vice President and Chief Marketing Officer of SAP from June 2013 to July 2015, where he led their effort to transition to the cloud.

**Mark J. Schmitz**

Age: 45

Mr. Schmitz has served as our Executive Vice President and Chief Operating Officer since July 2019. Mr. Schmitz served as our Senior Vice President of Business Operations from September 2016 to July 2019. Prior to joining Citrix, from January 2015 to September 2016, Mr. Schmitz served as Chief Operating Officer for SAP SuccessFactors, and from January 2014 to January 2015, Mr. Schmitz served as Chief Operating Officer, SAP Cloud, where he led business operations and was responsible for the deployment of SAP's cloud vision. From October 2012 to December 2013, Mr. Schmitz served as Senior Vice President and Chief Operating Officer, SAP Ariba.

**Jeroen M. van Rotterdam**

Age: 55

Mr. van Rotterdam has served as Executive Vice President of Engineering since September 2016. Prior to joining Citrix, Mr. van Rotterdam served as Chief Technology Officer, Vice President and Distinguished Engineer for DELL EMC's Enterprise Content Division from July 2007 to September 2016. Mr. van Rotterdam is the (co)author of 50+ patents in various stages with the US Patent Office.

Our executive officers are appointed by the Board of Directors on an annual basis.

Part 4 Executive Compensation

Compensation Discussion and Analysis

Purpose of Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides comprehensive information about the 2019 compensation for the following executive officers (who we refer to as our Named Executive Officers):

- David J. Henshall, President and Chief Executive Officer
- Arlen R. Shenkman, Executive Vice President and Chief Financial Officer, who joined Citrix on September 9, 2019
- Andrew H. Del Matto, former Executive Vice President and Chief Financial Officer. As announced on April 24, 2019, Mr. Del Matto's employment with Citrix ended on April 26, 2019
- Jessica Soisson, our Vice President, Corporate Controller and Chief Accounting Officer, who served as Interim Chief Financial Officer from April 24, 2019 through September 8, 2019
- Mark J. Ferrer, Executive Vice President and Chief Revenue Officer
- Antonio G. Gomes, Executive Vice President, Chief Legal Officer and Secretary
- Paul J. Hough, Executive Vice President and Chief Product Officer

NAVIGATING THE COMPENSATION DISCUSSION AND ANALYSIS

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2019 Highlights

Accelerating our Transformation

Citrix is an enterprise software company focused on helping customers improve the productivity and user experience of their most valuable assets, their employees. We do this by creating a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive—anytime, anywhere, on any device. Our Networking solutions, which can be consumed via hardware or software, complement our Workspace solutions by delivering the applications and data employees need across any network with security, reliability and speed.

As our customers manage the complexity created by the proliferation of Software-as-a-Service (SaaS)-based applications and the emergence of hybrid multi-cloud environments, our solutions are designed to provide end-users with the simplicity of a common user experience while ensuring IT administrators are able to deliver applications and data with the security and controls necessary to protect the enterprise and its customers.

As an organization, we continue to accelerate our transformation, evolving our business in three primary ways:

- On-Premise to Cloud: As the share of applications and data continues to move rapidly from on-premise data centers to the cloud, our product development and engineering resources have increasingly focused on delivering cloud-based solutions;
- Perpetual to Subscription: Our business model is shifting away from selling perpetual licenses towards subscription, or recurring contracts in the form of SaaS, on-premise term, and consumption-based agreements; and

- Point Products to Platform: Our offerings and our go-to-market activities are shifting away from selling individual point products towards our platform solution, in a tiered offering that provides us the ability to deliver a variety of value-enhancing modules to our customers in the future.

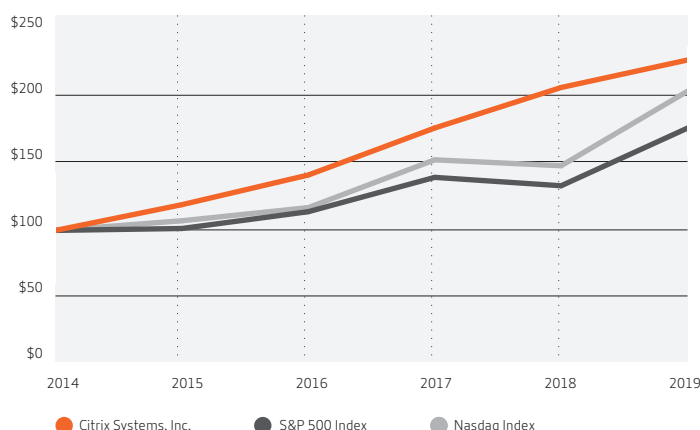
We believe execution of our strategic priorities will continue to drive results for our stakeholders. Exiting 2019, progress in our business transformation to a cloud-based subscription business was evidenced by:

- Subscription bookings as a percent of total product bookings increased to 62% in 2019, up from 42% in 2018;
- Subscription ARR⁽¹⁾ accelerated to \$743 million at the end of 2019, a 41% year-over-year increase, with SaaS ARR of \$520 million accounting for 70% of total subscription ARR as of the end of 2019; and
- Subscription revenue grew 43% year-over-year in 2019.

2019 Highlights:



As illustrated in the graph below, our total shareholder return (assuming reinvestment of dividends)⁽²⁾⁽³⁾, or TSR, over the five-year period ended on December 31, 2019 was approximately 123%, outpacing the S&P 500 and Nasdaq indices.



(1) Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

- (2) For purposes of this graph, the reinvestment of Citrix's \$0.35 per share cash dividend paid during the fourth quarter of 2018 and each quarter during 2019 was calculated using the closing price on Nasdaq on each quarterly dividend payment date.
- (3) In January 2017, we completed the separation of our GoTo business and its subsequent merger with LogMeIn, Inc. For the purpose of this graph, the distribution of LogMeIn common stock to our shareholders in connection with such separation and merger is treated as a non-taxable cash dividend of \$18.59 (equal to the opening price of LogMeIn common stock on February 1, 2017 multiplied by .1718 of a share of LogMeIn common stock). Such amount was deemed reinvested in Citrix common stock at the closing price on February 1, 2017 using the daily dividend reinvestment methodology. Other financial data providers may use different methodologies to adjust for the GoTo separation, which may produce different results.

Shareholder Engagement

Our executives regularly engage with shareholders to better understand their perspectives on a wide range of strategy, business and governance issues. Our Board of Directors and senior management team welcomes and values the views and insights of our shareholders and conducts an annual outreach effort to connect with our larger shareholders in order to ensure open lines of communication.

In 2019, we reached out to our largest shareholders and proxy advisory firms to understand their perspectives and discuss our business strategy, governance, sustainability and executive compensation policies with a goal of using feedback received during these meetings to inform our policies and practices. Over the course of the year, we held meetings with institutional shareholders representing over 32% of Citrix's outstanding common stock as well as proxy advisory firms.

These shareholder meetings covered a wide range of topics, including: our business model transition and strategy; corporate governance practices such as board composition; our diversity and inclusion programs; cybersecurity and data privacy; succession planning; shareholder views regarding equity plan preferences and administration; and other matters of shareholder interest. Peter J. Sacripanti, the Chairperson of our Compensation Committee and a member of our Nominating and Corporate Governance Committee, and David J. Henshall, our President and Chief Executive Officer, participated in the majority of meetings along with other senior executives of the company.

Members of the leadership team, the Chairperson of our Compensation Committee, and other members of our Board of Directors who participate in shareholder engagement meetings regularly discuss shareholder feedback with relevant Board committees and the full Board of Directors. In general, feedback from our shareholders regarding our compensation programs and corporate governance practices has been positive. The Board of Directors carefully considers the feedback from shareholders in assessing and updating our executive compensation and corporate governance profile. Examples of how this feedback has informed our governance practices is shown below.

What We Heard	How We Responded
Investors shared their feedback on preferences with respect to burn rate, dilution and plan duration and design as well as their desire to see robust disclosure of the company's overall equity compensation philosophy, including the impact of share repurchases and buybacks in prior years	Thoughtfully addressed shareholder feedback when considering and approving the Second Amended and Restated 2014 Equity Incentive Plan, which will continue to permit Citrix to use equity compensation to recruit and retain talent which we believe will continue to accelerate our business transition
Investors wanted to ensure that our executive compensation metrics closely align with long-term shareholder interests and business transition goals	Incorporated an Annualized Recurring Revenue (ARR) metric for our performance-based restricted stock awards in 2020, aligning long-term executive compensation with a key indicator of the overall health and trajectory of our subscription business transition
Investors were interested in understanding the Board of Director's and management's approach to oversight of cybersecurity risk	Enhanced Board oversight of cybersecurity through the Technology, Data and Information Security Committee to oversee policies, plans and programs relating to enterprise cybersecurity and data protection risks
Investors were interested in understanding Citrix's ESG practices and how the Board exercises oversight of ESG topics including diversity, human capital management and corporate social responsibility	Increasing our focus on ESG initiatives and board-level of oversight of our diversity, inclusion and belonging efforts throughout the company by leveraging benchmarking and data to identify focus areas and improvement opportunities. Examples include the expansion of employee resource groups and community programs focused on diversity, inclusion and belonging

We believe it is important to continue to engage with our shareholders on a regular basis to understand their perspectives and to give them a voice in shaping our governance and executive compensation policies and practices. We also consider the shareholder advisory (say-on-pay) vote of our Named Executive Officer compensation when evaluating our compensation program. For more information, see *Evaluation Process* beginning on page 40.

Objectives and Elements of Our Executive Compensation Programs

The compensation that we offer our executive officers is designed to reflect our principles of integrity, fairness and transparency — concepts that have continually underscored the design and delivery of compensation opportunities at Citrix. We believe our compensation programs should emphasize sustainable corporate growth through a pay-for-performance orientation and a commitment to both operational and organizational effectiveness. We also believe that lavish perquisites, excessive severance and bonuses unrelated to performance are inconsistent with our executive compensation principles. Furthermore, while the establishment of variable cash compensation targets for our executive officers necessarily involves judgment, the actual payouts against those targets are based on pre-determined, objective financial criteria reflective of our corporate operating plan.

For more than a decade, the objectives of our executive compensation programs have been to:

- provide competitive compensation that attracts, retains and engages high-performing talent; and
- align the long-term interests of executive officers with those of our shareholders by linking a significant portion of total cash and equity compensation to company performance and value creation.

These objectives have guided the Compensation Committee's decision-making around compensation decisions over the past several years. The Committee has taken a thoughtful approach to aligning the metrics of performance-based awards with those that have driven and will continue to drive our transformation. For example:

- Beginning in 2018 and for 2019, the Compensation Committee linked performance-based equity awards with subscription bookings as a percentage of total subscription and product bookings to directly align performance-based awards to our multi-year strategic business transition to a cloud-based subscription business. During the second quarter of 2019, and as discussed in the company's earnings announcement in July 2019, we gained significant momentum in our business transition to a subscription-based business.
- Given this increased momentum, the Compensation Committee determined that the company had a unique opportunity to increase the acceleration of its transition, which, if successful, would advance long-term value creation for shareholders. Accordingly, beginning in 2020, the Committee decided to link performance-based equity awards with ARR⁽¹⁾ growth, which, as we have discussed on our earnings calls, is the metric best aligned with the company's business transition and strategy. ARR, in short, is the best indicator of the overall health and trajectory of the business because it captures the pace of our transition and is a forward-looking indicator of top line trends.

⁽¹⁾ Annualized Recurring Revenue, or ARR, is an operating metric that represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue.

The following table details the concepts guiding our compensation plan design and how we put them into practice, including actions taken by the Compensation Committee to reflect in our compensation plan design the company's accelerated transformation this past year to a cloud-based subscription business:

Concept	Implementation
Link executive target compensation directly with company performance	<ul style="list-style-type: none"> To provide direct alignment with company performance and key drivers of shareholder value, target compensation⁽¹⁾ for our Named Executive Officers was⁽²⁾: <ul style="list-style-type: none"> 52%, on average, performance-based⁽³⁾ 89%, on average, at risk⁽⁴⁾
Payout opportunity levels for our executive variable cash compensation plan should motivate performance that meets or exceeds our financial plan objectives while mitigating undue exposure to under-performance of these objectives	<ul style="list-style-type: none"> In 2019, each executive officer's variable cash compensation plan award was based 100% on the achievement of financial operating targets consistent with our corporate operating plan Based on 2019 company performance, executive variable cash compensation plan awards for 2019 paid out at 98.3% of the target amount Over the past eleven years, our variable cash compensation plan awards have paid out between 58.8% and 170.9% of target and paid above 100% less than half the time
Our executives should be incentivized to achieve financial goals that are directly tied to our multi-year business strategy and drivers of growth and value creation for our shareholders	<ul style="list-style-type: none"> At least 60% of annual equity awards to our Chief Executive Officer and at least 50% of annual equity awards to our other Named Executive Officers, other than Jessica Soisson who was not serving as an executive officer during compensation planning, are awarded as performance-based restricted stock units; and for 2019, these annual awards vest based on subscription bookings as a percentage of total product and subscription bookings, which we believe is an indicator of the success of our business transformation over the relevant performance period In addition, in 2020, our Compensation Committee determined to tie the payout of performance-based restricted stock awards to ARR growth to further align executive compensation with what we believe is the best indicator of the overall health and trajectory of our subscription business transition because it captures the pace of our transition and is a forward-looking indicator of top line trends
Our compensation program should be flexible to account for the specific challenges facing the company and the company's strategic initiatives at any given time while also maintaining a long-term focus on shareholder value and creation	<ul style="list-style-type: none"> Each year, the Compensation Committee reviews our variable cash compensation plan and performance-based equity awards granted to executive officers to ensure that they fit our strategic and operational initiatives and reflect feedback we receive from our shareholders

- (1) Includes 2019 base salary and target variable cash compensation, both in effect at the end of 2019, and the grant date fair value of equity compensation granted in 2019. Does not include the performance-based awards granted in February 2019 for retention purposes and that are included in the Summary Compensation Table, Grants of Plan-Based Awards Table and Outstanding Equity Awards at Year End Table as described herein. Such awards were forfeited in January 2020 by the executives. See *Equity-Based Long-Term Incentives* beginning on page 50.
- (2) Calculations exclude Arlen R. Shenkman, who joined Citrix as our Executive Vice President and Chief Financial Officer on September 9, 2019, Jessica Soisson, our former Interim Chief Financial Officer, who served in such role from April 24, 2019 through September 8, 2019, and Andrew H. Del Matto, our former Executive Vice President and Chief Financial Officer whose employment with our company ended on April 26, 2019.
- (3) Performance-based compensation includes target variable cash compensation and the grant date fair value of performance-based restricted stock units granted in 2019, other than the forfeited February 2019 awards. See *Equity-Based Long-Term Incentives* beginning on page 50.
- (4) At risk compensation includes target variable cash compensation and the grant date fair value of equity compensation that was granted in 2019, other than the forfeited February 2019 awards.

See *Individual Executive Compensation Decisions* beginning on page 54 for further details regarding our Named Executive Officers' compensation.

Further, we engage in the following practices to ensure our executive compensation program achieves our objectives and is aligned with shareholders' interests.

✓ What We Do	✗ What We Don't Do
<ul style="list-style-type: none"> • Benchmark compensation practices of peers aligned with Citrix's business and those with whom we regularly compete for executive, managerial and technical talent • Use equity awards for long-term incentive and retention • Design compensation programs to align at least 50% of Named Executive Officer's annual target compensation with company performance • Conduct annual executive officer evaluations and self-evaluation process • Provide for compensation clawbacks pursuant to an executive compensation recovery policy • Require significant share ownership by executive officers 	<ul style="list-style-type: none"> • No discretion applied to measuring performance under our variable cash compensation plans or performance-based awards • No re-pricing of stock options • No guaranteed bonuses • No hedging, short selling or pledging of equity awards • No single-trigger or modified single-trigger change in control agreements • No excessive perquisites

The elements of compensation that we use to accomplish our objectives, with the details of each for fiscal year 2019, are as follows:

Element	Component	Description
Base Salary	Cash	<ul style="list-style-type: none"> • Evaluated on an annual basis
Variable Cash Compensation	Cash	For 2019, variable cash compensation was based on: <ul style="list-style-type: none"> • 60% Product and Subscription Bookings • 30% Non-GAAP Corporate Operating Margin • 10% Cloud Renewal Rate
Long-Term Equity Incentives	Performance-Based Restricted Stock Units (PRSUs)	<ul style="list-style-type: none"> • Based on subscription bookings as a percentage of total product and subscription bookings from January 1, 2019 to December 31, 2021 • Cliff vest after a three-year period based on rigorous criteria • No vesting for performance below threshold and maximum vesting of 200%
	Time-Based Restricted Stock Units (TRSUs)	<ul style="list-style-type: none"> • Vests in three equal annual installments over a three-year period

We also provide benefits as part of our compensation program.

How Executive Pay Decisions Are Made

Compensation Process and Criteria

Evaluation Process

The compensation packages for our executive officers are reviewed by our Compensation Committee and include an analysis of all elements of compensation separately and in the aggregate. In 2019, the Compensation Committee continued its engagement of FW Cook for the first half of 2019 as its independent compensation consultant to assist with its oversight of executive compensation during the annual executive compensation cycle. As discussed above and below, FW Cook was replaced by Semler Brossy as the Compensation Committee's independent consultant in July 2019.

In addition, our legal, finance and human resources departments support the Compensation Committee in its work and act in accordance with the direction given to them to administer our compensation programs.

During early 2019, the Compensation Committee held meetings with management, our human resources department and representatives of FW Cook to:

- review our compensation objectives;
- evaluate and develop our executive compensation peer group;
- review the actual and target compensation of our executive officers and compensation packages for new executive officers for consistency with our objectives;
- analyze trends in executive compensation;
- assess our variable cash compensation structure, as well as the plan components and mechanics, to ensure an appropriate correlation between pay and performance with resulting compensation opportunities that balance returns to the business and our shareholders (this included, among other things, modeling amounts payable under proposed plan structures against various scenarios);
- assess our equity-based awards programs against our objectives of executive engagement, retention and alignment with shareholder interests;
- benchmark our executive cash compensation and equity-based awards programs;
- review recommendations for 2019 target direct compensation for appropriateness relative to our compensation objectives; and
- review retention incentive levels for our executive officers to support our strategic and operational initiatives.

At several meetings throughout the first quarter of 2019, the Compensation Committee reviewed proposed compensation programs and packages for our executive officers for 2019, which were prepared by management working in conjunction with our human resources department and FW Cook and evaluated by our finance department for alignment with our corporate operating plan. In March 2019, the Compensation Committee approved the proposed 2019 executive variable cash compensation plan, which we refer to as the variable cash compensation plan. Also, in March 2019, the Compensation Committee approved individual compensation packages for our executive officers. In each case, the determinations of the Compensation Committee were reviewed with our full Board of Directors. Our Board of Directors approved the 2019 compensation of our President and Chief Executive Officer, upon the recommendation of the Compensation Committee.

In evaluating our 2019 executive compensation program in the first quarter of 2019, the Compensation Committee considered several factors as discussed elsewhere in the Compensation Discussion and Analysis section of this Proxy Statement, including the shareholder advisory ("say-on-pay") vote on our named executive officer compensation for 2017, which was approved by over 93% of the votes cast at our Annual Meeting of Shareholders held in June 2018, which was the most recent shareholder advisory vote on executive compensation available to the Compensation Committee at the time.

Evaluation Criteria

In determining the amount and mix of the target compensation elements, the Compensation Committee relies upon its judgment regarding the scope and strategic impact of each individual executive officer's role. In setting final compensation targets for our executive officers in 2019, the Compensation Committee considered many factors, including:

- the performance and experience of each individual;
- the scope and strategic impact of the executive officer's role;
- our past business and financial performance and future expectations;
- our long-term goals and strategies;
- difficulty in, and the cost of, replacing high performing leaders with in-demand skills;
- past compensation levels of each individual and of our executive officers as a group;
- relative levels of compensation among our executive officers;
- the amount of each compensation component in the context of the executive officer's total target compensation and other benefits;
- the retention levels and holding power for each of our executive officers based on outstanding equity awards and recommended equity awards;
- for each executive officer, other than our President and Chief Executive Officer, the evaluation and recommendation of our President and Chief Executive Officer;
- for our President and Chief Executive Officer, the evaluation of our Board of Directors, a self-evaluation by our President and Chief Executive Officer and feedback from his direct reports; and
- the competitiveness of the compensation packages relative to the selected benchmarks as highlighted by the independent compensation consultant's analysis.

President and Chief Executive Officer Evaluation

As discussed above, one of the factors the Compensation Committee considers when determining compensation targets for our President and Chief Executive Officer is the performance evaluation of our President and Chief Executive Officer. Our President and Chief Executive Officer completes a self-evaluation, and our Board of Directors and each of our President and Chief Executive Officer's direct reports provides written feedback assessing our President and Chief Executive Officer's contributions to our company. Aligned with the objectives of our multi-year transition to a cloud-based subscription business and the importance of fostering an innovative, collaborative and inclusive culture, our President and Chief Executive Officer's performance for 2018 was evaluated on the following:

- drives and ensures financial results;
- establishes near-term and long-term strategy with employee engagement that drives the needs of customers, partners and shareholders;
- leads and inspires the organization, ensures Citrix employees live our core values, and drives a diverse and inclusive culture;
- builds effective external stakeholder relationships; and
- drives a collaborative relationship with our Board of Directors.

The Compensation Committee considered our President and Chief Executive Officer's evaluation results for 2018 in a holistic manner, in addition to other factors, including those listed above under the section titled *Evaluation Criteria*, when setting our President and Chief Executive Officer's amount and mix of target compensation for 2019.

Role of the Independent Compensation Consultant

During the first half of 2019, FW Cook reported directly to the Compensation Committee for purposes of advising the Compensation Committee on executive compensation matters. The Compensation Committee provided FW Cook with preliminary instructions regarding the goals of our compensation program and the parameters of the competitive review of executive officer total direct compensation packages to be conducted by FW Cook. FW Cook was instructed to review and provide guidance on our peer group development. FW Cook was then instructed to benchmark all components of compensation for all executive officer positions, including base salary, total target cash (base salary plus target variable cash compensation) and equity-based long-term incentive awards. The Compensation Committee also instructed FW Cook to review the public disclosure by our peer companies concerning their executive compensation practices and to review our internal compensation model and guidelines and compare them to our peer companies and to our actual compensation practices.

During the first quarter of 2019, FW Cook attended meetings of the Compensation Committee, both with and without members of management present, and interacted with members of our human resources department with respect to its assessment of the compensation packages of our executive officers. Once FW Cook, working in conjunction with our human resources department, completed its preliminary analysis of our executive officer compensation, their analysis was presented to the Compensation Committee, which was discussed at the Compensation Committee's March 2019 meeting.

In July 2019, the lead executive compensation consultant at FW Cook supporting the Compensation Committee transitioned to Semler Brossy. In connection with this transition, our Compensation Committee reviewed its executive compensation consulting needs and discussed these needs with Semler Brossy. This review enabled the Compensation Committee to re-evaluate its compensation consultant and take a fresh look at our compensation practices and policies. After evaluating Semler Brossy on its consulting competency, technical competency, industry knowledge, independence and fee structures, among other things, the Compensation Committee appointed Semler Brossy in July 2019 as its independent compensation consultant, replacing FW Cook.

Similar to the instructions that the Compensation Committee provided to FW Cook for the annual executive compensation review for 2019, the Compensation Committee provided Semler Brossy with instructions regarding compensation packages for new and promoted executive officers during the remainder of 2019, as well as retention and incentive programs to support our strategic and operational initiatives. Semler Brossy was instructed to benchmark the relevant compensation components for these items and also advise the Compensation Committee on market practices in similar circumstances. Semler Brossy attended meetings of the Compensation Committee, with executive sessions being held at most meetings, and interacted with members of our human resources, legal and finance departments with respect to certain of these matters.

Independence of Compensation Consultant

For the period of 2019 for which FW Cook was appointed as the Compensation Committee's independent compensation consultant, the Compensation Committee determined FW Cook to be independent consistent with our Corporate Governance Guidelines and Compensation Committee Charter. In connection with Semler Brossy's appointment in July 2019, the Compensation Committee evaluated Semler Brossy's independence and considered our policy on independence of the Compensation Committee's consultant and other advisers, contained in our Corporate Governance Guidelines and the Compensation Committee's charter. The Compensation Committee also considered the six independence factors as required by Nasdaq and the SEC, which are specified in the following table. After analyzing each of these factors indicated in the following table and our policy on independence relative to Semler Brossy's engagement, the Compensation Committee concluded that Semler Brossy is independent.

Independence Factor	Information Considered
Other services provided to Citrix by Semler Brossy	None.
Citrix fees received by Semler Brossy, as a percentage of Semler Brossy's total revenue	Modest and represents less than 1% of Semler Brossy's total revenue.
Semler Brossy's policies and procedures that are designed to prevent conflicts of interest	Semler Brossy maintains a number of internal mechanisms and policies designed to prevent conflicts of interest.
Business or personal relationships between the Compensation Committee's individual compensation adviser and members of the Compensation Committee	The Compensation Committee's individual compensation adviser has no direct business or personal relationships with any member of the Compensation Committee. Semler Brossy has provided consulting services to one company that is affiliated with members of the Compensation Committee.
Citrix stock owned by the Compensation Committee's individual compensation adviser	The Compensation Committee's individual compensation adviser does not directly own any Citrix stock, and the practice is prohibited under Semler Brossy's policies.
Business or personal relationships between the Compensation Committee's individual compensation adviser, or Semler Brossy, with a Citrix executive officer	No compensation adviser to Citrix has any other relationships to the Compensation Committee or Citrix executive officers.

Our Use of Benchmarks and Peer Group Analysis







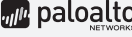


Each year, we conduct a competitive analysis of the compensation paid to our executive officers and review the compensation practices of our peer group. As in prior years, the analysis for 2019 measured our compensation opportunities for executive officers against information from the following sources:

- independent, commercially available surveys on executive compensation within the software industry, tailored to reflect our relative market capitalization and revenue, including the Radford Global Technology Survey and the Radford Global Sales Survey; and
- benchmark analysis prepared by FW Cook using commercially available survey data and information from publicly filed reports from a group of peer technology companies, or the peer group, specifically identified by the Compensation Committee.

Each year, we evaluate the composition of our peer group and adjust the composition of our peer group for factors such as recent acquisitions of peer companies, new markets that we have entered or changes in the technology market landscape. For 2019, with assistance from FW Cook, we again focused on developing a peer group to address the dynamics in the markets for talent in which we compete. Based on this assessment, in the fourth quarter of 2018, our Compensation Committee revised our compensation peer group for 2019 to include Dropbox, Inc. and Workday, Inc. and remove Adobe and salesforce.com, inc. due to their large size relative to Citrix. Our peer group includes:

- publicly-traded companies that represent an appropriate range from a size and scope perspective;
- innovative companies that operate in virtualization, cloud, software-as-a-service and networking markets; and
- companies with whom we compete for talent.

We believe that our peer group continues to be aligned with our strategic vision and positions us to attract, retain and engage high performing leaders. Moreover, our peer group, with its inclusion of a full array of companies with whom we compete for talent, maintains Citrix's position at approximately the group median across revenue and other key financial metrics we view as important in selecting a peer group. The table below lists the companies in our 2019 peer group indicating the peers with whom we regularly compete for executive, managerial and technical talent. We believe that our 2019 peer group is composed of innovative, software-focused businesses operating on a global scale, like Citrix, and are the companies with whom we look to align our executive compensation practices.

Peer Group Comparison					
	Revenues (\$ in millions) ⁽¹⁾	Net Income (loss) (\$ in millions) ⁽¹⁾	Approx. No. of Employees ⁽¹⁾	Software-Focused Global Business	Compete for Talent
 Akamai	2,893.4	478.0	7,724	●	●
AUTODESK	3,274.3	214.5	10,100	●	●
 ca	4,235.0	476.0	11,300	●	●
cādence	2,336.3	989.0	8,100	●	●
 (Dropbox)	1,661.3	(52.7)	2,801	●	●
	2,242.4	427.7	5,325	●	●
intuit	6,784	1,557	9,400	●	●
JUNIPER NETWORKS	4,445.4	345.0	9,419	●	●
 NetApp	6,146	1,169	10,500	●	●
 NortonLifeLock	4,731	31.0	11,900	●	●
 paloalto NETWORKS	2,899.6	(81.9)	7,014	●	●
 redhat	3,362.1	434.0	13,360	●	●
servicenow	3,460.4	626.7	10,371	●	●
SYNOPSYS	3,360.7	532.4	13,896	●	●
vmware	10,811	6,412	31,000	●	●
 (Workday)	3,627.2	(480.7)	12,200	●	●
CITRIX	3,010.6	681.8	8,400	●	●

Trademarks are property of their respective owners.

(1) Fiscal year end data presented in the table is for fiscal year ending in 2019, other than Autodesk, Inc., VMware, Inc., and Workday, Inc. each of whose fiscal year end data is for its fiscal year ended on January 31, 2020, and CA, Inc., whose fiscal year end data is for fiscal year ending in 2018 because it was acquired by Broadcom effective November 5, 2018.

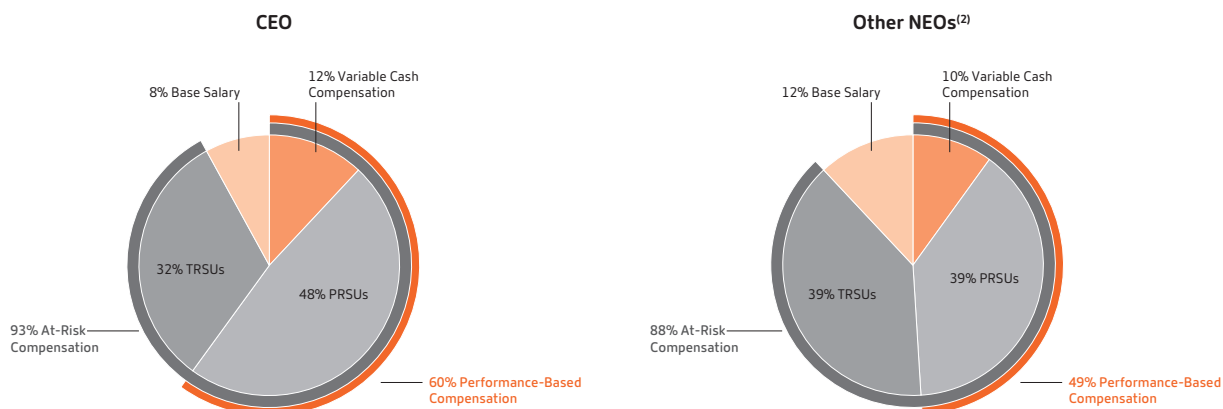
We use peer group benchmarks as one of several factors that inform our judgment of appropriate compensation parameters for base salary, variable cash compensation and equity-based, long-term incentives. Our executive compensation decisions are made on a case-by-case basis, and benchmarks are just one consideration within our holistic approach to executive compensation. Based on a regular review of our peer group, in September 2019 in connection with discussions regarding 2020 compensation, our Compensation Committee, after consultation with Semler Brossy determined to remove CA, Inc. and Red Hat, due to acquisitions, and to replace them with Open Text Corporation and PTC, Inc., which each have an increased focus on subscription-based revenue and are appropriate from a size and scope perspective.

Components of Compensation

Commitment to Performance-Based Cash and Equity Compensation

Our key executive compensation guiding principle continues to be closely aligning the compensation of our executive officers with the creation of long-term value for our shareholders by tying a significant portion of total target direct compensation opportunity to our performance. The following pie charts show the 2019 total target direct compensation mix for our President and Chief Executive Officer, Mr. Henshall, and the average total target direct compensation mix for our other Named Executive Officers, other than Mr. Shenkman, who joined Citrix as Executive Vice President and Chief Financial Officer on September 9, 2019, Ms. Soisson, our former Interim Chief Financial Officer, who served as Interim Chief Financial Officer from April 24, 2019 through September 8, 2019 and who was not included in the executive officer annual compensation planning process during 2019, and Mr. Del Matto, our former Executive Vice President and Chief Financial Officer, whose employment with Citrix ended on April 26, 2019. For 2019, our President and Chief Executive Officer’s total target direct compensation was 60% performance-based and 93% at risk as shown below. Also as shown below, approximately 49% of the total target direct compensation of our other Named Executive Officers, on average, was performance-based and 88% was at risk. We consider compensation to be “at risk” if vesting or payout is subject to achievement of performance targets or the value received is dependent on our stock price.

Compensation Mix⁽¹⁾



- (1) Total target direct compensation includes: (a) 2019 base salary in effect at the end of fiscal year 2019, (b) target 2019 annual variable cash compensation in effect at the end of fiscal year 2019, and (c) grant date fair value of TRSUs and PRSUs granted during fiscal year 2019. Does not include the performance-based awards granted in February 2019 for retention purposes that were forfeited by executives in January 2020 and that are included in the Summary Compensation Table, Grants of Plan-Based Awards Table and Outstanding Equity Awards at Year End Table as described herein.
- (2) Excludes Arlen R. Shenkman, who joined Citrix as Executive Vice President and Chief Financial Officer on September 9, 2019, Jessica Soisson, our former Interim Chief Financial Officer, who served in such role from April 24, 2019 through September 8, 2019 and Andrew H. Del Matto, our former Chief Financial Officer whose employment ended on April 26, 2019.

Base Salary

Salary levels for our executive officers are based on several factors, including individual performance and experience, the scope of the role and competitive ranges informed by compensation data reported for similar roles at companies in our peer group.

In 2019, based on the objectives of our executive compensation program, our evaluation criteria for individual performance, Citrix's overall performance and other factors described above, the base salaries of our Named Executive Officers as noted below became effective April 1, 2019, unless otherwise indicated:

	2018 Base Salary (\$)	2019 Base Salary (\$)	Increase/Decrease (%)
David J. Henshall President and Chief Executive Officer	1,000,000	1,000,000	—
Arlen R. Shenkman(1) Executive Vice President and Chief Financial Officer	—	575,000	—
Andrew H. Del Matto(2) Former Executive Vice President and Chief Financial Officer	550,000	550,000	—
Jessica Soisson(3) Former Interim Chief Financial Officer, current Vice President, Corporate Controller and Chief Accounting Officer	330,000	350,130	6.1
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	550,000	575,000	4.5
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	500,000	500,000	—
Paul J. Hough Executive Vice President and Chief Product Officer	450,000	500,000	11.1

(1) Mr. Shenkman joined Citrix effective September 9, 2019.

(2) As announced on April 24, 2019, Mr. Del Matto's employment with Citrix ended on April 26, 2019.

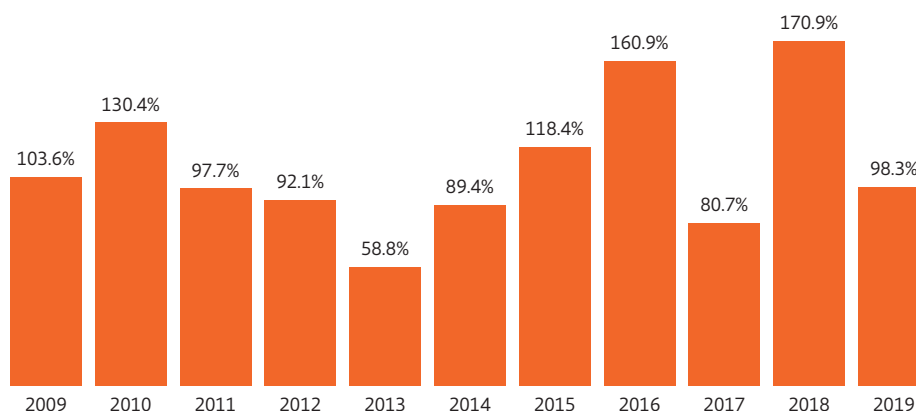
(3) Ms. Soisson's salary was increased to \$350,130 on April 1, 2019 and was further increased to \$530,000 upon her appointment as Interim Chief Financial Officer on April 24, 2019, and she received such base salary through September 15, 2019 at which time her salary was restored to \$350,130.

Variable Cash Compensation

Our Compensation Committee oversees our variable cash compensation plan, with administrative tasks delegated to the leadership team. We believe that, for an annual cash compensation plan to be effective, it should be easy to understand. Accordingly, we use a limited number of financial targets that focus our executive officers on the key metrics underlying our strategic plan and align performance pay strictly with financial results.

Over the past eleven years, our variable cash compensation plan has paid between 58.8% and 170.9%, with an average payout of 100%, and has paid above 100% five times, as shown below:

Achievement of Variable Cash Compensation



As discussed below, we tailor our variable cash compensation plan to our strategic and business objectives and our results vary based on achievement of those objectives. The Compensation Committee and our Board of Directors retain the discretion to decrease or increase payout of our variable cash compensation plan to account for extraordinary circumstances and to balance the interests of the plan participants with the interests of our shareholders. Over the eleven years summarized in the graph above, we did not apply discretion to increase or decrease plan payouts, and no bonuses or awards were granted to make-up for forfeited variable cash awards.

Total Target Cash Compensation

For 2019, our compensation evaluation processes during our annual cycle and in connection with any promotions or executive hires during the year resulted in target awards for our Named Executive Officers under our variable cash compensation plan that ranged from 50% to 150% of base salary, based on the factors discussed above.

Our Named Executive Officer compensation packages had the following target cash compensation in 2019, with the target variable cash portion expressed both as a percentage of base salary and in dollars. The base salaries and target variable cash percentage of our Named Executive Officers included in the table below reflect the increased base salaries and any increases in variable cash percentage, effective April 1, 2019, unless otherwise indicated below:

Name	Base Salary (\$)	Target Variable Cash		Total (\$)
		As a % of Base Salary	Target Variable Cash Amount (\$)	
David J. Henshall President and Chief Executive Officer	1,000,000	150%	1,500,000	2,500,000
Arlen R. Shenkman Executive Vice President and Chief Financial Officer	575,000	100%	575,000	1,150,000
Andrew H. Del Matto Former Executive Vice President and Chief Financial Officer	550,000	90%	495,000	1,045,000
Jessica Soisson(1) Former Interim Chief Financial Officer, current Vice President, Corporate Controller and Chief Accounting Officer	350,130	50%	175,065	525,195
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	575,000	100%	575,000	1,150,000
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	500,000	90%	450,000	950,000
Paul J. Hough Executive Vice President and Chief Product Officer	500,000	90%	450,000	950,000

- (1) Ms. Soisson served as Interim Chief Financial Officer from April 24, 2019 through September 8, 2019. As a result, her base salary was adjusted from \$350,130 to \$530,000 from April 24, 2019 through September 15, 2019 and her variable cash compensation target increased from 50% to 90% of her base salary from April 24, 2019 through September 15, 2019. For the period commencing on September 16, 2019 through December 31, 2019, Ms. Soisson's base salary was restored to \$350,130 and her variable cash compensation target decreased from 90% to 50% of her base salary. As a result, her total target variable cash compensation for 2019 was \$292,530.

2019 Variable Cash Compensation Plan

For 2019, each executive officer's variable cash compensation plan award was based 100% on the achievement of financial targets established by the Compensation Committee. For 2019, as discussed below, our Compensation Committee determined to align achievement with product and subscription bookings, non-GAAP corporate operating margin and cloud renewal rate.

To ensure the integrity of our operating plan, and to safeguard shareholder value, the payout levels under our variable cash compensation plan are designed to motivate performance that meets or exceeds our financial plan objectives. Our program is designed to provide incentives to our executive officers aligned to our business strategy and our financial performance.

We rigorously test our plan design to ensure that the structure and possible outcomes do not incentivize our executive officers to take unnecessary or excessive risks that could negatively impact the company's long-term value.

Product and Subscription Bookings

During 2019, we focused heavily on new growth to drive long-term value creation. This is reflected in our 2019 executive variable cash compensation plan that applies a 60% weighting to product and subscription bookings (excluding transition and trade-up bookings and cloud renewals). Transitions and trade-up bookings are bookings for current customers that transition to a Citrix cloud-based solution. Cloud renewals are when a customer of our cloud-based solutions reaches the end of their contract term and elects to continue consuming the service of our cloud-based solutions by renewing their contract and are included in a separate metric, as discussed below.

The following chart shows the minimum, target, and maximum performance for product and subscription bookings, representing 60% of the 2019 variable cash compensation plan.

	Weighting	Minimum Performance (0% payout)	Target Performance (100% payout)	Maximum Performance (200% payout)
Product and Subscription Bookings	60%	\$1.212 billion	\$1.309 billion	\$1.406 billion

Non-GAAP Corporate Operating Margin

We also focused on profitability, reflected by a 30% weighting on non-GAAP corporate operating margin.

The following chart shows the minimum, target, and maximum performance for non-GAAP corporate operating margin, representing 30% of the 2019 variable cash compensation plan.

	Weighting	Minimum Performance (0% payout)	Target Performance (100% payout)	Maximum Performance (200% payout)
Non-GAAP Corporate Operating Margin %	30%	30.0%	32.0%	34.0%

The 2019 non-GAAP corporate operating margin target of 32% represents an increase of 180 basis points from the operating margin target of 30.2% in our 2018 variable cash compensation plan and the maximum non-GAAP corporate operating margin threshold of 34.0% represents an increase of 110 basis points from the 32.9% maximum threshold set for fiscal year 2018.

Cloud Renewal Rate—A New Metric for 2019

For 2019, we introduced a new metric to our variable cash compensation, cloud renewal rate, with a 10% weighting. Cloud renewal rate is the percentage of contracts that are continued when a customer of our cloud-based solutions reaches the end of their initial contract term and elects to continue to consume the service of our cloud-based solutions by renewing their contract. This metric is still in its infancy as the population of customers reaching the renewal point in the contract for our cloud-based solutions was immaterial. Despite its lack of materiality to our financial metrics in 2019, representing only 1.27% of our bookings for fiscal year 2019, this operational metric was introduced by the Compensation Committee in response to our business model transition. The Compensation Committee continues to evaluate the operational metrics used in our executive variable cash compensation program and make changes as we advance through our business model transition.

The following chart shows the minimum, target and maximum performance ranges for cloud renewal rate, representing 10% of the 2019 variable cash compensation plan.

	Weighting	Minimum Performance (0% payout)	50% payout	75% payout	Target Performance (100% payout)	125% payout	Maximum Performance (150% payout)
Cloud Renewal Rate	10%	<60%	60-70%	70-80%	80-85%	85-90%	>90%

When actual performance falls between the minimum and the target performance levels or between the target and maximum performance levels, payouts are calculated using a graduated slope to provide for the fair distribution of compensation for overachievement and corresponding reductions for underachievement.

Determination of Awards

Early in the first quarter of 2020, our finance team reviewed and approved the calculations of financial target attainment levels, which were based on and consistent with our publicly reported financial results for 2019 and the 2019 award amounts payable to executive officers that were generated by members of our human resources department in accordance with the terms of our variable cash compensation plan. At meetings held in January 2020, our Compensation Committee approved (or, in the

case of our President and Chief Executive Officer, recommended to the Board of Directors for approval) the payouts to our executive officers under our 2019 variable cash compensation plan. As in the past, we did not adjust the resulting payouts under our variable cash compensation plan for 2019.

The results of the 2019 variable cash compensation plan resulted in a payout of 98.3%, based on the achievement of the metrics as described below.

Product and Subscription Bookings

For fiscal year 2019, we achieved \$1.363 billion product and subscription bookings, which was a 104.1% attainment of the product and subscription bookings target of \$1.309 billion. This resulted in a pre-weighted payout of 155.5% and a weighted payout of 93.3% of this metric based on the 60% weighting.

Non-GAAP Corporate Operating Margin

Our non-GAAP corporate operating margin was 30%, which did not exceed the minimum of 32%. As a result, no payout was associated with this performance objective.

Actual results for operating margin were below our minimum for 2019 as a result of our accelerated transition to a cloud-based subscription model during 2019. As announced in July 2019, our second quarter 2019 financial results reflected a faster than anticipated shift towards subscriptions, which negatively impacted revenue and in turn impacted operating margin for the quarter. This trend continued for the balance of the year.

Consistent with the way we calculate and publicly report our financial results, the financial targets and attainment levels for corporate operating margin are adjusted to exclude certain GAAP measurements in accordance with Citrix's past practices, including amortization of intangible assets primarily related to business combinations, non-cash charges associated with the expensing of equity-based compensation, non-cash charges related to amortization of debt discount, charges related to restructuring programs, charges related to separation activities, the tax effects related to these items and any other items adjusted from our GAAP results in Citrix's reported earnings as approved by our Audit Committee.

Cloud Renewal Rate

For fiscal year 2019, we achieved a 66% cloud renewal rate, which was an 83% attainment of the lower end of the target range for the cloud renewal rate of 80% to 85%. This resulted in a pre-weighted payout of 50% and a weighted payout of 5% of this metric based on the 10% weighting.

As discussed above, this metric is in its infancy as the population of customers reaching the renewal point in the contract for our cloud-based solutions was immaterial in 2019 representing only 1.27% of our 2019 bookings. Additionally, the company continues to make program changes as we advance through our business model transition, which may impact the actual renewal rate, as was the case in 2019. Accordingly, the Compensation Committee continues to evaluate the operational metrics used in our executive variable cash compensation program and make changes as we advance through our business model transition.

The table below summarizes the payments approved by our Compensation Committee (or, in the case of our President and Chief Executive Officer, approved by the Board of Directors) under our variable cash compensation plan compared to each executive officer's target award for 2019. Each Named Executive Officer listed below received 98.3% of his or her target award for 2019, except as noted.

	Target Variable Cash Compensation Award (\$)(1)	Actual Variable Cash Compensation Award Paid (\$)	Percentage of Target Award Paid (%)
David J. Henshall President and Chief Executive Officer	1,500,000	1,474,500	98.30
Arlen R. Shenkman(2) Executive Vice President and Chief Financial Officer	179,589	176,536	98.30
Andrew H. Del Matto(3) Former Executive Vice President and Chief Financial Officer	—	—	—
Jessica Soisson(4) Former Interim Chief Financial Officer and current Vice President, Corporate Controller and Chief Accounting Officer	292,530	287,995	98.30
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	568,836	559,165	98.30
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	450,000	442,350	98.30
Paul J. Hough Executive Vice President and Chief Product Officer	438,904	431,443	98.30

- (1) All target variable cash compensation awards are pro-rated to reflect changes in compensation during 2019, and are based on the actual base salary paid to the Named Executive Officer in 2019.
- (2) Mr. Shenkman's target variable cash compensation and his actual variable cash compensation award are pro-rated to reflect less than a full year of service. Mr. Shenkman joined Citrix as Executive Vice President and Chief Financial Officer on September 9, 2019.
- (3) Mr. Del Matto departed Citrix on April 26, 2019.
- (4) Ms. Soisson served as Interim Chief Financial Officer from April 24, 2019 through September 8, 2019, and her base salary was adjusted from \$350,130 to \$530,000 and her variable cash compensation target increased from 50% to 90% of her base salary from April 24, 2019 through September 15, 2019. For the period commencing on September 16, 2019 through December 31, 2019, Ms. Soisson's base salary was restored to \$350,130 and her variable cash compensation target decreased from 90% to 50%. As a result, her total target variable cash compensation for 2019 was \$292,530.

Equity-Based Long-term Incentives

The purpose of our equity-based long-term incentives is to attract, retain and engage high performing leaders, further align employee and shareholder interests, and continue to closely link executive compensation with company performance. Our equity-based long-term incentive program is an essential component of the total compensation package offered to our executive officers, reflecting the importance that we place on motivating and rewarding superior results with long-term and performance-based incentives.

Approach to Equity-Based Awards

Since 2012, our annual equity grant program has consisted entirely of restricted stock units, except restricted stock awards granted to our former Executive Chairman in 2015 (who is now our Chairman of the Board of Directors) and our former President and Chief Executive Officer in 2016. Our portfolio of equity awards granted to executive officers on an annual basis has been a mix of just two equity elements, half of which have been tied to long-term performance.

Specifically, from 2012 to 2017, our equity-based long-term incentive program was targeted to consist of at least 50% performance-based restricted stock units tied to achievement of total shareholder return metrics. Beginning in 2018, based on a review of our equity compensation program and feedback from our shareholders over the past several years, and with the assistance and guidance of its independent compensation consultant, our Compensation Committee implemented an operating metric for our performance-based restricted stock units to incentivize our executives to achieve a financial goal that is directly tied to our multi-year business transition that is described further below.

The exclusive use of restricted stock units granted to our executive officers furthers our goals of reducing dilution, burn rate and overhang by reducing the number of shares of our common stock subject to equity-based awards while continuing to provide incentive for our high performers to remain with us and continue to perform at a high level. Also, the inclusion of performance-based restricted stock units based on the achievement of an operational metric that is directly tied to our multi-year business transition is designed to drive success of our transition and be a driver of value creation for our shareholders.

Equity-Based Award Grant Levels

When establishing equity-based award grant levels for our executive officers, our Compensation Committee considers the existing value of vested and unvested equity-based awards held by the executive officers relative to each other and to our employees as a whole, previous grants of equity-based awards to our executive officers, our overhang of equity-based awards and targeted burn rates for equity-based awards and the vesting schedules of previously granted equity-based awards, as well as the various other factors described above. In addition, our Compensation Committee considers the market competitive value for an executive officer's role, the relative level of impact the executive officer has or is expected to have on company performance, and the current and prospective performance of the executive officer in his or her role. For the equity-based award grant levels for promotion and new-hire awards, the Compensation Committee also considers market practices for such awards and the difficulty in recruiting high performing leaders with in-demand skills. While our Compensation Committee is aware of the accounting costs of equity-based awards, that is only one of several factors in determining individual equity-based awards.

Adjustments to Outstanding Equity Awards in Connection with our Quarterly Dividend

In connection with our payment of a cash dividend in each quarter of 2019, we adjusted the number of our outstanding restricted stock units to provide each holder thereof with additional restricted stock units reflecting the value of such dividend. These additional restricted stock units are subject to the same conditions regarding vesting and settlement as the underlying restricted stock units to which they relate. The value of these additional restricted stock units is reflected in the "All Other Compensation" column of the Summary Compensation Table, and the number of such additional restricted stock units is reflected in the Outstanding Equity Awards at Year End Table. Upon the final vesting date, any fractional unit will be rounded up to a whole share.

Restricted Stock Unit Awards

Pursuant to the Amended and Restated 2014 Plan, we may grant executive officers various types of awards, including market performance-based restricted stock units, performance-based restricted stock units, and time-based restricted stock units. Once vested, each restricted stock unit represents the right to receive one share of our common stock.

2019 Performance-Based Awards

When designing the 2019 performance-based awards to be granted to our executive officers in April 2019, our Compensation Committee considered the following objectives:

- providing an incentive that has clear performance measures;
- directly aligning performance-based awards to our multi-year business transition strategy to a cloud-based subscription business; and
- responding to shareholder feedback.

To achieve the objectives described above, our Compensation Committee tied vesting of the 2019 performance-based restricted stock units awarded in April 2019 to subscription bookings as a percentage of total product and subscription bookings (excluding transition and trade-up bookings) measured as of the last fiscal year during the performance period of January 1, 2019 to December 31, 2021. Our Compensation Committee determined to award performance-based restricted stock units tied to this operational metric to further incentivize our executives to achieve this financial goal that is directly tied to the multi-year business transition strategy. At the beginning of 2019 when the Compensation Committee set the metrics for the 2019 performance-based restricted stock units, the acceleration of our new business mix significantly towards ratable subscriptions (that is, subscription bookings as a percentage of total product and subscription bookings) was an important metric for executive focus as we began to accelerate our transition.

The payout curve for these performance-based awards that may be earned based on achievement of subscription bookings as a percentage of total product and subscription bookings is as follows (utilizing straight-line interpolation between percentages):

Subscription Bookings as a Percentage of Total Product and Subscription Bookings(1)	Percentage of Target Award Vested
Threshold (70% of Target)	None
Target	100%
Maximum (138% of Target)	200%

- (1) Disclosing subscription bookings as a percentage of total product and subscription bookings (excluding transition and trade-up bookings) targets for future periods would cause competitive harm without adding meaningfully to the understanding of our business. This internal metric is primarily used to assess our transition to a cloud-based subscription business and excludes transitions and trade-up bookings, which is a different metric than what we publicly disclose. Further, disclosing such metrics would reveal specifics regarding our transition to a cloud-based subscription business that a competitor may use against us. However, like performance targets for all metrics, the Compensation Committee set performance goals at definitive, rigorous and objective levels so as to require significant effort and achievement by our executive team. Specifically, the Compensation Committee set the payout curve for these performance-based awards to provide a maximum payout for subscription bookings as a percentage of product and subscription bookings that would exceed our internal operating plan. The company intends to disclose such metrics at the end of the performance period once performance has been determined.

No restricted stock units will vest if subscription bookings as a percentage of total product and subscription bookings is less than the threshold. For this purpose, “subscription bookings as a percentage of total product and subscription bookings” is Citrix’s total on-premise term, Citrix cloud (SaaS), and Citrix Service Provider product subscription bookings or any other product bookings from subscription offerings, including subscription renewals, expansions, extensions, upgrades, updates, initial and add-on or multiple year terms of any of the foregoing, but excluding transition and trade-up bookings, over Citrix’s total product bookings excluding transition and trade-up bookings, in each case excluding ShareFile SMB bookings, measured as of the last fiscal year of the Performance Period (fiscal year 2021) on a Total Contract Value (TCV) basis.

These performance-based awards are intended to ensure that a meaningful share of our executives’ equity compensation is contingent upon a successful transition to a cloud-based subscription business. The restricted stock units underlying these awards cliff vest after a three-year period based on the performance of Citrix during the last year of such performance period.

Our executive officers received performance-based restricted stock units having this performance metric in April 2019 as part of our annual grant cycle.

Retention Performance-Based Awards Granted to Align with Accelerated Transformation

In February 2019, in addition to our annual equity grant program, Mr. Henshall and certain of our other executive officers were awarded performance-based restricted stock units to promote retention of our leadership team and drive the achievement of company operational goals. These performance-based restricted stock units were granted with a free cash flow per share year-over-year growth metric measured over a performance period ending on December 31, 2020. We refer to such awards as the “February 2019 Awards.”

The Compensation Committee carefully monitored the February 2019 Awards through the course of 2019. During the second quarter of 2019 and as discussed in our earnings announcement in July 2019, we gained significant momentum in our business transition to a cloud-based subscription business. Given this increased momentum, we had a unique opportunity to drive our transition at an accelerated pace, which would advance long-term value creation for shareholders. Since the announcement in July 2019 of our decision to accelerate our subscription transition, our stock price increased nearly 45% through April 7, 2020, which is our record date for the 2020 Annual Meeting.

Given this accelerated pace of the transition, in the third quarter of 2019, the Compensation Committee recognized that the February 2019 Awards were no longer aligned with our go-forward business strategy. At this point in our transition, free cash flow decreases in the short-term when subscription bookings accelerate. As a result, the free cash flow per share year-over-year growth metric that had been set in early 2019 no longer aligned our executive leadership with, nor incentivized execution of, the strategic business decisions made by our Board of Directors and management coming out of the second quarter of 2019.

As a result, the Compensation Committee asked our executive officers to forfeit their February 2019 Awards so that a better aligned performance-based award could be put in place — one that would incentivize our executive officers to drive our strategy and the transition to a subscription-based business. The forfeiture of the February 2019 Awards occurred in January 2020 and totaled \$12.2 million, including restricted stock units earned as a result of the payment of our quarterly cash dividend, at the time of forfeiture. While these awards are reflected in the Summary Compensation Table on page 60, the Outstanding Equity Awards at Year End Table on page 63 and the Grants of Plan-Based Awards Table on page 63 and the Potential Payments upon Termination or Change in Control table on page 71, all such February 2019 Awards were forfeited and are no longer outstanding.

In April 2020, Mr. Henshall and the executive officers who had previously received the February 2019 Awards were granted performance-based awards that the Compensation Committee viewed as aligned with the current pace of the business transition and strategy. We refer to these awards as the “April 2020 Awards.”

The Compensation Committee determined Annualized Recurring Revenue (ARR) growth to be the metric most aligned with our business transition and strategy at this time. As we have discussed in our earnings announcements beginning in the second quarter of 2019, we believe ARR is the best indicator of the overall health and trajectory of our business because it captures the pace of our transition and is a forward-looking indicator of top line trends.

To ensure that the performance period is aligned with our long-term strategy and to incentivize executives over a longer period, the Compensation Committee granted the April 2020 Awards with a performance period ending at the end of fiscal year 2021 rather than the original performance period of the February 2019 Awards, which had a performance period ending in 2020.

2020 Performance-Based Awards

As part of its annual review of the broader executive compensation program and to tailor performance-based equity awards to our strategic plan, similar to the April 2020 Awards discussed above, the Compensation Committee determined that adding an ARR growth metric to our equity-based long-term incentive program going forward starting in 2020 would ensure that our executive leadership is incentivized consistently and in alignment with our business transition.

Time-Based Awards

Consistent with our past practice, in April 2019, we also entered into restricted stock unit agreements with our executive officers with respect to time-based restricted stock unit awards that were not subject to performance criteria and that vest over three years, with one-third of the units vesting on the first, second and third anniversaries of the date of the award agreement. These restricted stock unit awards represented 50% of the equity grants under the annual equity grant program for our executive officers, other than our President and Chief Executive Officer.

Vesting of these time-based restricted stock units is subject to the continued employment of the executive officer with Citrix through the applicable vesting date.

The equity-based awards indicated in the table below reflect an equity portfolio mix with respect to our annual equity award grants that is, for our President and Chief Executive Officer, 60% performance-based and 40% time-based restricted stock units and for our other Named Executive Officers, 50% performance-based and 50% time-based restricted stock units. On May 1, 2019, Ms. Soisson also received a time-based restricted stock unit award in connection with her appointment as Interim Chief Financial Officer, which is reflected in the table below. Mr. Del Matto did not receive equity during 2019. Mr. Shenkman received a grant of time-based restricted stock units upon joining the company. The February 2019 Awards as previously discussed are forfeited and accordingly are not included in the table below. For further details regarding these equity awards, see *Individual Executive Compensation Decisions* beginning on page 54.

The following table summarizes our annual 2019 equity-based awards to our Named Executive Officers:

	Target Performance-Based Restricted Stock Unit Awards (#)(1)	Time-Based Restricted Stock Unit Awards (#)
David J. Henshall President and Chief Executive Officer	60,223	40,149
Arlen R. Shenkman Executive Vice President and Chief Financial Officer	—	62,481(2)
Andrew H. Del Matto(3) Former Executive Vice President and Chief Financial Officer	—	—
Jessica Soisson Former Interim Chief Financial Officer and current Vice President, Corporate Controller and Chief Accounting Officer	2,007	20,907(4)
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	18,820	18,820
Antonio G. Gomes Executive Vice President and Chief Legal Officer	15,307	15,307
Paul J. Hough Executive Vice President and Chief Product Officer	15,307	15,307

- (1) The above table does not include the performance-based restricted stock units that were granted in February 2019 to each of Messrs. Henshall, Gomes and Hough, all of which were subsequently forfeited in January 2020.
- (2) Consists of the equity award granted to Mr. Shenkman in connection with his appointment as Executive Vice President and Chief Financial Officer.
- (3) Mr. Del Matto departed Citrix on April 26, 2019.
- (4) Includes Ms. Soisson's equity award in connection with her service as Interim Chief Financial Officer.

Benefits

Our executive officers participate in our broad-based employee benefit plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid by executive officers under these plans. We offer a stock purchase plan, under which our employees may purchase shares of our common stock at a 15% discount from the fair market value of our common stock on the first or last business day of the purchase period, whichever is lower (determined by reference to the closing price of our common stock on each such date). Further, we offer a 401(k) plan that includes a Roth feature. The 401(k) allows our employees to invest in a wide array of funds and provides for matching contributions by our company. We also maintain insurance and other benefit plans for our employees. Our executive officers receive higher life, accidental death and dismemberment and disability insurance benefits than other employees, which reflects industry standards and their relative base salary levels. Our executive officers also receive reimbursement for annual health physicals, are eligible for relocation assistance upon joining our company and have access to financial counseling and tax services benefits. Our executive officers are eligible to participate in our charitable matching gifts program pursuant to which we match donations made to qualifying tax-exempt 501(c)(3) charitable and non-governmental organizations on a one-for-one basis. We match up to 15,000 USD per year for executives under this program. During 2019, we did not offer any non-qualified deferred compensation plans or supplemental retirement plans to our executive officers. For more information, please refer to the Summary Compensation Table and the Nonqualified Deferred Compensation Table below. We have always limited the perquisites that are generally made available to our executive officers.

Individual Executive Compensation Decisions

Next, we discuss how we apply the policies and practices described above and the resulting compensation paid or awarded to each of our Named Executive Officers for the year ended December 31, 2019 as set forth in the Summary Compensation Table and the Grants of Plan-Based Awards Table.

President and Chief Executive Officer Compensation

Chief Executive Officer Compensation

Our President and Chief Executive Officer is responsible for overseeing all of our corporate functions, product strategy and development, go-to-market activities and the attainment of our strategic, operational and financial goals. Working in concert with the leadership team and our Board of Directors, our President and Chief Executive Officer formulates current and long-term strategic plans and objectives and is our chief spokesperson to our employees, customers, partners and shareholders.

Based on a recommendation of the Compensation Committee, our Board of Directors determines compensation for our President and Chief Executive Officer using the same factors it uses for other executive officers, placing less emphasis on base salary and, instead, driving greater performance-based alignment through equity-based long-term and variable cash compensation. In assessing the compensation paid to our President and Chief Executive Officer, the Compensation Committee relies on the advice of its independent compensation consultant, information from selected benchmarks and its judgment with respect to the factors described above and specific factors described below.

Mr. Henshall's employment agreement provides for a minimum base salary of \$1,000,000, which is subject to annual review and may be increased but not decreased. In addition, Mr. Henshall is entitled to participate in our executive variable cash compensation program at an annual target variable cash compensation payment of 150% of his base salary and a maximum variable cash compensation payment of 200% of his base salary, with the actual amount to be determined in the discretion of the Compensation Committee based on Citrix's performance and the individual performance of Mr. Henshall.

In March 2019, as part of our annual compensation review process, our Board of Directors met in executive session to review Mr. Henshall's annual compensation, including the minimum compensation provided for by his employment agreement, and to assess his performance for 2018. Our Board of Directors considered Mr. Henshall's performance and the demands on, and responsibilities of, a leader of a global organization of the scale and complexity of Citrix, especially given that our company is going through a significant business transition. Further, our Compensation Committee, with assistance from its independent compensation consultant, conducted a comprehensive review of compensation for chief executive officers at our peer companies.

As a result of that review, our Board of Directors approved a 2019 direct target compensation package for Mr. Henshall that was approximately 60% performance-based. Target direct compensation includes base salary, target variable cash compensation and the grant date fair value of time-based restricted stock units and performance-based restricted stock units. This percentage of performance-based target direct compensation was consistent with the average pay mix for chief executive officers in our peer group.

Our Board of Directors maintained Mr. Henshall's base salary of \$1,000,000 for 2019 (as a result, Mr. Henshall received base salary compensation of \$1,000,000 in 2019). Mr. Henshall's target variable cash compensation award as a percentage of base salary was set at 150% of his base salary, consistent with the rate in effect at the end of 2018. For 2019, Mr. Henshall was awarded variable cash compensation of \$1,474,500, in accordance with our 2019 executive variable cash compensation plan.

For 2019, the Compensation Committee determined to shift Mr. Henshall's equity compensation to 60% performance-based and 40% service based from the 50% performance-based and 50% service-based from prior years, to focus more of Mr. Henshall's compensation on performance-based compensation. As a result, Mr. Henshall was granted 40,149 time-based restricted stock units and 60,223 performance-based restricted stock units. Also, Mr. Henshall was granted 23,500 performance-based restricted stock units in February 2019 for retention purposes, all of which were subsequently forfeited in January 2020 to further align such retention grants with our accelerated transition as discussed beginning on page 52.

Our Board of Directors approved Mr. Henshall's 2019 compensation package, including his equity awards as described above, upon the recommendation of the Compensation Committee.

Other Named Executive Officers Cash Compensation – Base Salary and Variable Cash Compensation

Executive Vice President and Chief Financial Officer

Mr. Shenkman joined Citrix on September 9, 2019 as our Executive Vice President and Chief Financial Officer. As Chief Financial Officer, Mr. Shenkman is responsible for all of our financial and capital management strategies, budgeting and planning, financial accounting, tax and treasury, and investor relations, as well as our strategic alliances and mergers and acquisitions functions.

Mr. Shenkman's initial annual base salary was set at \$575,000, and he received base salary compensation of \$179,688 in 2019. Mr. Shenkman's 2019 target variable cash compensation award as a percentage of base salary was set at 100% of his base salary. For 2019, Mr. Shenkman was awarded variable cash compensation of \$176,536 in accordance with our 2019 executive variable cash compensation plan and pro-rated for his start date on September 9, 2019.

In connection with joining our company, Mr. Shenkman was awarded a sign-on bonus of \$500,000 to be paid 180 days following the commencement of his employment as Executive Vice President and Chief Financial Officer. The sign-on bonus was paid on March 13, 2020.

Mr. Shenkman maintains his primary residence in the state of Pennsylvania. As part of his annual compensation, we therefore pay costs associated with Mr. Shenkman's travel between his residence in Pennsylvania and our headquarters in Florida, and we also leased an apartment for Mr. Shenkman's use in Florida. See Summary Compensation Table for more information. We do not believe that Mr. Shenkman's Pennsylvania residency has a negative impact on the quality of his service to us or on his ability to meet his obligations as Executive Vice President and Chief Financial Officer.

Former Executive Vice President and Chief Financial Officer

As announced on April 24, 2019, Mr. Del Matto's employment with Citrix ended on April 26, 2019. While serving as our Chief Financial Officer, Mr. Del Matto was responsible for all of our financial and capital management strategies, budgeting and planning, financial accounting, tax and treasury, and investor relations, as well as our information technology function.

For 2019, Mr. Del Matto's annual base salary was set at \$550,000, and he received base salary compensation of \$179,167 in 2019 for the period of time during 2019 that Mr. Del Matto served as Chief Financial Officer. Mr. Del Matto's 2019 target variable cash compensation award as a percentage of base salary was set at 90% of his base salary. As a result of Mr. Del Matto's departure during 2019, Mr. Del Matto did not receive variable cash compensation for 2019.

In connection with Mr. Del Matto's departure and in order to provide an orderly transition, we entered into a letter agreement with Mr. Del Matto, pursuant to which the vesting of 10,038 time-based restricted stock units previously granted to Mr. Del Matto accelerated, subject to Mr. Del Matto's agreeing to provide consulting and transitional support for a one-month period following the date of termination of his employment and signing a separation and release agreement. Mr. Del Matto forfeited all of his other unvested equity awards upon his departure from Citrix.

Former Interim Chief Financial Officer

In April 2019, our Board of Directors appointed Ms. Soisson, our Vice President, Corporate Controller and Chief Accounting Officer, as Interim Chief Financial Officer. In connection with her appointment as Interim Chief Financial Officer, the Compensation Committee approved an increase in Ms. Soisson's annual base salary from \$350,130 to \$530,000. Ms. Soisson served as Interim Chief Financial Officer through September 8, 2019, and her annual base salary returned to \$350,130 on September 16, 2019. As a result, Ms. Soisson received base salary compensation of \$415,956 in 2019.

Our Compensation Committee also approved an increase in Ms. Soisson's target annual variable cash compensation opportunity from 50% to 90% of her annual base salary during the period of time she served as Interim Chief Financial Officer. On September 16, 2019, Ms. Soisson's target annual variable cash compensation opportunity returned to 50% of her base salary. For 2019, Ms. Soisson was awarded variable cash compensation of \$287,995 in accordance with our 2019 executive variable cash compensation plan.

Executive Vice President and Chief Revenue Officer

As Executive Vice President and Chief Revenue Officer, Mr. Ferrer is responsible for leading our global sales and services organization.

Effective April 1, 2019, Mr. Ferrer's annual base salary was increased from \$550,000 to \$575,000. As a result, Mr. Ferrer received base salary compensation of \$568,750 in 2019. Mr. Ferrer's 2019 target variable cash compensation award as a percentage of base salary was set at 100% of his base salary. For 2019, Mr. Ferrer was awarded variable cash compensation of \$559,165 in accordance with our 2019 executive variable cash compensation plan.

Executive Vice President, Chief Legal Officer and Secretary

As our Executive Vice President, Chief Legal Officer and Secretary, Mr. Gomes is responsible for leading a multidisciplinary team and oversees our global legal, compliance, digital risk, and internal audit functions to advance our objectives while managing risk.

For 2019, Mr. Gomes' annual base salary was \$500,000. As a result, Mr. Gomes received base salary compensation of \$500,000 in 2019. For 2019, Mr. Gomes' target variable cash compensation opportunity was 90% of his base salary. For 2019, Mr. Gomes was awarded variable cash compensation of \$442,350 in accordance with our 2019 executive variable cash compensation plan.

Executive Vice President and Chief Product Officer

As Executive Vice President and Chief Product Officer, Mr. Hough is responsible for providing direction for the company's current and future technology, including driving product alignment, innovation and growth across our product portfolio.

Effective April 1, 2019, Mr. Hough's annual base salary was increased from \$450,000 to \$500,000. As a result, Mr. Hough received base salary compensation of \$487,500 in 2019. Mr. Hough's target variable cash compensation award as a percentage of base salary was set at 90% of his base salary. For 2019, Mr. Hough was awarded variable cash compensation of \$431,443, in accordance with our 2019 executive variable cash compensation plan. In July 2017, the Compensation Committee approved a \$15,000 per month stipend for up to three years to cover Mr. Hough's housing, commuting and other related costs. For 2019, Mr. Hough received a monthly stipend totaling \$180,000.

Named Executive Officers Equity – Long-term Incentive Compensation

In April 2019, as part of our annual equity grant program, certain of our Named Executive Officers were awarded grants of performance-based restricted stock units at the following target award levels. Attainment levels will be determined within 60 days of the end of the performance period (i.e., within 60 days of December 31, 2021):

Name and Principal Position	Target Performance-Based Restricted Stock Unit Awards
Arlen R. Shenkman Executive Vice President and Chief Financial Officer	—
Andrew H. Del Matto Former Executive Vice President and Chief Financial Officer	—
Jessica Soisson Former Interim Chief Financial Officer and current Vice President, Corporate Controller and Chief Accounting Officer	2,007
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	18,820
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	15,307
Paul J. Hough Executive Vice President and Chief Product Officer	15,307

Also, in April 2019 (and in the case of Ms. Soisson, in both April 2019 and May 2019), certain of our Named Executive Officers were awarded time-based restricted stock units as part of our annual equity grant program, which vest in three equal annual installments, as follows:

Name and Principal Position	Time-Based Restricted Stock Unit Awards
Arlen R. Shenkman(1) Executive Vice President and Chief Financial Officer	62,481
Andrew H. Del Matto Former Executive Vice President and Chief Financial Officer	—
Jessica Soisson(2) Former Interim Chief Financial Officer and current Vice President, Corporate Controller and Chief Accounting Officer	20,907
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	18,820
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	15,307
Paul J. Hough Executive Vice President and Chief Product Officer	15,307

- (1) In connection with joining Citrix on September 9, 2019, Mr. Shenkman was granted a new-hire equity award on October 1, 2019 with a value of \$6,000,000 consisting of 62,481 time-based restricted stock units that vest over three years, with one-third of the units vesting on the first, second and third anniversaries of the date of the award agreement.
- (2) In April 2019, Ms. Soisson received an annual grant of 6,023 time-based restricted stock units. In connection with her role as Interim Chief Financial Officer, Ms. Soisson received time-based restricted stock units on May 1, 2019 with a value of \$1,500,000 consisting of 14,884 time-based restricted stock units that vest annually over three years.

As discussed above, in February 2019, certain of our Named Executive Officers were awarded grants of performance-based restricted stock units having a free cash flow per share growth metric. The February 2019 awards were forfeited by such Named Executive Officers in their entirety in January 2020 and are no longer outstanding. The February 2019 Awards had a two-year performance period ending December 31, 2021. Each of Antonio G. Gomes and Paul J. Hough received 14,000 target performance-based restricted stock units, all of which were subsequently forfeited.

Other Compensation Policies and Information

Executive Agreements

We have entered into executive agreements with certain members of our senior leadership team, including the Named Executive Officers (other than Mr. Henshall). The Compensation Committee believes that it is in the best interests of our shareholders to extend these severance benefits to our executives to reinforce and encourage retention and focus of shareholder value creation without distraction. Mr. Henshall has an individual employment agreement with Citrix that provides for similar benefits in the event of the termination of his employment under certain circumstances. See *Potential Payments upon Termination or Change in Control* beginning on page 67 for further information.

Equity Award Grant Policy

In 2007, the Compensation Committee adopted the Citrix Equity Award Grant Policy, or the Awards Policy. The Awards Policy enhances our controls with respect to grants of equity awards by establishing procedures for approving and pre-determining the dates on which awards will be made. Pursuant to the Awards Policy, unless a different date is set by our Board of Directors or the Compensation Committee, annual grants will be made on or about April 1 or the first trading day thereafter. The Awards Policy also establishes guidelines for grant dates for new hire and performance grants. Such new hire and performance grants will be made on the first trading day of the month following the month in which all processing and approvals for such equity awards are timely completed in accordance with the stock grant processing timeline as set by our Chief People Officer. A copy of our Awards Policy is available on the Corporate Governance section of our website at <https://www.citrix.com/about/governance.html> under Governance Documents.

Executive Stock Ownership Guidelines

To align the interests of our executive officers with the interests of our shareholders, our Board of Directors has established stock ownership guidelines for our executive officers. Under our current guidelines, our executive officers are expected to own shares of our common stock equal in value to a multiple of base salary as indicated in the table below.

Position	Stock Ownership Value (Multiple of Base Salary)
President and Chief Executive Officer	6 times
Other Executive Officers who report to the President and Chief Executive Officer	4 times

To comply with these guidelines, each executive officer is required to retain an amount equal to one-third (1/3) of the net shares (those shares remaining after shares are deducted or withheld to cover any exercise price or tax obligations arising in connection with the exercise, vesting or payment of an equity award) received as a result of the exercise, vesting or payment of any equity-based award granted to the executive officer by the company unless such executive officer holds the applicable guideline value of shares. Each of our executive officers is expected to hold such shares for so long as he or she is one of our executive officers. Failure to satisfy the stock ownership guidelines when required to do so will result in suspension of an executive officer's ability to sell shares of our common stock until the requisite ownership levels are reached. Our executive officers may accumulate shares of our common stock through stock option exercises, settlement of restricted stock units or other awards and open market purchases made in compliance with applicable securities laws, our policies or any other equity plans we may adopt from time to time. Shares of our common stock beneficially owned (unless the executive officer disclaims beneficial ownership of the shares) and vested restricted stock (including vested but deferred restricted stock units) count towards the satisfaction of the stock ownership guidelines.

Policy Concerning Hedging And Pledging Transactions

Certain transactions in Citrix securities (such as buying or selling puts, calls or other derivative securities of Citrix securities, or any derivative securities that provide the economic equivalent of ownership of any Citrix securities or an opportunity, direct or indirect, to profit from any change in the value of Citrix securities, or engaging in any other hedging transactions with respect to Citrix securities) create a heightened compliance risk or could create the appearance of misalignment between management and shareholders. As a result, our insider trading policy prohibits our employees, including our executive officers and directors, from engaging in hedging transactions, such as short sales and/or other derivative transactions, purchasing Citrix securities on margin, holding Citrix securities in an account that is, or is linked to, a margin account, and pledging Citrix securities as collateral for a loan.

Policy Regarding Change In Control Arrangements

It is our policy that we will not enter into any agreements with our executive officers that provide the executive officer with payments following a change in control unless such agreements provide for a double-trigger termination event (that is, upon the termination of the executive officer's employment without cause or for good reason following a change in control).

Policy Regarding Recovery of Executive Compensation

Citrix executive officers are subject to a formal executive compensation recovery policy, or "clawback" policy, which allows Citrix to recoup from its executive officers excess proceeds from certain incentive compensation received by such executive due to a material restatement of Citrix's financial results due to an executive officer engaging in an act of embezzlement, fraud, willful misconduct or breach of fiduciary duty. Excess compensation includes any cash or equity-based compensation if the payment, grant or vesting of such compensation is predicated on the achievement of financial performance goals or financial metrics (excluding any incentive-based compensation based on total shareholder return or any similar stock price-based metric). The Compensation Committee intends to periodically review this policy and, as appropriate, conform it to any applicable final rules adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Summary of Executive Compensation

The following table sets forth certain information with respect to compensation for the years ended December 31, 2019, 2018 and 2017 earned by or paid to our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, former Executive Vice President and Chief Financial Officer, former Interim Chief Financial Officer, and our three other most highly-compensated executive officers, collectively referred to as our Named Executive Officers, as determined in accordance with applicable SEC rules.

**SUMMARY COMPENSATION TABLE
FOR THE 2019, 2018 AND 2017 FISCAL YEARS**

Name and Principal Position	Year	Salary (\$)*	Bonus (\$)	Stock Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
David J. Henshall President and Chief Executive Officer	2019	1,000,000	—	11,482,590(2)	1,474,500	556,766(3)	14,513,856
	2018	1,000,000	—	15,648,049	2,458,726	151,327	19,258,102
	2017	860,834	—	8,637,185	791,081	32,189	10,321,289
Arlen R. Shenkman(4) Executive Vice President and Chief Financial Officer	2019	179,688	—	6,000,050	176,536(5)	78,773(6)	6,435,047
Andrew H. Del Matto(7) Former Chief Financial Officer	2019	179,167	—	1,012,633(8)	—	57,561(9)	1,249,361
	2018	478,704	—	6,974,974	732,560	383,270	8,569,508
Jessica Soisson(10) Former Interim Chief Financial Officer, current Vice President, Corporate Controller and Chief Accounting Officer	2019	415,956	—	2,300,521	287,995	59,666(11)	3,064,138
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	2019	568,750	—	3,752,332	559,165	206,518(12)	5,086,765
	2018	550,000	—	4,331,244	940,170	23,371	5,844,785
	2017	137,500	200,000	3,999,963	110,755	6,375	4,454,593
Antonio G. Gomes(13) Executive Vice President, Chief Legal Officer and Secretary	2019	500,000	—	3,909,690(14)	442,350	194,487(15)	5,046,527
	2018	492,500	—	4,865,259	728,134	73,062	6,158,955
Paul J. Hough(16) Executive Vice President and Chief Product Officer	2019	487,500	—	3,909,690(17)	431,443	368,720(18)	5,197,353
	2018	445,000	—	4,865,259	684,720	237,050	6,232,029

- * Each year, our salary levels are determined during our first fiscal quarter and become effective April 1, except in connection with promotions and new hires. The amounts represented in this table reflect salary actually paid during the fiscal year.
- (1) These amounts represent the aggregate grant date fair value of restricted stock unit awards in the year in which the grant was made. The assumptions we used for calculating the grant date fair value are set forth in Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 14, 2020. These amounts do not represent the actual amounts paid to or realized by the executive officer for these awards during fiscal years 2019, 2018 or 2017. The value as of the grant date for restricted stock unit awards is recognized over the number of days of service required for the grant to become vested. In the case of performance-based restricted stock units, the fair value is reported for the probable outcome, which for this purpose is estimated using the company's financial projections as of the grant date. The fair value of awards at the maximum level of achievement for performance-based restricted stock units included in this table for 2019 (which include the performance-based restricted stock units granted in February 2019 as previously described and which were subsequently forfeited) is as follows: Mr. Henshall, \$14,960,272; Ms. Soisson, \$400,156; Mr. Ferrer, \$3,752,332; Mr. Gomes \$4,767,470; and Mr. Hough, \$4,767,470.
 - (2) Includes performance-based restricted stock units granted in February 2019 having a grant date fair value of \$1,476,505, which were forfeited in January 2020. For more information, see *Retention Performance-Based Awards Granted to Align with Accelerated Transformation*.
 - (3) Includes restricted stock units issued as a result of the quarterly dividends paid during fiscal year 2019 (\$483,919), the value of company-covered financial services available to each executive officer (\$16,000), 401(k) matching contributions made by our company (\$8,400), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$33,685), and travel and other expenses associated with Mr. Henshall's spouse's attendance with him at certain business events (\$9,762). In connection with Mr. Henshall's forfeiture of his performance-based restricted stock units granted in February 2019, \$33,074 of the restricted stock units issued as a result of the quarterly dividends paid during fiscal year 2019 was also forfeited.

- (4) Mr. Shenkman joined Citrix in September 2019.
- (5) Mr. Shenkman's non-equity incentive award was pro-rated to reflect less than one year of service as Executive Vice President and Chief Financial Officer in 2019.
- (6) Includes restricted stock units issued as a result of the quarterly dividends paid during fiscal year 2019 (\$21,868), the value of company-covered financial services available to each executive officer (\$4,033), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$3,281), housing costs for the rental of an apartment in Florida (\$28,431), and other expenses, including airfare, ground transportation and meals, in connection with travel to our headquarters in Florida (\$16,160).
- (7) As announced on April 24, 2019, Mr. Del Matto's employment with Citrix ended on April 26, 2019.
- (8) Represents incremental fair value of \$1,012,633 as a result of a modification to the time-based restricted stock unit award granted to Mr. Del Matto on March 30, 2018 in connection with Mr. Del Matto's departure from Citrix.
- (9) Includes restricted stock units issued as a result of the quarterly dividends paid in fiscal year 2019 (\$19,408), the value of company-covered financial services available to each executive officer (\$5,085), 401(k) matching contributions made by our company (\$7,667), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$10,269), and paid time-off payout (\$10,132).
- (10) Ms. Soisson was not a Named Executive Officer for the fiscal years ended December 31, 2017 and 2018.
- (11) Includes restricted stock units issued as a result of the quarterly dividends paid in fiscal year 2019 (\$41,729), the value of company-covered financial services available to each executive officer (\$4,537), 401(k) matching contributions made by our company (\$8,400), and the value of a company-covered physical examination available to each executive officer (\$5,000).
- (12) Includes restricted stock units issued as a result of the quarterly dividends paid in fiscal year 2019 (\$129,125), the value of company-covered financial services available to each executive officer (\$16,000), 401(k) matching contributions made by our company (\$8,400), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$22,457), charitable donations made under the company's matching gift program (\$15,000) and travel and other expenses associated with Mr. Ferrer's spouse's attendance with him at certain business events (\$10,536).
- (13) Mr. Gomes was not a Named Executive Officer for the fiscal year ended December 31, 2017.
- (14) Includes performance-based restricted stock units granted in February 2019 having a grant date fair value of \$857,780, which were forfeited in January 2020. For more information, see *Retention Performance-Based Awards Granted to Align with Accelerated Transformation*.
- (15) Includes restricted stock units issued as a result of the quarterly dividends paid in fiscal year 2019 (\$135,001), the value of company-covered financial services available to each executive officer (\$16,000), 401(k) matching contributions made by our company (\$8,400), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$15,086), and charitable donations made under the company's matching gift program (\$15,000). In connection with Mr. Gomes' forfeiture of his performance-based restricted stock units granted in February 2019, \$19,704 of the restricted stock units issued with respect to such award as a result of the quarterly dividends paid during fiscal year 2019 was also forfeited.
- (16) Mr. Hough was not a Named Executive Officer for the fiscal year ended December 31, 2017.
- (17) Includes performance-based restricted stock units granted in February 2019 having a grant date fair value of \$857,780, which were forfeited in January 2020. For more information see *Retention Performance-Based Awards Granted to Align with Accelerated Transformation*.
- (18) Includes restricted stock units issued as a result of the quarterly dividends paid in fiscal year 2019 (\$141,292), a \$15,000 per month stipend to cover commuter expenses in 2019 (\$180,000), the value of company-covered financial services available to each executive officer (\$14,948), 401(k) matching contributions made by our company (\$2,000), the value of a company-covered physical examination available to each executive officer (\$5,000), premiums for split-dollar life insurance and disability policies (\$10,480), and charitable donations made under the company's matching gift program (\$15,000). In connection with Mr. Hough's forfeiture of his performance-based restricted stock units granted in February 2019, \$19,704 of the restricted stock units issued with respect to such award as a result of the quarterly dividends paid during fiscal year 2019 was also forfeited.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to grants of plan-based awards for the year ended December 31, 2019 to the Named Executive Officers. Grants of equity awards to each Named Executive Officer were made pursuant to our Amended and Restated 2014 Plan. There can be no assurance that the Grant Date Fair Value of the Stock Awards listed below will ever be realized.

**GRANTS OF PLAN-BASED AWARDS TABLE
FOR THE 2019 FISCAL YEAR**

Name	Grant Date	Comp. Comm. Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Awards All Other Stock Number Of Shares Of Stock Units (#)	Grant Date Fair Value of Stock Awards (\$)(3)
			Threshold (\$)	Target (\$)(1)	Maximum (\$)	Threshold (#)	Target (#)(2)	Maximum (#)		
David J. Henshall	2/15/19	2/14/19	—	—	—	11,750	23,500(4)	47,000	—	1,476,505
	4/1/19	3/11/19	—	—	—	—	—	—	40,149	4,002,454
	4/1/19	3/11/19	—	—	—	0	60,223(5)	120,446	—	6,003,631
	—	3/11/19	0	1,500,000	3,000,000	—	—	—	—	—
Arlen R. Shenkman	10/1/19	7/24/19	—	—	—	—	—	—	62,481	6,000,050
	—	7/24/19	0	—	—	—	—	—	—	—
Andrew H. Del Matto	—	—	—	—	—	—	—	—	—	—
Jessica Soisson	4/1/19	3/11/19	—	—	—	—	—	—	6,023	600,433
	4/1/19	3/11/19	—	—	—	0	2,007(5)	4,014	—	200,078
	5/1/19	4/23/19	—	—	—	—	—	—	14,884	1,500,010
	—	3/11/19	0	175,075	350,150	—	—	—	—	—
Mark J. Ferrer	4/1/19	3/11/19	—	—	—	—	—	—	18,820	1,876,166
	4/1/19	3/11/19	—	—	—	0	18,820(5)	37,640	—	1,876,166
	—	3/11/19	0	575,000	1,150,000	—	—	—	—	—
Antonio G. Gomes	2/15/19	1/23/19	—	—	—	7,000	14,000(4)	28,000	—	857,780
	4/1/19	3/11/19	—	—	—	—	—	—	15,307	1,525,955
	4/1/19	3/11/19	—	—	—	0	15,307(5)	30,614	—	1,525,955
	—	3/11/19	0	450,000	900,000	—	—	—	—	—
Paul J. Hough	2/15/19	1/23/19	—	—	—	7,000	14,000(4)	28,000	—	857,780
	4/1/19	3/11/19	—	—	—	—	—	—	15,307	1,525,955
	4/1/19	3/11/19	—	—	—	0	15,307(5)	30,614	—	1,525,955
	—	3/11/19	0	450,000	900,000	—	—	—	—	—

- Reflects target variable cash compensation awards in effect at December 31, 2019. On January 23, 2020, the Compensation Committee determined that the reported product and subscription bookings (excluding transition and trade-up bookings and cloud extensions) target was 93.3% attained, the non-GAAP corporate operating margin target was 0% attained, and the cloud renewal target was 5% attained, resulting in a payout of 98.3% and in the following variable cash compensation awards: Mr. Henshall received \$1,474,500; Mr. Shenkman received \$176,536; Ms. Soisson received \$287,995; Mr. Ferrer received \$559,165; Mr. Gomes received \$442,350; and Mr. Hough received \$431,443. See the column labelled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table included in this Proxy Statement. Mr. Shenkman's variable cash compensation was pro-rated based on the date he began service as Executive Vice President and Chief Financial Officer. Ms. Soisson's variable cash compensation award was pro-rated to reflect the increase in her base salary and variable cash compensation effective April 24, 2019, the restoration of her base salary and the decrease in her variable cash compensation effective September 16, 2019 when she ceased to serve as Interim Chief Financial Officer. The variable cash compensation award of each of Mr. Ferrer and Mr. Hough was pro-rated to reflect the increase in his base salary effective April 1, 2019 through December 31, 2019.
- The "Estimated Future Payouts Under Equity Incentive Plan Awards" columns represent the minimum, target, and maximum number of restricted stock units that may vest pursuant to the applicable performance-based restricted stock unit agreements.
- The grant date fair value of awards in this column reflects the fair value of such awards, excluding estimated forfeitures. The assumptions we used for calculating the grant date fair value are set forth in Note 8 to the financial statements filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the SEC on February 14, 2020. In the case of performance-based restricted stock units, the fair value is reported for the probable outcome after the three-year performance period, which for this purpose is based on the company's financial projections as of the grant date.
- The full award was forfeited in January 2020. The number of restricted stock units vested as a percentage of the target award would have been determined based on free cash flow per share year-over-year growth over the two-year performance period ending on December 31, 2020.
- The number of restricted stock units vested as a percentage of the target award shall be determined based on subscription bookings as a percentage of total product and subscription bookings for the last year of the performance period ending on December 31, 2021.

Outstanding Equity Awards

The following table sets forth certain information with respect to the outstanding equity awards at December 31, 2019 for each of the Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2019 TABLE

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)	Equity Incentive Plan Awards; Market or Payout Value of Unearned or Other Rights That Have Not Vested (\$)(2)
David J. Henshall	9,834.035(3)	1,090,594		
	10,529.186(4)	1,167,687		
	37,679.471(5)	4,178,653		
	40,562.668(6)	4,498,400		
			16,965.000(7)	1,881,419
			23,667.000(8)	2,624,670
		13,741.000(9)	1,523,877	
		56,518.590(10)	6,267,912	
		23,824.844(11)	2,642,175	
		60,843.496(12)	6,747,544	
Arlen R. Shenkman	62,677.906(13)	6,950,980		
Andrew H. Del Matto	— (14)			
Jessica Soisson	1,018.324(3)	112,932		
	2,826.872(5)	313,500		
	1,356.560(15)	150,443		
	6,085.057(6)	674,833		
	15,037.355(16)	1,667,643		
			1,767.000(17)	195,960
		2,625.000(18)	291,113	
		1,861.000(19)	206,385	
		1,413.092(10)	156,712	
		2,027.678(12)	224,869	
Mark J. Ferrer	17,062.180(20)	1,892,196		
	13,188.019(5)	1,462,551		
	19,013.908(6)	2,180,642		
		19,781.254(10)	2,193,741	
		19,013.908(12)	2,108,642	
Antonio G. Gomes	3,730.150(3)	413,674		
	10,362.158(5)	1,149,163		
	15,464.712(6)	1,715,037		
		6,435.000(7)	713,642	
		8,941.000(18)	991,557	
		6,338.000(19)	702,884	
		15,542.994(10)	1,723,718	
		14,193.525(11)	1,574,062	
		15,464.712(12)	1,715,037	
Paul J. Hough	3,730.150(3)	413,674		
	10,362.158(5)	1,149,163		
	15,464.712(6)	1,715,037		
		6,435.000(7)	713,642	
		8,941.000(18)	991,557	
		6,338.000(19)	702,884	
		15,542.994(10)	1,723,718	
		14,193.525(11)	1,574,062	
		15,464.712(12)	1,715,037	

(1) Includes restricted stock units issued as a result of the quarterly dividends paid in the fourth quarter of 2018 and fiscal year 2019, as applicable. The shares reported in this table are reported on a post-adjusted basis as of December 31, 2019. Upon final vesting, any fractional unit will be rounded to a whole share.

- (2) Based on a per share price of \$110.90, which was the closing price per share of our common stock on the last business day of the 2019 fiscal year (December 31, 2019). Values have been rounded to the nearest whole dollar.
- (3) Restricted stock units that vest in three annual installments, with 33.4% having vested on March 30, 2018, 33.3% having vested on March 30, 2019, and 33.3% having vested on March 30, 2020.
- (4) Restricted stock units that vest in three annual installments, with 33.4% having vested on August 1, 2018, 33.3% having vested on August 1, 2019, and 33.3% vesting on August 1, 2020.
- (5) Restricted stock units that vest in three annual installments, with 33.4% having vested on March 29, 2019, 33.3% having vested on March 29, 2020, and 33.3% vesting on March 29, 2021.
- (6) Restricted stock units that vest in three annual installments, with 33.4% having vested on April 1, 2020, 33.3% vesting on April 1, 2021, and 33.3% vesting on April 1, 2022.
- (7) Represents the actual number of restricted stock units that vested on December 31, 2019 based on our relative total shareholder return percentile compared to the selected custom index companies. On January 23, 2020, it was determined that 57.50% payout was achieved.
- (8) Represents the actual number of restricted stock units that vested on December 31, 2019 based on the company's subscription bookings as a percentage of total product and subscription bookings. On January 23, 2020, it was determined that 149.85% payout was achieved.
- (9) Represents the actual number of restricted stock units that vested on December 31, 2019 based on the company's 2019 non-GAAP corporate operating margin. On January 23, 2020, it was determined that 87% payout was achieved.
- (10) Represents the target number of restricted stock units that will vest on December 31, 2020 based on the company's subscription bookings as a percentage of total product and subscription bookings.
- (11) Represents the target number of restricted stock units that would have vested based on free cash flow per share year-over-year growth over the two-year performance period ending on December 31, 2020. The full award was forfeited in January 2020.
- (12) Represents the target number of restricted stock units that will vest based on subscription bookings as a percentage of total product and subscription bookings for the last year of the performance period ending on December 31, 2021.
- (13) Restricted stock units that vest in three annual installments, with 33.4% vesting on October 1, 2020, 33.3% vesting on October 1, 2021, and 33.3% vesting on October 1, 2022.
- (14) Mr. Del Matto departed our company on April 26, 2019.
- (15) Restricted stock units that vest in three annual installments, with 33.4% having vested on December 3, 2019, 33.3% vesting on December 3, 2020, and 33.3% vesting on December 3, 2021.
- (16) Restricted stock units that vest in three annual installments, with 33.4% vesting on May 1, 2020, 33.3% vesting on May 1, 2021, and 33.3% vesting on May 1, 2022.
- (17) Represents the actual number of restricted stock units that vested on December 31, 2019 based on our relative shareholder return percentile compared to the company's included in the Nasdaq Composite Return Index as of January 2, 2019. On January 23, 2020, it was determined that 173.68% payout was achieved.
- (18) Represents the actual number of restricted stock units that vested on December 31, 2019 based on the company's subscription bookings as a percentage of total product and subscription bookings. On January 23, 2020, it was determined that 174.93% payout was achieved.
- (19) Represents the actual number of restricted stock units that vested on December 31, 2019 based on the company's 2019 non-GAAP corporate operating margin. On January 23, 2020, it was determined that 124% payout was achieved.
- (20) Restricted stock units that vest in three annual installments, with 33.4% having vested on October 2, 2018, 33.3% having vested on October 2, 2019, and 33.3% vesting on October 2, 2020.

Stock Vested

The following table sets forth certain information regarding restricted stock unit vesting, during the year ended December 31, 2019 under our equity incentive plans for our Named Executive Officers.

STOCK VESTED TABLE FOR THE 2019 FISCAL YEAR

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting \$(2)
David J. Henshall	102,821	10,257,090
Arlen R. Shenkman	—	—
Andrew H. Del Matto(3)	30,342	3,104,838
Jessica Soisson	5,934	593,193
Mark J. Ferrer	23,535	2,269,302
Antonio G. Gomes	34,549	3,453,477
Paul J. Hough	23,580	2,495,812

- (1) Includes additional restricted stock units vested during 2019 that were acquired in connection with the company's quarterly cash dividends. See *Adjustments to Outstanding Equity Awards in Connection with our Quarterly Dividends* on page 51 for more information.
- (2) Based on the closing price per share of our common stock on the date upon which the restricted stock units vested or, if the vesting date is not a trading day, based on the closing price on the last trading day immediately preceding the vesting date.
- (3) In connection with Mr. Del Matto's departure and in order to provide an orderly transition, we entered into a letter agreement with Mr. Del Matto, pursuant to which the vesting of 10,038 time-based restricted stock units previously granted to Mr. Del Matto accelerated. See *Other Named Executive Officers Cash Compensation – Base Salary and Variable Cash Compensation* for more information.

Nonqualified Deferred Compensation

The following table sets forth certain information regarding non-tax qualified compensation deferred during the year ended December 31, 2019, under our equity incentive plans for our Named Executive Officers. The deferred compensation consists of shares of our common stock that will be issued with respect to vested restricted stock units under a long-term incentive program, or LTIP, that we instituted in 2009.

The LTIP's design and structure were intended to, and ultimately did, reward executive officers for generating both relative and absolute shareholder returns. The number of vested restricted stock units was determined after the conclusion of a three-year period ending December 31, 2011, subject to employment of the executive officer by us throughout the three-year period. The number of shares of common stock issuable upon settlement of the LTIP restricted stock units was determined by comparing the performance of our common stock to the performance of the specified market indices over the same three-year period. Although the LTIP stock units have vested, the units will not be settled in shares of our common stock until the earliest of six months and one day following termination of the executive officer's employment for any reason other than cause, the executive officer's death, or the effective date of a change in control of our company.

**NONQUALIFIED DEFERRED COMPENSATION TABLE
FOR THE 2019 FISCAL YEAR**

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
David J. Henshall	—	—	—	—	5,422,412 ⁽¹⁾
Arlen R. Shenkman	—	—	—	—	—
Andrew H. Del Matto	—	—	—	—	—
Jessica Soisson	—	—	—	—	—
Mark J. Ferrer	—	—	—	—	—
Antonio G. Gomes	—	—	—	—	—
Paul J. Hough	—	—	—	—	—

- (1) Based on a per share price of \$110.90, which was the closing price per share of our common stock on December 31, 2019, the last business day of the 2019 fiscal year, and reflects the balance of restricted stock units currently outstanding that were issued under the LTIP that vested on December 31, 2011, net of any underlying shares that were withheld to satisfy minimum tax withholding obligations that arose upon vesting. The number of restricted stock units on a net basis for each of the Named Executive Officers is as follows: Mr. Henshall, 48,894.608 units which includes additional restricted stock units received as a result of adjustments made to outstanding equity awards in connection with our quarterly cash dividends paid in the fourth quarter of 2018 and fiscal year 2019. None of Messrs. Shenkman, Del Matto, Ferrer, Gomes, Hough, or Ms. Soisson participated in the LTIP program. The grant date fair value of the LTIP awards was included in the "Stock Awards" column of the Summary Compensation Table for 2009.

Potential Payments upon Termination or Change in Control

We have change in control and severance arrangements with our Named Executive Officers that provide severance and other benefits to our Named Executive Officers in the event of the termination of their employment under certain circumstances. Set forth below is a summary of these arrangements.

President and Chief Executive Officer

In July 2017, we entered into an employment agreement with Mr. Henshall in connection with his appointment as our President and Chief Executive Officer. The employment agreement has a term of three years, with one-year extensions thereafter unless written notice of non-renewal is given by either party not less than 180 days prior to the end of the then current term.

Mr. Henshall's employment agreement provides for a minimum base salary of \$1,000,000, which is subject to annual review and may be increased but not decreased. In addition, Mr. Henshall is entitled to participate in our executive variable cash compensation program at an annual target variable cash compensation payment of 125% of his base salary and a maximum variable cash compensation payment of 200% of his base salary, with the actual amount to be determined in the discretion of the Compensation Committee based on Citrix's performance and the individual performance of Mr. Henshall. Mr. Henshall also is eligible to receive annual equity awards with a minimum target value of \$8,000,000, and to participate in all of our employee benefit plans and programs that are generally available to our senior executive employees.

Upon a termination of Mr. Henshall's employment without cause or for good reason before a change in control, Mr. Henshall will be entitled to severance pay and benefits as follows:

- salary continuation in an amount equal to two times the sum of (a) Mr. Henshall's base salary and (b) his target variable cash compensation;
- continued health insurance coverage for 18 months; and
- acceleration of unvested equity awards with time-based vesting then scheduled to vest over 24 months.

In such event, his performance-based equity awards will remain outstanding and may be earned on a pro-rata basis at the end of the relevant performance period based on actual performance.

The definitions of "cause", "good reason" and "change in control" included in Mr. Henshall's employment agreement are substantially the same as the definitions included in the executive agreements for the other Named Executive Officers described below, except that it will be considered a substantial reduction in Mr. Henshall's duties or responsibilities for purposes of the definition of "good reason" if he is not nominated for re-election to the Board or, in the event of a change in control, if he is no longer serving as President and Chief Executive Officer for the ultimate parent of the resulting company or such parent is not a publicly-traded company.

In the event Mr. Henshall's employment is terminated without cause or if he resigns his position for good reason in the 18-month period following a change in control, he will be entitled to receive:

- a lump sum payment equal to 300% of the sum of (a) his annual base salary and (b) his target variable cash compensation;
- continued health insurance coverage for 18 months; and
- accelerated vesting of all unvested equity awards with time-based vesting.

Mr. Henshall's currently outstanding equity awards with performance-based vesting provide that they will be deemed earned at the time of a change in control based on maximum achievement of 200%, subject to time-based vesting over the remaining measurement period, with full vesting if Mr. Henshall is terminated without cause or resigns for good reason following a change in control.

Upon Mr. Henshall's death or disability, all unvested equity awards with time-based vesting held by Mr. Henshall will immediately vest, and any equity awards with performance-based vesting will remain outstanding and may be earned on a pro-rata basis at the end of the relevant performance period based on actual performance. Mr. Henshall (or his estate, if

applicable) also will be entitled to receive his target variable cash compensation on a pro-rata basis for such year. For purposes of his employment agreement, “disability” means that he is unable to perform the essential functions of his then existing position or positions under the agreement (or is expected, based on a reasonable degree of medical certainty, to be unable to perform such functions) with or without reasonable accommodation for a period of 180 days (which need not be consecutive) in any 12-month period.

All severance payments and benefits under Mr. Henshall’s employment agreement are subject to the execution of a separation and release agreement by Mr. Henshall containing, among other provisions, a general release of claims in favor of Citrix.

In the event that any payments made to Mr. Henshall in connection with a change in control or termination would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, the payments to Mr. Henshall would be reduced to the maximum amount that can be paid without the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, but only if such reduction provides a higher benefit on an after-tax basis to Mr. Henshall. The employment agreement does not provide for any tax gross-up payments.

Other Named Executive Officers

We have entered into executive agreements with the members of our senior leadership team, including Messrs. Shenkman, Ferrer, Gomes and Hough and Ms. Soisson. The executive agreements have a term of three years and automatically renew for one-year periods, unless written notice of non-renewal is given by either party at least 180 days prior to the end of the term. In the event of a change in control, the term will be automatically extended until 12 months after the change in control.

Under the executive agreements, if an executive’s employment is terminated by Citrix without cause or by the executive for good reason, in either case before a change in control, he or she will be entitled to receive:

- a lump sum payment equal to the sum of his or her then-current annual base salary plus the higher of (a) a designated percentage of his or her then-current annual base salary (100% for each of Mr. Shenkman and Mr. Ferrer, 90% for Mr. Hough, 75% for Mr. Gomes, and 50% for Ms. Soisson) or (b) the amount of variable cash compensation paid to him or her for the fiscal year prior to termination;
- continued health insurance coverage for 12 months;
- accelerated vesting of the unvested portion of his or her equity awards with time-based vesting that would have vested within the 12-month period following his or her date of termination; and
- 12 months of executive-level outplacement services.

In addition, the executive agreements provide for certain benefits in the event that the executive’s employment is terminated following a change in control of Citrix. In the event that an executive’s employment is terminated without “cause” or if he or she resigns his or her position for “good reason”, in either case, within the 12-month period following a “change in control”, he or she will be entitled to receive:

- a lump sum payment equal to 150% of the sum of (a) his or her annual base salary and (b) his or her variable cash compensation target for the then-current fiscal year;
- continued health insurance coverage for 18 months;
- accelerated vesting of the unvested portion of any equity awards with time-based vesting; and
- 18 months of executive-level outplacement services.

The company’s currently outstanding equity awards with performance-based vesting provide that they will be deemed earned at the time of a change in control based on maximum achievement of 200%, subject to time-based vesting over the remaining measurement period, with full vesting if the executive is terminated without cause or resigns for good reason following the change in control as described above.

Under the executive agreements, a “change in control” would include any of the following events:

- any “person,” as defined in the Securities Exchange Act of 1934, as amended, acquires 30% or more of our voting securities;

- the consummation of a consolidation, merger or sale or other disposition of all or substantially all of our assets in which our shareholders would beneficially own less than 50% of the voting securities of the resulting entity or its ultimate parent after such transaction;
- our incumbent directors cease to constitute a majority of our Board of Directors;
- any other acquisition of the business of Citrix in which a majority of our Board of Directors votes in favor of a decision that a change in control has occurred; or
- our shareholders approve a plan or proposal for our liquidation or dissolution.

Termination of the executive's employment by Citrix for "cause" includes a termination of the executive's employment as a result of:

- an indictment for the commission of any felony or a misdemeanor involving deceit, material dishonesty or fraud, or any willful conduct that would reasonably be expected to result in material injury or reputational harm to Citrix if the executive were retained in his or her position;
- willful disclosure of material trade secrets or other material confidential information related to our business;
- willful and continued failure substantially to perform the executive's duties with Citrix, other than any such failure resulting from the executive's incapacity due to physical or mental illness (subject to notice and a period for the executive to cure such failure);
- willful and knowing participation in releasing false or materially misleading financial statements or submission of a false certification to the Securities and Exchange Commission; or
- failure to cooperate with a bona fide internal investigation by regulatory or law enforcement authorities.

Termination of the executive's employment by the executive for "good reason" includes a termination of the executive's employment as a result of:

- a substantial reduction, not consented to by the executive, in the nature or scope of the executive's responsibilities, authorities, powers, functions or duties;
- a reduction in the executive's annual base salary or target variable cash compensation;
- failure to provide the executive with any payments, rights and other entitlements under the applicable agreement, including upon a change in control;
- following a change in control, a material breach by Citrix of any agreements, plans, policies and practices relating to the executive's employment with Citrix;
- the relocation of our offices at which the executive is principally employed by more than 35 miles; or
- Citrix's issuance to the executive of a notice of non-renewal of the agreement (as applicable).

In addition, it will be considered a substantial reduction in Mr. Shenkman's or Mr. Gomes' duties or responsibilities for purposes of the definition of "good reason" if, in the event of a change in control, he is no longer serving as Chief Financial Officer or General Counsel, respectively, for the ultimate parent of the resulting company or such parent is not a publicly-traded company.

The severance payments and benefits described above are subject to the execution of a separation and release agreement containing, among other provisions, a general release of claims in favor of Citrix.

In the event that any payments made in connection with a change in control or termination would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (or, the Code), the payments to these executives would be reduced to the maximum amount that can be paid without the imposition of an excise tax under Section 4999 of the Code, but only if such reduction provides a higher benefit on an after-tax basis to the executives. The executive agreements do not provide any "gross-up" payments in connection with a change in control.

With respect to the performance-based equity awards granted to these Named Executive Officers, the award agreements provide that if the executive's employment with our company terminates as a result of the executive's death, disability (defined under our long-term disability plan) or retirement (defined as termination of employment after attainment of age 65 and provided that the executive officer has at least four years of service with our company), the executive will remain eligible to earn such performance-based awards on a pro-rata basis at the end of the performance period based on our achievement of the applicable performance metrics. As of December 31, 2019, none of our Named Executive Officers were eligible for retirement under our policy. In addition, our Compensation Committee adopted a policy applicable to these Named Executive Officers providing for the acceleration of vesting of outstanding time-based restricted stock units upon death or disability.

Each of our Named Executive Officers is also subject to the terms of a non-solicitation, non-compete and confidentiality and employee non-disclosure agreement with us. The non-solicitation and non-compete obligations, where enforceable, survive the termination of the executive's employment for a period of one year.

Former Chief Financial Officer

In February 2018, we entered into an executive agreement with Mr. Del Matto in connection with his appointment as our Executive Vice President and Chief Financial Officer, on substantially the same terms as the executive agreements described above. Mr. Del Matto resigned from these roles, effective April 26, 2019. In connection with his departure from our company, Mr. Del Matto received no severance or other separation benefits pursuant to his executive agreement, but in order to provide an orderly transition, we entered into a letter agreement with Mr. Del Matto. Pursuant to the letter agreement, subject to Mr. Del Matto's agreement to provide consulting and transitional support for a one-month period following the date of termination of his employment and to sign a separation and release agreement in favor of Citrix, 10,038 time-based restricted stock units previously granted to Mr. Del Matto (valued at approximately \$1,013,637 on April 26, 2019) immediately accelerated and became nonforfeitable upon his separation and release agreement becoming effective. Mr. Del Matto forfeited all of his other unvested equity awards upon his departure from Citrix.

Potential Payments

The following table shows potential payments and benefits that would have been provided to each of Messrs. Henshall, Shenkman, Ferrer, Gomes and Hough and Ms. Soisson upon the occurrence of a change in control and/or certain termination triggering events, assuming such change in control and/or termination event occurred on December 31, 2019. Mr. Del Matto is not included in the table below as his employment with Citrix terminated during 2019.

The amounts shown in this table do not include payments and benefits to the extent they have been earned prior to the termination of employment or are provided on a non-discriminatory basis to employees upon termination of employment. These include:

- accrued salary and vacation pay;
- distribution of plan balances under our 401(k) plan and the non-qualified deferred compensation plan (see *Nonqualified Deferred Compensation* on page 66 for the balances, if any, of each Named Executive Officer); and
- life insurance proceeds in the event of death.

The closing market price of our common stock on December 31, 2019 was \$110.90 per share.

Benefit	Involuntary Not for Cause Termination / Good Reason Termination (\$)	Involuntary Not for Cause Termination / Good Reason Termination Following Change in Control (\$)(1)	Death or Disability (\$)(2)
David J. Henshall			
Severance	4,500,000	6,750,000	1,250,000(3)
Unvested Equity Awards	23,215,159(2)	55,800,777(4)	24,714,638(4)
Benefits Continuation	23,834	23,834	—
Outplacement Services	—	—	—
Total	27,738,993	62,574,611	25,964,638
Arlen R. Shenkman			
Severance	1,150,000	1,725,000	—
Unvested Equity Awards	2,317,034	6,950,990	6,950,990
Benefits Continuation	23,544	35,317	—
Outplacement Services	21,250	21,250	—
Total	3,511,828	8,732,557	6,950,990
Jessica Soisson			
Severance	599,946	787,500	—
Unvested Equity Awards	1,125,413	4,574,736	3,793,187
Benefits Continuation	25,215	37,823	—
Outplacement Services	21,250	21,250	—
Total	1,771,824	5,421,309	3,793,187
Mark J. Ferrer			
Severance	1,515,170	1,725,000	—
Unvested Equity Awards	3,326,556	14,068,441	7,629,033
Benefits Continuation	23,544	35,317	—
Outplacement Services	21,250	21,250	—
Total	4,886,520	15,850,008	7,629,033
Antonio G. Gomes			
Severance	1,228,134	1,425,000	—
Unvested Equity Awards	1,560,141	18,053,522(4)	8,194,401(4)
Benefits Continuation	22,508	33,762	—
Outplacement Services	21,250	21,250	—
Total	2,832,033	19,533,534	8,194,401
Paul J. Hough			
Severance	1,184,720	1,425,000	—
Unvested Equity Awards	1,560,141	18,053,522(4)	8,194,401(4)
Benefits Continuation	22,508	33,762	—
Outplacement Services	21,250	21,250	—
Total	2,788,619	19,533,534	8,194,401

- (1) The value of any performance-based awards included in this column was calculated using maximum achievement of 200%.
- (2) The value of any performance-based awards was calculated using the target award level except for performance awards where the performance period ended December 31, 2019, in which case the value was calculated using actual performance achieved. For each performance-based award for which the performance period is not complete as of termination, the number of shares earned will be calculated based on actual performance during the performance period and pro-rated for the number of months that elapsed in the performance period prior to such termination.
- (3) Mr. Henshall (or his estate, if applicable) would be entitled to receive his target variable cash compensation on a pro-rata basis for such year.
- (4) Includes February 2019 PRSUs, all of which were forfeited in January 2020.

Report of the Compensation Committee of the Board of Directors

This report is submitted by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis included in this Proxy Statement and discussed it with management. Based on its review of the Compensation Discussion and Analysis and its discussions with management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that Citrix specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Respectfully submitted by the Compensation Committee,

Nanci E. Caldwell
Ajei S. Gopal
Peter J. Sacripanti

Compensation Committee Interlocks and Insider Participation

From January through December 2019, Ms. Caldwell, Dr. Gopal and Mr. Sacripanti served as members of the Compensation Committee. No member of our Compensation Committee was an employee or former employee of our company or any of our subsidiaries. During the past year, none of our executive officers served as: (1) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on our Compensation Committee; (2) a director of another entity, one of whose executive officers served on our Compensation Committee; or (3) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as a director on our Board of Directors.

Pay Ratio Disclosure

Pay Ratio Disclosure

We strive to provide competitive benefits and compensation programs that meet the diverse needs of our employees. Our compensation and benefits philosophy and the overall structure of our compensation and benefit programs are broadly similar across the organization to encourage and reward all employees who contribute to our success. We strive to ensure that the pay of every Citrix employee reflects the level of their job responsibilities and is competitive with our peer group. Our team is global, with over half our workforce located outside of the United States, and we believe it is important to be consistent in how employees are rewarded. We have differences in our programs to meet competitive needs and comply with local customs and laws, and strive to provide offerings that reflect local market practices. Compensation rates are benchmarked and set to be market-competitive in the country in which the jobs are performed.

Each part of our compensation program encourages and rewards both individual performance and the company's results and can include base salary, variable cash compensation, commissions, equity awards and other benefits.

Under the rules adopted pursuant to the Dodd-Frank Act of 2010, Citrix is required to calculate and disclose the total compensation paid to its median paid employee, as well as the ratio of the total compensation paid to the median employee as compared to the total compensation paid to Citrix's Chief Executive Officer. We describe our methodology and the resulting CEO pay ratio below.

The SEC rules for identifying the median paid employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to our Chief Executive Officer pay ratio, as other companies have offices in different countries, have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their CEO pay ratios.

Pay Ratio Methodology

Median Employee Determination

We first determined our "median employee" during 2017 for purposes of determining our CEO pay ratio as disclosed in our 2018 Proxy Statement. The applicable SEC rules require us to identify a "median employee" only once every three years, as long as there have been no material changes in our employee population or employee compensation arrangements that we reasonably believe would result in a significant change to our CEO pay ratio disclosure. Because there have been no material changes in our employee population or employee compensation arrangements that we believe would significantly impact the company's CEO pay ratio disclosure, we are using the same "median employee" for our 2019 CEO pay ratio that we used for our 2017 and 2018 CEO pay ratio, although we have updated the calculation of the total compensation earned by that employee for 2019.

The methodology and the material assumptions and estimates that we used to identify our "median employee" during 2017 were as described below.

We determined that as of December 31, 2017, we had approximately 7,500 employees at Citrix. We used this employee population to determine the median employee.

Under the relevant rules, we are required to identify the median employee using a "consistently applied compensation measure" ("CACM"). We chose a CACM that closely approximates the annual total direct compensation of our employees. Specifically, we identified the median employee using all elements of cash compensation. We excluded the value of benefits that were not paid in cash and equity. We did not adjust the compensation paid to part-time employees to calculate what they would have been paid on a full-time basis. We, however, annualized the compensation of all permanent full-time employees who were hired in 2017 but did not work for Citrix for the full year. We did not make any cost-of-living adjustments in identifying the median employee. For purposes of this calculation, we converted all local currency to USD based on the average exchange rates over the twelve months ended December 31, 2017.

Using this methodology, we determined that the median employee was a full-time salaried employee located in the United States who was awarded variable cash compensation and equity awards during 2017. Similarly, for 2018 and again for 2019, the median employee was awarded variable cash compensation and equity awards during 2019.

Calculating the Total Annual Compensation of the Median Employee and the Pay Ratio for 2019

Using the 2017 median employee, we calculated that employee's total annual compensation in the same manner we calculate our President and Chief Executive Officer's total annual compensation in the 2019 Summary Compensation Table on page 60. We determined that the median employee's 2019 annual total compensation was \$181,769. Our President and Chief Executive Officer's annual total compensation as reported in the 2019 Summary Compensation Table was \$14,513,856. As a result, the ratio of the annual total compensation of our Chief Executive Officer and President, to the annual total compensation of the median employee was 80 to 1.

Neither the Compensation Committee nor Citrix management used this pay ratio measure in making compensation decisions. Given the differences in calculation methodology, our pay ratio should not be used as a basis for comparison across companies.

Related Party Transactions Policies and Procedures and Transactions with Related Persons

In accordance with its charter, the Nominating and Corporate Governance Committee reviews, approves and ratifies any related person transaction. The term “related person transaction” refers to any transaction required to be disclosed in our filings with the SEC pursuant to Item 404 of Regulation S-K.

In considering any related person transaction, the Nominating and Corporate Governance Committee considers the facts and circumstances regarding such transaction, including, among other things, the amounts involved, the relationship of the related person (including those persons identified in the instructions to Item 404(a) of Regulation S-K) with our company and the terms that would be available in a similar transaction with an unaffiliated third-party. The Nominating and Corporate Governance Committee also considers its fiduciary duties, our obligations under applicable securities law, including disclosure obligations and director independence rules, and other applicable law in evaluating any related person transaction. The Nominating and Corporate Governance Committee reports its determination regarding any related person transaction to our full Board of Directors.

Since the beginning of 2019, there were no related person transactions, and there are not currently any proposed related person transactions, that would require disclosure under SEC rules.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 29, 2020:

- by each person who is known by Citrix to beneficially own more than 5% of our outstanding shares of common stock;
- by each of our directors and director nominees;
- by each of our Named Executive Officers; and
- by all of our directors and executive officers as a group.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(2)(3)	Percentage of Shares Beneficially Owned(4)
BlackRock, Inc.(5) 55 East 52nd Street New York, NY 10055	15,550,788	12.7%
The Vanguard Group(6) 100 Vanguard Boulevard Malvern, PA 19355	14,276,672	11.7%
David J. Henshall(7)	255,278	*
Antonio G. Gomes(8)	118,430	*
Robert M. Calderoni(9)	59,669	*
Paul J. Hough(10)	51,413	*
Mark J. Ferrer(11)	22,427	*
Jessica Soisson(12)	15,715	*
Andrew H. Del Matto	14,512	*
Murray J. Demo(13)	10,696	*
Moira A. Kilcoyne(14)	4,268	*
Thomas E. Hogan(15)	3,294	*
Nanci E. Caldwell(16)	854	*
Peter J. Sacripanti(17)	438	*
Robert D. Daleo(18)	181	*
Jesse A. Cohn(19)	—	*
Ajei S. Gopal(20)	—	*
Arlen R. Shenkman(21)	—	*
J. Donald Sherman(22)	—	*
All executive officers, directors and nominees as a group (21 persons)(23)	747,250*	

* Represents less than 1% of the outstanding common stock.

- (1) The address of each of the directors and executive officers is 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309.
- (2) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated below, to our knowledge, all persons listed in the table have sole voting and dispositive power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Pursuant to the rules of the SEC, the number of shares of common stock deemed outstanding includes shares issuable upon settlement of restricted stock units held by the respective person or group that will vest within 60 days of February 29, 2020 and pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of February 29, 2020. Pursuant to our outside directors' deferred compensation program for non-employee directors, our non-employee directors may elect to defer their annual equity awards and cash fees and as a result, this table reflects no beneficial ownership for certain non-employee directors who have elected deferral. Please see the discussion above under the heading *Outside Directors' Deferred Compensation Program for Non-Employee Directors* for additional details on our deferral program.
- (3) Shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020 as detailed in the footnotes to this table may vary slightly as a result of rounding of fractional shares upon vesting.
- (4) Applicable percentage of ownership is based upon 122,361,840 shares of common stock outstanding as of February 29, 2020.
- (5) With respect to information relating to BlackRock, Inc., we have relied solely on information supplied by such entity on a Schedule 13G/A filed with the SEC on February 4, 2020. Per the Schedule 13G/A, BlackRock held sole voting power over 13,949,402 shares and sole dispositive power over 15,550,788 shares.
- (6) With respect to information relating to The Vanguard Group, we have relied solely on information supplied by such entity on a Schedule 13G/A filed with the SEC on February 12, 2020. Per the Schedule 13G/A, Vanguard held sole voting power over 191,794 shares, shared voting power over 76,078 shares, sole dispositive power over 14,276,672 shares, and shared dispositive power over 256,441 shares.

- (7) Includes 42,319 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (8) Includes 14,109 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (9) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020. In addition, as of February 29, 2020, Mr. Calderoni holds 17,271.461 vested restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (10) Includes 14,109 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (11) Includes 12,971 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (12) Includes 4,474 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (13) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (14) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (15) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.
- (16) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020. In addition, as of February 29, 2020, Ms. Caldwell holds 31,736.068 vested deferred restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (17) Includes 428 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020. In addition, as of February 29, 2020, Mr. Sacripanti holds 11,990.424 vested deferred restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (18) In addition, as of February 29, 2020, Mr. Daleo holds 40,564.391 vested deferred restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (19) As of February 29, 2020, Mr. Cohn holds 25,959.918 deferred vested restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (20) As of February 29, 2020, Dr. Gopal holds 8,290.930 deferred vested restricted stock units pursuant to our outside directors' deferred compensation program for non-employee directors.
- (21) Mr. Shenkman joined the company on September 9, 2019 and does not own any company securities or have any restricted stock units vesting within 60 days of February 29, 2020.
- (22) Mr. Sherman was elected as a director of the company on March 4, 2020. He did not own any company securities as of February 29, 2020 or as of the date of his election.
- (23) Includes 144,192 shares of common stock issuable upon settlement of restricted stock units that will vest within 60 days of February 29, 2020.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC and the Nasdaq Stock Market. Our officers and directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us and written representations from our executive officers and directors that no other reports were required during the fiscal year ended December 31, 2019, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than ten percent beneficial owners were satisfied on a timely basis, with the exception of one Form 4 filed by Andrew H. Del Matto on April 16, 2019 to report one transaction related to Mr. Del Matto's shares withheld to cover taxes on March 1, 2019. The due date for this Form 4 filing was March 5, 2019, and it was filed on April 16, 2019.

Tax Deductibility of Executive Compensation

Section 162(m) of the Code generally places a \$1 million limit on the amount of compensation a company can deduct in any one year for certain executive officers. While the Compensation Committee considers tax deductibility as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our

executive compensation program even if the awards are not deductible by us for tax purposes. The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our Named Executive Officers and certain other individuals in excess of \$1 million will not be deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017.

Despite the Compensation Committee's efforts to structure certain performance-based awards in a manner intended to be exempt from Section 162(m) and therefore not subject to its deduction limits, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing the performance-based compensation exemption from the deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will. Further, the Compensation Committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with our business needs. The Compensation Committee believes that shareholder interests are best served if its discretion and flexibility in awarding compensation is not restricted, even though some compensation awards may result in non-deductible compensation expenses.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2019, with respect to the securities authorized for issuance to our employees and directors under our equity compensation plans, consisting of:

- Amended and Restated 2005 Equity Incentive Plan (which we refer to as the 2005 Stock Plan);
- Amended and Restated 2014 Plan; and
- 2015 Employee Stock Purchase Plan.

EQUITY COMPENSATION PLAN INFORMATION TABLE

Plan category	(A) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(B) Weighted-average price of outstanding options, warrants and rights	(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders(1)	5,738,441	\$—	19,963,991
Equity compensation plans not approved by security holders	—	\$—	—
Total	5,738,441	\$—	19,963,991

(1) Includes securities issuable upon rights that were granted pursuant to our 2005 Stock Plan. No additional awards will be granted under this plan. Additionally, balance includes securities issuable upon rights that have been issued pursuant to the Amended and Restated 2014 Plan, which is currently available for future grants. Also includes securities remaining available for future issuance under our 2015 Employee Stock Purchase Plan.

Equity Compensation Plans

We are currently granting stock-based awards from our Amended and Restated 2014 Plan and our 2015 Employee Stock Purchase Plan, which are overseen by the Compensation Committee of our Board of Directors.

Part 5 Audit Committee Matters

Report of the Audit Committee

The Audit Committee oversees the accounting and financial reporting processes of Citrix and the audits of the consolidated financial statements of Citrix on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited consolidated financial statements in Citrix's Annual Report on Form 10-K for the year ended December 31, 2019, and discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant estimates and judgments, critical accounting policies and accounting estimates resulting from the application of these policies, and the substance and clarity of disclosures in the financial statements, and reviewed Citrix's disclosure controls and procedures and internal control over financial reporting.

The Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by Nasdaq and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. Messrs. Daleo, Demo and Sherman (who was elected to our Board of Directors on March 4, 2020) each qualify as an "audit committee financial expert" under the rules of the SEC.

The Audit Committee has reviewed Citrix's audited consolidated financial statements at December 31, 2019 and 2018 and for each of the years in the three-year period ended December 31, 2019 and has discussed them with both management and Ernst & Young. The Audit Committee also discussed with Ernst & Young the overall scope and plan for their annual audit for 2019. The Audit Committee met separately with Ernst & Young in its capacity as Citrix's independent registered public accountants, with and without management present, to discuss the results of Ernst & Young's procedures, its evaluations of Citrix's internal control over financial reporting, and the overall quality of its financial reporting, as applicable.

The Audit Committee reviewed and discussed with Ernst & Young the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board, or PCAOB. In addition, the Audit Committee has reviewed the services provided by Ernst & Young and discussed with Ernst & Young its independence from management and Citrix, including the matters in the written disclosures and letter from independent accountants required by PCAOB Rule 3526 and considered the compatibility of non-audit services with the registered public accountants' independence.

Based on the Audit Committee's review of the financial statements and the reviews and discussions referred to above, it concluded that it would be reasonable to recommend, and on that basis did recommend, to the Board of Directors that the audited consolidated financial statements be included in Citrix's Annual Report on Form 10-K for the year ended December 31, 2019.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that Citrix specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Respectfully submitted by the Audit Committee,

Robert D. Daleo

Murray J. Demo

Thomas E. Hogan

Moira A. Kilcoyne (served on Audit Committee until March 2020)

Fees Paid to Ernst & Young

The following table shows the aggregate fees for professional services rendered to us by Ernst & Young during the fiscal years ended December 31, 2019 and December 31, 2018.

	2019	2018
Audit Fees	\$5,914,360	\$5,886,726
Audit-Related Fees	\$ 50,500	\$ 48,500
Tax Fees	\$2,949,710	\$3,688,054
All Other Fees	\$ 10,000	\$ 2,500
Total	\$8,924,570	\$9,625,780

Audit Fees

Audit fees consist of fees for professional services associated with the annual consolidated financial statements audit, review of the interim financial statements included in our quarterly reports on Form 10-Q, and services in connection with international statutory audits, regulatory filings, and accounting consultations. Audit Fees for both years also include fees for professional services rendered for the audit of the effectiveness of internal control over financial reporting as promulgated by Section 404 of the Sarbanes-Oxley Act.

Audit-Related Fees

Audit-Related Fees for 2019 and 2018 consist of fees for services for the annual audits of employee benefit plans. Audit-Related Fees for 2018 also include fees for professional services rendered for potential business combinations and internal control reviews.

Tax Fees

Tax Fees consist of fees for professional services rendered for assistance with federal, state, local and international tax compliance and consulting. Tax compliance fees were \$833,230 for 2019 and \$854,514 for 2018. Tax Fees also include fees of \$2,116,480 for 2019 and \$2,833,540 for 2018 for services rendered for tax examination assistance, tax research and tax planning services in the countries in which we do business.

Other Fees

Other Fees for 2019 and 2018 consist of fees for publications and on-line subscriptions and materials.

Audit Partner Rotation

In accordance with SEC rules and Ernst & Young policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide service to Citrix. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. The process for selection of our lead audit partner pursuant to this rotation policy involves meetings among the Chair of the Audit Committee, our Chief Financial Officer and the candidate for the role, as well as discussion by the full Audit Committee and with other members of management.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee has implemented procedures under our Audit Committee Pre-Approval Policy for Audit and Non-Audit Services, which we refer to as the Pre-Approval Policy, to ensure that all audit and permitted non-audit services to be provided to Citrix have been pre-approved by the Audit Committee. Specifically, the Audit Committee pre-approves the use of our independent registered public accounting firm for specific audit and non-audit services, within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the Audit Committee before the service may be provided by our independent registered public accounting firm. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the Audit Committee. All of the audit-related, tax and all other services provided to us by Ernst & Young in 2019 and 2018 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the Pre-Approval Policy. All non-audit services provided in 2019 and 2018 were reviewed with the Audit Committee, which concluded that the provision of such services by Ernst & Young was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. For additional information concerning the Audit Committee and its activities with Ernst & Young, see *Our Board Committees* beginning on page 24.

Part 6 Proposals to be Voted on at the Meeting

Proposal 1 Election of Director Nominees

Our Board of Directors currently consists of eleven members. The table below sets forth the ten nominees for directors at the 2020 Annual Meeting. Mr. Cohn has not been nominated for re-election at the 2020 Annual Meeting. As a result, the size of the Board of Directors will decrease to ten members following the 2020 Annual Meeting.

The Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated the ten Board members, listed in the chart below, for re-election and has recommended that each be elected to the Board of Directors, each to hold office until the annual meeting of shareholders to be held in the year 2021 and until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal. All of the nominees are current directors whose terms expire at the 2020 Annual Meeting. The Board of Directors knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board of Directors may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below.

This proposal for the election of directors relates solely to the election of ten directors nominated by our Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any of our shareholders.

Recommendation of the Board

**THE BOARD UNANIMOUSLY RECOMMENDS
A VOTE "FOR" THE FOLLOWING NOMINEES:**

Nominee's or Director's Name	Director Since	Position(s) with Citrix
Robert M. Calderoni	2014	Chairman
Nanci E. Caldwell	2008	Lead Independent Director
Robert D. Daleo	2013	Director
Murray J. Demo	2005	Director
Ajei S. Gopal	2017	Director
David J. Henshall	2017	President, Chief Executive Officer and Director
Thomas E. Hogan	2018	Director
Moira A. Kilcoyne	2018	Director
Peter J. Sacripanti	2015	Director
J. Donald Sherman	2020	Director

Proposal 2

Approval of the Citrix Systems, Inc. Second Amended and Restated 2014 Equity Incentive Plan

Our Board of Directors believes that equity-based incentive awards play an important role in our success by motivating and enabling our employees, officers and non-employee directors, upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business, to acquire a proprietary interest in Citrix. Our Board of Directors anticipates that providing such persons with a direct stake in Citrix will more closely align the interests of such individuals with those of Citrix and our shareholders, thereby encouraging their efforts on our behalf and strengthening their desire to remain with us.

On April 6, 2020, our Board of Directors, upon the recommendation of the Compensation Committee, adopted and approved the Second Amended and Restated 2014 Equity Incentive Plan (which we refer to herein as the Amended Plan), and is seeking shareholder approval of the Amended Plan. A copy of the Amended Plan is attached as Exhibit A to this Proxy Statement and is incorporated by reference. The Amended Plan will replace our Amended and Restated 2014 Equity Incentive Plan, as amended, or the Original Plan. The key differences between the Original Plan and the Amended Plan are that the Amended Plan:

- increases the total number of shares authorized for issuance under the Amended Plan by 7,900,000 shares, from 43,400,000 to 51,300,000 shares;
- extends the term of the Original Plan for ten years, until 2030;
- updates the vesting provisions from monthly to annual vesting for our annual director awards, consistent with our current compensation program for non-employee directors;
- removes provisions related to Code Section 162(m) that are no longer applicable in light of the Tax Cut and Jobs Act of 2017 and subsequent guidance from the Internal Revenue Service; and
- incorporates certain other stylistic updates.

Summary

Increase in shares request. Based on current projections, in the next year we will have substantially exhausted our equity plan and are seeking shareholder approval of the Amended Plan to increase the number of shares under our plan by 7.9 million shares, which will allow us to continue to drive our business and position Citrix for long-term sustainable growth.

- **Equity-based compensation allows us to attract, retain and motivate talent during our business transition and beyond.** We believe that our prudent use of equity compensation has driven our strong results and is a vital element of our future success as we accelerate our transformation to a cloud-based subscription business. While our headquarters are not located in Silicon Valley, we compete for talent with top Silicon Valley technology companies. Equity-based compensation is a key component of being able to bring top-tier talent to Citrix who can help drive our business transformation. Approval of the Amended Plan is necessary in order for us to continue our practice of granting equity-based compensation to employees throughout the organization.

Key components of our approach to equity-based compensation include:

- o ***Our ability to award a broad base of employees with equity has helped us to accelerate our transformation to a cloud-based subscription business. We believe that continuing to accelerate this transformation will drive long-term, sustainable growth.*** Equity-based compensation is a key component of attracting, retaining and motivating our employees during this transformation period and beyond. We grant equity-based compensation in two forms — performance-based restricted stock units and time-based restricted stock units. Performance-based restricted stock units are granted with operational metrics that are tied to driving our transformation and comprise a significant portion of compensation for our senior leaders. Time-based restricted stock units are a key component to attract, retain and effectively motivate the most qualified employees, officers and non-employee directors.
- o ***Equity-based compensation aligns employee and shareholder interests and is a key part of our company-wide culture.*** For 2019, over 85% of total employee equity was granted to employees below the executive

leadership team, which helps align our talent to the same goals as the broader organization and shareholders. We are proud that we have built a holistic culture of ownership that extends deep into our organization. Over the past 5 years, the percentage of our employees who receive equity grants has increased 3.5x.

- o **Equity-based compensation is crucial to our recruitment and retention strategy.** Our ability to attract and retain top tier talent is contingent on our ability to offer compensation packages that compete with our Silicon Valley technology company peers. The percentage of our employees who receive equity grants has increased more than 3.5x over the past five years, which has contributed to our strong employee retention rate over the past few years and allowed us to attract the best talent in the market.
- o **A reduction in our use of equity-based compensation could require a corresponding increase in our use of alternate compensation programs, including cash compensation.** The reduction in equity-based compensation awards would necessitate a corresponding increase in our use of alternative compensation programs. This is inclusive of, but not limited to, additional cash compensation, which could adversely impact our operating cash flow and non-GAAP results of operations, and put Citrix at risk of using cash for current employee compensation that would otherwise be allocated toward investments that drive sustainable company growth.
- **We have had a robust stock repurchase program.**
 - o During the 20-year period ended December 31, 2019, we repurchased approximately 185 million shares under a stock repurchase program. From the end of 2019 through April 2020, we have repurchased approximately \$1.2 billion worth of shares under this program. We believe stock repurchases are a valuable use of our free cash flow that has delivered significant value to our shareholders. However, this program has led to a higher burn rate and negatively impacts commonly used calculations of dilution.
- **Traditional burn rate and dilution calculations do not take into account our repurchase practices.**
 - o Our total dilution and burn rate have been impacted by an active stock repurchase program, which was initiated in July 2000. Commonly used outside calculations of total dilution and burn rate generally do not take into account how the dilutive effect of equity compensation grants is offset through stock repurchases. Without taking repurchases (a corporate action our shareholders have overwhelmingly supported) into account in determining the dilutive effect of our equity grants, the calculations overstate our burn rate and dilution because, for purposes of the calculations, the total shares outstanding are reduced by stock buybacks, but the shares granted are not. The effect of our stock repurchase program has been to increase our dilution by more than 130%. Specifically, if we had not repurchased approximately 185 million shares under the repurchase program, dilution as of December 31, 2019 would have been 3.6% instead of 8.3%.
- **The Amended Plan continues to reflect responsible equity compensation practices.**
 - o Shares tendered or held back for taxes will not be added back to the reserved pool under the Amended Plan. Upon the exercise of a stock appreciation right, the full number of shares underlying the award will be charged to the reserved pool. Additionally, shares that we reacquire on the open market will not be added to the reserved pool.
 - o Stock options and stock appreciation rights may not be granted below fair market value and will not be repriced in any manner without shareholder approval.
 - o No reload grants are permitted.
 - o No “evergreen” provision is included (i.e., no automatic annual share reserve increase).
 - o The number of shares that may be issued in any year to an individual in the form of certain awards is limited.
 - o Awards granted under the Amended Plan are subject to our executive compensation recovery (or clawback) policy.
 - o The term of the Amended Plan is fixed and will expire on June 3, 2030.

- **We manage our equity incentive program thoughtfully.**
 - We manage our long-term shareholder dilution by limiting the number of equity incentive awards granted annually. The Compensation Committee carefully monitors our annual net burn rate, total dilution, and equity expense in order to maximize shareholder value by granting only the appropriate number of equity incentive awards that it believes are necessary to attract, reward, and retain employees, officers, and non-employee directors.

The following table shows our historical dilution and burn rate percentages.

As of and for the year-ended December 31	2019	2018	2017
Full Dilution(1)	8.3%	13.7%	16.4%
Gross Burn Rate(2)	2.6%	2.9%	2.1%

- (1) Full Dilution is calculated as (shares available for grant under our equity incentive plans + shares subject to outstanding equity incentive awards)/(common stock outstanding + shares available for grant under our equity incentive plans + shares subject to outstanding equity incentive awards).
- (2) Gross Burn Rate is calculated as (shares subject to equity incentive awards granted / weighted average common shares outstanding).

Background of Proposal

We operate in a challenging and competitive environment and our success depends, to a great extent, on our ability to attract, retain and effectively motivate the most qualified employees, officers and non-employee directors. Our Compensation Committee and Board of Directors believe we must continue to offer a competitive equity-based compensation program in order to meet those objectives and, as such, our equity-based compensation program constitutes a significant part of our overall compensation framework at Citrix.

While our headquarters are not located in Silicon Valley, we are competing for the same talent as many companies located there and in other high-tech hubs. Each year, we seek to grant equity-based compensation to a significant percentage of our employee population. As a result, in recent years, we have increased that percentage in order to be competitive with our peers and industry practice.

Further, the granting of equity-based compensation is part of a broader, holistic culture of ownership that Citrix has sought to extend throughout our organization. We believe that we derive significant benefits as a company from the alignment of our employees, from the executive leadership team throughout the organization, through ownership in the company. We demonstrate our commitment to this through our compensation granting practices—for 2019 over 85% of equity-based compensation was granted to individuals outside of the executive leadership team. Further, over the past five years, the percentage of our employees who receive equity grants has increased 3.5x.

Ensuring that our equity-based compensation program is appropriately tailored requires continuous reevaluation and careful management. Our Compensation Committee is committed to thoughtful, regular reviews of our equity-compensation granting practices, policies and plans to ensure we are aligning our goals with those of our shareholders. This past fall, our Compensation Committee Chair, CEO and members of our executive leadership team conducted proactive outreach to our top shareholders, and met with shareholders representing approximately 32% of our shares outstanding to seek their views on best practices in equity-based compensation, among other topics. The conversations this team had were informative and instructive and the feedback from these meetings was shared with the full Board of Directors and incorporated into the plan design for the Amended Plan.

Our Board of Directors approved the Amended Plan, subject to approval by our shareholders, following the recommendations of our Compensation Committee and in consideration of various sources of information and relevant factors including review and discussion of our historical and anticipated equity grant practices and requirements, the dilutive impact of the alternatives available to address anticipated equity incentive needs, feedback gained through proactive engagement with our largest shareholders and the advice of the Compensation Committee's independent compensation consultant. The Board of Directors believes it is in the best interests of Citrix and its shareholders to approve the Amended Plan and recommends that shareholders vote in favor of this Proposal 2. Our carefully-considered reasoning, as well as a summary of the Amended Plan, is provided below.

Rationale for Amended Plan and Share Increase

As we have discussed previously in the Compensation Discussion and Analysis section of this Proxy Statement, we believe that equity-based compensation plays an important role in our success by motivating and enabling our employees, officers and non-employee directors, upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business, to acquire a proprietary interest in Citrix. Further, we believe that continuing to motivate and retain such individuals who we expect to make important contributions to our business will impact the speed and success of our transition to a cloud-based subscription business.

Recruitment and retention of talent has helped us accelerate our transformation to a cloud-based subscription business, and we believe continuing to accelerate this transformation will drive long-term sustainable growth.

As an organization, we are evolving our business in three primary ways:

- **On-Premise to Cloud:** As the share of applications and data continues to move rapidly from on-premise data centers to the cloud, our product development and engineering resources have increasingly focused on delivering cloud-based solutions.
- **Perpetual to Subscription:** Our business model is shifting away from selling perpetual licenses towards subscription, or recurring contracts in the form of SaaS, on-premise term, and consumption-based agreements.
- **Point Products to Platform:** Our offerings and our go-to-market activities are shifting away from selling individual point products towards our platform solution in a tiered offering that provides us the ability to deliver a variety of value-enhancing modules to our customers in the future.

Executing three simultaneous but interrelated transformations has required a heightened level of coordination and alignment across the organization. Retaining and motivating our senior leaders and broader employee base has been and will continue to be crucial in executing on our transformation.

Our fourth quarter and full year 2019 performance reflected the positive results of our acceleration of this transformation:

- Subscription bookings as a percent of total product bookings increased to 62% in 2019, up from 42% in 2018
- Subscription ARR of \$743 million accelerated, up 41% year-over-year, with SaaS ARR of \$520 million accounting for 70% of total subscription ARR
- Subscription revenue grew 43% year-over-year in 2019

As discussed in the Compensation Discussion and Analysis section of this Proxy Statement, beginning on page 34, over the past few years, our Compensation Committee has taken a thoughtful approach to aligning the metrics of performance-based awards with those that have driven and will continue to drive our transformation. For example:

- Beginning in 2018 and for 2019, the Compensation Committee linked performance-based equity awards with subscription bookings as a percentage of total subscription and product bookings to directly align performance-based awards to our multi-year strategic business transition to a cloud-based subscription business. During the second quarter of 2019, and as discussed in the company's earnings announcement in July 2019, Citrix gained significant momentum in its business transition to a subscription-based business.
- Given this increased momentum, the Compensation Committee determined that the company had a unique opportunity to increase the acceleration of its transition, which, if successful, would advance long-term value creation for shareholders. Accordingly, beginning in 2020, the Compensation Committee decided to link performance-based equity awards with ARR growth, which as previously discussed, was determined to be the metric best aligned with the company's business transition and strategy. The Compensation Committee believes ARR, as has been discussed in company earnings announcements beginning in the second quarter of 2019, is the best indicator of the overall health and trajectory of the business because it captures the pace of our transition and is a forward-looking indicator of top line trends.

Motivating our senior leaders and other employees during this transformation is a key component to the success of our transformation and is essential to drive long-term sustainable growth of our business.

Equity-based compensation is crucial to our recruitment and retention strategy.

Equity-based compensation helps us recruit top talent. Our recruitment, retention and motivation of employees is dependent upon our ability to pay appropriate levels of compensation in the form of equity incentives. We believe that grants of equity

allow us to remain competitive in the marketplace, enabling us to continue recruiting, retaining and motivating high-caliber talent dedicated to our long-term growth and success.

To remain successful, we must be able to compete for top talent. The equity awards that we grant to new hires are generally sized to take into account the amount of equity awards forfeited by the employee upon departure from his or her prior employer as well as an appropriately sized new hire award to incentivize the employee to join and remain with Citrix. These awards vest over three years, with one-third of the units vesting on the first, second and third anniversaries of the date of the award agreement and are expected by candidates and are therefore necessary elements of attracting and retaining talent.

Equity-based compensation aligns employee and shareholder interests.

Equity compensation is critical to aligning the interests of our employees with those of our shareholders. By making equity a significant portion of our employees' compensation, we are linking our employees' compensation to the performance of Citrix and the interests of our shareholders. We grant equity awards in the form of restricted stock units which expose the award recipient to both the downside and the upside of our stock performance. We further align our senior executives with performance-based restricted stock units aligned with our business to drive long-term sustainable growth, further aligning the interests of our employees with those of our shareholders. Our long-term goal is to motivate employees to conduct business in a manner that produces superior return over the long-term. We believe that our equity-based compensation awards have contributed to our significant outperformance against the S&P 500 and Nasdaq Index over the five-year period as indicated on page 35.

A reduction in our use of equity-based compensation could require a corresponding increase in our use of alternate compensation programs, including cash compensation.

We seek to deliver compensation at market competitive levels, at levels correlated with employee productivity and in a form that incentivizes growth for shareholders. If the Amended Plan is not approved we would likely be compelled to alter our compensation program to increase alternative deferred compensation programs or cash compensation in order to remain competitive. This could adversely impact our operating cash flow and non-GAAP results of operations, and put Citrix at risk of using cash for current employee compensation that would otherwise be allocated towards investments that drive sustainable company growth. Further, it could impair our ability to recruit, retain and motivate key employees and would weaken the tie between employee incentives and shareholder growth.

Traditional burn rate and dilution calculations do not take into account our repurchase practices.

Our total dilution and burn rate have been impacted by an active stock repurchase program, which was initiated in July 2000.

Without taking into account repurchases (a corporate action our shareholders have overwhelmingly supported) in determining the dilutive effect of our equity grants, commonly used calculations overstate our burn rate and dilution because, for purposes of the calculations, the total shares outstanding are reduced by stock buybacks, but the shares granted are not.

During the 20-year period ended December 31, 2019, we repurchased approximately 185 million shares under this program. We believe that our stock repurchase program represents a valuable use of cash that has improved shareholder value. Because dilution increases as total shares outstanding decrease, the effect of our stock repurchase program has been to increase our dilution by more than 130%. Specifically, if we had not repurchased approximately 185 million shares under the program, dilution as of December 31, 2019 would have been 3.6% instead of 8.3%.

Given that our Gross Burn Rate is calculated as a percentage of the weighted average common shares outstanding, our share repurchase program has also impacted our Gross Burn Rate. Specifically, if we had not repurchased approximately 185 million shares under the program, our Gross Burn Rate for the year ended December 31, 2019 would have been 1.1% instead of 2.6%. Our Compensation Committee determined the number of shares available for issuance under the plan after giving effect to the Amended Plan, based on projected equity awards to anticipated new hires, projected equity awards to existing employees, and an assessment of the magnitude of increase that our institutional investors would likely find acceptable.

We anticipate that if the Amended Plan is approved, the number of shares available for issuance under the plan will be sufficient to provide equity incentives to attract, retain, and motivate employees through approximately the next three years, depending on our stock price and other factors. See *Note Regarding Forecasts and Forward-Looking Statements* below.

Amended Plan reflects continued focus on disciplined equity compensation practices.

The Amended Plan continues to reflect responsible equity compensation practices including the following features:

- Shares tendered or held back for taxes will not be added back to the reserved pool under the Amended Plan. Upon the exercise of a stock appreciation right, the full number of shares underlying the award will be charged to the reserved pool. Additionally, shares that we reacquire on the open market will not be added to the reserved pool;
- Stock options and stock appreciation rights may not be granted below fair market value and will not be repriced in any manner without shareholder approval;
- No reload grants are permitted;
- No “evergreen” provision is included (i.e., no automatic annual share reserve increase);
- The number of shares that may be issued in any year to an individual in the form of certain awards is limited;
- Awards granted under the Amended Plan are subject to our executive compensation recovery (or clawback) policy; and
- The term of the Amended Plan is fixed and will expire on June 3, 2030.

Other material features of the Amended Plan include:

- The maximum number of shares of common stock authorized for issuance under the Amended Plan is 51,300,000 (or 43,400,000 if the Amended Plan is not approved by shareholders), plus the shares of common stock underlying any awards that are forfeited, canceled, reacquired by us prior to vesting, satisfied without any issuance of stock, expire or are otherwise terminated (other than by exercise) under the 2005 Equity Incentive Plan;
- The award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, performance shares, dividend equivalent rights and cash-based awards is permitted; and
- The vesting provisions for our annual director awards has been changed from monthly to annual vesting, consistent with our current compensation program for non-employee directors.

Additionally, the Amended Plan removes certain provisions that had originally been included in connection with the Code Section 162(m) that are no longer applicable in light of the Tax Cut and Jobs Act of 2017 and subsequent guidance from the Internal Revenue Service. Removing such language from the Amended Plan does not have an adverse or material implications for the company, its shareholders, or its service providers.

The Amended Plan also contains certain limits on the compensation of our non-employee directors. The value of all equity-based awards granted under the Amended Plan to any of our non-employee directors in any calendar year shall not exceed \$795,000 (excluding any awards granted in connection with a non-employee director’s initial election to the Board of Directors). The value of all cash compensation, not including the value of awards under the Amended Plan, paid by the company to any non-employee director for his or her services as such in any calendar year shall not exceed \$500,000. These limits were included in our plan when amendments were approved by our shareholders in 2017.

The shares of common stock underlying any awards that are forfeited, canceled, reacquired by us prior to vesting, satisfied without any issuance of stock, expire or are otherwise terminated (other than by exercise) under the Amended Plan or the 2005 Equity Incentive Plan are added back to the shares of common stock available for issuance under the Amended Plan. Each share underlying awards granted under the Amended Plan prior to June 4, 2019, the date of our 2019 Annual Meeting of Shareholders, are added back to the Amended Plan as 2.75 shares. Shares underlying awards granted after June 4, 2019, are added back to the plan as 1 share. The following shares will not be added back to the shares authorized for issuance under the Amended Plan: shares tendered or held back upon exercise of an option or settlement of an award to cover the exercise price or tax withholding, and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise. In addition, if we repurchase shares on the open market, such shares will not be added back to the Amended Plan.

We manage our equity incentive program thoughtfully.

We manage our long-term shareholder dilution by limiting the number of equity incentive awards granted annually. The Compensation Committee carefully monitors our annual burn rate, total dilution, and equity expense in order to maximize shareholder value by granting only the appropriate number of equity incentive awards that it believes are necessary to attract, reward, and retain employees, officers, and non-employee directors.

The following table shows our historical dilution and burn rate percentages.

As of and for the year-ended December 31	2019	2018	2017
Full Dilution(1)	8.3%	13.7%	16.4%
Gross Burn Rate(2)	2.6%	2.9%	2.1%

- (1) Full Dilution is calculated as (shares available for grant under our equity incentive plans + shares subject to outstanding equity incentive awards)/(common stock outstanding + shares available for grant under our equity incentive plans + shares subject to outstanding equity incentive awards).
- (2) Gross Burn Rate is calculated as (shares subject to equity incentive awards granted / weighted average common shares outstanding).

Note Regarding Forecasts and Forward-Looking Statements

We do not as a matter of course make public forecasts as to our total shares outstanding and utilization of various equity awards due to the unpredictability of the underlying assumptions and estimates. In particular, the forecasts set forth above in this Proposal 2 include embedded assumptions which are highly dependent on the public trading price of our common stock and other factors, which we do not control and, as a result, upon which we do not as a matter of practice provide forecasts. These forecasts reflect various assumptions regarding our future operations. The inclusion of the forecasts set forth above should not be regarded as an indication that these forecasts will be predictive of actual future outcomes, and the forecasts should not be relied upon as such.

Background on our Equity Compensation

Our comprehensive compensation programs include base salary, variable cash compensation tied to our financial and individual goals, and equity-based compensation. We have a long history of linking employee compensation to our long-term stock performance. For over 25 years, we have been granting equity awards to employees in connection with a focused evaluation of strategic value and in cases of high-level performance.

As of April 2, 2020, under all of our equity-based compensation plans (prior to giving effect to the Amended Plan), there were 4,526,401 total shares of common stock remaining available for grant all of which may be issued as full-value awards. As of such date, there were 6,009,324 unvested full-value awards outstanding and there were otherwise no options, stock appreciation rights or other awards outstanding under our equity compensation plans.

Based solely on the closing price of our common stock as reported on the Nasdaq Global Select Market on April 2, 2020, the maximum aggregate market value of the additional shares of common stock that could potentially be issued under the Amended Plan is \$1.126 billion.

We believe that our focus on pay-for-performance, as well as employee participation as shareholders, have been key contributing factors in enabling our growth and will continue to be important to our ability to achieve consistent performance in the years ahead. We believe that consistent performance is achieved through the ability to attract, retain and motivate the employee talent critical to attaining long-term improved company performance and shareholder returns. Therefore, we consider approval of the Amended Plan vital to our future success.

In 2019, we used, and intend to continue using, restricted stock units as our primary means of providing equity compensation to our employees, officers, and non-employee directors. We will continue to evaluate other equity-based compensation vehicles, such as restricted stock, stock appreciation rights and option grants, as a means of providing additional equity compensation to our employees, officers, and non-employee directors.

Summary of the Amended Plan

The following description of certain features of the Amended Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the Amended Plan that is attached as Exhibit A to this Proxy Statement.

Amended Plan Administration

The Amended Plan is administered by the Compensation Committee. The Compensation Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Amended Plan. The Compensation Committee may delegate to our Chief Executive Officer, Chief Financial Officer or Chief People Officer the authority to grant stock awards to employees who are not subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934, as amended, subject to certain limitations and guidelines.

Eligibility

Persons eligible to participate in the Amended Plan will be those of our full or part-time officers, employees, non-employee directors and consultants selected from time to time by the Compensation Committee in its discretion. As of April 2, 2020, approximately 8,417 individuals are currently eligible to participate in the plan, which includes 9 executive officers, 8,398 employees who are not executive officers, 10 non-employee directors.

Amended Plan Limits

The maximum number of shares of common stock available for issuance under the Amended Plan is 51,300,000 shares, plus the shares of common stock underlying any awards that are forfeited, canceled, reacquired by us prior to vesting, satisfied without any issuance of stock, expired or are otherwise terminated (other than by exercise) under the 2005 Equity Incentive Plan.

The maximum award of stock options or stock appreciation rights granted to any one individual will not exceed 2,000,000 shares of common stock (subject to adjustment for stock splits and similar events) for any calendar year period. In addition, no more than 51,300,000 shares will be issued in the form of incentive stock options.

Director Compensation Limits

The Amended Plan provides that the value of all equity-based awards granted under the Amended Plan to any of our non-employee directors in any calendar year shall not exceed \$795,000 (excluding any awards granted in connection with a non-employee director's initial election to the Board of Directors). The value of all cash compensation, not including the value of awards under the Amended Plan, paid by the company to any non-director for his or her services as such in any calendar year shall not exceed \$500,000.

Effect of Awards

For purposes of determining the number of shares of common stock available for issuance under the Amended Plan, the grant of any award granted on or after June 4, 2019 will be counted for this purpose as one share for each share of common stock actually subject to the award, except that any forfeitures, cancellations or other terminations (other than by exercise) of a full-value award that was granted prior to the June 4, 2019 shall return back to the Plan's pool as 2.75 shares for every one share to reflect the formula used at the time such award was granted.

Stock Options

The Amended Plan permits the granting of the following stock options: (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the Amended Plan will be non-qualified options if they fail to qualify as incentive options or to the extent they exceed the annual limit on incentive stock options. Incentive stock options may only be granted to our employees. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants. The option exercise price of each option will be determined by the Compensation Committee but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on the Nasdaq Global Select Market on the date of grant. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

The term of each option will be fixed by the Compensation Committee and may not exceed five years from the date of grant. The Compensation Committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Compensation Committee. In general, unless otherwise permitted by the Compensation Committee, no option granted under the Amended Plan is transferable by

the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the Compensation Committee or by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee or were purchased in the open market. Subject to applicable law, the exercise price may also be delivered to Citrix by a broker pursuant to irrevocable instructions to the broker from the optionee. In addition, the Compensation Committee may permit non-qualified options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

To qualify as incentive stock options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

Stock Appreciation Rights

The Compensation Committee may award stock appreciation rights subject to such conditions and restrictions as the Compensation Committee may determine. Stock appreciation rights entitle the recipient to shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price is the fair market value of the common stock on the date of grant. The maximum term of a stock appreciation right is five years.

Restricted Stock

The Compensation Committee may award shares of common stock to participants subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified restricted period.

Restricted Stock Units

The Compensation Committee may award restricted stock units to any participants. Restricted stock units are ultimately payable in the form of shares of common stock and may be subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified vesting period. In the Compensation Committee's sole discretion, it may permit a participant to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a deferred stock unit award, subject to the participant's compliance with the procedures established by the Compensation Committee and requirements of Section 409A of the Code, as amended. During the deferral period, the deferred stock awards may be credited with dividend equivalent rights.

Unrestricted Stock Awards

The Compensation Committee may also grant shares of common stock which are free from any restrictions under the Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant.

Performance Share Awards

The Compensation Committee may grant performance awards to any participant which entitle the recipient to receive shares of common stock upon the achievement of certain performance goals and such other conditions as the Compensation Committee shall determine. Except in the case of a change in control, these awards granted to employees will have a performance period of at least one year.

Dividend Equivalent Rights

The Compensation Committee may grant dividend equivalent rights to participants which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights granted as a component of another award may be paid only if the related award becomes vested and settled. Dividend equivalent rights may be settled in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award.

Cash-Based Awards

The Compensation Committee may grant cash bonuses under the Plan to participants. The cash bonuses may be subject to the achievement of certain performance goals.

Acquisition Provisions

In the event of an "Acquisition" (as defined in the Amended Plan), Citrix and the surviving or acquiring entity, shall, as to outstanding awards (on the same basis or on different bases as the Compensation Committee shall specify), make appropriate provision for the assumption or continuation of such awards or the substitution of such awards on an equitable basis with new awards, with appropriate adjustments as to the number and kind of shares, and if appropriate, the per share exercise prices, as such parties shall agree, the fair market value of which shall not materially differ from the fair market value of the shares of Citrix common stock subject to such awards immediately preceding the Acquisition. To the extent the parties to such Acquisition do not provide for the assumption, continuation or substitution of awards, the Plan and all outstanding awards shall terminate, and, except as the Compensation Committee may otherwise specify, all options and stock appreciation rights shall become exercisable in full prior to the consummation of the Acquisition, all other awards subject to time-based vesting shall become fully vested and non-forfeitable as of the effective time of the Acquisition and all awards with conditions and restrictions relating to the attainment of performance goals will, in each case unless otherwise set forth in an award agreement, be deemed achieved at 100% of target levels and become fully vested and nonforfeitable as of the effective time of an Acquisition.

In addition to or in lieu of the foregoing, with respect to outstanding options or stock appreciation rights, the Compensation Committee may, upon written notice to the affected participant, provide that one or more options or stock appreciation rights then outstanding must be exercised, in whole or in part, within a specified number of days of the date of such notice, at the end of which period such options or stock appreciation rights shall terminate, or provide that one or more options or stock appreciation rights then outstanding, in whole or in part, shall be terminated in exchange for a cash payment equal to the excess of the fair market value for the shares subject to such options or stock appreciation rights over the exercise price thereof.

The Compensation Committee may provide that all options and stock appreciation rights that are not exercisable immediately prior to the effective time of an Acquisition shall become fully exercisable as of the effective time of the Acquisition, all other awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of an Acquisition and all awards with conditions and restrictions relating to the attainment of performance goals will be deemed achieved at 100% of target levels, unless otherwise set forth in an award agreement, and become fully vested and nonforfeitable as of the effective time of an Acquisition. In such cases, such awards shall become exercisable in full prior to the consummation of the Acquisition at such time and on such conditions as the Compensation Committee determines, and if such awards are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Compensation Committee.

In the event of an involuntary termination of services of a participant for any reason other than death, disability or Cause (as defined in the Plan) within six months following the consummation of an Acquisition, any awards of the participant assumed or substituted in the Acquisition which are subject to vesting conditions, shall accelerate in full, and any awards accelerated in such manner with conditions and restrictions relating to the attainment of performance goals will be deemed achieved at 100% of target levels. All such accelerated options or stock appreciation rights of the participant shall be exercisable for a period of one year following termination, but in no event after the expiration date of such award.

In the event of an Acquisition, the vesting of any and all awards held by any participant who is a Non-Employee Director shall accelerate in full prior to the consummation of the Acquisition at such time and on such conditions as the Compensation Committee determines.

Adjustments for Stock Dividends, Stock Splits, Etc.

The Amended Plan requires the Compensation Committee to make appropriate adjustments to the number of shares of common stock that are subject to the Amended Plan, to certain limits in the Amended Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Clawback

Awards granted under the Amended Plan are subject to clawback pursuant to our executive compensation recovery policy.

Dispute Resolution

The Amended Plan provides that all disputes or claims arising under the Amended Plan shall be resolved by confidential binding arbitration.

Tax Withholding

Participants in the Amended Plan are responsible for the payment of any federal, state or local taxes that we are required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the Compensation Committee, the tax withholding obligations may be satisfied by us withholding shares of common stock to be issued pursuant to the exercise or vesting of the award.

Amendments and Termination

Our Board of Directors may at any time amend or discontinue the Amended Plan and the Compensation Committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. Stock options and stock appreciation rights may not be amended to reduce the exercise price, or otherwise repriced in any manner, without shareholder approval. In addition, to the extent required under the rules of Nasdaq, any amendments that materially change the terms of the Amended Plan will be subject to approval by our shareholders. Amendments shall also be subject to approval by our shareholders if and to the extent determined by the Compensation Committee to be required by the Code to preserve the qualified status of incentive stock options.

Effective Date of Plan

Our Board of Directors adopted the Amended and Restated 2014 Equity Incentive Plan on March 14, 2017, and the Amended and Restated 2014 Equity Incentive Plan became effective when it was approved by our shareholders on June 22, 2017. The Amended and Restated 2014 Equity Incentive Plan was subsequently amended by the First Amendment to the Plan, adopted by the Board of Directors on March 7, 2018 to add our Chief People Officer to the list of officers to whom certain authority may be delegated under the plan. The Amended and Restated 2014 Equity Incentive Plan was also amended by the Second Amendment to the Amended and Restated 2014 Equity Incentive Plan to change the fungible ratio and decrease the number of shares available for issuance under the Plan, adopted by our Board of Directors on March 11, 2019 and effective when it was approved by our shareholders on June 4, 2019. This Amended Plan will become effective on the date it is approved by our shareholders. No other awards may be granted under the Amended Plan after June 3, 2030 or, in the case of any incentive stock options, 10 years from the date of adoption by our Board.

New Plan Benefits

All awards to executive officers in future periods are made at the discretion of the Compensation Committee and our Board of Directors. Therefore, the benefits and amounts that will be received or allocated under the Amended Plan to such persons are not determinable at this time. Awards to our directors who are not executive officers are expected to be made in accordance with our non-employee director compensation program described above in the section titled *Non-employee Director Cash Compensation*. Accordingly, in lieu of providing information regarding benefits that will be received under the Amended Plan, the following table provides information concerning the benefits that were received by the following persons and groups during 2019; each Named Executive Officer, all current executive officers who are not Named Executive Officers, as a group; all current directors who are not executive officers, as a group; and all current employees who are not executive officers, as a group:

Name and Principal Position	Number of Restricted Stock Units Granted During 2019 (1)
David J. Henshall President and Chief Executive Officer	123,872(2)
Arlen R. Shenkman Executive Vice President and Chief Financial Officer	62,481
Andrew H. Del Matto Former Executive Vice President and Chief Financial Officer	—
Jessica Soisson Former Interim Chief Financial Officer and current Vice President, Corporate Controller and Chief Accounting Officer	22,914
Mark J. Ferrer Executive Vice President and Chief Revenue Officer	37,640
Antonio G. Gomes Executive Vice President, Chief Legal Officer and Secretary	44,614(2)
Paul J. Hough Executive Vice President and Chief Product Officer	44,614(2)
All current executive officers who are not Named Executive Officers, as a group	98,735
All current directors who are not executive officers, as a group	26,591(2)
All current employees who are not executive officers, as a group	2,725,204

(1) Does not include restricted stock units issued as a result of the quarterly dividends paid during fiscal year 2019.

(2) Includes February 2019 PRSUs, all of which were forfeited in January 2020.

Tax Aspects Under the Internal Revenue Code of 1986

The following is a summary of the principal federal income tax consequences of certain transactions under the Amended Plan. It does not describe all federal tax consequences under the Amended Plan, nor does it describe state or local tax consequences.

Incentive Options

No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) we will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the option price thereof, and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options

No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security and Medicare taxes on the excess of the fair market value over the exercise price of the option.

Other Awards

We generally will be entitled to a tax deduction in connection with an award under the Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax, Social Security and Medicare taxes and recognize such taxes at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments

The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control (such as an Acquisition) may cause a portion of the payments with respect to such accelerated awards to be treated as “parachute payments” as defined in the Code. Any such parachute payments may not be deductible by us, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Vote Required

The affirmative vote of at least a majority of shares present in person or represented by proxy at the 2020 Annual Meeting and entitled to vote on this proposal is required for the approval of the Amended Plan.

Recommendation of the Board

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
THE CITRIX SYSTEMS, INC.
SECOND AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN.**

Proposal 3 Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee has retained the firm of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2020. Ernst & Young has served as our independent registered public accounting firm since 1989. The Audit Committee reviewed and discussed the prior performance of Ernst & Young and its selection of Ernst & Young for the fiscal year ending December 31, 2020. As a matter of good corporate governance, the Audit Committee has determined to submit its selection to our shareholders for ratification. Even if the selection of Ernst & Young is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year, if it determines that such a change would be in the best interests of Citrix and our shareholders.

We expect that a representative of Ernst & Young will attend our 2020 Annual Meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from shareholders.

Recommendation of the Board

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
THE RATIFICATION OF THE APPOINTMENT OF
ERNST & YOUNG AS CITRIX’S INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM FOR 2020.**

Proposal 4 Advisory Vote to Approve the Compensation of Our Named Executive Officers

Pursuant to requirements under Section 14A of the Securities Exchange Act of 1934, as amended, put into place by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, known as the Dodd-Frank Act, this proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to vote to approve or not approve, on an advisory basis, the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our Named Executive Officers and our compensation philosophy, policies and practices.

As discussed under the Compensation Discussion and Analysis beginning on page 34, we believe that our executive compensation programs emphasize sustainable growth through a pay-for-performance orientation and a commitment to both operational and organizational effectiveness. We believe that our compensation programs for our Named Executive Officers are instrumental in helping us achieve our strategic and financial performance and, during this transition period for our company, to retain our Named Executive Officers in order to drive execution of our strategic and operational initiatives. Accordingly, we are asking our shareholders to vote “FOR” the following resolution at our 2020 Annual Meeting:

“RESOLVED, that Citrix’s shareholders approve, on an advisory basis, the compensation of Citrix’s Named Executive Officers, as disclosed pursuant to the SEC’s compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables).”

The vote is advisory, and therefore not binding on Citrix, the Compensation Committee or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our shareholders and will take into account the outcome of the vote when considering future compensation decisions for our Named Executive Officers.

Recommendation of the Board

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
THE APPROVAL OF, ON AN ADVISORY BASIS, THE
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS
AS DISCLOSED IN THIS PROXY STATEMENT.**

Part 7 Additional Information

Other Matters

The Board of Directors knows of no other matters to be brought before the 2020 Annual Meeting. If any other matters are properly brought before the 2020 Annual Meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

Shareholder Proposals

Proposals of shareholders intended for inclusion in the Proxy Statement to be furnished to all shareholders entitled to vote at our 2020 Annual Meeting of Shareholders, pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, must be received at our principal executive offices not later than December 17, 2020. All such proposals must comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

In order to be properly brought before the 2021 Annual Meeting, a shareholder's notice of (a) nomination of a director candidate to be included in our Proxy Statement and proxy pursuant to Section 1.11 of our Bylaws (a "proxy access nomination") or (b) any proposal other than a matter brought pursuant to Rule 14a-8 or a proxy access nomination, must be received by our Secretary at our principal executive offices between November 17, 2020 and December 17, 2020. However, in the event that an annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary of the date of the Proxy Statement furnished to shareholders in connection with the preceding year's annual meeting, then, in order to be timely, a shareholder's notice must be received by our Secretary not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of (1) the 60th day prior to such annual meeting or (2) the close of business on the 10th day following the day on which we first publicly announce the date of such annual meeting. A shareholder's notice to our Secretary must set forth the information required by our Bylaws with respect to such proxy access nomination or proposal. If a shareholder makes a timely notification, discretionary voting authority with respect to the shareholder's proposal may be conferred upon the persons selected by management to vote the proxies under circumstances consistent with the SEC's proxy rules. In order to curtail controversy as to the date on which a notice was received by Citrix, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to our principal executive offices at Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309, Attention: Secretary.

Expenses and Solicitation

The cost of solicitation of proxies will be borne by Citrix and, in addition to soliciting shareholders by mail and via the Internet through our regular employees, we may request banks, brokers and other custodians, nominees and fiduciaries to solicit their customers who have stock of Citrix registered in the names of a nominee and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some shareholders in person or by mail, telephone, e-mail or telegraph following the original solicitation. We have retained MacKenzie Partners, a proxy solicitation firm, to assist in the solicitation of proxies for a fee not to exceed \$20,000, plus reimbursement of expenses.

Delivery of Documents to Shareholders Sharing an Address

If you share an address with any of our other shareholders, your household might receive only one copy of the Proxy Statement, Annual Report and Notice, as applicable. To request individual copies of any of these materials for each shareholder in your household, please contact Investor Relations, Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309 (telephone: 954-229-5990) (email: investorrelations@citrix.com). We will deliver copies of the Proxy Statement, Annual Report and/or Notice promptly following your written or oral request. To ask that only one copy of any of these materials be mailed to your household, please contact your broker.

Note Regarding Forward-Looking Statements

This Proxy Statement contains forward-looking statements which are made pursuant to 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. The forward-looking statements in this Proxy Statement do not constitute guarantees of future performance. Investors are cautioned that statements in this Proxy Statement, which are not strictly historical statements, including, without limitation, statements regarding management's plans, business initiatives, objectives, expectations regarding future performance or needs of our business, strategies and goals, constitute forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. The forward-looking statements in this Proxy Statement are not guarantees of future performance. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the forward-looking statements, including, without limitation: risks associated with the impact of COVID-19 on our business, the broader economy, and our ability to forecast our future financial performance; risks associated with our ability to advance business transformation, including our subscription business model transition; our ability to expand our customer base; our ability to forecast our future financial performance during our business model transition; our ability to continue to grow the company's Workspace business and continued demand for our Workspace; risks associated with our ability to expand our ESG infrastructure; risks associated with the expansion of our cloud-delivered services; the risks associated with maintaining the security of our products, services, and networks, including securing customer data, and the risks associated with our recent cyber security incident; risks associated with regulation of privacy and data security; the impact of the global economic and political environment on our business, volatility in global stock markets, foreign exchange rate volatility and uncertainty in IT spending, including as a result of COVID-19; changes in our pricing and licensing models, promotional programs and product mix, all of which may impact our revenue recognition; the introduction of new products by competitors or the entry of new competitors into the markets for our products and services; the concentration of customers in our networking business; the company's ability to innovate and develop new products and services while growing its established virtualization and networking products and services; changes in our revenue mix towards products and services with lower gross margins; seasonal fluctuations in the company's business; failure to execute our sales and marketing plans; failure to successfully partner with key distributors, resellers, system integrators, service providers and strategic partners; bankruptcies, insolvencies or other economic conditions that limit our customers' ability to pay for our services; transitions in key personnel and succession risk; our ability to maintain and expand our business in large enterprise accounts and reliance on large service provider customers; the size, timing and recognition of revenue from significant orders; the success of investments in our product groups, foreign operations and vertical and geographic markets; risks related to paying of cash dividends or repurchase of our stock; our ability to make suitable acquisitions on favorable terms in the future; risks associated with our acquisitions and divestitures, including failure to further develop and successfully market the technology and products of acquired companies, failure to achieve or maintain anticipated revenues and operating performance contributions from acquisitions, which could dilute earnings; the recruitment and retention of qualified employees; risks in effectively controlling operating expenses, and our ability to improve our operating margin; ability to effectively manage our capital structure and the impact of related changes on our operating results and financial condition; the effect of new accounting pronouncements on revenue and expense recognition; failure to comply with federal, state and international regulations; our ability to protect our innovations and intellectual property, including in higher-risk markets; litigation and disputes, including challenges to our

intellectual property rights or allegations of infringement of the intellectual property rights of others; the ability to maintain and protect our collection of brands; charges in the event of a write-off or impairment of acquired assets, underperforming businesses, investments or licenses; international market readiness, execution and other risks associated with the markets for our products and services; risks related to servicing our debt; risks of political uncertainty, social turmoil and pandemics, including COVID-19; and other risks detailed in Citrix's filings with the Securities and Exchange Commission. Citrix assumes no obligation to update any forward-looking information contained in this Proxy Statement.

Note Regarding References to Citrix Website

Information contained on or connected to our website is not incorporated by reference into this Proxy Statement and should not be considered a part of this Proxy Statement or any other filing or submission that we make with the SEC.

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CITRIX SYSTEMS, INC.

SECOND AMENDED AND RESTATED
2014 EQUITY INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Citrix Systems, Inc. Second Amended and Restated 2014 Equity Incentive Plan (the “*Plan*”). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Citrix Systems, Inc. (the “*Company*”) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company. Awards outstanding immediately prior to the adoption of the second amended and restated version of the Plan will remain subject in all respects to the terms and conditions set forth in the Company’s Amended and Restated 2014 Equity Incentive Plan, and such Awards will not be amended or modified in any way by the amendments made in the second amended and restated version of the Plan.

The following terms shall be defined as set forth below:

“*Acquisition*” shall mean (i) consummation of a merger or consolidation of the Company with or into another person; (ii) the sale, transfer, or other disposition of all or substantially all of the Company’s assets to one or more other persons in a single transaction or series of related transactions, unless, in the case of foregoing clauses (i) and (ii), securities possessing more than 50% of the total combined voting power of the survivor’s or acquirer’s outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company’s outstanding securities immediately prior to that transaction; (iii) any person or group of persons (within the meaning of Section 13(d)(3) of the Exchange Act) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the Exchange Act) of securities possessing more than 30% of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s stockholders that the Board does not recommend such stockholders accept, other than (a) the Company or an Affiliate, (b) an employee benefit plan of the Company or any of its Affiliates, (c) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (d) an underwriter temporarily holding securities pursuant to an offering of such securities; (iv) persons who, as of the Effective Date, constitute the Board (the “*Incumbent Directors*”) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person’s election was approved by or such person was nominated for election by either (A) a vote of at least a majority of the Incumbent Directors or (B) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; (v) any other acquisition of the business of the Company in which a majority of the Board votes in favor of a decision that an Acquisition has occurred within the meaning of the Plan; or (vi) the approval by the Company’s stockholders of any plan or proposal for the liquidation or dissolution of the Company.

“*Acquisition Price*” means the value as determined by the Committee of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to an Acquisition.

“*Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder.

“*Affiliate*” means any corporation, partnership, limited liability company, limited liability partnership, business trust or other entity controlling, controlled by or under common control with the Company.

“Award” or “Awards,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Unrestricted Stock Awards, Cash-Based Awards, Performance Share Awards and Dividend Equivalent Rights.

“Award Agreement” means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Agreement is subject to the terms and conditions of the Plan.

“Board” means the Board of Directors of the Company.

“Cash-Based Award” means an Award entitling the recipient to receive a cash-denominated payment.

“Code” means the U.S. Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“Committee” means the Compensation Committee of the Board. For any period during which no such committee is in existence, “Committee” shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

“Consultant” means any natural person that provides bona fide services to the Company or an Affiliate, and such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities.

“Dividend Equivalent Right” means an Award entitling the Participant to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the Participant.

“Effective Date” means the date on which the Plan is most recently approved by stockholders as set forth in Section 21.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“Fair Market Value” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of the Stock on any given date shall be the last sale price for the Stock as reported on the Nasdaq Global Select Market or another national securities exchange for that date or if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported.

“Incentive Stock Option” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“Non-Employee Director” means a member of the Board who is not also an employee of the Company or any Affiliate.

“Non-Qualified Stock Option” means any Stock Option that is not an Incentive Stock Option.

“Option” or “Stock Option” means any option to purchase shares of Stock granted pursuant to Section 5.

“Participant” means any holder of an outstanding Award under the Plan.

“Performance-Based Award” means any Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award that is intended to vest based on Performance Criteria.

“Performance Criteria” means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Cycle. The Performance Criteria (which shall be applicable to the organizational level specified by the Committee, including, but not limited to the following organizational levels, the Company or a unit, division, group, or Affiliate of the Company) that will be used to establish Performance Goals are limited to the following Performance Criteria: (a) operating margin, gross margin or profit margin, (b) earnings per share or pro forma earnings per share, (c) revenue or bookings, (d) expenses or operating expenses, (e) net income or operating income, (f) earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization, (g) stock price increase, (h) market share, (i) return on assets, capital, equity or sales, (j) performance relative to peers, (k) divisional or

operating segment financial and operating performance, (l) total return on shares of common stock, on an absolute basis or relative to increase in an appropriate stock index selected by the Committee, (m) customer satisfaction indicators, (n) cash flow, (o) pre-tax profit, (p) growth or growth rate with respect to any of the foregoing measures (whether or not compounded), (q) attainment of strategic and operational objectives, (r) cost targets, reductions and savings, productivity and efficiency (s) new product invention, development or innovation, (t) intellectual property (e.g., patents), (u) mergers and acquisitions or divestitures, (v) financings, or (w) any combination of the foregoing, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Committee may appropriately adjust any evaluation performance under a Performance Criterion to exclude any of the following events that occurs during a performance period: (i) asset write-downs or impairments, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reporting results, (iv) accruals for reorganizations and restructuring programs, (v) any extraordinary non-recurring items, including those described in the Financial Accounting Standards Board's authoritative guidance and/or in management's discussion and analysis of financial condition and results of operations appearing the Company's annual report to stockholders for the applicable year, and (vi) any other extraordinary items adjusted from the Company U.S. GAAP results.

"Performance Cycle" means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Criteria will be measured for the purpose of determining a Participant's right to and the payment of a Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award, the vesting and/or payment of which is subject to the attainment of one or more Performance Goals. Each such period shall not be less than 12 months.

"Performance Goals" means, for a Performance Cycle, the specific goals established in writing by the Committee for a Performance Cycle based upon the Performance Criteria.

"Performance Share Award" means an Award entitling the Participant to acquire shares of Stock upon the attainment of specified Performance Goals.

"Restricted Stock Award" means an Award of shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant.

"Restricted Stock Units" means an Award of stock units to a Participant.

"Section 409A" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

"Stock" means the Common Stock, par value \$0.001 per share, of the Company, subject to adjustments pursuant to Section 3.

"Stock Appreciation Right" means an Award entitling the Participant to receive shares of Stock having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

"Ten Percent Owner" means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

"Unrestricted Stock Award" means an Award of shares of Stock free of any restrictions.

SECTION 2. ADMINISTRATION OF PLAN; COMMITTEE AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Committee.

(b) Powers of Committee. The Committee shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-

Based Awards, Performance Share Awards and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more Participants;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and Participants, and to approve the forms of Award Agreements;

(v) to accelerate at any time the exercisability, vesting or the lapse or achievement of any condition of all or any portion of any Award;

(vi) subject to the provisions of Section 5(b), to extend at any time the period in which Stock Options may be exercised; and

(vii) except as otherwise provided in Section 18 of the Plan, at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Committee shall be binding on all persons, including the Company and the Participants.

(c) Delegation of Authority to Grant Awards. Subject to applicable law, the Committee, in its discretion, may delegate to the Chief Executive Officer, Chief Financial Officer, or Chief People Officer of the Company all or part of the Committee's authority and duties with respect to the granting of Awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act. Any such delegation by the Committee shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price and the vesting criteria. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan.

(d) Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(e) Indemnification. Neither the Board nor the Committee, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Committee (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) Non-US Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Affiliates operate or have employees or other individuals eligible for Awards, the Committee, in its sole discretion, shall have the power and authority to: (i) determine which Affiliates shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the

Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

(g) Prohibition on Dividends Payable on Awards Prior to Vesting. No dividends shall be paid with respect to any Award prior to the vesting thereof. Dividends or Dividend Equivalents may accrue with respect to Awards that are unvested, but shall not be paid before the vesting of such Award.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be the sum of (i) 51,300,000 shares, plus (ii) the shares of Stock underlying any awards granted under the 2005 Plan that are forfeited, canceled or otherwise terminated (other than by exercise) after the date of the Company's 2014 annual stockholder meeting, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any Awards that are forfeited, canceled or otherwise terminated (other than by exercise) under this Plan, shall be added back to the shares of Stock available for issuance under the Plan. Notwithstanding the foregoing, the following shares shall not be added to the shares authorized for grant under the Plan: (i) shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, and (ii) shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right upon exercise thereof. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 2,000,000 shares of Stock may be granted to any one individual Participant during any one calendar year period, and no more than 51,300,000 shares of the Stock may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Effect of Awards. With respect to Awards granted prior to June 4, 2019, (i) the grant of any full value Award (i.e., an Award other than an Option or a Stock Appreciation Right) shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award of 2.75 shares of Stock for each such share of Stock actually subject to the Award, and (ii) the grant of an Option or a Stock Appreciation Right shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award for one share of Stock for each such share of Stock actually subject to the Award. With respect to Awards granted on or after June 4, 2019, the grant of any Award shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award for one share of Stock for each such share of Stock actually subject to the Award. Any forfeitures, cancellations or other terminations (other than by exercise) of any full value Award (i.e., an Award other than an Option or a Stock Appreciation Right) that was granted prior to June 4, 2019 shall be returned to the reserved pool of shares of Stock under the Plan as 2.75 shares of Stock for each such share of Stock actually subject to the Award that is returned to the reserved pool, and any forfeitures, cancellations or other terminations (other than by exercise) of any other type of Award (including any full value Awards granted on or after June 4, 2019) shall be returned to the reserved pool of shares of Stock under the Plan as one share of Stock for each such share of Stock actually subject to the Award that is returned to the reserve pool.

(c) Changes in Stock. Subject to Section 3(d) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Committee shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual Participant and the maximum number of shares that may be granted under a Performance-Based Award, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted

Stock Award, and (v) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Committee shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Committee shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Committee in its discretion may make a cash payment in lieu of fractional shares.

(d) Mergers and Other Transactions.

(i) In the case of and subject to the consummation of an Acquisition, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards on an equitable basis with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree, the Fair Market Value of which (as determined by the Committee in its sole discretion) shall not materially differ from the Fair Market Value of the shares of Stock subject to such Awards immediately preceding the Acquisition. To the extent the parties to such Acquisition do not provide for the assumption, continuation or substitution of Awards, as of the effective time of the Acquisition, the Plan and all outstanding Awards granted shall terminate, and, except as the Committee may otherwise specify with respect to particular Awards in the relevant Award Agreement, all Options and Stock Appreciation Rights that are not exercisable immediately prior to the effective time of the Acquisition shall become fully exercisable as of the effective time of the Acquisition, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of the Acquisition and all Awards with conditions and restrictions relating to the attainment of performance goals will be deemed achieved at one hundred percent (100%) of target levels and become fully vested and nonforfeitable as of the effective time of the Acquisition.

(ii) In addition to or in lieu of the foregoing, with respect to outstanding Options and Stock Appreciation Rights, the Committee may, on the same basis or on different bases as the Committee shall specify, upon written notice to the affected Participants, provide that one or more Options and Stock Appreciation Rights then outstanding must be exercised, in whole or in part, within a specified number of days of the date of such notice, at the end of which period such Options and Stock Appreciation Rights shall terminate, or provide that one or more Options and Stock Appreciation Rights then outstanding, in whole or in part, shall be terminated in exchange for a cash payment equal to the excess of the fair market value (as determined by the Committee in its sole discretion) for the shares subject to such Options and Stock Appreciation Rights over the exercise price thereof.

(iii) Notwithstanding anything to the contrary herein, the Committee may, in its sole discretion, provide that all Options and Stock Appreciation Rights that are not exercisable immediately prior to the effective time of an Acquisition shall become fully exercisable as of the effective time of the Acquisition, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of an Acquisition and all Awards with conditions and restrictions relating to the attainment of performance goals will be deemed achieved at one hundred percent (100%) of target levels and become fully vested and nonforfeitable as of the effective time of an Acquisition. In such cases, such Awards shall become exercisable in full prior to the consummation of the Acquisition at such time and on such conditions as the Committee determines, and if such Awards are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Committee.

(iv) Notwithstanding anything to the contrary herein, in the event of an involuntary termination of services of a Participant for any reason other than death, disability or Cause within six months following the consummation of an Acquisition, any Awards of the Participant assumed or substituted in an Acquisition which are subject to vesting conditions, the lapse or achievement of any conditions and/or a right of repurchase in favor of the Company or a successor entity, shall accelerate in full, and any Awards accelerated in such manner with conditions and restrictions relating to the attainment of performance goals will be deemed achieved at one hundred percent (100%) of target levels. All such accelerated Awards of the Participant shall be exercisable for a period of one year following termination, but in no event after the expiration date of such Award. As used in this subsection (d)(iv) only, "Cause" shall mean the commission of any act of fraud, embezzlement or

dishonesty by the Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Company, or any other intentional misconduct by such person adversely affecting the business or affairs of the Company in a material manner.

(v) In the event of an Acquisition while a Participant is a Non-Employee Director, any and all Awards shall become vested in full prior to the consummation of the Acquisition at such time and on such conditions as the Committee determines.

(e) Substitute Awards. The Committee may grant Awards under the Plan in substitution for stock and stock based awards held by employees, directors or Consultants of another corporation in connection with the merger or consolidation of the employing corporation with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

(f) No Reload Grants. Awards shall not be granted under the Plan in consideration for, and shall not be conditioned upon, delivery of Stock to the Company in payment of the exercise price and/or tax withholding obligation under any Award.

SECTION 4. ELIGIBILITY

Participants under the Plan will be such full or part-time officers and other employees, Non-Employee Directors and Consultants of the Company and its Affiliates as are selected from time to time by the Committee in its sole discretion.

SECTION 5. STOCK OPTIONS

The Committee may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable. If the Committee so determines, Stock Options may be granted in lieu of cash compensation at the Participant’s election, subject to such terms and conditions as the Committee may establish.

(a) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Committee at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than five years after the date the Stock Option is granted.

(c) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Committee at or after the grant date. The Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. A Participant shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company or its agent, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award Agreement:

(i) In cash, by certified or bank check or other instrument acceptable to the Committee;

(ii) Through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the Participant delivering to the Company or its agent a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the Participant chooses to pay the purchase price as so provided, the Participant and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee or its delegates shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the Participant on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the Participant (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award Agreement or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the Participant). In the event a Participant chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Participant upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(e) Auto Exercise at Expiration. The Company may provide in an Award Agreement that to the extent the Option remains unexercised, it will be exercised automatically by “net exercise” pursuant to Section 5(d)(iv) of the Plan immediately prior to the end of the Option Term.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by a Participant during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(b) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Committee independently of any Stock Option granted pursuant to Section 5 of the Plan.

(c) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Committee. The term of a Stock Appreciation Right may not exceed five years.

SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Committee shall determine the restrictions and conditions applicable to each Restricted Stock Award at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Agreement shall be determined by the Committee, and such terms and conditions may differ among individual Awards and Participants.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a Participant shall have the rights of a stockholder with respect to the voting of the Restricted Stock and receipt of dividends; provided that, to the extent permitted by applicable law, any dividends paid by the Company shall accrue and be paid to the Participant only upon the vesting of the Restricted Stock. Unless the Committee shall otherwise determine,

(i) uncertificated Restricted Stock shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Stock are vested as provided in Section 7(d) below, and

(ii) certificated Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 7(d) below, and the Participant shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Committee may prescribe.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Agreement. Except as may otherwise be provided by the Committee either in the Award Agreement or, subject to Section 18 below, in writing after the Award is issued, if a Participant's employment (or other service relationship) with the Company and its Affiliates terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such Participant from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such Participant or such Participant's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the Participant or rights of the Participant as a stockholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, a Participant shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Stock. The Committee at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Committee either in the Award Agreement or, subject to Section 18 below, in writing after the Award is issued, a Participant's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the Participant's termination of employment (or other service relationship) with the Company and its Affiliates and such shares shall be subject to the provisions of Section 7(c) above.

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Committee shall determine the restrictions and conditions applicable to each Restricted Stock Unit at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Agreement shall be determined by the Committee, and such terms and conditions may differ among individual Awards and Participants. At the end of the deferral period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. To the extent that an award of Restricted Stock Units is subject to Section 409A, it may contain such additional terms and conditions as the Committee shall determine in its sole discretion in order for such Award to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Committee may, in its sole discretion, permit a Participant to elect to receive a portion of future cash compensation otherwise due to such Participant in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Committee and in accordance with Section 409A and such other rules and procedures established by the Committee. Any such future cash compensation that the Participant elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the Participant if such payment had not been deferred as provided herein. The Committee shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Committee deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Agreement.

(c) Rights as a Stockholder. A Participant shall have the rights as a stockholder only as to shares of Stock acquired by the Participant upon settlement of Restricted Stock Units; provided, however, that the Participant may be credited with Dividend Equivalent Rights with respect to the shares of Stock underlying his Restricted Stock Units, subject to such terms and conditions as the Committee may determine. Dividend Equivalent Rights may not be settled until the Restricted Stock Units vest.

(d) Termination. Except as may otherwise be provided by the Committee either in the Award Agreement or, subject to Section 18 below, in writing after the Award is issued, a Participant's right in all Restricted Stock Units that have not vested shall automatically terminate upon the Participant's termination of employment (or cessation of service relationship) with the Company and its Affiliates for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Committee may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Committee) an Unrestricted Stock Award under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such Participant.

SECTION 10. CASH-BASED AWARDS

(a) Grant of Cash-Based Awards. The Committee may, in its sole discretion, grant Cash-Based Awards to any Participant in such number or amount and upon such terms, and subject to such conditions, as the Committee shall determine at the time of grant. The Committee shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Committee shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Committee. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash or in shares of Stock, as the Committee determines.

SECTION 11. PERFORMANCE SHARE AWARDS

(a) Nature of Performance Share Awards. The Committee may, in its sole discretion, grant Performance Share Awards independent of, or in connection with, the granting of any other Award under the Plan. The Committee shall determine whether and to whom Performance Share Awards shall be granted, the Performance Goals, the periods during which performance is to be measured, which may not be less than one year except in the case of an Acquisition, and such other limitations and conditions as the Committee shall determine.

(b) Rights as a Stockholder. A Participant receiving a Performance Share Award shall have the rights of a stockholder only as to shares actually received by the Participant under the Plan and not with respect to shares subject to the Award but not actually received by the Participant. A Participant shall be entitled to receive shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award Agreement (or in a performance plan adopted by the Committee).

(c) Termination. Except as may otherwise be provided by the Committee either in the Award agreement or, subject to Section 18 below, in writing after the Award is issued, a Participant's rights in all Performance Share Awards shall automatically terminate upon the Participant's termination of employment (or cessation of service relationship) with the Company and its Affiliates for any reason.

SECTION 12. PERFORMANCE-BASED AWARDS

(a) Performance-Based Awards. Any employee or other Consultant providing services to the Company and who is selected by the Committee may be granted one or more Performance-Based Awards in the form of a Restricted Stock Award, Restricted Stock Units, Performance Share Awards or Cash-Based Award payable upon the attainment of Performance Goals that are established by the Committee and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Committee. The Committee shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for any Performance Cycle. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. Each Performance-Based Award shall comply with the provisions set forth below.

(b) Grant of Performance-Based Awards. With respect to each Performance-Based Award, the Committee shall select the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each

Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The Performance Criteria established by the Committee may be (but need not be) different for each Performance Cycle and different Performance Goals may be applicable to each Performance-Based Award.

(c) Payment of Performance-Based Awards. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Cycle. The Committee shall then determine the actual size of each Performance-Based Award, and, in doing so, may reduce or eliminate the amount of the Performance-Based Award if, in its sole judgment, such reduction or elimination is appropriate.

(d) Maximum Award Payable. The maximum Performance-Based Award payable to any one individual under the Plan for a Performance Cycle is 2,000,000 shares of Stock (subject to adjustment as provided in Section 3(c) hereof) or \$25 million in the case of a Performance-Based Award that is a Cash-Based Award.

SECTION 13. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. A Dividend Equivalent Right may be granted hereunder to any Participant as a component of an award of Restricted Stock Units, Restricted Stock Award or Performance Share Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Agreement. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an Award with vesting shall provide that such Dividend Equivalent Right shall be settled only upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) Interest Equivalents. Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

(c) Termination. Except as may otherwise be provided by the Committee either in the Award Agreement or, subject to Section 18 below, in writing after the Award is issued, a Participant's rights in all Dividend Equivalent Rights or interest equivalents granted as a component of an Award that has not vested shall automatically terminate upon the Participant's termination of employment (or cessation of service relationship) with the Company and its Affiliates for any reason.

SECTION 14. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 14(b) below, during a Participant's lifetime, his or her Awards shall be exercisable only by the Participant, or by the Participant's legal representative or guardian in the event of the Participant's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a Participant other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Committee Action. Notwithstanding Section 14(a), the Committee, in its discretion, may provide either in the Award Agreement regarding a given Award or by subsequent written approval that the Participant (who is an employee or director) may transfer his or her Non-Qualified Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a Participant for value.

(c) Family Member. For purposes of Section 14(b), "family member" shall mean a Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law,

son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant of the Participant), a trust in which these persons (or the Participant) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50 percent of the voting interests.

SECTION 15. TAX WITHHOLDING

(a) Payment by Participant. Upon the occurrence of any applicable taxable event related to an Award, the Participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company or an Affiliate with respect to such income. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. The Company's obligation to deliver evidence of book entry (or stock certificates) to any Participant is subject to and conditioned on tax withholding obligations being satisfied by the Participant.

(b) Withholding in Stock. Subject to approval by the Committee, any required tax withholding obligation may be satisfied, in whole or in part, by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

SECTION 16. SECTION 409A AWARDS

To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Committee from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a Participant who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Participant's separation from service, or (ii) the Participant's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any such Award may not be accelerated except to the extent permitted by Section 409A. All Awards are intended to be exempt from Section 409A to the greatest extent possible or otherwise comply with Section 409A. The terms of the Awards granted under this Plan shall be interpreted in accordance with such intent.

SECTION 17. TERMINATION OF EMPLOYMENT, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Effect of Termination of Employment, Etc. Unless the Committee, in its sole discretion shall at any time determine otherwise with respect to any Award, if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of the Participant's employer ceasing to be an Affiliate, (i) any outstanding Option or Stock Appreciation Right of the Participant shall cease to be exercisable in any respect not later than six months following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (ii) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement.

(b) Effect of Leaves and Transfers. For purposes of the Plan, the following events shall not be deemed a termination of employment:

(i) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(ii) an approved leave of absence for any purpose approved by the Company or an Affiliate or any leave of absence during which the Participant's right of employment is guaranteed by statute or contract; provided, however, that unless the Committee (and any delegate thereof) provides otherwise, vesting of awards granted hereunder will be suspended one hundred eighty (180) days after the commencement of an unpaid leave of absence, unless such suspension is not permitted by applicable law.

SECTION 18. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Committee may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(c) or 3(d), without prior stockholder approval, in no event may the Committee exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or effect repricing through cancellation and re-grants at an exercise price that is less than the original exercise price of such Stock Option Stock Appreciation Right or cancellation of Stock Options or Stock Appreciation Rights in exchange for cash. To the extent required under the rules of any securities exchange or market system on which the Stock is listed or to the extent determined by the Committee to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 18 shall limit the Committee's authority to take any action permitted pursuant to Section 3(c) or 3(d).

SECTION 19. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a Participant, a Participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 20. GENERAL PROVISIONS

(a) No Distribution. The Committee may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Acceptance of Award Agreements. Each Participant is deemed to have accepted his or her Award Agreement six months from the date of grant unless he or she has accepted the Award Agreement pursuant to such procedures as required by the Company.

(c) Delivery of Stock Certificates. Stock certificates to Participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the Participant, at the Participant's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the Participant by electronic mail (with proof of receipt) or by United States mail, addressed to the Participant, at the Participant's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel (to the extent the Committee deems such advice necessary or advisable), that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. All Stock certificates delivered pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Committee may require that an individual make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

(d) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 20(c), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the Participant with respect to an Award.

(e) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Affiliate.

(f) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(g) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with the Company's Executive Compensation Recovery Policy adopted on December 14, 2016, as may be amended from time to time, and any other clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Committee may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Stock or other cash or property in appropriate circumstances.

SECTION 21. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and certificate of incorporation (each as amended or restated from time to time), and applicable stock exchange rules. No grants of Awards may be made hereunder after the tenth anniversary of the Effective Date, and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board. Awards granted pursuant to this Plan during its unexpired term shall not expire solely by reason of the termination of this Plan.

SECTION 22. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

SECTION 23. ARBITRATION AND CLASS ACTION WAIVER

Any dispute or claim relating to or arising out of this Plan, any Award and/or any actions taken thereunder, to the fullest extent permitted by law, shall be fully and finally resolved by confidential, binding arbitration by a single, neutral arbitrator agreed upon by the Participant and the Company. The arbitration shall be held in the county where the Company has an office at which the applicable Participant provides services (for remote Participants, the nearest county where the Company has an office) or any other locale to which the parties jointly agree. If the parties cannot agree upon an arbitrator, the arbitrator shall be a JAMS neutral selected in accordance with the then-current Employment Arbitration Rules & Procedures of JAMS (which are available at www.jamsadr.com), and the arbitration shall be conducted in accordance with those rules and procedures. The parties each waive their respective rights to have any such disputes/claims tried by a judge or a jury. The arbitrator shall permit adequate discovery and shall be empowered to award all remedies otherwise available in a court of competent jurisdiction, and any judgment rendered by the arbitrator may be entered by any court of competent jurisdiction. The arbitrator shall issue a written award setting forth the essential findings and conclusions on which the award is based. Other than an amount equal to the fee for filing such an action in the local state court, which amount the Participant shall pay toward the costs of the arbitration, the Company shall bear the costs of the arbitration, including the JAMS administrative fees and the arbitrator's fees. Each party shall otherwise bear its own respective attorneys' fees and costs of the arbitration, except to the extent otherwise provided by law and awarded by the arbitrator. The Participant and the Company agree that each may bring claims against the other only in an individual capacity, and not as a plaintiff or class member in any purported class action or other representative proceeding.

SECTION 24. AWARDS TO NON-EMPLOYEE DIRECTORS.

(a) Maximum Awards to Non-Employee Directors. Notwithstanding anything to the contrary in the Plan, the value of all equity-based Awards granted under this Plan to any Non-Employee Director in any calendar year shall not exceed \$795,000 (excluding any Awards granted to any non-employee director in connection with his or her initial election to the Board). For purposes of this limitation, the value of any equity-based Award shall be the grant date fair value, as determined in accordance

with ASC 718 or any successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

(b) Awards Available for Non-Employee Directors. Non-Employee Directors shall be eligible to receive an annual equity-based Award under this Plan. Such annual equity-based Award shall be made on the first business day of the month following the Company's annual meeting of stockholders and shall generally vest in full on the earlier of (i) the first anniversary of the date of grant or (ii) the day immediately prior to the Company's next regular annual meeting of stockholders, subject to such director's continued business relationship or other association with the Company through such vesting date (each vesting date, the "Current Annual Vesting Date"); provided that upon the termination of the Non-Employee Director's business relationship or other association with the Company, a pro rata portion of the Award, equal to the pro rata portion of the period during which the Non-Employee Director had a continuous business relationship or other association with the Company, shall immediately vest, unless the Board determines otherwise. Newly appointed Non-Employee Directors are also entitled to receive an Award under this Plan upon his or her initial election to the Board of Directors, which shall generally vest in full on the next applicable Current Annual Vesting Date (the period from the grant date to the Current Annual Vesting Date, the "Vesting Period"), subject to the Non-Employee Director's continuous business relationship or other association with the Company through the Vesting Period; provided that upon the termination of the Non-Employee Director's business relationship or other association with the Company, a pro rata portion of an Award, equal to the pro rata portion of the Vesting Period during which the Non-Employee Director had a continuous business relationship or other association with the Company, shall immediately vest, unless the Board determines otherwise. The terms set forth in this Section 24(b) are subject to change from time to time as determined by the Committee.

(c) Mergers and Other Transactions. As set forth in Section 3(d)(v), in the event of an Acquisition while a Participant is a Non-Employee Director, the vesting of any and all Awards shall be accelerated in full prior to the consummation of the Acquisition at such time and on such conditions as the Committee determines, and if any Options or Stock Appreciation Rights are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Committee.

(d) Maximum Cash Compensation to Non-Employee Directors. Notwithstanding anything to the contrary in this Plan, the value of all cash compensation, not including the value of any Awards granted under this Plan, paid by the Company to any Non-Employee Director, in his or her capacity as such, in any calendar year shall not exceed \$500,000.

DATE ORIGINALLY APPROVED BY BOARD OF DIRECTORS: February 12, 2014

DATE ORIGINALLY APPROVED BY STOCKHOLDERS: May 22, 2014

DATE MOST RECENTLY APPROVED BY BOARD OF DIRECTORS: April 6, 2020

DATE MOST RECENTLY APPROVED BY STOCKHOLDERS: [_____]

Form 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from _____ to _____.

Commission File Number 0-27084

CITRIX SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-2275152
(IRS Employer
Identification No.)

851 West Cypress Creek Road
Fort Lauderdale

Florida
(Address of principal executive offices)

33309
(Zip Code)

Registrant's Telephone Number, Including Area Code:
(954) 267-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.001 per share	CTXS	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in 12b-2 of the Exchange Act.

- Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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 \$11,868,735,433. As of February 7, 2020 there were 122,358,166 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, 2019. Portions of such definitive proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

CITRIX SYSTEMS, INC.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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, 2019, and in the documents incorporated by reference into this Annual Report on Form 10-K for the year ended December 31, 2019, that are not historical facts, including, but not limited to, statements concerning our strategy and operational and growth initiatives, our transition to a subscription-based business model, our expansion of cloud-delivered services, changes in our product and service offerings and features, financial information and results of operations for future periods, revenue trends, seasonal factors or ordering patterns, stock-based compensation, international operations, investment transactions and valuations of investments and derivative instruments, restructuring charges, reinvestment or repatriation of foreign earnings, fluctuations in foreign exchange rates, tax estimates and other tax matters, liquidity, stock repurchases and dividends, our debt, changes in accounting rules or guidance, acquisitions, litigation matters, and the security of our network, products and services, 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. Readers are directed to the risks and uncertainties identified below under “Risk Factors” and elsewhere in this report for additional detail regarding factors that may cause actual results to be different than those expressed in our forward-looking statements. Such 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, 2019, 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.

References in this Annual Report on Form 10-K to "Citrix," the "Company," "we," "our" or "us" refer to Citrix Systems, Inc., including as context requires, its direct and indirect subsidiaries.

PART I

ITEM 1. BUSINESS

Business Overview

What We Do

Citrix is an enterprise software company focused on helping customers improve the productivity and user experience of their most valuable assets, their employees. We do this by creating a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive - anytime, anywhere, on any device. Our Networking solutions, which can be consumed via hardware or software, complement our Workspace solutions by delivering the applications and data employees need across any network with security, reliability and speed.

As our customers manage the complexity created by the proliferation of Software-as-a-Service (SaaS)-based applications and the emergence of hybrid multi-cloud environments, our solutions are designed to provide end-users with the simplicity of a common user experience while ensuring IT administrators are able to deliver applications and data with the security and controls necessary to protect the enterprise and its customers.

Our Business Transformation

As an organization, we are evolving our business in three primary ways:

- **On-Premise to Cloud:** As the share of applications and data continues to move rapidly from on-premise data centers to the cloud, our product development and engineering resources have increasingly focused on delivering cloud-based solutions;
- **Perpetual to Subscription:** Our business model is shifting away from selling perpetual licenses towards subscription, or recurring contracts in the form of SaaS, on-premise term, and consumption-based agreements; and
- **Point Products to Platform:** Our offerings and our go-to-market activities are shifting away from selling individual point products towards our platform solution, in a tiered offering that provides us the ability to deliver a variety of value-enhancing modules to our customers in the future.

Citrix was incorporated in Delaware on April 17, 1989.

Solutions and Services

We offer solutions and services that we categorize into three inter-related and complementary areas: Workspace, Networking and Professional Services.

Workspace

The Citrix Workspace platform encompasses a broad range of features and functionalities that tie together the myriad of applications that reside within enterprises. It helps to elevate employee productivity and employee engagement and improve an enterprise's security profile. Citrix Workspace delivers a unified, secure and intelligent workspace with single sign-on access to all the applications and content employees use in one unified platform. Citrix Workspace enables IT administrators to proactively manage security threats in complex, distributed, hybrid, multi-cloud and multi-device environments, and it empowers IT administrators to deliver applications to end users more securely than operating them natively. Intelligent analytics and user behavior insights are derived for the enhanced security, management, orchestration, and automation of workspaces and application delivery.

Citrix Workspace comes with ready integrations with widely-used business applications, including Salesforce, Workday, SAP Ariba and SAP Concur, ServiceNow, Microsoft Outlook and G Suite and is compatible with identity and access management providers, including Okta, Ping, Radius, and GoogleID. Citrix Workspace can be delivered on-premise, running in a customers' datacenter, or in the cloud. Pricing for the Citrix Workspace platform is tiered based on the level of functionalities provided. Capabilities offered include:

- Citrix Virtual Apps and Desktops - gives employees the freedom to work anywhere on any device while cutting IT costs and securely delivering Windows, Linux, Web and SaaS apps, and full virtual desktops.
- Citrix Content Collaboration - provides a secure, cloud-based file sharing and storage solution built to give users enterprise-class data services across all corporate and personal devices.
- Citrix Endpoint Management - provides unified endpoint management allowing IT administrators to adhere to security and compliance requirements for "bring your own device" programs and corporate devices while enabling user productivity. Centralizes the management of mobile devices, traditional desktops, laptops and Internet of Things, or IoT, through a single platform, directly integrating with Microsoft EMS/Intune to extend mobility and device management capabilities.
- Workspace Intelligence - customizes and streamlines user workflows and microapp creation with low-code tooling, automates tasks and functions, and allows end users to perform actions across various applications directly within the Citrix Workspace.

Networking

Our Networking solutions optimize the performance of Citrix Workspace. They enable organizations to deliver applications and data with security, reliability, and speed. Our Networking products can be consumed under pooled licensing agreements that give customers flexibility to consume in either a hardware form factor or as software, over the term of the agreement. Our networking capabilities include:

- Citrix ADC - an application delivery controller and load balancing solution for web, traditional and cloud-native applications regardless of where they are hosted.
- Citrix SD-WAN - a next-generation WAN Edge solution that delivers flexible, automated, secure connectivity and performance for the workspace.

The combination of our Workspace and Networking businesses generates data that spans network traffic, users, files, and endpoints. The application of machine learning to these rich sources of data enables us to provide valuable analytics and insights to customers. Our cloud-based analytics service works across the Citrix portfolio of products as well as third-party products.

- Citrix Analytics for Security continuously assesses the behavior of Citrix Virtual Apps and Desktops users and Citrix Workspace users and applies actions to protect sensitive corporate information. The aggregation and correlation of data across networks, virtualized applications and desktops, and content collaboration tools enables the generation of valuable insights and more focused actions to address user security threats.

- Citrix Analytics for Performance uses machine learning to quantify user experience, providing end-to-end visibility and enabling capacity planning and proactive response to performance degradation.
- Citrix Analytics for Operations collates and presents information on user activities such as websites visited and bandwidth spent. It also reports bandwidth use and detected threats, such as malware and phishing sites.

Support and Services

We offer support and services to help business partners and customers manage the quality of implementation, operation and support of our solutions:

- Customer Success Services - offered in support of our software and our cloud-based services. Customers are given a choice of tiered offerings combining product version upgrades, guidance, enablement, support and proactive monitoring to help customers and partners fully realize their business goals and maximize their Citrix investments. Additionally, customers may upgrade to receive personalized support from a dedicated team led by an assigned account manager.
- Hardware Maintenance - offered in support of our Networking products. Customers are given a choice of tiered offerings including technical support, software upgrades, and replacement of malfunctioning appliances. Dedicated account management is available as an add-on to the program.
- Citrix Consulting - guides the successful implementation of Citrix technologies and solutions with 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.
- Product Training & Certification - enables customers and partners to be successful with Citrix and achieve business objectives faster. Authorized Citrix training is available as needed. Traditional or virtual instructor-led training offerings feature Citrix Certified Instructors delivering Citrix-developed courseware in a classroom or remote setting at one of our Citrix Authorized Learning Centers worldwide.

Customers

Our customers are among the largest enterprises and institutions in the world spanning every major industry vertical, including health care, financial services, technology, manufacturing, consumer, and government agencies. Our largest customers are often our longest tenured customers.

Technology Relationships

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

Microsoft

For over 30 years, Citrix and Microsoft have maintained a strategic partnership spanning product development, go-to-market initiatives and partner development, enabling our mutual customers' secure, high-performance delivery of applications, desktops and data to their employees anywhere, anytime on any device. Together, Citrix and Microsoft offer solutions and services that aid and accelerate the transition from on-premises IT infrastructure and practices to emerging hybrid-cloud and multi-cloud delivery models for the full breadth of legacy and modern applications. These solutions and services include the unique ability to deliver Windows 10 desktops hosted within the Microsoft Azure cloud platform, services to deploy apps directly on Azure, Office 365 and Microsoft Teams integrations, and smart tools to simplify the deployment of a new class of integrated workspaces that include legacy Windows apps and a growing array of popular SaaS applications.

In 2019, we announced several new integrations designed to add value to Microsoft technologies, including Citrix Managed Desktops, Citrix Day One Support for Windows Virtual Desktop (WVD), Citrix HDX Optimization for Microsoft Teams, Citrix Analytics integrations with Microsoft Security Graph and Unified Experience with Citrix Workspace and Microsoft Outlook.

Google

Citrix and Google Cloud have been strategic partners for over eight years, offering secure and simple digital workspace solutions that free employees to work anywhere, anytime. Expanding on the flexibility and choice we provide to companies in

enabling a superior digital work experience, we offer joint solutions with Citrix Workspace for Google Cloud Platform, Chrome Enterprise, and G Suite. These solutions empower companies to deliver unified access to all of the apps employees need and prefer to use on Google devices and operating systems and fuel a simple, intelligent experience that improves engagement and productivity.

In 2019, we made Citrix SD-WAN and Citrix ADC available on Google Cloud Platform, enabling companies to extend their networks to the cloud and deliver applications in an agile and scalable way that gives users access to the tools they need and prefer to use and to perform at their best anywhere, anytime from any device. We also extended Citrix Workspace to Google Cloud, expanding the flexibility and choice companies have in transitioning to the cloud by enabling them to quickly and efficiently deliver apps to Google devices and operating systems and create a superior digital work experience that unleashes productivity and innovation.

SAP

Citrix has been partnering with SAP for more than a decade to provide virtualization, management, networking and cloud services to our joint customers. Together, SAP products and Citrix technologies enable the mobile workspace to run better. SAP solutions empower people to work together more efficiently and use business insight more effectively to stay ahead of the competition. Citrix Workspace offers integrations from leading SAP applications including Ariba, Concur and SuccessFactors.

Additional Relationships

We have developed our partner ecosystem to enable infrastructure choice for our Citrix Cloud customers. For public cloud choice, we have relationships with Microsoft Azure, Google Cloud, Amazon Web Services (AWS) and Oracle. We continue to expand the Citrix Workspace appliance program to enable a hybrid cloud choice for on-premises solutions, and we are forging partnerships with SaaS providers to deliver cloud access control and intelligent workspaces.

Delivering Secure and Cost-Effective Hybrid Cloud Solutions with Hewlett Packard Enterprise, Cisco, Lenovo and FlexibleIT

We recognize that many enterprise customers have significant investments in on-premises infrastructure that continues to serve their financial investments or have regulatory requirements that require data control and governance. Together with our infrastructure partners like Hewlett Packard Enterprise, or HPE, Cisco, Lenovo and FlexibleIT, we provide a simple and fast way to deploy hybrid cloud app and desktop virtualization that is scalable and secure. With Citrix Cloud services, companies can quickly and cost-effectively create a centrally managed, enterprise-class virtualized app and desktop environment in a rack-mounted appliance and manage VDI as-a-service in the cloud with simple subscription-based pricing. Compute, network and storage are pre-integrated with a Citrix Cloud connection in an easy to use hyper converged infrastructure, or HCI, appliance, and the offering is tested and certified as Citrix Ready, which showcases verified products that are trusted to enhance Citrix solutions for mobility, virtualization, networking and cloud platforms.

Driving Digital Transformation with Global System Integrators

Digital transformation is a strategic initiative that companies around the world are undertaking to transform their operations. To help accelerate their journeys, we continue to invest in partnerships with Global System Integrators who provide solutions and services that improve employee experience and engagement with Citrix Workspace and Citrix Networking solutions, including Fujitsu, DXC, IBM and Wipro.

In 2019, we announced several key integrations with Fujitsu. Integration between Citrix Workspace and RunMyProcess DigitalSuite enables companies to drive greater efficiency and productivity by organizing and automating work in an intelligent way. And integration between Citrix Workspace and DigitalSuite Business Fabric, a connected and collaborative ecosystem designed to enable digital business innovation by providing seamless access to information from IoT devices, ensures employees have unified, secure and reliable access to this information on any device.

We continue to provide an easy way for our customers to locate compatible solutions and our channel partners to evaluate and deploy joint offerings through our Citrix Ready program. The Citrix Ready Program is a technology partner program that helps software and hardware vendors of all types develop and integrate their products with Citrix technology. It includes partners like AWS, Cisco, Google, and Microsoft and hundreds of other technology companies. In order to earn the Citrix Ready designation, partners must validate their solutions following a testing regimen that ensures compatibility with our solutions.

Research and Development

We focus our research and development efforts on developing new functionalities across our solutions, while continuing to invest in functional improvements to our core technologies. We solicit extensive feedback concerning product development from customers and through our channel distributors and partners. We believe that our global software development teams and our core technologies represent a significant competitive advantage for us. As of December 31, 2019, we held a worldwide portfolio of 3,247 patents and had an additional 1,489 patent applications pending. We incurred research and development expenses of \$518.9 million in 2019, \$440.0 million in 2018 and \$415.8 million in 2017.

Sales, Marketing and Services

We market and license our solutions through multiple channels worldwide, including selling through resellers, direct and over the Web. Our partner community comprises thousands of value-added resellers, or VARs, known as Citrix Solution Advisors, value-added distributors, or VADs, system integrators, or SIs, independent software vendors, or ISVs, OEMs, and Citrix Service Providers, or CSPs. Distribution channels are managed by our worldwide sales and services organization. Partners receive training and certification opportunities to support our portfolio of solutions and services.

We reward our partners that identify new business, and provide sales expertise, services delivery, customer education, technical implementation and support of our portfolio of solutions through our incentive program. We continue to focus on increasing the productivity of our existing partners, while also adding new transacting partners, building capacity through targeted recruitment, and introducing programs to increase partner mindshare, limit channel conflict and increase partner loyalty to us.

As our customers shift workloads to the cloud, we have been cultivating a global base of technology partners within our CSP program. Our CSP program provides subscription-based services in which the CSP partners host software services to their end users. Our CSP partners, consisting of managed service providers, ISVs, Citrix Solution Advisors, hosting providers and telcos, among others, license our desktop, application, networking and endpoint management solutions on a monthly consumption basis. With our software, these partners then create differentiated offerings of their own, consisting of cloud-hosted applications and cloud-hosted desktops, which they manage for various customers, ranging from SMBs to enterprise IT. Besides supplying technology, we are actively engaged in assisting these partners in developing their hosted businesses either within their respective data centers or leveraging public cloud infrastructure by supplying business and marketing assistance.

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 DXC, Fujitsu, IBM, Wipro and others, who all deliver consultancy or global offerings powered by the Citrix Workspace. 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 and Epic Systems Corporation. 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.

Our corporate marketing organization provides an integrated global approach to sales and industry event support, digital and social marketing, sales enablement tools and collateral, advertising, direct mail, industry analyst relations and public relations coverage to market our solutions. Our efforts in marketing are focused on generating leads for our sales organization and our indirect channels to acquire net new accounts and expand our presence with existing 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 solutions.

In fiscal year 2019 and 2018, one distributor, the Arrow Group, accounted for 15% and 14%, respectively, of our total net revenues. In fiscal year 2017, two distributors, Ingram Micro and the Arrow Group, accounted for 13% and 12%, respectively, of our total net revenues. Our distributor arrangements with Ingram Micro and the Arrow Group consist of several non-exclusive, independently negotiated agreements with their respective subsidiaries, each of which covers different countries or regions. 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, 2019 for information regarding our revenue recognition policy.

International revenues (sales outside the United States) accounted for 48.2% of our net revenues for the year ended December 31, 2019, 47.0% of our net revenues for the year ended December 31, 2018 and 46.3% of our net revenues for the year ended December 31, 2017. For detailed information on our international revenues, please refer to Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019.

Segment Revenue

We operate under one reportable segment. For additional information, see Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019.

Operations

For our cloud-based solutions, we use a combination of co-located hosting facilities and increasingly use Microsoft Azure and AWS as well as other infrastructure-as-a-service providers. For our Networking products, 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, 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 solutions. Each of the contract manufacturers procures components necessary to assemble the products in our forecast and test the products according to our specifications. We dual-source our components; however, in some instances, those sources may be located in the same geographic area. Accordingly, if a natural disaster occurs 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 2019, we did not experience any material difficulties or significant delays in the manufacture and assembly of our products.

While it is generally our practice to promptly ship our products upon receipt of properly finalized orders, at any given time, we have confirmed product license orders that have not shipped and are unfulfilled. Backlog includes the aggregate amounts we expect to recognize as point in time revenue in the following quarter associated with contractually committed amounts for on-premise subscription software licenses, as well as confirmed product license orders that have not shipped and are unfulfilled. As of December 31, 2019 and 2018, the amount of backlog was not material. 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 2020. 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 on a sequential basis.

Competition

We sell our solutions 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 solutions and services continue to develop, additional companies, including those with significant market presence in the computer appliances, software, cloud services 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" under "Risk Factors" below.

Workspace

Our primary competitors for various components of our Workspace offering include VMware, Okta, Box, Dropbox, AWS Workspaces, Nutanix, MobileIron and Microsoft. We believe Citrix Workspace is differentiated in that it is the only solution on the market that organizes, guides and automates work for an individual employee, offers unified management and security

policies for all components of the digital workspace that uniquely addresses the needs of on-premises, cloud or hybrid deployments and surrounds all of that with innovative security controls.

Citrix Virtual Apps and Desktops are based on a proprietary technology platform which is differentiated from basic virtualization solutions offered by competitors such as VMware Horizon, AWS Workspaces, and Nutanix Xi Frame, by robust security, higher flexibility and what we believe to be a better end-user experience that enables IT to deliver Windows and Linux apps and desktops for better business outcomes. We also provide a hardened browser integrated into a web/SaaS access control solution, enabling customers to tightly control how web and SaaS applications are consumed by their users and prevents information leakage.

Citrix Endpoint Management competes with AirWatch by VMware, MobileIron, BlackBerry and others. We believe we differentiate ourselves from these competitors by providing a complete solution, with mobile device management, mobile application management and superior core mobile productivity applications, including secure mobile email, calendar, browser, and editing along with integration with Microsoft's EMS mobility management platform, Microsoft Intune and Microsoft Office 365. Our apps feature unique workflow integrations designed to help 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 to deliver similar integrations.

With respect to our Citrix Content Collaboration solutions, direct competition includes Dropbox, Box, Syncplicity, Egnyte, BlackBerry Workspaces and Accellion, as well as legacy solutions such as traditional file transfer protocol. Many of these competitors have strong brand recognition through consumer and free versions of their products. We believe Citrix Content Collaboration offers a superior solution for businesses as it is built specifically for the needs of the enterprise. Our solutions are further differentiated by their ability to integrate data stored on local file repositories, such as network shares, SharePoint or Documentum, which simplifies onboarding of the solution as there is no migration of data as required by competitors.

Networking

Our Citrix ADC hardware products compete in traditional data-center-deployed application environments against other established competitors, including F5 Networks, Inc., Radware, A10 Networks and Cisco. In addition, with new cloud-integrated and software-centric use cases, large cloud providers, such as AWS and Microsoft Azure, provide customers with competitive ADC solutions built into their public cloud platforms. We continue to expand our open source integrations with leading companies to enhance feature capability and invest in go-to-market resources to market Citrix ADC to our existing customer base and new potential customers.

Our Citrix SD-WAN product competes against both traditional WAN optimization and infrastructure vendors, such as Riverbed, VMware, Cisco, Silver Peak Systems and Oracle. Additionally, WAN service providers are integrating and reselling SD-WAN products as a part of their service offering from vendors including VMware, Cisco, Riverbed and Versa Networks, Inc. We have partnered with Microsoft to provide SD-WAN capability in Azure as a part of the Azure Virtual WAN and have also made our solution available on Google Cloud.

Technology and Intellectual Property

Innovation is a core Citrix competency. Our success is dependent upon our solutions, which are based on intellectual property and core proprietary and open source technologies. These technologies include innovations that optimize the end-to-end user experience, through workspaces and analytics, in virtual desktop and virtual application environments, and enhance networking capabilities to deliver a holistic content collaboration and mobile computing experience.

We have been awarded numerous domestic and foreign patents and have numerous pending patent applications in the United States and foreign countries. Certain of 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 hundreds of U.S. and foreign trademark registrations and pending registration applications for marks comprised of or incorporating the Citrix name. See our "Research and Development" discussion above and "Risk Factors" below.

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, 2019.

Employees

As of December 31, 2019, we had approximately 8,400 employees. 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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our multi-year transition from a perpetual licenses to a subscription-based business model is subject to numerous risks and uncertainties which could have a negative impact on our business, results of operations and financial condition.

The focus of our business model has been shifting away from sales of perpetual licenses to sales of subscriptions. This multi-year transition may give rise to a number of risks, including the following:

- we may not be able to effectively or efficiently transition our customers from perpetual licenses to sales of subscriptions;
- we may not be able to implement effective go-to-market strategies and train or properly incentivize our sales team and channel partners in order to effectively market our subscription offerings;
- we may be unsuccessful in maintaining our target pricing, adoption and renewal rates; and
- we may select solution prices that are not optimal and could negatively affect our sales or earnings.

We have plans to generally discontinue the sale of perpetual licenses for new products during the course of 2020. We continue to offer choices for our customers and in the first quarter of 2020 we relaunched our on-premise licensing for our offerings through our term subscription license. As we continue to transition our customers from perpetual licenses to subscriptions, we expect an impact on the timing of revenue recognition and potential reductions in operating margin and cash flows. Because subscription revenue is typically recognized over time, we expect to continue to experience a near-term reduction in revenue and revenue growth as more customers move away from perpetual licenses to subscriptions. We also expect the mix shift within our Networking business away from hardware towards software-based solutions will create pressure on reported Networking revenue over time.

Further, while many of our subscription-based offerings involve multi-year commitments, ultimately our subscription customers may decide not to renew their subscriptions for our solutions after the expiration of the subscription term, or to renew only for a portion of our solutions or on pricing terms that are less favorable to us. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our solutions, their ability to continue their operations and spending levels, the pricing of our solutions and the availability of competing solutions. We anticipate that our subscription-based model will require us to dedicate additional resources toward educating our existing and potential customers as to the benefits of the subscription model and our solutions generally and to re-train our sales employees, who have historically focused on hardware sales and selling perpetual software licenses, on selling subscription-based products and services in order to maintain and increase their productivity. As a result, our sales and marketing costs may increase. In addition, we anticipate needing to adjust our go-to-market cost structure, particularly as it relates to how we compensate our sales teams for renewal transactions, to become more efficient as we continue to transition to a subscription-based business model. Those adjustments may negatively affect the productivity of our sales teams and cause our renewal rates to fluctuate or decline, and there is no assurance that we will be able to successfully implement the adjustments in a timely or cost-effective manner, or that we will be able to realize all or any of the expected benefits from such adjustments. If our customers do not renew their subscriptions for our solutions, demand pricing or other concessions prior to renewal, or if our renewal rates fluctuate or decline, our total billings and revenue will fluctuate or decline, and our business and financial results will be negatively affected.

In addition, the metrics we use to gauge the status of our business may evolve over the course of the transition as significant trends emerge. The transition to a subscription-based business model also means that our historical results, especially those achieved before we began the transition, may be difficult to compare to our future results. As a result, investors and financial analysts may have difficulty understanding the shift in our business model, resulting in changes in financial estimates or failure to meet investor expectations. Moreover, we forecast our future revenue and operating results and provide financial projections based on a number of assumptions, including a forecasted rate at which our subscription bookings as a percentage of total product bookings will increase throughout our business model transition as well as the mix within subscription of on-premise versus cloud. If any of our assumptions about our business model transition or the estimated rate at which our subscription bookings as a percentage of total product bookings will increase and in which periods are incorrect, our revenue and operating results may be impacted and could vary materially from those we provide as guidance or from those anticipated by investors and analysts. If we are unable to successfully establish our subscription-based business model or navigate our transition in light of the foregoing risks and uncertainties, our business, results of operations and financial condition could be negatively impacted.

The expansion of cloud-delivered services (as opposed to traditional on-premises delivery of our products) has and will introduce a number of risks and uncertainties unique to such a shift, which could adversely affect our business, results of operations and financial condition.

Expansion of our cloud-delivered services may require a considerable investment in resources, including technical, financial, legal, sales, information technology and operation systems. Additionally, market acceptance of such offerings is affected by a variety of factors, including but not limited to: security, reliability, scalability, customization, performance, current license terms, customer preference, customer concerns with entrusting a third party to store and manage their data, public concerns regarding privacy and the enactment of restrictive laws or regulations.

Our cloud-delivered services are primarily operated through third-party cloud service providers, which we do not control and which may be subject to actual or perceived damage, interruption, vulnerabilities and other cyber-related risks. Customers of our cloud-based offerings need to be able to access our platform at any time, without interruption or degradation of performance, and we provide them with service level commitments with respect to uptime. Third-party cloud providers run their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. We may experience interruptions, delays and outages in service and availability from time to time as a result of problems with our third-party cloud providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Such outages could lead to the triggering of our service level agreements and the issuance of credits to our cloud offering customers, which may impact our business, results of operations and financial condition. In addition, if our security, or that of any of these third-party cloud providers, is compromised, our software is unavailable or our customers are unable to use our software within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. It is possible that our customers and potential customers would hold us accountable for any breach of security affecting a third-party cloud provider's infrastructure and we may incur significant liability from those customers and from third parties with respect to any breach affecting these systems. We may not be able to recover a material portion of our liabilities to our customers and third parties from a third-party cloud provider. It may also become increasingly difficult to maintain and improve our performance, especially during peak usage times, as our software becomes more complex and the usage of our software increases.

Our cloud-based solutions provide customers with increased visibility into the level of active use of such solutions by the customers' employees or other end users. This enhanced visibility may adversely impact renewal rates, if enough users in a customer organization do not actively engage with our solutions.

In addition, the increasing adoption by our customers of cloud-delivered services as opposed to on-premises delivery of our products has and will introduce a number of risks unique to such a shift, including:

- we may not be able to meet customer demand or solution requirements for cloud-delivered services;
- we may incur costs at a higher than forecasted rate as we expand our cloud-delivered services thereby decreasing our gross margins;
- we may encounter customer concerns regarding changes to pricing, service availability, and security; and
- we may experience unpredictability in revenue as a result of usage fluctuations within our cloud service provider business.

Any of the above circumstances or events may harm our business, results of operations and financial condition.

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

Use of our products and services has and may involve the transmission and/or storage of data, including in certain instances our own and our customers' and other parties' business, financial and personal data. As we continue to evolve our products and features, we expect to host, transmit or otherwise have access to increasing amounts of potentially sensitive data. For example, we have recently added, and expect to continue to add, intelligence features to our Workspace offering that involve connections into a customer's systems and applications, including enterprise resource planning and human resource management tools. Maintaining the security of our products, computer networks and data storage resources is important or service vulnerabilities could result in loss of and/or unauthorized access to confidential information. We have in the past, and may in the future, discover vulnerabilities in our products or underlying technology, which could expose our reputation, our operations and our customers to risk until such vulnerabilities are addressed. In addition, to the extent we are diverting our resources to address and mitigate these vulnerabilities, it may hinder our ability to deliver and support our products and customers in a timely manner. For example, in December 2019, we discovered a vulnerability in our Citrix Application Delivery Controller, Citrix Gateway and certain deployments of Citrix SD-WAN that would have allowed an unauthenticated

attacker to perform arbitrary code execution. In response, we published a security advisory with detailed mitigations designed to stop a potential attack across all known scenarios and also developed and made available fixes to address this vulnerability.

As a more general matter, unauthorized parties may attempt to misappropriate, alter, disclose, delete or otherwise compromise our confidential information or that of our employees, partners, customers or their end users, create system disruptions, product or service vulnerabilities or cause shutdowns. These unauthorized parties are becoming increasingly sophisticated, particularly those funded by or acting as formal or informal representatives of nation states. Perpetrators of cyberattacks also may be able to develop and deploy viruses, worms, malware and other malicious software programs that directly or indirectly attack our products, services or infrastructure (including third-party cloud service providers - such as Microsoft Azure, AWS and Google Cloud Platform - upon which we rely). Because techniques used by these perpetrators to sabotage or obtain unauthorized access to our systems change frequently and often 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. Despite our efforts to build secure services, 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 compromises.

For example, in March of 2019 we disclosed that we were the victim of a cyberattack during which international cyber criminals gained intermittent access to our internal network through “password spraying”, and over a limited number of days stole business documents and files from a shared network drive and a drive associated with a web-based tool used in our consulting practice. Our investigation found no indication that the cyber criminals discovered and exploited any vulnerabilities in our products or customer cloud services to gain entry, and no indication that the security of any Citrix product or customer cloud service was compromised; however, this incident has resulted in three class action complaints related to the loss of personal data of current and former employees, significant costs (substantially funded by insurance coverage), and distraction of management.

In addition to the cyberattack discussed above, malicious actors regularly attack our network and services, and certain of those attacks have resulted in successful unauthorized access to our network and services. For example, in late 2018, we became aware that perpetrators were using compromised credentials to gain access to individual ShareFile customer accounts in a so-called “credential stuffing” attack.

These cyberattacks or any other compromises of our security measures (or those of one of our customers) as a result of third-party action, malware, employee error, vulnerabilities, malfeasance or otherwise could result in (among other consequences):

- loss or destruction of customer, employee, partner and other business data;
- disruptions in the operation of our business, such as interruption in the delivery of our cloud services;
- costs associated with investigating, responding to and remediating the root cause, including additional monitoring of systems for unauthorized activity;
- negative publicity and harm to our reputation or brand, which could result in lost trust from our customers, partners and employees and 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, due to, among other things, the compromise of sensitive employee or customer information, which could result in financial judgments against us or the payment of settlement amounts and cause us to incur legal fees and costs;
- regulatory enforcement action in the United States at both the federal and state level (such as by the Federal Trade Commission and/or state attorneys general) or globally under the growing number of data protection legal regimes, including without limitation the General Data Protection Regulation, or GDPR, and the California Consumer Privacy Act, or CCPA, which could result in significant fines and/or penalties or other sanctions and which would cause us to incur legal fees and costs;
- costs associated with responding to those impacted by such issues, such as: costs of providing data owners, consumers or others with notice; 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;
- disputes with our insurance carriers concerning coverage for the costs associated with responding to, and mitigating an incident; and/or
- longer-term remediation and security enhancement expenses.

Any of these actions could materially and adversely impact our business, results of operations and financial condition. Further, while we maintain multiple layers of oversight over enterprise cybersecurity and data protection risks associated with our products, services, information technology infrastructure and related operations – including our management-level cybersecurity risk oversight committee comprised of senior executives across core functions, as well as our Technology, Data

and Information Security Committee of the Board – there is no guarantee that this oversight framework will be successful in providing the necessary governance to prevent or adequately respond to the actions described above.

Regulation of privacy and data security may adversely affect sales of our products and services and result in increased compliance costs.

There has been, and we believe that there will continue to be, increased regulation with respect to the collection, use and handling of personal, financial and other information as regulatory authorities in the United States and around the world have recently passed or are currently considering a number of legislative and regulatory proposals concerning data protection, privacy and data security. This includes the California Consumer Privacy Act, or CCPA, which came into effect in January 2020, and the GDPR, which is a European Union-wide legal framework to govern data collection, use and sharing and related consumer privacy rights that became effective in May 2018. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. The GDPR provides significant penalties for non-compliance (up to 4% of global revenue). European data protection authorities have already imposed fines for GDPR violations up to, in some cases, hundreds of millions of Euros. Many states in the United States are also considering their own privacy laws that, in the absence of a preemptive Federal privacy law, could impose burdensome and conflicting requirements. The interpretation and application of consumer and data protection laws and industry standards in the United States, Europe and elsewhere can be uncertain and currently is in flux. Cloud-based solutions may be subject to further regulation, including data localization requirements and other restrictions concerning international transfer of data, the operational and cost impact of which cannot be fully known at this time. In addition to the possibility of fines, application of these existing laws in a manner inconsistent with our data and privacy practices 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 law or regulation, or interpretation of existing law or regulation, imposing greater fees or taxes or restriction on the collection, use or transfer of information or data internationally or over the Web, could result in a decline in the use and adversely affect sales of our solutions and our results of operations. Finally, as a technology vendor, our customers and regulators will expect that we can demonstrate compliance with current data privacy and security regulations as well as our privacy policies and the information we make available to our customers and the public about our data handling practices, and our inability to do so may adversely impact sales of our solutions and services to certain customers, particularly customers in highly-regulated industries, and could result in regulatory actions, fines, legal proceedings and negatively impact our brand, reputation and our business.

Our business could be adversely impacted by conditions affecting the information technology market.

The markets for our solutions and services are characterized by:

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

The demand for our solutions 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. As we continue to grow our subscription service offerings, we must continue to innovate and develop new solutions and features to meet changing customer needs. Our failure to respond quickly to technological developments or customers' increasing technological requirements could lower the demand for any solutions and services and/or make our solutions uncompetitive and obsolete. Moreover, the purchase of our solutions and services is often discretionary and may involve a significant commitment of capital and other resources. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which will require us to devote significant 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, data analytics 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, data analytics and social platforms evolve, the demand for our solutions and services most aligned with legacy platforms (such as our desktop virtualization solutions) could decrease. Fluctuations in the demand for our solutions 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 solutions 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 solution 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 free, provide better performance or include additional features when compared to our solutions. Additionally, there is a risk that our solutions may become outdated or that our market share may erode. Further, the announcement of the release, and the actual release, of new solutions incorporating similar features to our solutions could cause our existing and potential customers to postpone or cancel plans to license certain of our existing and future solution and service offerings. Existing or new solutions and services that provide alternatives to our solutions and services could materially impact our ability to compete in these markets. As the markets for our solutions and services, especially those solutions in early stages of development, continue to develop, additional companies, including companies with significant market presence in the computer hardware, software, cloud, networking, mobile, 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 will remain a 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 solutions as the options for Workspace and Networking offerings 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 addition, 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, especially in light of the increased availability of domestic cash resulting from the Tax Cuts and Jobs Act, or the 2017 Tax Act. Also, we expect companies will attempt to strengthen or hold their market positions in an evolving and volatile industry. 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 digital workspace services, networking and data sharing 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 and Networking 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 solutions and services. The companies resulting from these possible combinations may create more compelling solution 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.

A significant portion of our revenues historically has come from our Application Virtualization and VDI solutions and our Networking products, and decreases in sales for these solutions could adversely affect our results of operations and financial condition.

A significant portion of our revenues has historically come from our Application Virtualization and VDI solutions and Networking products. We continue to anticipate that sales of these solutions and products and related enhancements and upgrades will constitute a majority of our revenue for the near future. Declines and variability in sales of certain of these solutions and products could occur as a result of:

- new competitive product releases and updates to existing products delivered as on premises solutions, especially cloud-based products;
- industry trend to focus on the secure delivery of applications 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.

We have experienced increased competition in the Application Virtualization and VDI business from directly competing solutions, alternative products and products on new platforms. For example, AWS provides Amazon WorkSpaces and VMware provides Horizon, both of which compete with these offerings among numerous other competitors. Also, 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 tablets. 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 Application Virtualization and VDI solutions. Further, increased use of certain SaaS applications may result in customers relying less on Windows applications. If sales of our Application Virtualization and VDI solutions 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.

Similarly, we have experienced increased competition for our Networking products, including our core Citrix ADC solution. For example, there are an increasing number of alternatives to traditional ADC hardware solutions, enabling our customers to build internal solutions, rely on open source technology or leverage software and cloud-based offerings. In addition, our Networking business generates a substantial portion of its revenues from a limited number of customers with uneven and declining purchasing patterns. As a result, the potential for declining sales within our Networking business may not be offset by gains in our other businesses, which could result in our operations and financial condition being adversely affected.

If our Workspace strategy is not successful in addressing our customers' evolving needs beyond traditional Application Virtualization and VDI solutions, we may be unable to expand our user base and our financial performance could be adversely impacted.

Our success depends on customer and user adoption of our newer products and services. Increased adoption will depend on our ability to deliver a Workspace platform that provides value and use cases beyond traditional Application Virtualization and VDI solutions. The market for solutions that meet our customers' needs in accessing and organizing their work in a secure way is evolving and dynamic. Our Workspace vision and solutions may fail to meet our customers' needs and our revenue growth, which would adversely affect our results of operations and financial condition.

Delivering our new solutions presents technological and implementation challenges, and significant investments continue to be required to develop or acquire solutions to address those challenges. To the extent that our newer products and services are adopted more slowly or are displaced by competitive solutions offered by other companies, our revenue growth rates may slow materially or our revenue may decline substantially, we may fail to realize returns on our investments in new initiatives and our operating results could be materially adversely affected.

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 or we would otherwise need to increase our use of cash-based compensation and awards to achieve the same attraction, retention and motivation benefits. 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 solutions 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 have experienced significant changes in our senior management team over the past several years, including the appointments of David J. Henshall as our President and Chief Executive Officer in 2017, Mark Schmitz as our Executive Vice President and Chief Operating Officer in 2019, and Arlen R. Shenkman as our Executive Vice President and Chief Financial Officer in 2019. 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.

Our solutions could contain errors that could delay the release of new products or otherwise adversely impact our products and services.

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

Certain of our offerings 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 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 solution 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 solutions 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 solutions 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 solutions makes it difficult to predict the quarter in which sales will occur. Delays in sales could cause significant variability in our bookings, revenue and/or 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 sales in the summer months because of the generally reduced economic activity in Europe during the summer.

Changes to our licensing or subscription renewal programs, or bundling of our solutions, 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 solutions 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 solution 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 solution. We could implement different licensing models in certain circumstances, for which we

would recognize licensing fees over a longer period, including offering additional solutions 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, auto-renewals and other factors, could impact the timing of the recognition of revenue for our solutions, related enhancements and services and could adversely affect our operating results and financial condition.

Sales and renewals of our support solutions constitute a large portion of our deferred revenue.

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

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. Economic uncertainty and volatility in our significant geographic locations, including the potential impact resulting from "Brexit", a US-China trade war or other international trade disputes, or military conflict may adversely affect sales of our solutions and services and may result in longer sales cycles, slower adoption of technologies and increased price competition. For example, if the U.S. or the European Union countries were to experience an economic downturn, these adverse economic conditions could contribute to a decline in our customers' spending on our solutions and services. Additionally, in response to economic uncertainty, we expect that many governmental organizations that are current or prospective customers for our solutions and services would cutback spending significantly, which would reduce the amount of government spending on IT and demand for our solutions 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.

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, 2019, we derived 48.2% of our net 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. 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, including the requirement to submit additional technical information for product registration in order to sell in certain countries;
- variability of foreign economic, political, labor conditions and global policy uncertainty, including re-locating operations internationally;
- changing restrictions imposed by regulatory requirements, tariffs or other trade barriers or by U.S. export laws;
- regional data privacy, security, secrecy and related laws that apply to the transmission of and protection of our and 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, including increased difficulty as a foreign entity in those international locations;
- providing technical information in order to obtain foreign filing licenses for filing our patent applications in certain countries;
- increased risk of non-compliance by foreign employees, partners, distributors, resellers and agents or other intermediaries with both U.S. and foreign laws, including antitrust regulations, the Foreign Corrupt Practices Act, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws and any trade regulations ensuring fair trade practices;
- burdens of complying with a wide variety of foreign laws;
- expansion of cloud-based products and services may increase risk in countries where cloud computing infrastructures are more susceptible to data intrusions or may be controlled directly or indirectly by foreign governments;

- our software and data of our customers being stored in foreign jurisdictions, which could lead to us being required to disclose or provide access to data or intellectual property to a foreign government pursuant to national security or other laws of such foreign jurisdiction; 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.

Additionally, an increasing number of jurisdictions are imposing data localization laws, which require personal information, or certain subcategories of personal information, to be stored in the jurisdiction of origin. These regulations may deter customers from using cloud-based services such as ours, and may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs. For example, we operate in Russia where there is a local residency requirement for personal data. We do not own or operate servers in Russia. As such, to-date, we have not offered our cloud-based offerings in Russia.

We operate and do business in China. Under the China Cyber Security Law, or CSL, network operators are required to provide technical support and assistance to public and state security authorities in national security and criminal investigations. The law does not provide details on the extent of technical support and assistance that may be required. There is the possibility that network operators may be required to disclose or provide access to information or data communicated or transmitted through the network owned, utilized or managed by the network operator to comply with the support and assistance requirement of the CSL. While we do not consider Citrix to be a network operator, there is the possibility that China could decide to treat Citrix as a network operator, and we would need to comply with this law.

We have had and may, from time to time, enter into strategic partnerships, joint ventures, OEM or similar business relationships with entities in foreign jurisdictions, including governmental or quasi-governmental entities, pursuant to which we may be required to license or transfer certain of our intellectual property rights to such entities. Such relationships could expose us to increased risks inherent in such activities, such as protection of our intellectual property, economic and political risks, and contractual enforcement issues.

We are also monitoring developments related to the decision by the British government to leave the European Union (EU) following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU (often referred to as “Brexit”), which could have implications for our business. On January 31, 2020, the United Kingdom officially withdrew from the EU, beginning a transition period during which the British government will negotiate agreements with the EU and other governments regarding various matters, including trade and immigration. Brexit could lead to economic and legal uncertainty, including volatility in global stock markets and currency exchange rates, and increasingly divergent laws, regulations and licensing requirements applicable to us as the United Kingdom determines which EU laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our operations and financial results.

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.

If we fail to advance our Workspace platform, including integrations with a variety of software applications, operating systems, platforms, and hardware that are developed by others, our platform may become less marketable, less competitive or obsolete and our business and results of operations would be harmed.

Increasingly, our growth strategy with respect to our Workspace offerings includes expanding the use of our platform through integrations with a variety of network, hardware and software systems, including human resource information and enterprise resource planning and customer relationship management systems, including through the interaction of application programming interfaces (APIs). While we have established relationships with providers of complementary technology offerings and software integrations, we may be unsuccessful in maintaining relationships with these providers or establishing relationships with new providers. Third-party providers of complementary technology offerings and software integrations may decline to enter into, or may later terminate, relationships with us; change their features or platforms; restrict our access to their applications and platforms; or alter the terms governing use of and access to their applications and APIs in an adverse manner. Such changes could functionally limit or terminate our ability to use these third-party technology offerings and software integrations with our platform, which could negatively impact our offerings and harm our business. Further, we recently have undertaken efforts to build a developer community around our Workspace platform. However, our developer community is new and it remains unclear if it will successfully generate third-party developer interest in creating new integrations or additional uses for our services.

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 solutions 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. Changes to our sales incentive programs can result from a number of factors, including our transition to a subscription-based business model. 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 solutions. 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 solutions 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, support a steady adoption rate of our solutions, and align with our transition to a subscription-based business model, which could increase our operating expenses, credit risk, and adversely impact our go-to-market effectiveness. In addition, our newer Workspace offerings may require additional technical capabilities to efficiently implement our solutions, and there is no guarantee we will be able to find a sufficient number of capable partners who can support these efforts. We also bear the risk that our existing or newer channel partners will fail to comply with US or international anti-corruption or anti-competition laws, in which case we might be fined or otherwise penalized as a result of the agency relationship with such partners. 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 adversely impact our results of operations if such channels do not result in increased revenues.

Our 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 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 Networking sales and existing or potential customers and delayed revenue recognition all of which could 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 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.

We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us.

From time to time, we are involved in various legal, administrative and regulatory proceedings, claims, demands and investigations relating to our business, which may include claims with respect to commercial, product liability, intellectual property, cybersecurity, privacy, data protection, antitrust, breach of contract, employment, class action, whistleblower, mergers and acquisitions and other matters. In the ordinary course of business, we also receive inquiries from and have discussions with government entities regarding the compliance of our contracting and sales practices with laws and regulations. These matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Allegations made in the course of regulatory or legal proceedings may also harm our reputation, regardless of whether there is merit to such claims. Furthermore, because litigation and the outcome of regulatory proceedings are inherently unpredictable, our business, financial condition or operating results could be materially affected by an unfavorable resolution of one or more of these proceedings, claims, demands or investigations.

Refer to Part I, Item 3 and Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for a description of our legal proceedings and contingencies.

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.

We have in the past addressed, and may continue to address, the development of new solutions and services and enhancements to existing solutions 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, solutions and systems of the acquired companies;
- undetected errors or unauthorized use of a third-party's code in solutions 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 solutions 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;
- potential difficulties securing financing necessary to consummate substantial acquisitions;
- issuing shares of our stock, which may be dilutive to our stockholders;
- issuing equity awards to, or assuming existing equity awards of, acquired employees, which may more rapidly deplete share reserves available under our shareholder-approved equity incentive plans; 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 services 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. 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, Google, SAP and other companies with which we work to offer complementary solutions and services. We depend on the companies with which we have strategic relationships to successfully test our solutions, to incorporate our technology into their products and to market and sell those solutions. 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 solutions or to otherwise obtain and use our proprietary source code. We have sought to protect our intellectual property through offensive litigation, which may be costly and unsuccessful and/or subject us to successful counterclaims or challenges to our intellectual property rights. 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, we could lose market share, including as a result of unauthorized third parties' development of solutions 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. Software-based patents are difficult to obtain and enforce in many jurisdictions and there may also be limits on recovery for damages in those jurisdictions. 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 solutions 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 solutions. Moreover, with respect to the various confidentiality, license or other agreements we utilize with third parties related to their use of our solutions and technologies, there is no guarantee that such parties will abide by the terms of such agreements.

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

We are routinely 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 solutions. This may occur for a variety of reasons, including:

- the expansion of our product lines 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 solutions and services and the overlap in the functionality of those solutions 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 solutions, or to otherwise block us from taking full advantage of our markets;
- our reliance on the technology of others and, therefore, the requirement to obtain intellectual property licenses from third parties in order for us to commercialize our solutions or services, which licenses we may not be able to obtain or continue to obtain from these third parties on reasonable terms; and
- the unauthorized or improperly licensed use of third-party code in our solutions.

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

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;
- cease selling solutions or 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 adversely impacted.

Our use of “open source” software could negatively impact our ability to sell our solutions and subject us to possible litigation.

The solutions or technologies acquired, licensed or developed by us may incorporate so-called “open source” software, and we may incorporate open source software into other solutions 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, the Apache license (version 2), “BSD-style” licenses, “MIT-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 solutions to conditions we do not intend, it is possible that not all instances of our open source code usage are properly reviewed. Additionally, software purchased through the supply chain may contain open source software of which we are unaware that could present license rights and/or security risk. Further, although we believe that we have complied with our obligations under the various applicable licenses for 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 solutions 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 solutions. 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 solutions 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. Open source software may also present risks of unforeseen or unmanaged security vulnerabilities that could potentially unintentionally be introduced into our solutions.

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

We believe that we will continue to rely, in part, on third-party licenses to enhance and differentiate our solutions. 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;
- the creation of solutions by third parties that directly compete with our solutions; 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 solutions. Any delays could have a material adverse effect on our business, results of operations and financial condition.

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

The Citrix solution and service brands that we have developed have significantly contributed to the success of our business. Maintaining and enhancing the Citrix solution 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 solutions and services. Also, others may rely on false comparative advertising and customers or potential customers could be influenced by false advertising. 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.

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

Servicing our debt will require a significant amount of cash, which could adversely affect our business, financial condition and results of operations. We may not have sufficient cash flow from our business to make payments on our debt or repurchase our 2027 Notes upon certain events.

As of December 31, 2019, we had aggregate indebtedness of \$742.9 million that we have incurred in connection with the issuance of our unsecured senior notes due December 1, 2027, or the 2027 Notes and under our unsecured revolving credit facility pursuant to our amended and restated credit agreement, dated November 26, 2019, with a group of financial institutions (the "Credit Agreement"). We also have a term loan credit agreement, dated January 21, 2020, with Bank of America, N.A. as administrative agent, and the other lenders party thereto from time to time (the "Term Loan Credit Agreement"), pursuant to which we borrowed \$1.00 billion in January 2020, 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 indebtedness, depends on our future performance, which is subject to general 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 to 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, reducing capital expenditures, restructuring debt or obtaining additional equity or debt financing on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness, as applicable, will depend on the capital markets and our financial condition at such time. We may not be able to sell assets, restructure our indebtedness or obtain additional equity or debt financing on terms that are acceptable to us or at all, 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 Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for information regarding our 2027 Notes, our Credit Facility and our Term Loan Credit Agreement.

In addition, if a change in control repurchase event occurs with respect to the 2027 Notes, we will be required, subject to certain exceptions, to offer to repurchase the 2027 Notes at a repurchase price equal to 101% of the principal amount of the 2027 Notes repurchased, plus accrued and unpaid interest, if any. In such event, we may not have enough available cash or be able to obtain financing to fund the required repurchase of the 2027 Notes, or making such payments could adversely affect our liquidity. Our ability to repurchase the 2027 Notes may be limited by law, by regulatory authority or by agreements governing our other indebtedness.

Further, we are required to comply with the covenants set forth in the indenture governing the 2027 Notes, the Credit Agreement and the Term Loan Credit Agreement. In particular, each of the Credit Agreement and Term Loan 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. The indenture governing our 2027 Notes contains covenants limiting our ability and the ability of our subsidiaries to create certain liens, enter into certain sale and leaseback transactions, and consolidate or merge with, or sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our assets, taken as a whole, to, another person. If we fail to comply with these covenants or any other provision of the agreements governing our indebtedness and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, our outstanding indebtedness may be declared immediately due and payable. Additionally, a default under an indenture, the Credit Agreement or Term Loan Credit Agreement could lead to a default under the other agreements governing our current and any future indebtedness. If the repayment of the related indebtedness were to be accelerated, we may not have enough available cash or be able to obtain financing to repay the indebtedness.

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. Also, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with any potential refinancing of our indebtedness. Downgrades in our credit rating could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

Our portfolios of liquid securities and other investments may lose value or become impaired.

Our investment portfolio consists of agency securities, corporate securities, money market funds, municipal 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 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. Evolving or revised tax laws and regulations globally, including the 2017 Tax Act and the 2019 Swiss Federal Act on Tax Reform and AHV Financing (“TRAF”), as well as any changes in the application or interpretation of these regulations may have an adverse effect on our business or on our results of operations. Additionally, the U.S. Treasury Department, the Swiss federal and cantonal authorities, and other U.S. federal and legislative bodies will continue to issue guidance and interpret how provisions of the 2017 Tax Act and 2019 TRAF will be administered and applied that may significantly affect our results of operations in the period issued.

There can be no assurance that we will continue to return capital to our stockholders through the payment of cash dividends and/or the repurchase of our stock.

From time to time, our Board of Directors authorizes the payment of cash dividends or additional share repurchase authority under our ongoing stock repurchase program as part of our capital return to stockholders. The amount and timing of cash dividends and stock repurchases are subject to capital availability and our determination that such cash dividends or stock repurchases are in the best interest of our stockholders and are in compliance with all respective laws and our applicable agreements. Our ability to pay cash dividends or repurchase stock will depend upon, among other factors, our cash balances and potential future capital requirements for strategic transactions, debt service, capital expenditures, working capital and other general corporate purposes, as well as our results of operations, financial condition and other factors that we may deem relevant. Moreover, a reduction in, or the completion of, our stock repurchase program could have a negative effect on our stock price. We can provide no assurance that we will continue to pay cash dividends or repurchase stock at favorable prices, if at all.

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, including the failure to meet key operational metrics;
- 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. We believe that these fluctuations have often been unrelated or disproportionate to operating performance. These fluctuations may continue in the future and 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. 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.

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; pandemics, such as the recent outbreak of the novel coronavirus COVID-19; or other unanticipated catastrophes, such as telecommunications failures, cyberattacks, 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, pandemics 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, pandemics, such as the recent outbreak of COVID-19, or other unanticipated catastrophes could have a material adverse effect on our results of operations.

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 2019 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 APJ, which is comprised of Asia-Pacific and Japan. The following table presents the location and square footage of our leased office space as of December 31, 2019:

	Square footage
Americas	776,856
EMEA	257,022
APJ	612,672
Total	1,646,550

In addition, we own land and buildings in Fort Lauderdale, Florida with approximately 317,000 square feet of office space used for our corporate headquarters and approximately 41,000 square feet of office space in Chalfont St. Peter, United Kingdom.

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

We are subject to various legal proceedings, including suits, assessments, regulatory actions and investigations. We believe that we have meritorious defenses in these matters; 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, due to the nature of our business, we are subject to various litigation matters, including patent infringement claims 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. Although it is difficult to predict the ultimate outcomes of these cases, we believe that outcomes that will materially and adversely affect our business, financial position, results of operations or cash flows are reasonably possible, but not estimable at this time.

We were the victim of a previously disclosed cyberattack, in which international cyber criminals gained intermittent access to our internal network through “password spraying”, and over a limited number of days between October 13, 2018 and March 8, 2019, stole business documents and files from a shared network drive and a drive associated with a web-based tool used in our consulting practice. We conducted an investigation and completed our review of documents and files that may have been accessed or were stolen in this incident. Please also see Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for a description of our legal proceedings and contingencies.

Although it is difficult to predict the ultimate outcome of this cyberattack, to date, three putative class action lawsuits have been filed against us in the United States District Court for the Southern District of Florida. These matters, Howard v. Citrix, Jackson and Sargent v. Citrix, and Ramus, Young and Charles v. Citrix, were filed on May 24, 2019, May 30, 2019, and June 23, 2019, respectively, and have been consolidated. The plaintiffs, who purport to represent various classes of our current and former employees (and their dependents), generally claim to have been harmed by our alleged actions and/or omissions in connection with this incident and their personal data. They assert a variety of common law and statutory claims seeking monetary damages or other related relief.

We are unable to currently determine the ultimate outcome of these proceedings or the potential exposure or loss, if any, because the legal proceedings remain in the early stages, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

Beyond the matters described above, we believe that it is reasonably possible that outcomes from potential unasserted claims related to this cyberattack could materially and adversely affect our business, financial position, results of operations or cash flows. However, it is not possible to estimate the amount or a range of potential loss, if any, at this time, and we will

continue to evaluate information as it becomes known and will record an accrual for estimated losses at the time or times it is determined that a loss is both probable and reasonably estimable.

Further, we have a program of network-security (or cyber risk) insurance policies that, with standard exclusions, insure against the costs of detecting and mitigating cyber breaches, the cost of credit monitoring, and reasonable expenses for defending and settling privacy and network security lawsuits. These policies are subject to a \$500,000 self-insured retention and a total insurance limit of \$200.0 million. There can be no assurance, however, that this insurance coverage is sufficient to cover this or any other cyberattack. In addition to these insurance policies, we maintain customary business coverage under our crime, commercial general liability, and director and officer insurance policies.

On July 25, 2019, a class action lawsuit was filed against Citrix, LogMeIn and certain of their directors and officers in the Circuit Court of the 15th Judicial Circuit, Palm Beach County, Florida. The complaint alleges that the defendants violated federal securities laws by making alleged misstatements and omissions in LogMeIn's Registration Statement and Prospectus filed in connection with the 2017 spin-off of Citrix's GoTo family of service offerings and subsequent merger of that business with LogMeIn. The complaint seeks among other things the recovery of monetary damages. We believe that Citrix and our directors have meritorious defenses to these allegations; however, we are unable to currently determine the ultimate outcome of this matter or the potential exposure or loss, if any.

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

Market for Common Stock and Dividend Policy

Our common stock is currently traded on The Nasdaq Global Select Market under the symbol CTXS. As of February 7, 2020, there were 446 holders of record of our common stock.

We currently intend to retain any earnings for use in our business, for investment in acquisitions to repurchase shares of our common stock, and to pay future dividends. On October 24, 2019, we announced that our Board of Directors approved a quarterly cash dividend of \$0.35 per share which was paid on December 20, 2019 to all shareholders of record as of the close of business on December 6, 2019. Additionally, on January 22, 2020, we announced that our Board of Directors approved a quarterly cash dividend of \$0.35 per share. This dividend is payable on March 20, 2020 to all shareholders of record as of the close of business on March 6, 2020. Our Board of Directors will continue to review our capital allocation strategy and will determine whether to repurchase shares of our common stock and/or declare future dividends on a quarterly basis based on our financial performance, business outlook and other considerations.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Our Board of Directors has authorized an ongoing stock repurchase program, of which \$600.0 million was approved in October 2019 and an additional \$1.00 billion was approved in January 2020. 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, 2019, approximately \$914.0 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 and 2027 Notes offerings, as well as proceeds from employee stock awards and the related tax benefit. We are authorized to make purchases of our common stock using general corporate funds through open market purchases, pursuant to a Rule 10b5-1 plan or in privately negotiated transactions.

The following table shows the monthly activity related to our stock repurchase program for the quarter ended December 31, 2019.

	Total Number of Shares Purchased ⁽¹⁾	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 ⁽²⁾ (in thousands)
October 1, 2019 through October 31, 2019	67,076	\$ 95.58	—	\$ 1,013,992
November 1, 2019 through November 30, 2019	419,618	\$ 113.13	372,615	\$ 971,742
December 1, 2019 through December 31, 2019	545,144	\$ 110.95	520,091	\$ 914,043
Total	<u>1,031,838</u>	<u>\$ 110.84</u>	<u>892,706</u>	<u>\$ 914,043</u>

- (1) Includes approximately 139,132 shares withheld from restricted stock units that vested in the fourth quarter of 2019 to satisfy minimum tax withholding obligations that arose on the vesting of restricted stock units.
- (2) Shares withheld from restricted stock units that vested to satisfy minimum tax withholding obligations that arose on the vesting of such awards do not deplete the dollar amount available for purchases under the repurchase program.

In January 2020, in connection with the \$1.00 billion increase in repurchase authority approved by our Board of Directors, under our ongoing stock repurchase program, we used the proceeds from our Term Loan Credit Agreement to enter into accelerated share repurchase transactions ("ASR") with each of Goldman Sachs & Co. LLC and Wells Fargo Bank, National Association (each, a "Dealer") for an aggregate of \$1.00 billion. Under the ASR transactions, we received an initial share delivery of 6.5 million shares of our common stock, with the remainder, if any, delivered upon completion of the ASR transactions. The total number of shares of common stock that we will repurchase under each ASR agreement will be based on the average of the daily volume-weighted average prices of our common stock during the term of the applicable ASR agreement, less a discount. At settlement, each Dealer may be required to deliver additional shares of common stock to us or,

under certain circumstances, we may be required to deliver shares of common stock, at our election, or make a cash payment to the applicable Dealer. See Notes 9 and 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for detailed information on the ASR and Term Loan Credit Agreement.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

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 included in this Annual Report on Form 10-K for the year ended December 31, 2019, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2019	2018	2017(a)(b)	2016(a)(b)	2015(a)(b)
(In thousands, except per share data)					
Consolidated Statements of Income Data:					
Net revenues	\$ 3,010,564	\$ 2,973,903	\$ 2,824,686	\$ 2,736,080	\$ 2,646,154
Cost of net revenues ^(c)	464,047	433,803	439,646	404,889	474,040
Gross margin	2,546,517	2,540,100	2,385,040	2,331,191	2,172,114
Operating expenses ^(d)	2,010,399	1,862,140	1,814,043	1,771,027	1,969,322
Income from operations	536,118	677,960	570,997	560,164	202,792
Interest income	18,280	40,030	27,808	16,686	11,675
Interest expense	(45,974)	(80,162)	(51,609)	(44,949)	(44,153)
Other income (expense), net	1,076	(8,373)	3,150	(4,131)	(5,730)
Income from continuing operations before income taxes	509,500	629,455	550,346	527,770	164,584
Income tax (benefit) expense	(172,313)	53,788	528,361	57,915	(50,549)
Income from continuing operations	681,813	575,667	21,985	469,855	215,133
(Loss) income from discontinued operations, net of income tax expense	—	—	(42,704)	66,257	104,228
Net income (loss)	\$ 681,813	\$ 575,667	\$ (20,719)	\$ 536,112	\$ 319,361
Diluted earnings (loss) per share:					
Income from continuing operations	5.03	3.94	0.14	2.99	1.34
(Loss) income from discontinued operations	—	—	(0.27)	0.42	0.65
Diluted net earnings (loss) per share	\$ 5.03	\$ 3.94	\$ (0.13)	\$ 3.41	\$ 1.99
Weighted average shares outstanding - diluted	135,495	145,934	155,503	157,084	160,362

	December 31,				
	2019	2018	2017	2016	2015
(In thousands)					
Consolidated Balance Sheet Data^{(e)(f)}:					
Total assets	\$ 4,388,926	\$ 5,136,049	\$ 5,820,176	\$ 6,390,227	\$ 5,467,517
Total equity	837,656	551,519	992,461	2,608,727	1,973,446

- (a) The selected financial data for fiscal years ended December 31, 2017, 2016 and 2015 has been adjusted to be presented on a continuing operations basis. Refer to Note 19 Discontinued Operations in our consolidated financial statements for additional information.
- (b) The selected financial data for fiscal years ended December 31, 2017, 2016 and 2015 has not been adjusted under the modified retrospective method of adoption of the revenue recognition standard.
- (c) Cost of net revenues includes amortization and impairment of product related intangible assets of \$51.3 million, \$47.1 million, \$65.7 million, \$55.4 million, and \$127.3 million in 2019, 2018, 2017, 2016 and 2015, respectively.
- (d) Operating expenses includes amortization and impairment of other intangible assets of \$15.9 million, \$15.9 million, \$17.2 million, \$15.1 million, and \$97.5 million in 2019, 2018, 2017, 2016 and 2015, respectively. Operating expenses also include restructuring charges of \$22.2 million, \$16.7 million, \$72.4 million, \$67.4 million and \$98.7 million in 2019, 2018, 2017, 2016 and 2015, respectively.
- (e) Balance Sheet amounts prior to 2017 include amounts for the GoTo Business. Refer to Note 19 Discontinued Operations in our consolidated financial statements for additional information.
- (f) Balance Sheet amounts prior to 2019 have not been adjusted under the modified retrospective method of adoption of the lease accounting standard. Refer to Note 2 Significant Accounting Policies in our consolidated financial statements for additional information.

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

Our operating results and financial condition have varied in the past and could in the future vary significantly depending on a number of factors. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See "Note Regarding Forward-Looking Statements" and Part I, Item 1A "Risk Factors" in this Annual Report on Form 10-K for a discussion of certain risks and uncertainties that may cause these differences.

Overview

Citrix is an enterprise software company focused on helping customers improve the productivity and user experience of their most valuable assets, their employees. We do this by creating a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive - anytime, anywhere, on any device. Our Networking solutions which can be consumed via hardware or software, complement our Workspace solutions by delivering applications and data employees need across any network with security, reliability and speed.

Executive Summary

As an organization, we have been transforming our business in three primary ways: shifting our customers from on-premises datacenters to the cloud; moving from perpetual licenses to a subscription business; and evolving our portfolio from building individual point products to a unified platform for work. During the year ended December 31, 2019, we released new solutions that illustrate our progress through this transformation, including Citrix Workspace with intelligent capabilities and Citrix Analytics for performance, both cloud subscription offerings made possible by a unified and expanded Citrix portfolio.

Our subscription transition is expected to result in more sustainable, recurring revenue growth over time as less revenue comes from one-time product and licensing streams and more revenue comes from predictable, recurring streams that will be recognized in future periods. We believe that this dynamic is best captured in our Subscription and SaaS Annualized Recurring Revenue, or ARR. This operating metric represents the contracted recurring value of all termed subscriptions normalized to a one-year period. It is calculated at the end of a reporting period by taking each contract's recurring total contract value and dividing by the length of the contract. ARR includes only active contractually committed, fixed subscription fees. All contracts are annualized, including 30 day offerings where we take monthly recurring revenue multiplied by 12 to annualize. ARR may be influenced by seasonality within the year. ARR should be viewed independently of U.S. GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue. As we continue through this business model transition, we believe ARR is a key indicator of the overall health and trajectory of our business. Management uses ARR to monitor the growth of our subscription business.

On January 22, 2020, we announced that our Board of Directors declared a \$0.35 per share dividend payable March 20, 2020 to all shareholders of record as of the close of business on March 6, 2020 and that our Board of Directors increased our share repurchase authorization by \$1.00 billion. We also announced that we entered into a \$1.00 billion term loan credit facility (the "Term Loan Credit Agreement").

On January 30, 2020, we used the proceeds from our Term Loan Credit Agreement to enter into accelerated share repurchase transactions ("ASR") with each of Goldman Sachs & Co. LLC and Wells Fargo Bank, National Association (each, a "Dealer") for an aggregate of \$1.00 billion. Under the ASR transactions, we received an initial share delivery of 6.5 million shares of our common stock, with the remainder, if any, delivered upon completion of the ASR transactions. The total number of shares of common stock that we will repurchase under each ASR agreement will be based on the average of the daily volume-weighted average prices of our common stock during the term of the applicable ASR agreement, less a discount. At settlement, each Dealer may be required to deliver additional shares of common stock to us or, under certain circumstances, we may be required to deliver shares of common stock, at our election, or make a cash payment to the applicable Dealer. Our Board of Directors will continue to review our capital allocation strategy and will determine whether to repurchase shares of our common stock and/or declare future dividends based on our financial performance, business outlook and other considerations.

On August 19, 2019, we announced the appointment of Arlen R. Shenkman as our Executive Vice President and Chief Financial Officer, effective September 9, 2019.

Summary of Results

For the year ended December 31, 2019 compared to the year ended December 31, 2018, we delivered the following financial performance:

- Subscription revenue increased 42.9% to \$650.8 million;

- SaaS revenue increased 42.7% to \$390.8 million;
- Product and license revenue decreased 20.6% to \$583.5 million;
- Support and services revenue decreased 0.4% to \$1.78 billion;
- Gross margin as a percentage of revenue decreased 0.8% to 84.6%;
- Operating income decreased 20.9% to \$536.1 million;
- Diluted net income per share increased from \$3.94 to \$5.03;
- Unbilled revenue increased \$366.4 million to \$704.8 million;
- Subscription ARR increased \$215.4 million to \$742.9 million; and
- SaaS ARR increased \$169.9 million to \$519.7 million.

Our Subscription revenue increased primarily due to increased customer adoption of our cloud-based solutions from our Workspace offerings and an increase from on-premise licensing of our Networking offerings, primarily pooled capacity. Our Product and license revenue decreased primarily due to lower sales of our perpetual Networking products and Workspace solutions as customers continue to shift to our subscription offerings. The decrease in Support and services revenue was not significant. We currently expect total revenue to increase when comparing the first quarter of 2020 to the first quarter of 2019. In addition, when comparing the 2020 fiscal year to the 2019 fiscal year, we currently expect total revenue to increase. The decrease in gross margin as a percentage of revenue was primarily due to an increase in costs related to providing our subscription offerings. The decrease in operating income was primarily due to an increase in operating expenses, as we have realigned the organization to better support our subscription model transition and have made additional investments in product and engineering as well as customer facing resources. The increase in diluted net income per share was primarily due to a decrease in income tax expense as a result of a benefit related to Swiss tax reform and a decrease in the number of weighted average shares outstanding due to share repurchases, partially offset by a decrease in operating income. Both Subscription and SaaS ARR increased due to the acceleration of subscription sales.

2018 Business Combinations

Sapho, Inc.

On November 13, 2018, we acquired all of the issued and outstanding securities of Sapho, Inc. (“Sapho”), whose technology is intended to advance our development of the intelligent workspace. The acquired technology enables efficient workstyles by creating a unified and customizable notification experience for business applications. The total cash consideration for this transaction was \$182.7 million, net of \$3.7 million cash acquired. Transaction costs associated with the acquisition were not significant.

Cedexis, Inc.

On February 6, 2018, we acquired all of the issued and outstanding securities of Cedexis, Inc. (“Cedexis”) whose solution is a real-time data driven service for dynamically optimizing the flow of traffic across public clouds and data centers that provides a dynamic and reliable way to route and manage Internet performance for customers moving towards hybrid and multi-cloud deployments. The total cash consideration for this transaction was \$66.0 million, net of \$6.0 million cash acquired. Transaction costs associated with the acquisition were not significant. During the third quarter of 2019, 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 impaired a portion of the carrying value of the intangible assets related to this acquisition in the third quarter of 2019. See Note 2 for more information on the impairment.

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, 2019 describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Revenue Recognition

We generate all of our revenues from contracts with customers. At contract inception, we assess the solutions or services, or bundles of solutions and services, obligated in the contract with a customer to identify each performance obligation within the contract, and then evaluate whether the performance obligations are capable of being distinct and distinct within the context of the contract. Solutions and services that are not both capable of being distinct and distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue.

The standalone selling price is the price at which we would sell a promised product or service separately to the customer. For the majority of our software licenses and hardware, CSP and on-premise subscription software licenses, we use the observable price in transactions with multiple performance obligations. For the majority of our support and services, and cloud-hosted subscription offerings, we use the observable price when we sell that support and service and cloud-hosted subscription separately to similar customers. If the standalone selling price for a performance obligation is not directly observable, we estimate it. We estimate the standalone selling price by taking into consideration market conditions, economics of the offering and customers’ behavior. We maximize the use of observable inputs and apply estimation methods consistently in similar circumstances. We allocate the transaction price to each distinct performance obligation on a relative standalone selling price basis.

Revenues are recognized when control of the promised products or services are transferred to customers, in an amount that reflects the consideration that we expect to receive in exchange for those products or services. See Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 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 debt investments are measured to fair value on a recurring basis. In addition, we hold direct investments in privately-held companies which are accounted for at cost, less impairment plus or minus adjustments resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer. 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. We also hold equity interests in certain private equity funds which are accounted for under the net asset value practical expedient. The net asset value of these investments is determined using quarterly capital statements from the funds which are based on our contributions to the funds, allocation of profit and loss and changes in fair value of the underlying fund investments. 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 debt 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 investments in privately-held companies accounted for at cost, less impairment plus or minus adjustments resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer, we periodically review for impairment and observable price changes on a quarterly basis, and adjust the carrying value accordingly. See Notes 5 and 6 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 and "Liquidity and Capital Resources" for more information on our investments.

Intangible Assets

We have product related technology assets and other intangible assets from acquisitions and other third party agreements. We allocate the purchase price of intangible assets acquired through third party agreements based on their estimated relative fair values. We allocate a portion of the 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 retention rates, 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 carrying value of the intangible asset as of the reporting period. The recoverability of the intangible assets is primarily dependent upon our ability to commercialize solutions 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 solutions, 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 solutions 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 \$108.5 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.

Goodwill

The excess of the fair value of the purchase price over the fair values of the identifiable assets and liabilities from our acquisitions is recorded as goodwill. At December 31, 2019, we had \$1.80 billion in goodwill related to our acquisitions under

one reportable unit. Our revenues are derived from sales of our Workspace solutions and Networking products, and related support. See Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for additional information regarding our reportable segment.

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 tests 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 2019, we performed a qualitative assessment to determine whether further quantitative impairment testing for goodwill and certain intangible assets is necessary, and 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 unit and future opportunities in the markets in which it operates. 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 their 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 2019 and 2018.

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, 2019, we had \$359.2 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, 2019, we determined that a \$128.4 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 or cash flows.

The 2017 Cuts and Jobs Act ("2017 Tax Act") significantly revised the U.S. tax code by, in part but not limited to: reducing the U.S. corporate tax rate from 35% to 21% and imposing a mandatory one-time transition tax on certain un-repatriated earnings of foreign subsidiaries, modifying executive compensation deduction limitations, and repealing the deduction for domestic production activities. The SEC staff acknowledged the challenges companies face incorporating the effects of tax reform by their financial reporting deadlines. In response, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118, or SAB 118, to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete accounting for certain income tax effects of the 2017 Tax Act. We completed the accounting for the tax effects of all of the provisions of the 2017 Tax Act within the required measurement period.

On May 19, 2019, Swiss voters approved the Federal Act on Tax Reform and AHV Financing (“TRAF”), which provides for broad changes to federal and cantonal taxation in Switzerland effective January 1, 2020. The TRAF requires the abolishment of certain favorable tax regimes, provides for certain transitional relief, and directs the cantons to implement certain mandatory measures while other provisions are at the discretion of the canton. During the year ended December 31, 2019, the cantonal authority provided guidance for the cantonal tax implications of the TRAF. As a result of the TRAF and the accompanying guidance from the Swiss taxing authorities, we recorded a deferred tax asset and related tax benefits of \$145.6 million and \$99.9 million attributable to the cantonal and federal impact of the TRAF, respectively. We also recorded a valuation allowance of \$33.5 million to reduce the cantonal deferred tax asset as it is not more likely than not the cantonal deferred tax asset will be fully realized. The income tax impact of the TRAF may be subject to change due to the issuance of further legislative guidance from the Swiss taxing authorities.

Results of Operations

In this section, we discuss the results of our operations for the year ended December 31, 2019 compared to the year ended December 31, 2018. For a discussion of the year ended December 31, 2018 compared to the year ended December 31, 2017, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018 which was filed with the SEC on February 15, 2019.

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,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
Revenues:					
Subscription	\$ 650,810	\$ 455,276	\$ 314,735	42.9 %	44.7 %
Product and license	583,474	734,495	766,777	(20.6)	(4.2)
Support and services	1,776,280	1,784,132	1,743,174	(0.4)	2.3
Total net revenues	3,010,564	2,973,903	2,824,686	1.2	5.3
Cost of net revenues:					
Cost of subscription, support and services	310,255	266,495	250,602	16.4	6.3
Cost of product and license revenues	102,452	120,249	123,356	(14.8)	(2.5)
Amortization and impairment of product related intangible assets	51,340	47,059	65,688	9.1	(28.4)
Total cost of net revenues	464,047	433,803	439,646	7.0	(1.3)
Gross margin	2,546,517	2,540,100	2,385,040	0.3	6.5
Operating expenses:					
Research and development	518,877	439,984	415,801	17.9	5.8
Sales, marketing and services	1,132,956	1,074,234	1,006,112	5.5	6.8
General and administrative	320,429	315,343	302,565	1.6	4.2
Amortization and impairment of other intangible assets	15,890	15,854	17,190	0.2	(7.8)
Restructuring	22,247	16,725	72,375	33.0	(76.9)
Total operating expenses	2,010,399	1,862,140	1,814,043	8.0	2.7
Income from continuing operations	536,118	677,960	570,997	(20.9)	18.7
Interest income	18,280	40,030	27,808	(54.3)	44.0
Interest expense	(45,974)	(80,162)	(51,609)	(42.6)	55.3
Other income (expense), net	1,076	(8,373)	3,150	*	*
Income from continuing operations before income taxes	509,500	629,455	550,346	(19.1)	14.4
Income tax (benefit) expense	(172,313)	53,788	528,361	*	(89.8)
Income from continuing operations	\$ 681,813	\$ 575,667	\$ 21,985	18.4	*
Loss from discontinued operations	—	—	(42,704)	*	*
Net income (loss)	\$ 681,813	\$ 575,667	\$ (20,719)	18.4 %	*

* Not meaningful

Revenues

Net revenues include Subscription, Product and license and Support and services revenues.

Subscription revenue relates to fees which are generally recognized ratably over the contractual term. Our subscription revenue includes SaaS, which primarily consists of subscriptions delivered via a cloud hosted service whereby the customer does not take possession of the software and hybrid subscription offerings and the related support; and non-SaaS, which consists primarily of on-premise licensing, hybrid subscription offerings, CSP services and the related support. Our hybrid subscription offerings are allocated between SaaS and non-SaaS, which are generally recognized at a point in time. In addition,

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.

Product and license revenue primarily represents fees related to the perpetual licensing of the following major solutions:

- Workspace is primarily comprised of our Application Virtualization solutions, which include Citrix Virtual Apps and Desktops, our unified endpoint management solutions, which include Citrix Endpoint Management, Citrix Content Collaboration, and Citrix Workspace; and
- Networking products, which primarily include Citrix ADC and Citrix SD-WAN.

We offer incentive programs to our VADs and VARs to stimulate demand for our solutions. Product and license and Subscription revenues associated with these programs are partially offset by these incentives to our VADs and VARs.

Support and services revenue consists of maintenance and support fees primarily related to our perpetual offerings and include the following:

- Customer Success Services, which gives customers a choice of tiered support offerings that combine the elements of product version upgrades, guidance, enablement, support and proactive monitoring to help our customers and our partners fully realize their business goals. Fees associated with this offering are recognized ratably over the term of the contract; and
- Hardware Maintenance fees for our perpetual Networking products, which include technical support and hardware and software maintenance, are recognized ratably over the contract term; and
- Fees from consulting services related to the implementation of our solutions, which are recognized as the services are provided; and
- Fees from product training and certification, which are recognized as the services are provided.

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Revenues:					
Subscription	\$ 650,810	\$ 455,276	\$ 314,735	\$ 195,534	\$ 140,541
Product and license	583,474	734,495	766,777	(151,021)	(32,282)
Support and services	1,776,280	1,784,132	1,743,174	(7,852)	40,958
Total net revenues	<u>\$ 3,010,564</u>	<u>\$ 2,973,903</u>	<u>\$ 2,824,686</u>	<u>\$ 36,661</u>	<u>\$ 149,217</u>

Subscription

Subscription revenue increased during 2019 compared to 2018 primarily due to increased customer adoption of our cloud-based solutions from our Workspace offerings of \$114.7 million and an increase from on-premise licensing of our Networking offerings of \$38.1 million, primarily pooled capacity. We currently expect our Subscription revenue to increase when comparing the first quarter of 2020 to the first quarter of 2019 and the fiscal year 2020 to the fiscal year 2019 due to our continued transition to a subscription-based business model.

Product and license

Product and license revenue decreased during 2019 when compared to 2018 primarily due to lower sales of our perpetual Networking products of \$107.9 million and lower sales of our perpetual Workspace solutions of \$43.1 million as customers continue to shift to our subscription offerings. We currently expect Product and license revenue to decrease when comparing the first quarter of 2020 to the first quarter of 2019 and the fiscal year 2020 to the fiscal year 2019 due to our continued transition to a subscription-based business model.

Support and services

Support and services revenue remained consistent when comparing 2019 to 2018. We currently expect Support and services revenue to decrease when comparing the first quarter of 2020 to the first quarter of 2019 and the fiscal year 2020 to the fiscal year 2019 as new purchases within our subscription offerings continue to increase.

Deferred Revenue, Unbilled Revenue and Backlog

Deferred revenue is primarily comprised of Support and services revenue from maintenance fees, which include software and hardware maintenance, technical support related to our perpetual offerings and services revenue related to our consulting contracts. Deferred revenue also includes Subscription revenue from our Content Collaboration and cloud-based subscription offerings.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition and is recognized in our consolidated balance sheets and statements of income as the revenue recognition criteria are met. Unbilled revenue primarily represents future billings under our subscription agreements that have not been invoiced and, accordingly, are not recorded in accounts receivable or deferred revenue within our consolidated financial statements. Deferred revenue and unbilled revenue are influenced by several factors, including new business seasonality within the year, the specific timing, size and duration of customer subscription agreements, annual billing cycles of subscription agreements, and invoice timing. Fluctuations in unbilled revenue may not be a reliable indicator of future performance and the related revenue associated with these contractual commitments.

The following table presents the amounts of deferred and unbilled revenue (in thousands):

	December 31, 2019	December 31, 2018	2019 compared to 2018
Deferred revenue	\$ 1,795,791	\$ 1,834,572	\$ (38,781)
Unbilled revenue	704,829	338,463	366,366

Deferred revenues decreased approximately \$38.8 million as of December 31, 2019 compared to December 31, 2018 primarily due to a decrease in maintenance and support of \$176.0 million, mostly from Workspace perpetual software maintenance of \$66.7 million and Networking perpetual hardware maintenance of \$58.9 million, partially offset by an increase from subscription of \$146.0 million, mostly due to increased customer adoption of our cloud-based subscription offerings. Unbilled revenue increased primarily due to an increase in multi-year subscription agreements as a result of an increase in customer adoption of our cloud-based subscription offerings.

While it is generally our practice to promptly ship our products upon receipt of properly finalized orders, at any given time, we have confirmed product license orders that have not shipped and are unfulfilled. Backlog includes the aggregate amounts we expect to recognize as point in time revenue in the following quarter associated with contractually committed amounts for on-premise subscription software licenses, as well as confirmed product license orders that have not shipped and are unfulfilled. As of December 31, 2019 and 2018, the amount of backlog was not material. 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 48.2% and 47.0% of our net revenues for the years ended December 31, 2019 and 2018, respectively. The change in our international revenues as a percentage of our net revenues is not significant. For detailed information on international revenues, please refer to Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019.

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Cost of subscription, support and services	\$ 310,255	\$ 266,495	\$ 250,602	\$ 43,760	\$ 15,893
Cost of product and license revenues	102,452	120,249	123,356	(17,797)	(3,107)
Amortization and impairment of product related intangible assets	51,340	47,059	65,688	4,281	(18,629)
Total cost of net revenues	<u>\$ 464,047</u>	<u>\$ 433,803</u>	<u>\$ 439,646</u>	<u>\$ 30,244</u>	<u>\$ (5,843)</u>

Cost of subscription, support and services revenues consists primarily of compensation and other personnel-related costs of providing technical support, consulting and cloud capacity costs, as well as the costs related to providing our offerings delivered via the cloud. Cost of product and license revenues consists primarily of hardware, shipping expense, royalties, product media and duplication, manuals and packaging materials. Also included in cost of net revenues is amortization and impairment of product related intangible assets.

Cost of subscription, support and services revenues increased during 2019 when compared to 2018 primarily due to an increase in costs related to providing our subscription offerings. We currently expect cost of subscription, support and services revenues to increase when comparing the first quarter of 2020 to the first quarter of 2019 and the fiscal year 2020 to the fiscal year 2019, consistent with the expected increases in Subscription revenue as discussed above.

Cost of product and license revenues decreased during 2019 when compared to 2018 primarily due to lower overall sales of our perpetual Networking products, which contain hardware components that have a higher cost than our software products. We currently expect cost of product and license revenues to decrease when comparing the first quarter of 2020 to the first quarter of 2019 and the fiscal year 2020 to the fiscal year 2019.

Amortization and impairment of product related intangible assets increased during 2019 as compared to 2018 primarily due to the impairments of certain acquired intangible assets in 2019.

Gross Margin

Gross margin as a percent of revenue was 84.6% for 2019 and 85.4% for 2018. Gross margin as a percent of revenue decreased during 2019 as compared to 2018 due to an increase in costs related to providing our subscription offerings.

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. 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 our 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 our hedging contracts. There is a risk that there will be fluctuations in foreign currency exchange rates beyond the time frame for which we hedge our risk.

Research and Development Expenses

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Research and development	\$ 518,877	\$ 439,984	\$ 415,801	\$ 78,893	\$ 24,183

Research and development expenses consist 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 2019 as compared to 2018 primarily due to an increase in stock-based compensation of \$38.4 million and an increase in compensation and other employee-related costs of \$25.8 million due to a net increase in headcount.

Sales, Marketing and Services Expenses

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Sales, marketing and services	\$ 1,132,956	\$ 1,074,234	\$ 1,006,112	\$ 58,722	\$ 68,122

Sales, marketing and services expenses consist 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, information systems and pre-sale demonstration related cloud capacity costs that are directly related to our sales, marketing and services activities.

Sales, marketing and services expenses increased during 2019 compared to 2018 primarily due to an increase in stock-based compensation of \$23.2 million, an increase in variable compensation of \$20.4 million and an increase in compensation and other employee-related costs of \$12.7 million due to a net increase in sales and services headcount.

General and Administrative Expenses

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
General and administrative	\$ 320,429	\$ 315,343	\$ 302,565	\$ 5,086	\$ 12,778

General and administrative expenses consist 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 2019 compared to 2018 primarily due to an increase in stock-based compensation of \$10.8 million, partially offset by a decrease in facilities costs of \$5.7 million.

Restructuring Expenses

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Restructuring	\$ 22,247	\$ 16,725	\$ 72,375	\$ 5,522	\$ (55,650)

During the years ended December 31, 2019 and 2018, we incurred costs of \$22.2 million and \$2.5 million, respectively, related to initiatives intended to accelerate the transformation to a cloud-based subscription business, increase strategic focus, and improve operational efficiency. During the year ended December 31, 2019, we incurred costs of \$19.6 million related to employee severance and related costs and \$2.7 million related to the consolidation of leased facilities.

In connection with our restructuring initiatives, we had previously vacated or consolidated properties and subsequently reassessed our obligations on non-cancelable leases. The fair value estimate of these non-cancelable leases was based on the contractual lease costs over the remaining term, partially offset by estimated future sublease rental income. During the year ended December 31, 2018, we incurred costs of \$14.2 million related to the consolidation of leased facilities.

For more information regarding our restructuring, see Note 17 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019.

2020 Operating Expense Outlook

When comparing the first quarter of 2020 to the fourth quarter of 2019, we currently expect operating expenses to increase with respect to research and development expenses as we continue to invest in innovation capacity. We also expect general and administrative expenses and sales, marketing and services expenses to remain consistent.

Interest income

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Interest income	\$ 18,280	\$ 40,030	\$ 27,808	\$ (21,750)	\$ 12,222

Interest income primarily consists of interest earned on our cash, cash equivalents and investment balances. Interest income decreased during 2019 compared to 2018 primarily due to lower investment balances as a result of the repayment of the outstanding principal balance of our 0.500% Convertible Notes due April 15, 2019 (the "Convertible Notes") on April 15, 2019 and lower yields on investments as a result of a decrease in interest rates. See Note 5 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for investment information.

Interest Expense

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Interest expense	\$ (45,974)	\$ (80,162)	\$ (51,609)	\$ 34,188	\$ (28,553)

Interest expense primarily consists of interest paid on our Convertible Notes, 2027 Notes and credit facility. When comparing 2019 and 2018, the decrease is primarily due to the repayment of the outstanding principal balance of our Convertible Notes on April 15, 2019. When comparing fiscal year 2020 to fiscal year 2019, we currently expect interest expense to increase as a result of the Term Loan Credit Agreement that we entered into in January 2020. For more information regarding our debt, see Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019.

Other income (expense), net

	Year Ended December 31,			2019 Compared to 2018	2018 Compared to 2017
	2019	2018	2017		
	(In thousands)				
Other income (expense), net	\$ 1,076	\$ (8,373)	\$ 3,150	\$ 9,449	\$ (11,523)

Other income (expense), net is primarily comprised of gains (losses) from remeasurement of foreign currency transactions, sublease income, 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 income (expense), net when comparing 2019 to 2018 is primarily driven by a decrease in realized losses in our available-for-sale investment portfolio of \$6.6 million, mostly due to a decline in fair value considered other-than-temporary recorded in 2018 and an increase in net gains on remeasurement and settlement of foreign currency transactions of \$1.4 million.

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. 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.

The 2017 Tax Act significantly revised the U.S. tax code by, in part but not limited to: reducing the U.S. corporate tax rate from 35% to 21%, imposing a mandatory one-time transition tax on certain un-repatriated earnings of foreign subsidiaries, modifying executive compensation deduction limitations, and repealing the deduction for domestic production activities. The SEC staff acknowledged the challenges companies face incorporating the effects of tax reform by their financial reporting deadlines. In response, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete accounting for certain income tax effects of the 2017 Tax Act. We completed the accounting for the tax effects of all of the provisions of the 2017 Tax Act within the required measurement period.

On May 19, 2019, Swiss voters approved the TRAF, which provides for broad changes to federal and cantonal taxation in Switzerland effective January 1, 2020. The TRAF requires the abolishment of certain favorable tax regimes, provides for certain transitional relief, and directs the cantons to implement certain mandatory measures while other provisions are at the discretion of the canton. During the year ended December 31, 2019, the cantonal authority provided guidance for the cantonal tax implications of the TRAF. As a result of the TRAF and the accompanying guidance from the Swiss taxing authorities, we recorded a deferred tax asset and related tax benefits of \$145.6 million and \$99.9 million attributable to the cantonal and federal impact of the TRAF, respectively. We also recorded a valuation allowance of \$33.5 million to reduce the cantonal deferred tax asset as it is not more likely than not the cantonal deferred tax asset will be fully realized. The income tax impact of the TRAF may be subject to change due to the issuance of further legislative guidance from the Swiss taxing authorities.

We are subject to tax in the U.S. and in multiple foreign tax jurisdictions. Our U.S. liquidity needs are currently satisfied using cash flows generated from our U.S. operations, borrowings, or both. We also utilize a variety of tax planning strategies in an effort to ensure that our worldwide cash is available in locations in which it is needed. Prior to 2017, we did not recognize a deferred tax liability related to undistributed foreign earnings of our subsidiaries because such earnings were considered to be indefinitely reinvested in our foreign operations, or were remitted substantially free of U.S. tax. Under the 2017 Tax Act, all foreign earnings are now subject to U.S. taxation. As a result, we expect to repatriate a substantial portion of our foreign earnings over time, to the extent that the foreign earnings are not restricted by local laws or result in significant incremental costs associated with repatriating the foreign earnings.

Our effective tax rate was approximately (33.8)% for the year ended December 31, 2019 and 8.5% for the year ended December 31, 2018. The decrease in the effective tax rate when comparing the year ended December 31, 2019 to the year ended December 31, 2018 was primarily due to tax items unique to each period including major changes to the tax regime in Switzerland and significant changes related to U.S. tax reform, as well as a change in the combination of income between our U.S. and foreign operations. Unique tax items include tax benefits of \$112.1 million and \$99.9 million attributable to the cantonal and federal impact of the TRAF, respectively, and a tax benefit of \$20.1 million attributable to the 2015 U.S. federal income tax return statute of limitations closing. The results from the year ended December 31, 2018, also included unique tax items due to U.S. tax reform legislative changes including a tax benefit of \$21.9 million to true up the provisional transition tax on deemed repatriation of foreign income and a tax benefit of \$4.4 million to true up the provisional benefit for the remeasurement of U.S. deferred tax assets and liabilities because of the maximum U.S. federal corporate rate reduction from 35% to 21%.

As of December 31, 2019, our net unrecognized tax benefits totaled approximately \$84.5 million compared to \$89.9 million as of December 31, 2018. At December 31, 2019, \$57.1 million included in the balance for tax positions would affect the annual effective tax rate if recognized. As of December 31, 2019, we have accrued \$3.2 million for the payment of interest related to uncertain tax positions.

We and one or more of our subsidiaries are subject to U.S. federal income taxes in the United States, as well as income taxes of multiple state and foreign jurisdictions. We are not currently under examination by the United States Internal Revenue Service. With few exceptions, we are generally not subject to examination for state and local income tax, or in non-U.S. jurisdictions by tax authorities for years prior to 2016.

As of December 31, 2019, we had \$359.2 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. As of December 31, 2019, we determined that a \$128.4 million valuation allowance relating to deferred tax assets for net operating losses, tax credits, the cantonal deferred tax asset recorded due to the TRAF, and amortization 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.

On July 24, 2018, the U.S. Ninth Circuit Court of Appeals overturned the U.S. Tax Court's unanimous decision in *Altera v. Commissioner*, where the Tax Court held the Treasury regulation requiring participants in a qualified cost sharing arrangement share stock-based compensation costs to be invalid. On August 7, 2018, the U.S. Ninth Circuit Court of Appeals, on its own motion, withdrew its July 24, 2018 opinion to allow time for a reconstituted panel to confer. Given the increased uncertainty as to the Ninth Circuit panel's eventual ruling and the impact it will have on the Internal Revenue Service's ability to challenge the technical merits of our position, we accrued amounts for this uncertain tax position as of the year ended December 31, 2018.

On June 7, 2019, a reconstituted panel issued a new opinion which again reversed the Tax Court's holding in *Altera v. Commissioner* and upheld a 2003 regulation that requires participants in a cost-sharing arrangement to share stock-based compensation costs. The Ninth Circuit panel concluded that the 2003 regulations were valid under the Administrative Procedure Act. Since we previously accrued amounts for this uncertain tax position, there were no changes to our position or treatment of our cost-sharing arrangements in the current period. On July 22, 2019, Altera Corp. filed an appeal with the Ninth Circuit to rehear this case, which is ongoing. Therefore, the case's final disposition may result in a benefit for us in the future if the case is reversed.

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.

Liquidity and Capital Resources

During 2019, we generated continuing operating cash flows of \$783.1 million. These operating cash flows related primarily to net income from continuing operations of \$681.8 million, adjusted for, among other things, non-cash charges, stock-based compensation expense of \$278.9 million, depreciation and amortization expenses of \$139.3 million and amortization of operating lease right-of-use assets of \$50.2 million. Partially offsetting these changes was a deferred income tax benefit of \$244.9 million and a change in operating assets and liabilities of \$190.5 million, net of effects of acquisitions. The change in our net operating assets and liabilities was primarily a result of an outflow in other assets of \$74.2 million mostly due to an increase in capitalized commissions from higher subscription sales, an outflow in accounts receivable of \$39.0 million mostly due to an increase in sales and changes in deferred revenue of \$38.8 million. Our continuing operations investing activities provided \$1.04 billion of cash consisting primarily of net proceeds from investments of \$1.10 billion, partially offset by cash paid for the purchase of property and equipment of \$63.5 million. Our continuing operations financing activities used cash of \$1.89 billion, primarily for the cash repayment of the outstanding principal balance of our Convertible Notes of \$1.16 billion, stock repurchases of \$453.9 million, repayment of borrowings under our credit facility of \$200.0 million, cash dividends paid on common stock of \$182.9 million and cash paid for tax withholding on vested stock awards of \$89.2 million. These outflows are partially offset by borrowings from our credit facility of \$200.0 million.

During 2018, we generated continuing operating cash flows of \$1.04 billion. These operating cash flows related primarily to net income from continuing operations of \$575.7 million, adjusted for, among other things, non-cash charges, stock-based compensation expense of \$203.6 million, depreciation and amortization expenses of \$141.9 million and amortization of debt discount and transaction costs of \$39.1 million. Also contributing to these cash inflows was a change in operating assets and liabilities of \$30.3 million, net of effects of acquisitions. The change in our net operating assets and liabilities was primarily a result of changes in deferred revenue of \$69.5 million, accrued expenses and other current liabilities of \$37.0 million mostly due to employee-related accruals, and changes in net accounts receivable of \$18.7 million driven by an increase in collections from higher sales. These inflows were partially offset by an outflow in net income taxes of \$57.0 million due to a decrease in income taxes payable and an increase in prepaid taxes, and changes in other assets of \$33.6 million primarily due to an increase in capitalized commissions as a result of the new revenue standard. Our continuing operations investing activities provided \$132.2 million of cash consisting primarily of net proceeds from investments of \$456.9 million, partially offset by cash paid for acquisitions of \$248.9 million and cash paid for the purchase of property and equipment of \$69.4 million. Our continuing operations financing activities used cash of \$1.66 billion, primarily due to stock repurchases of \$1.26 billion, payments on early redemptions of convertible notes of \$273.0 million, cash paid for tax withholding on vested stock awards of \$71.6 million, and cash dividends paid on common stock of \$46.8 million.

Term Loan Credit Agreement

On January 21, 2020, we entered into the Term Loan 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 Term Loan Credit Agreement provides us with facilities to borrow term loans on an unsecured basis in an aggregate principal amount of up to \$1.00 billion, consisting of (i) a \$500.0 million 364-day term loan facility (the "364-day Term Loan"), and (ii) a \$500.0 million 3-year term loan facility (the "3-year Term Loan"), in each case in a single borrowing, subject to satisfaction of certain conditions set forth in the Term Loan Credit Agreement. We borrowed \$1.00 billion under the term loans to enter into an aggregate \$1.00 billion accelerated share repurchase transaction. See Notes 9 and 13 to our consolidated financial statements included in this Annual

Report on Form 10-K for the year ended December 31, 2019 for additional details on the accelerated share repurchase and Term Loan Credit Agreement.

Senior Notes

On November 15, 2017, we issued \$750.0 million of the 2027 Notes. The 2027 Notes accrue interest at a rate of 4.5% per annum. Interest on the 2027 Notes is due semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. The net proceeds from this offering were approximately \$741.0 million, after deducting the underwriting discount and estimated offering expenses payable by us. Net proceeds from this offering were used to repurchase shares of our common stock through an ASR transaction which we entered into with the ASR counterparty on November 13, 2017. The 2027 Notes will mature on December 1, 2027, unless earlier redeemed or repurchased in accordance with their terms prior to such date. See Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for additional details on the 2027 Notes.

Credit Facility

On November 26, 2019, we entered into an amended and restated credit agreement (the "Credit Agreement") with a group of financial institutions, which amends and restates the Company's Credit Agreement, dated January 7, 2015. The Credit Agreement provides for a five year unsecured revolving credit facility in the aggregate amount of \$250.0 million, subject to continued covenant compliance. We 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 acquisitions. During the year ended December 31, 2019, we borrowed and repaid \$200.0 million under the credit facility. As of December 31, 2019, no amounts were outstanding under the credit facility. See Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for additional details on the Credit Agreement.

Convertible Senior Notes

During 2014, we completed a private placement of approximately \$1.44 billion principal amount of 0.500% Convertible Notes due 2019. As of October 15, 2018, we had received conversion notices from noteholders with respect to \$273.0 million in aggregate principal amount of Convertible Notes requesting conversion as a result of the sales price condition having been met during the second and third quarter of 2018. In accordance with the terms of the Convertible Notes, in the fourth quarter of 2018, we made cash payments of this aggregate principal amount and delivered 1.3 million newly issued shares of our common stock in respect of the remainder of our conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted, in full satisfaction of such converted notes. We received shares of our common stock under the Bond Hedges that offset the issuance of shares of common stock upon conversion of the Convertible Notes. In addition, on or after October 15, 2018 until the close of business on the second scheduled trading day immediately preceding the April 15, 2019 maturity date, holders of the Convertible Notes had the right to convert their notes at any time, regardless of whether the sales price condition was met. All Convertible Notes were converted by their beneficial owners prior to their maturity on April 15, 2019. In accordance with the terms of the indenture governing the Convertible Notes, on April 15, 2019, we paid \$1.16 billion in the outstanding aggregate principal amount of the Convertible Notes and delivered 4.9 million newly issued shares of our common stock in respect of the remainder of our conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted, in full satisfaction of such converted notes. We received shares of our common stock under the Bond Hedges that offset the issuance of shares of common stock upon conversion of the Convertible Notes. See Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for additional details on our Convertible Notes and Bond Hedges.

Historically, significant portions of our cash inflows were generated by our operations. We currently expect this trend to continue in 2020. 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 and service our debt obligations for the next 12 months. We 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 for general corporate purposes.

	December 31,		2019 Compared to 2018
	2019	2018	
	(In thousands)		
Cash, cash equivalents and investments	\$ 605,456	\$ 1,776,700	\$ (1,171,244)

The decrease in cash, cash equivalents and investments at December 31, 2019 as compared to December 31, 2018, is primarily due to the cash repayment of the outstanding principal amount of our Convertible Notes of \$1.16 billion, cash paid for stock repurchases of \$453.9 million, repayment of borrowings under our credit facility of \$200.0 million, cash dividends paid on common stock of \$182.9 million, cash paid for tax withholding on vested stock awards of \$89.2 million, and purchases of property and equipment of \$63.5 million. These decreases are partially offset by cash provided by our operating activities of \$783.1 million and borrowings from our credit facility of \$200.0 million. As of December 31, 2019, \$336.2 million of the \$605.5 million of cash, cash equivalents and investments was held by our foreign subsidiaries. As a result of the 2017 Tax Act, the cash, cash equivalents and investments held by our foreign subsidiaries can be repatriated without incurring any additional U.S. federal tax. Upon repatriation of these funds, we could be subject to foreign and U.S. state income taxes, as well as additional foreign withholding taxes. The amount of taxes due is dependent on the amount and manner of the repatriation, as well as the locations from which the funds are repatriated and received. 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.

Stock Repurchase Program

Our Board of Directors authorized an ongoing stock repurchase program, of which \$600.0 million was approved in October 2019 and an additional \$1.00 billion was approved in January 2020. We may use the approved dollar authority to repurchase stock at any time until the approved amounts are exhausted. The objective of the stock repurchase program is to improve stockholders' returns. At December 31, 2019, \$914.0 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 and 2027 Notes offerings, as well as proceeds from employee stock awards and the related tax benefit. We are authorized to make purchases of our common stock using general corporate funds through open market purchases, pursuant to a Rule 10b5-1 plan or in privately negotiated transactions.

In November 2017, we purchased \$750.0 million of shares of our common stock through the ASR agreement with the ASR counterparty. We paid \$750.0 million to the ASR counterparty under the ASR agreement and received approximately 7.1 million shares of our common stock from the ASR counterparty, which represented 80 percent of the value of the shares to be repurchased pursuant to the ASR agreement. The total number of shares of 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. Final settlement of the ASR agreement was completed in January 2018 and we received delivery of an additional 1.4 million shares of our common stock.

In February 2018, we entered into an ASR transaction with a counterparty to pay an aggregate of \$750.0 million in exchange for the delivery of approximately 6.5 million shares of our common stock based on current market prices. The purchase price per share under the ASR was based on the volume-weighted average price of our common stock during the term of the ASR, less a discount. The ASR was entered into pursuant to our existing share repurchase program. Final settlement of the ASR agreement was completed in April 2018 and we received delivery of an additional 1.6 million shares of our common stock.

During the year ended December 31, 2019, we expended \$453.9 million on open market purchases under the stock repurchase program, repurchasing 4,533,688 shares of outstanding common stock at an average price of \$100.11.

During the year ended December 31, 2018, we expended \$511.2 million on open market purchases under the stock repurchase program, repurchasing 4,730,542 shares of outstanding common stock at an average price of \$108.05.

During the year ended December 31, 2017, we expended \$575.0 million on open market purchases under the stock repurchase program, repurchasing 7,384,368 shares of outstanding common stock at an average price of \$77.86.

Shares for Tax Withholding

During the years ended December 31, 2019, 2018, and 2017, we withheld 882,078 shares, 739,522 shares and 974,501 shares, respectively, from equity awards that vested. Amounts withheld to satisfy minimum tax withholding obligations that

arose on the vesting of equity awards was \$89.2 million for 2019, \$71.6 million for 2018 and \$80.0 million for 2017. 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, 2019.

Contractual Obligations and Off-Balance Sheet Arrangement

Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2019 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	\$ 297,755	\$ 58,399	\$ 96,868	\$ 80,736	\$ 61,752
Senior Notes due 2027 ⁽¹⁾	750,000	—	—	—	750,000
Purchase Obligations ⁽²⁾	76,436	76,436	—	—	—
Transition tax payable ⁽³⁾	285,627	26,236	54,609	119,456	85,326
Total contractual obligations ⁽⁴⁾	<u>\$ 1,409,818</u>	<u>\$ 161,071</u>	<u>\$ 151,477</u>	<u>\$ 200,192</u>	<u>\$ 897,078</u>

- (1) During the fourth quarter of 2017, we completed the issuance of \$750.0 million principal amount of 4.5% Senior Notes due 2027. The amount above represents the balance to be repaid. See Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for detailed information on the 2027 Notes offering and the transactions related thereto.
- (2) Purchase obligations represent non-cancelable commitments to purchase inventory ordered before year-end 2019 of approximately \$10.8 million and a contingent obligation to purchase inventory of approximately \$15.6 million. It also includes minimum purchase commitments for our use of certain cloud services with two third-party providers of \$50.0 million.
- (3) Represents transition tax payable on deemed repatriation of deferred foreign income incurred as a result of the 2017 Tax Act. See Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for further information.
- (4) Total contractual obligations do not include agreements where our commitment is variable in nature or where cancellations without payment provisions exist and excludes \$84.5 million of liabilities related to uncertain tax 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 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2019 for further information.

As of December 31, 2019, we did not have any individually material finance 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, 2019. 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, 2019.

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 yuan 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, 2019 and 2018, we had in place foreign currency forward sale contracts with a notional amount of \$285.9 million and \$141.9 million, respectively, and foreign currency forward purchase contracts with a notional amount of \$154.8 million and \$119.5 million, respectively. At December 31, 2019, these contracts had an aggregate fair value liability of \$0.4 million and at December 31, 2018, these contracts had an aggregate fair value liability of \$1.8 million. Based on a hypothetical 10% appreciation of the U.S. dollar from December 31, 2019 market rates, the fair value of our foreign currency forward contracts would increase by \$5.0 million. Conversely, a hypothetical 10% depreciation of the U.S. dollar from December 31, 2019 market rates would decrease the fair value of our foreign currency forward contracts by \$5.0 million. 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, 2019 and 2018 levels, the fair value of the available-for-sale portfolio would decline by approximately \$0.4 million and \$9.2 million, respectively. If market interest rates were to decrease by 100 basis points from December 31, 2019 and 2018 levels, the fair value of the available-for-sale portfolio would increase by approximately \$0.4 million and \$9.2 million, respectively. These amounts are determined by considering the impact of the hypothetical interest rate movements on our available-for-sale 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-48 of this Annual Report on Form 10-K for the year ended December 31, 2019.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, our management, with the participation of our President and Chief Executive Officer and our 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 Chief Financial Officer concluded that, as of December 31, 2019, 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 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, 2019, 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, 2019. 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, 2019, 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, 2019 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 Stockholders and Board of Directors of Citrix Systems, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Citrix Systems, Inc.'s internal control over financial reporting as of December 31, 2019, 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). In our opinion, Citrix Systems, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Boca Raton, Florida

February 14, 2020

ITEM 9B. OTHER INFORMATION

Our policy governing transactions in Citrix securities by our directors, officers and employees permits our officers, directors and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. We have been advised that Nanci Caldwell, a member of our Board of Directors, David Henshall, our President and Chief Executive Officer, Jeroen van Rotterdam, our Executive Vice President of Engineering, Donna Kimmel, our Executive Vice President and Chief People Officer, Mark Schmitz, our Executive Vice President and Chief Operating Officer and Tim Minahan, our Executive Vice President, Business Strategy and Chief Marketing Officer, each entered into a new trading plan in the fourth quarter of 2019 in accordance with Rule 10b5-1 and our policy governing transactions in our securities. We undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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.

All other schedules have been omitted as the required information is not applicable or the information is presented in the Consolidated Financial Statements or notes thereto under Item 8 herein. The following consolidated financial statement schedule is included in Item 8:

Valuation and Qualifying Accounts

3. List of Exhibits.

Exhibit No.	Description
2.1	<u>Agreement and Plan of Merger, dated as of July 26, 2016, among Citrix Systems, Inc., GetGo, Inc., LogMeIn, Inc. and Lithium Merger Sub, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 28, 2016)**</u>
2.2	<u>Amendment No. 1, dated as of December 8, 2016, to Agreement and Plan of Merger, dated as of July 26, 2016, by and among Citrix Systems, Inc., GetGo, Inc., LogMeIn, Inc. and Lithium Merger Sub, Inc. (incorporated herein by reference to Exhibit 2.4 to the Company's Annual Report on Form 10-K filed on February 16, 2017)**</u>
2.3	<u>Amendment No. 2, dated as of May 4, 2017 and effective as of May 1, 2017, to Agreement and Plan of Merger, dated as of July 26, 2016, by and among Citrix Systems, Inc., GetGo, Inc. and LogMeIn, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2017)</u>
2.4	<u>Amendment No. 3, dated as of September 29, 2017, to Agreement and Plan of Merger, dated as of July 26, 2016, by and among Citrix Systems, Inc., GetGo, Inc. and LogMeIn, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)</u>
2.5	<u>Separation and Distribution Agreement, dated as of July 26, 2016, by and among Citrix Systems, Inc., GetGo, Inc. and LogMeIn, Inc. (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 28, 2016)**</u>
2.6	<u>Amended and Restated Tax Matters Agreement, dated as of September 13, 2016, by and among LogMeIn, Inc., Citrix Systems, Inc. and GetGo, Inc. (incorporated herein by reference to Exhibit 2.3 to the Company's Annual Report on Form 10-K filed on February 16, 2017)**</u>
3.1	<u>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)</u>
3.2	<u>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 March 12, 2018)</u>
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) (P)
4.2	<u>Indenture, dated as of November 15, 2017, 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 November 15, 2017)</u>
4.3	<u>Supplemental Indenture, dated as of November 15, 2017, between the Company and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 15, 2017)</u>
4.4	<u>Form of 4.500% Senior Notes due 2027 (included in Exhibit 4.3)</u>
4.5†	<u>Description of Securities</u>
10.1*	<u>Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2010)</u>
10.2*	<u>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 filed on May 28, 2010)</u>

- 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 filed on 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 filed on 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 filed on 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 to the Company's Quarterly Report on Form 10-Q filed on August 6, 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 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 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2011)
- 10.9* Form of Long Term Incentive Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed on February 19, 2015)
- 10.10* Citrix Systems, Inc. Executive Bonus Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K filed on February 20, 2014)
- 10.11* 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)
- 10.12* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Time Based Awards) (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017)
- 10.13* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards) (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017)
- 10.14* 2015 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 10-Q filed on August 7, 2015)
- 10.15* Amendment to 2015 Employee Stock Purchase Plan, dated October 27, 2016 (incorporated herein by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed on February 16, 2017)
- 10.16* Amendment to Citrix Systems, Inc. 2015 Employee Stock Purchase Plan, dated December 10, 2018 (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K filed on February 15, 2019)
- 10.17* Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 27, 2017)
- 10.18* Amendment to Citrix Systems, Inc. 2014 Amended and Restated Equity Incentive Plan (incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.19* Second Amendment to Amended and Restated 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 6, 2019)
- 10.20* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.21* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.22* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (Time Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.23* 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 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2011)

- 10.24* Form of Executive Agreement of Citrix Systems, Inc. by and between the Company and each of its executive officers (other than CEO) (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 20, 2017)
- 10.25* Benefits Continuation Agreement, dated as of April 30, 2019, between the Company and Robert M. Calderoni (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2019)
- 10.26* Employment Agreement, dated July 10, 2017, by and between Citrix Systems, Inc. and David J. Henshall (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 10, 2017)
- 10.27* Restricted Stock Unit Agreement with David J. Henshall under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.28* Restricted Stock Unit Agreement with David J. Henshall under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.29* Restricted Stock Unit Agreement with David J. Henshall under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Time Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017)
- 10.30* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Time Based Awards - 2018 Annual Awards) (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.31* Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards - 2018 Annual Awards) (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.32* Form of Amendment to Restricted Stock Unit Agreement with David J. Henshall under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.33* Form of Amendment to Restricted Stock Unit Agreement with David J. Henshall under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.34* Form of Amendment to Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.35* Form of Amendment to Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Performance Based Awards - August 2017) (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.36* Amendment to Citrix Systems, Inc. 2014 Amended and Restated Equity Incentive Plan (incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2018)
- 10.37* Form of Amendment to Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Long Term Incentive) (incorporated herein by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K filed on February 15, 2019)
- 10.38* Form of Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan (Long Term Incentive) (incorporated herein by reference to Exhibit 10.51 to the Company's Annual Report on Form 10-K filed on February 15, 2019)
- 10.39* Amendment to Global Restricted Stock Unit Agreement (Long Term Incentive) and Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan, effective as of April 1, 2019 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2019)
- 10.40* Form of Global Restricted Stock Unit Agreement (Long Term Incentive) under the Citrix Systems, Inc. Amended and Restated 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2019)
- 10.41* Letter Agreement, dated as of April 23, 2019, between the Company and Andrew H. Del Matto (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2019)

10.42	<u>Amended and Restated Credit Agreement, dated as of November 26, 2019, 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 November 27, 2019)</u>
10.43	<u>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)</u>
21.1†	<u>List of Subsidiaries</u>
23.1†	<u>Consent of Independent Registered Public Accounting Firm</u>
24.1	<u>Power of Attorney (included in signature page)</u>
31.1†	<u>Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer</u>
31.2†	<u>Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer</u>
32.1††	<u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer</u>
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
104†	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

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

** Schedules (or similar attachments) have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules (or similar attachments) upon request by the SEC.

† Filed herewith.

†† Furnished herewith.

(P) This exhibit has been paper filed and is not subject to the hyperlinking requirements of Item 601 of Regulation S-K.

(b) Exhibits.

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2019, the exhibits listed in Item 15(a)(3) above. Exhibits which are incorporated herein by reference can be accessed free of charge through the EDGAR database at the SEC's website at www.sec.gov.

(c) Financial Statement Schedule.

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2019 the consolidated financial statement schedule listed in Item 15(a)(2) above, which is attached hereto.

ITEM 16. FORM 10-K SUMMARY

None.

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 14th day of February, 2020.

CITRIX SYSTEMS, INC.

By:

/s/ DAVID J. HENSHALL

David J. Henshall
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 David J. Henshall and Arlen R. Shenkman, 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 14th day of February, 2020.

<u>Signature</u>	<u>Title(s)</u>
<u>/S/ DAVID J. HENSHALL</u> David J. Henshall	President, Chief Executive Officer and Director (Principal Executive Officer)
<u>/S/ ARLEN R. SHENKMAN</u> Arlen R. Shenkman	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/S/ JESSICA SOISSON</u> Jessica Soisson	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
<u>/S/ ROBERT M. CALDERONI</u> Robert M. Calderoni	Chairman of the Board of Directors
<u>/S/ NANCI E. CALDWELL</u> Nanci E. Caldwell	Director
<u>/S/ JESSE A. COHN</u> Jesse A. Cohn	Director
<u>/S/ ROBERT D. DALEO</u> Robert D. Daleo	Director
<u>/S/ MURRAY J. DEMO</u> Murray J. Demo	Director
<u>/S/ AJEI S. GOPAL</u> Ajei S. Gopal	Director
<u>/S/ THOMAS E. HOGAN</u> Thomas E. Hogan	Director
<u>/S/ MOIRA A. KILCOYNE</u> Maira A. Kilcoyne	Director
<u>/S/ PETER J. SACRIPANTI</u> Peter J. Sacripanti	Director

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:

<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets — December 31, 2019 and 2018</u>	<u>F-5</u>
<u>Consolidated Statements of Income — Years ended December 31, 2019, 2018 and 2017</u>	<u>F-6</u>
<u>Consolidated Statements of Comprehensive Income — Years ended December 31, 2019, 2018 and 2017</u>	<u>F-7</u>
<u>Consolidated Statements of Equity — Years ended December 31, 2019, 2018 and 2017</u>	<u>F-8</u>
<u>Consolidated Statements of Cash Flows — Years ended December 31, 2019, 2018 and 2017</u>	<u>F-9</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-11</u>

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

<u>Schedule II Valuation and Qualifying Accounts</u>
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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 Stockholders and Board of Directors of Citrix Systems, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Citrix Systems, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, 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 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Identification of distinct performance obligations and standalone selling price

Description of the Matter As described in Note 2 to the consolidated financial statements, the Company recognizes revenue when control of the promised products or services are transferred to customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services. The Company primarily derives revenues from subscription-based arrangements for cloud-hosted offerings, as well as software license agreements that include bundled support and maintenance services for the term of the license period. The Company's contracts with customers often contain bundles of solutions and services with multiple performance obligations or promises to transfer multiple products and services to a customer, including subscription, product and license, and support and services. The Company evaluates whether the performance obligations are capable of being distinct and distinct within the context of the contract. Solutions and services that are not both capable of being distinct and distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue.

The Company allocates the transaction price to each distinct performance obligation on a relative standalone selling price basis and recognizes revenue when control of the distinct performance obligation is transferred to customers.

Auditing the Company's identification of distinct performance obligations and the Company's determination of estimated standalone selling prices was complex and involved a high degree of subjective auditor judgment because of the significant management judgment exercised by the Company in evaluating whether products and services are considered distinct performance obligations that should be accounted for separately versus together, and determining the estimated stand-alone selling prices for each distinct performance obligation and for products and services that are not sold separately.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the identification of distinct performance obligations and the determination of the stand-alone selling price for each distinct performance obligation, including the Company's controls over the review of product and service offerings, contracts and pricing information used to estimate standalone selling prices.

To test the Company's identification of distinct performance obligations and the Company's determination of estimated standalone selling prices, our audit procedures included, among others, evaluating the methodology used and the underlying data used by the Company. We selected a sample of customer agreements for which we obtained and read contract source documents for each selection, tested the Company's identification of significant terms for completeness, including the identification of distinct performance obligations, and assessed whether the terms included within the customer's agreement were consistent with the Company's accounting policies. In addition, we evaluated the Company's estimates of stand-alone selling prices for products and services that are not sold separately. We also evaluated the Company's disclosures included in Note 2 to the consolidated financial statements.

Loss Contingencies

Description of the Matter

As described in Note 10 to the consolidated financial statements, the Company is party to various lawsuits in connection with a third-party cyberattack. The Company is unable to currently determine the ultimate outcome of these legal proceedings or the potential exposure or loss, if any, because the legal proceedings remain in the early stages, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved. The Company believes that it is reasonably possible that outcomes from potential unasserted claims related to this cyberattack could materially and adversely affect its business, financial position, results of operations or cash flows. However, the Company discloses it is not possible to estimate the amount or a range of potential loss, if any, at this time.

Auditing management's accounting for, and disclosure of, loss contingencies from the cyberattack involved challenging and subjective auditor judgment required to evaluate management's assessments of the likelihood of a loss, and their estimate of the potential amount or range of any such losses.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the identification and evaluation of these matters, including the Company's controls over the assessment of the likelihood that a loss will be realized and its ability to reasonably estimate the potential range of losses.

To test the assessment of the probability of incurrence of a loss, whether the loss was reasonably estimable, and the conclusion and disclosure that a range of possible losses cannot be reasonably estimated at this time, we read the minutes of the meetings of the committees of the board of directors; read the claims and regulatory or government inquiries and investigations or summaries thereof; requested and received internal and external legal counsel confirmation letters; met with internal and external legal counsel to discuss the nature of the legal proceedings; and obtained a representation letter from the Company. We also evaluated the Company's disclosures included in Note 10 to the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1989.

Boca Raton, Florida

February 14, 2020

CITRIX SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

Assets	December 31, 2019	December 31, 2018
(In thousands, except par value)		
Current assets:		
Cash and cash equivalents	\$ 545,761	\$ 618,766
Short-term investments, available-for-sale	43,055	583,615
Accounts receivable, net of allowances of \$9,557 and \$4,530 at December 31, 2019 and 2018, respectively	720,359	688,420
Inventories, net	15,898	21,905
Prepaid expenses and other current assets	187,659	174,195
Total current assets	1,512,732	2,086,901
Long-term investments, available-for-sale	16,640	574,319
Property and equipment, net	231,894	243,396
Operating lease right-of-use assets	206,154	—
Goodwill	1,798,408	1,802,670
Other intangible assets, net	108,478	167,187
Deferred tax assets, net	361,814	136,998
Other assets	152,806	124,578
Total assets	\$ 4,388,926	\$ 5,136,049
Liabilities, Temporary Equity and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 84,538	\$ 75,551
Accrued expenses and other current liabilities	331,680	290,492
Income taxes payable	60,036	44,409
Current portion of deferred revenues	1,352,333	1,345,243
Convertible notes, short-term	—	1,155,445
Total current liabilities	1,828,587	2,911,140
Long-term portion of deferred revenues	443,458	489,329
Long-term debt	742,926	741,825
Long-term income taxes payable	259,391	285,627
Operating lease liabilities	209,382	—
Other liabilities	67,526	148,499
Commitments and contingencies		
Temporary equity from Convertible notes	—	8,110
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; 318,760 and 309,761 shares issued and outstanding at December 31, 2019 and 2018, respectively	319	310
Additional paid-in capital	6,249,065	5,404,500
Retained earnings	4,660,145	4,169,019
Accumulated other comprehensive loss	(5,127)	(8,154)
Total stockholders' equity	10,904,402	9,565,675
Less - common stock in treasury, at cost (188,693 and 178,327 shares at December 31, 2019 and 2018, respectively)	(10,066,746)	(9,014,156)
Total stockholders' equity	837,656	551,519
Total liabilities, temporary equity and stockholders' equity	\$ 4,388,926	\$ 5,136,049

See accompanying notes.

CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2019	2018	2017
	(In thousands, except per share information)		
Revenues:			
Subscription	\$ 650,810	\$ 455,276	\$ 314,735
Product and license	583,474	734,495	766,777
Support and services	1,776,280	1,784,132	1,743,174
Total net revenues	<u>3,010,564</u>	<u>2,973,903</u>	<u>2,824,686</u>
Cost of net revenues:			
Cost of subscription, support and services	310,255	266,495	250,602
Cost of product and license revenues	102,452	120,249	123,356
Amortization and impairment of product related intangible assets	51,340	47,059	65,688
Total cost of net revenues	<u>464,047</u>	<u>433,803</u>	<u>439,646</u>
Gross margin	<u>2,546,517</u>	<u>2,540,100</u>	<u>2,385,040</u>
Operating expenses:			
Research and development	518,877	439,984	415,801
Sales, marketing and services	1,132,956	1,074,234	1,006,112
General and administrative	320,429	315,343	302,565
Amortization and impairment of other intangible assets	15,890	15,854	17,190
Restructuring	22,247	16,725	72,375
Total operating expenses	<u>2,010,399</u>	<u>1,862,140</u>	<u>1,814,043</u>
Income from continuing operations	536,118	677,960	570,997
Interest income	18,280	40,030	27,808
Interest expense	(45,974)	(80,162)	(51,609)
Other income (expense), net	1,076	(8,373)	3,150
Income from continuing operations before income taxes	509,500	629,455	550,346
Income tax (benefit) expense	(172,313)	53,788	528,361
Income from continuing operations	681,813	575,667	21,985
Loss from discontinued operations, net of income tax expense of \$2,900 in 2017	—	—	(42,704)
Net income (loss)	<u>\$ 681,813</u>	<u>\$ 575,667</u>	<u>\$ (20,719)</u>
Basic earnings (loss) per share:			
Income from continuing operations	\$ 5.21	\$ 4.23	\$ 0.15
Loss from discontinued operations	—	—	(0.28)
Basic net earnings (loss) per share	<u>\$ 5.21</u>	<u>\$ 4.23</u>	<u>\$ (0.13)</u>
Diluted earnings (loss) per share:			
Income from continuing operations	\$ 5.03	\$ 3.94	\$ 0.14
Loss from discontinued operations	—	—	(0.27)
Diluted net earnings (loss) per share	<u>\$ 5.03</u>	<u>\$ 3.94</u>	<u>\$ (0.13)</u>
Weighted average shares outstanding:			
Basic	<u>130,853</u>	<u>136,030</u>	<u>150,779</u>
Diluted	<u>135,495</u>	<u>145,934</u>	<u>155,503</u>

See accompanying notes.

CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Net income (loss)	\$ 681,813	\$ 575,667	\$ (20,719)
Other comprehensive income:			
Available for sale securities:			
Change in net unrealized gains (losses)	2,881	(1,770)	(3,285)
Less: reclassification adjustment for net (gains) losses included in net income	(580)	5,996	(273)
Net change (net of tax effect)	2,301	4,226	(3,558)
 (Loss) gain on pension liability	(1,127)	1,569	2,768
 Cash flow hedges:			
Change in unrealized gains (losses)	237	(3,842)	6,046
Less: reclassification adjustment for net losses (gains) included in net income	1,616	699	(758)
Net change (net of tax effect)	1,853	(3,143)	5,288
 Other comprehensive income	3,027	2,652	4,498
 Comprehensive income (loss)	\$ 684,840	\$ 578,319	\$ (16,221)

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, 2016	302,851	\$ 303	\$ 4,761,588	\$ 4,010,737	\$ (28,704)	(146,552)	\$ (6,135,197)	\$ 2,608,727
Shares issued under stock-based compensation plans	2,614	3	2,110	—	—	—	—	2,113
Stock-based compensation expense	—	—	166,308	—	—	—	—	166,308
Common stock issued under employee stock purchase plan	286	—	19,326	—	—	—	—	19,326
Stock repurchases, net	—	—	—	—	—	(7,384)	(574,956)	(574,956)
Restricted shares turned in for tax withholding	—	—	—	—	—	(975)	(80,040)	(80,040)
Other comprehensive income, net of tax	—	—	—	—	4,498	—	—	4,498
Other	—	—	(848)	—	—	—	—	(848)
Accelerated stock repurchase program	—	—	(150,000)	—	—	(7,133)	(600,000)	(750,000)
Cumulative-effect adjustment from adoption of accounting standards	—	—	5,691	(5,303)	—	—	—	388
Distribution of the net assets of the GoTo Business	—	—	—	(475,231)	13,400	—	—	(461,831)
Temporary equity reclassification	—	—	79,495	—	—	—	—	79,495
Net loss	—	—	—	(20,719)	—	—	—	(20,719)
Balance at December 31, 2017	305,751	\$ 306	\$ 4,883,670	\$ 3,509,484	\$ (10,806)	(162,044)	\$ (7,390,193)	\$ 992,461
Shares issued under stock-based compensation plans	2,258	3	161	—	—	—	—	164
Stock-based compensation expense	—	—	203,619	—	—	—	—	203,619
Common stock issued under employee stock purchase plan	461	—	33,462	—	—	—	—	33,462
Stock repurchases, net	—	—	—	—	—	(4,731)	(511,153)	(511,153)
Restricted shares turned in for tax withholding	—	—	—	—	—	(739)	(71,593)	(71,593)
Cash dividends declared	—	—	—	(46,799)	—	—	—	(46,799)
Other comprehensive income, net of tax	—	—	—	—	2,652	—	—	2,652
Settlement of convertible notes and hedges	1,291	1	138,231	—	—	(1,291)	(141,217)	(2,985)
Other	—	—	3,467	(2,111)	—	—	—	1,356
Accelerated stock repurchase program	—	—	150,000	—	—	(9,522)	(900,000)	(750,000)
Cumulative-effect adjustment from adoption of accounting standards	—	—	—	132,778	—	—	—	132,778
Temporary equity reclassification	—	—	(8,110)	—	—	—	—	(8,110)
Net income	—	—	—	575,667	—	—	—	575,667
Balance at December 31, 2018	309,761	\$ 310	\$ 5,404,500	\$ 4,169,019	\$ (8,154)	(178,327)	\$ (9,014,156)	\$ 551,519
Shares issued under stock-based compensation plans	2,603	3	(3)	—	—	—	—	—
Stock-based compensation expense	—	—	278,892	—	—	—	—	278,892
Common stock issued under employee stock purchase plan	471	—	39,469	—	—	—	—	39,469
Temporary equity reclassification	—	—	8,110	—	—	—	—	8,110
Stock repurchases, net	—	—	—	—	—	(4,534)	(453,853)	(453,853)
Restricted shares turned in for tax withholding	—	—	—	—	—	(882)	(89,213)	(89,213)
Cash dividends declared	—	—	—	(182,947)	—	—	—	(182,947)
Settlement of convertible notes and hedges	4,950	5	509,519	—	—	(4,950)	(509,524)	—
Settlement of warrants	975	1	—	—	—	—	—	1
Cumulative-effect adjustment from adoption of accounting standards	—	—	—	838	—	—	—	838
Other	—	—	8,578	(8,578)	—	—	—	—
Other comprehensive income, net of tax	—	—	—	—	3,027	—	—	3,027
Net income	—	—	—	681,813	—	—	—	681,813
Balance at December 31, 2019	318,760	\$ 319	\$ 6,249,065	\$ 4,660,145	\$ (5,127)	(188,693)	\$ (10,066,746)	\$ 837,656

See accompanying notes.

CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Operating Activities			
Net income (loss)	\$ 681,813	\$ 575,667	\$ (20,719)
Loss from discontinued operations	—	—	42,704
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization and impairment of intangible assets	67,230	62,913	82,878
Depreciation and amortization of property and equipment	72,079	78,983	87,137
Amortization of debt discount and transaction costs	10,219	39,099	38,298
Amortization of deferred costs	44,829	38,144	—
Amortization of operating lease right-of-use assets	50,163	—	—
Stock-based compensation expense	278,892	203,619	165,120
Deferred income tax (benefit) expense	(244,933)	(13,156)	94,158
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	2,631	7,950	(7,645)
Other non-cash items	10,630	11,872	11,924
Total adjustments to reconcile net income (loss) to net cash provided by operating activities	291,740	429,424	471,870
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(38,994)	18,703	(33,904)
Inventories	3,046	(8,239)	(2,545)
Prepaid expenses and other current assets	(7,129)	(7,855)	(18,327)
Other assets	(74,152)	(33,638)	2,116
Income taxes, net	(22,147)	(56,988)	318,795
Accounts payable	8,994	6,804	(7,238)
Accrued expenses and other current liabilities	(25,722)	36,967	34,886
Deferred revenues	(38,780)	69,499	174,426
Other liabilities	4,401	5,001	2,282
Total changes in operating assets and liabilities, net of the effects of acquisitions	(190,483)	30,254	470,491
Net cash provided by operating activities of continuing operations	783,070	1,035,345	964,346
Net cash used in operating activities of discontinued operations	—	—	(56,070)
Net cash provided by operating activities	783,070	1,035,345	908,276
Investing Activities			
Purchases of available-for-sale investments	(20,003)	(466,687)	(1,155,659)
Proceeds from sales of available-for-sale investments	942,985	455,417	775,135
Proceeds from maturities of available-for-sale investments	178,070	468,145	466,900
Purchases of property and equipment	(63,454)	(69,354)	(80,901)
Cash paid for acquisitions, net of cash acquired	—	(248,929)	(60,449)
Cash paid for licensing agreements, patents and technology	(3,500)	(3,210)	(7,379)
Other	1,651	(3,202)	2,323
Net cash (used in) provided by investing activities of continuing operations	1,035,749	132,180	(60,030)
Net cash used in investing activities of discontinued operations	—	—	(3,891)
Net cash provided by (used in) investing activities	1,035,749	132,180	(63,921)
Financing Activities			
Proceeds from issuance of common stock under stock-based compensation plans	—	164	2,114
Proceeds from revolving credit facility	200,000	—	165,000
Repayments on credit facility	(200,000)	—	(165,000)
Proceeds from 2027 notes, net of issuance costs	—	—	741,039
Repayment of acquired debt	—	(5,674)	(4,000)
Stock repurchases, net	(453,853)	(1,261,153)	(1,174,957)
Accelerated stock repurchase program	—	—	(150,000)
Cash paid for tax withholding on vested stock awards	(89,213)	(71,593)	(80,040)
Common stock cash dividends paid	(182,947)	(46,799)	—
Repayment on convertible debt	(1,164,497)	(272,986)	—
Transfer of cash to GoTo Business resulting from the separation	—	—	(28,523)
Net cash used in financing activities	(1,890,510)	(1,658,041)	(694,367)
Effect of exchange rate changes on cash and cash equivalents	(1,314)	(5,848)	8,186
Change in cash and cash equivalents	(73,005)	(496,364)	158,174
Cash and cash equivalents at beginning of period, including cash of discontinued operations of \$120,861 in 2017	618,766	1,115,130	956,956
Cash and cash equivalents at end of period	\$ 545,761	\$ 618,766	\$ 1,115,130

Supplemental Cash Flow Information

Cash paid for income taxes	<u>\$</u> <u>86,460</u>	<u>\$</u> <u>110,808</u>	<u>\$</u> <u>61,126</u>
Cash paid for interest	<u>\$</u> <u>37,667</u>	<u>\$</u> <u>41,834</u>	<u>\$</u> <u>8,764</u>

See accompanying notes.

1. BACKGROUND AND ORGANIZATION

Citrix Systems, Inc. ("Citrix" or the "Company"), is a Delaware corporation incorporated on April 17, 1989. Citrix is an enterprise software company focused on helping customers improve the productivity and user experience of their most valuable assets, their employees. Citrix does this by creating a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive - anytime, anywhere, on any device.

Citrix markets and licenses its solutions through multiple channels worldwide, including selling through resellers, direct and over the Web. Citrix's partner community comprises thousands of value-added resellers, or VARs known as Citrix Solution Advisors, value-added distributors, or VADs, systems integrators, or SIs, independent software vendors, or ISVs, original equipment manufacturers, or OEMs and Citrix Service Providers, or CSPs.

The Company's revenues are derived from sales of its Workspace solutions, Networking products and related Support and services. The Company operates under one reportable segment. The Company's chief operating decision maker ("CODM") reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. See Note 12 for more information on the Company's segment.

On January 31, 2017, the Company completed the spin-off of its GoTo family of service offerings (the "Spin-off") and subsequent merger of that business with LogMeIn, Inc. pursuant to a pro rata distribution to its stockholders of 100% of the shares of common stock of GetGo, Inc., or GetGo, its wholly-owned subsidiary. In these consolidated financial statements, unless otherwise indicated, references to Citrix and the Company, refer to Citrix Systems, Inc. and its consolidated subsidiaries after giving effect to the Spin-off. As a result of the Spin-off, the consolidated financial statements reflect the GoTo Business operations, assets and liabilities, and cash flows as discontinued operations for all periods presented. Refer to Note 19 for additional information regarding discontinued operations.

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 and Japan ("APJ"). All significant transactions and balances between the Company and its subsidiaries have been eliminated in consolidation.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board issued an accounting standard update on the accounting for leases ("ASC 842"). The new guidance requires that lessees in a leasing arrangement recognize a right-of-use ("ROU") asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease). The Company adopted this standard as of January 1, 2019 using a modified retrospective approach and recognized a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification and not reassess whether any expired or existing contract is a lease or contains a lease. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged. Adoption of the new standard resulted in the recording of additional ROU assets for operating leases (net of previously recorded lease losses related to the consolidation of leased facilities of \$42.2 million and deferred rent liability of \$20.5 million under the old guidance) of approximately \$194.5 million and operating lease liabilities of approximately \$256.4 million, as of January 1, 2019. The difference between the additional ROU assets and lease liabilities, net of the deferred tax impact, was recorded as an adjustment to retained earnings of \$0.8 million. Adoption of this standard did not have a material impact on the Company's consolidated statements of income or its cash from or used in operating, financing, or investing activities in the Company's consolidated cash flows statements. Adoption of this standard had no impact on the Company's debt covenant compliance under its current agreement or on liquidity. See Note 18 for additional information regarding the Company's leases.

Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board issued an accounting standard update on the measurement of credit losses on financial instruments. Previously, credit losses were measured using an incurred loss approach when it was

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probable that a credit loss had been incurred. The new guidance changes the credit loss model from an incurred loss approach to an expected loss approach. It requires the application of a current expected credit loss (“CECL”) impairment model to financial assets measured at amortized cost (including trade accounts receivable) and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. The standard also changes the impairment model for available-for-sale debt securities, eliminating the concept of other than temporary impairment and requiring credit losses to be recorded through an allowance for credit losses. The amount of the allowance for credit losses for available-for-sale debt securities is limited to the amount by which fair value is below amortized cost. The standard is effective for interim and annual periods beginning after December 15, 2019. A modified retrospective adoption method is required, with a cumulative-effect adjustment to the opening retained earnings balance in the period of adoption. The Company adopted this standard effective January 1, 2020, using the modified retrospective method. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Premium Amortization on Call Debt Securities

In March 2017, the Financial Accounting Standards Board issued an accounting standard update on the accounting for amortization of premium costs on purchased callable debt securities. The new guidance amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. The standard does not require any accounting change for debt securities held at a discount; the discount continues to be amortized to maturity. The Company adopted the standard effective January 1, 2019 on a modified retrospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Accounting for Cloud Computing Costs

In August 2018, the Financial Accounting Standards Board issued an accounting standard update on the accounting for implementation costs incurred by customers in cloud computing arrangements that are service contracts. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company early adopted this standard on a prospective basis effective January 1, 2019. Adoption of this standard did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Fair Value Measurements

In August 2018, the Financial Accounting Standards Board issued an accounting standard update on fair value measurements. The new guidance modifies the disclosure requirements on fair value measurements by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty, and adding new disclosure requirements. The Company adopted this standard effective January 1, 2020. Adoption of this standard is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Income Taxes

In December 2019, the Financial Accounting Standards Board issued an accounting standard update on income taxes. The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The new standard will be effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial position, results of operations and cash flows.

Reclassifications

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

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 standalone selling price related to revenue recognition, 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 provision for income taxes, valuation allowance for deferred tax assets, uncertain tax positions, and the amortization and depreciation periods for contract acquisition costs, 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.

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2019 and 2018 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.

Available-for-sale Investments

Short-term and long-term available for sale investments in debt securities at December 31, 2019 and 2018 primarily consist of agency securities, corporate securities, municipal securities and government securities. Investments classified as available-for-sale debt securities 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 debt securities 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 5 for additional information regarding the Company's investments.

Accounts Receivable

The Company's accounts receivable are attributable primarily to direct sales to end customers via the Web and through VARs known as Citrix Solution Advisors, VADs, SIs, ISVs, OEMs and CSPs. 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 credit worthiness, 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 \$6.2 million and \$3.6 million as of December 31, 2019 and 2018, respectively. If the financial condition of a significant customer were to deteriorate, the Company's operating results could be adversely affected. As of December 31, 2019 and 2018, one distributor, the Arrow Group, accounted for 14% and 17%, respectively, of gross accounts receivable.

Inventory

Inventories are stated at the lower of cost or net realizable value on a standard cost basis, which approximates actual cost. The Company's inventories primarily consist of finished goods as of December 31, 2019 and 2018.

Contract acquisition costs

The Company is required to capitalize certain contract acquisition costs consisting primarily of commissions paid and related payroll taxes when contracts are signed. The asset recognized from capitalized incremental and recoverable acquisition costs is amortized on a basis consistent with the pattern of transfer of the products or services to which the asset relates.

The Company's typical contracts include performance obligations related to product and licenses and support. In these contracts, incremental costs of obtaining a contract are allocated to the performance obligations based on the relative estimated standalone selling prices and then recognized on a basis that is consistent with the transfer of the goods or services to which the asset relates. The commissions paid on annual renewals of support for product and licenses are not commensurate with the initial commission. The costs allocated to product and licenses are expensed at the time of sale, when revenue for the product and functional software licenses is recognized. The costs allocated to customer support for product and licenses are amortized ratably over a period of the greater of the contract term or the average customer life, the expected period of benefit of the asset capitalized. The Company currently estimates an average customer life of three years to five years, which it believes is appropriate based on consideration of the historical average customer life and the estimated useful life of the underlying product

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and license sold as part of the transaction. Amortization of contract acquisition costs related to support is limited to the contractual period of the arrangement as the Company intends to pay a commensurate commission upon renewal of the related support. For contracts that contain multi-year services or subscriptions, the amortization period of the capitalized costs is the expected period of benefit, which is the greater of the contractual term or the expected customer life.

The Company elects to apply a practical expedient to expense contract acquisition costs as incurred where the expected period of benefit is one year or less.

For the years ended on December 31, 2019 and 2018, the Company recorded amortization of capitalized contract acquisition costs of \$44.8 million and \$38.1 million, respectively, which are recorded in Sales, Marketing and Services expense in the accompanying consolidated statements of income. As of December 31, 2019 and 2018, the Company's short-term and long-term contract acquisition costs were \$50.4 million and \$81.0 million, and \$41.0 million and \$68.2 million respectively, and are included in Prepaid and other current assets and Other assets, respectively, in the accompanying consolidated balance sheets. There was no impairment loss in relation to costs capitalized during the years ended December 31, 2019 and 2018.

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 cash flow hedges, the unrealized gain or loss on the derivative instrument 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 income (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 of 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.

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 systems; and forty years for buildings.

During 2019 and 2018, the Company retired \$10.9 million and \$13.4 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.

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Property and equipment consist of the following:

	December 31,	
	2019	2018
	(In thousands)	
Buildings	\$ 76,152	\$ 76,152
Computer equipment	205,063	189,333
Software	451,927	433,033
Equipment and furniture	85,356	78,401
Leasehold improvements	199,813	182,848
	1,018,311	959,767
Less: accumulated depreciation and amortization	(806,099)	(741,587)
Assets under construction	2,913	8,447
Land	16,769	16,769
Total	\$ 231,894	\$ 243,396

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.

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 analysis completed during the fourth quarters of 2019 and 2018. See Note 4 for more information regarding the Company's acquisitions and Note 12 for more information regarding the Company's segments.

The following table presents the change in goodwill during 2019 and 2018 (in thousands):

	Balance at January 1, 2019	Additions	Other	Balance at December 31, 2019	Balance at January 1, 2018	Additions	Other	Balance at December 31, 2018
Goodwill	\$1,802,670	\$ —	\$ (4,262) ⁽¹⁾	\$ 1,798,408	\$ 1,614,494	\$ 188,176 ⁽²⁾	\$ —	\$1,802,670

- (1) Amounts relate to adjustments to the purchase price allocation associated with 2018 business combinations. See Note 4 for more information regarding the Company's acquisitions.
- (2) Amounts relate to purchase price allocation associated with 2018 business combinations. See Note 4 for more information regarding the Company's 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 years to seven years, except for patents, which are amortized over the lesser of their remaining life or seven years to 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.

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Intangible assets consist of the following (in thousands):

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	\$ 734,973	\$ 633,633	6.04
Other	187,173	180,035	6.23
Total	<u>\$ 922,146</u>	<u>\$ 813,668</u>	6.08

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	\$ 746,152	\$ 601,993	6.06
Other	227,922	204,894	6.40
Total	<u>\$ 974,074</u>	<u>\$ 806,887</u>	6.14

Amortization and impairment of product related intangible assets, which consists primarily of product-related technologies and patents, was \$51.3 million and \$47.1 million for the year ended December 31, 2019 and 2018, 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 \$15.9 million and \$15.9 million for the year ended December 31, 2019 and 2018, 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 impairment has occurred, it writes-down the intangible asset to its fair value. For certain intangible assets where the unamortized balances exceed the undiscounted future net cash flow, 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, 2019, the Company tested certain intangible assets for recoverability and, as a result, identified certain definite-lived intangible assets, primarily Cedexis developed technology, that were impaired and recorded non-cash impairment charges of \$13.2 million to write down the intangible assets to their estimated fair value of \$4.1 million. The impairment charge is included in Amortization and impairment of product related intangible assets in the accompanying consolidated statements of income. These non-recurring fair value measurements were 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 churn rates, rate of migration to future technology, 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, 2019 is as follows (in thousands):

Year ending December 31,		
2020		\$ 35,084
2021		22,793
2022		20,594
2023		16,327
2024		5,292
Thereafter		8,388
Total		<u>\$ 108,478</u>

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.

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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. The amount of costs capitalized during the years ended 2019 and 2018 relating to internal use software was \$3.4 million and \$14.8 million, respectively. These costs are being amortized over the estimated useful life of the software, which is generally three years 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 \$19.7 million, \$25.9 million and \$27.3 million, during the years ended December 31, 2019, 2018 and 2017, respectively.

The Company capitalized costs related to internally developed computer software to be sold as a service related to its Workspace offerings, incurred during the application development stage, of \$10.6 million and \$7.3 million, during the years ended December 31, 2019 and 2018, respectively, and is amortizing these costs over the expected lives of the related services, which is generally two years, and are included in property and equipment in the accompanying consolidated balance sheets. The total amounts charged to expense relating to internally developed computer software to be sold as a service was approximately \$13.0 million, \$14.4 million and \$18.5 million, during the years ended December 31, 2019, 2018 and 2017, respectively, which are included in Cost of subscription, support and services.

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 \$12.5 million and \$11.2 million for these pension liabilities at December 31, 2019 and 2018, respectively. Expenses for the programs for 2019, 2018 and 2017 amounted to \$1.6 million, \$1.8 million and \$2.6 million, respectively.

Revenue

Significant Judgments

The Company generates all of its revenues from contracts with customers. At contract inception, the Company assesses the solutions or services, or bundles of solutions and services, obligated in the contract with a customer to identify each performance obligation within the contract, and then evaluates whether the performance obligations are capable of being distinct and distinct within the context of the contract. Solutions and services that are not both capable of being distinct and distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue.

The standalone selling price is the price at which the Company would sell a promised product or service separately to the customer. For the majority of the Company's software licenses and hardware, CSP and on-premise subscription software licenses, the Company uses the observable price in transactions with multiple performance obligations. For the majority of the Company's support and services, and cloud-hosted subscription offerings, the Company uses the observable price when the Company sells that support and service and cloud-hosted subscription separately to similar customers. If the standalone selling price for a performance obligation is not directly observable, the Company estimates it. The Company estimates standalone selling price by taking into consideration market conditions, economics of the offering and customers' behavior. The Company maximizes the use of observable inputs and applies estimation methods consistently in similar circumstances. The Company allocates the transaction price to each distinct performance obligation on a relative standalone selling price basis.

Revenues are recognized when control of the promised products or services are transferred to customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

Product Concentration

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

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from a limited number of customers. As a result, if the Networking product grouping loses certain customers or one or more such customers significantly decreases its orders, the Company's business, results of operations and financial condition could be adversely affected.

Cost of Net Revenues

Cost of subscription, support and services revenues consists primarily of compensation and other personnel-related costs of providing technical support, consulting and cloud capacity costs, as well as the costs related to providing the Company's offerings delivered via the cloud.

Cost of product and license revenues consists primarily of hardware, royalties, product media and duplication, manuals, shipping expense, and packaging materials. 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 solutions or in the development of future solutions 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 year 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 also included in Cost of net revenues.

Also included in Cost of net revenues is amortization and impairment of product related intangible assets.

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. Foreign currency transaction gains and losses are the result of exchange rate changes on transactions denominated in currencies other than the 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.

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 solutions. The Company also has strategic development funds and cooperative advertising agreements with certain distributors and resellers whereby the Company will reimburse distributors and resellers for qualified advertising of Company solutions. 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 \$90.4 million, \$99.1 million and \$85.6 million, during the years ended December 31, 2019, 2018 and 2017, respectively.

Income Taxes

The Company and one or more of its subsidiaries are subject to U.S. federal income taxes in the United States, as well as income taxes of multiple state and foreign jurisdictions. The Company is not currently under examination by the United States Internal Revenue Service. With few exceptions, the Company is generally not subject to examination for state and local income tax, or in non-U.S. jurisdictions by tax authorities for years prior to 2016.

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.

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

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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.

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 8 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 exercise or settlement of stock awards and shares issuable under the employee stock purchase plan (calculated using the treasury stock method) during the period they were outstanding and potential dilutive common shares from the conversion spread on the Company's 0.500% Convertible Notes due 2019 (the "Convertible Notes") and the Company's warrants. The reconciliation of the numerator and denominator of the earnings per share calculation is presented in Note 15.

Leases

The Company leases certain office space and equipment under various leases. In addition to rent, the leases require the Company to pay for taxes, insurance, maintenance and other operating expenses. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, accrued expenses and other current liabilities, and operating lease liabilities in the Company's consolidated balance sheets. Finance leases are included in property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities in the Company's consolidated balance sheets. Finance leases were not material to the consolidated financial statements as of December 31, 2019.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the later of the adoption date of the new standard or the commencement date. The lease liability is based on the present value of lease payments over the lease term (or the remaining term in the case of existing leases at time the Company adopted ASC 842). The Company uses the implicit rate when readily determinable. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset is based on the lease liability, subject to adjustment, such as for initial direct costs, and excludes lease incentives. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. For most operating leases, expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for as a single lease component, such as for real estate leases. For certain equipment leases, such as colocation facilities, the Company accounts for the lease and non-lease components separately.

3. REVENUE

The following is a description of the principal activities from which the Company generates revenue.

Subscription

Subscription revenues primarily consist of cloud-hosted offerings which provide customers a right to access, one or more of the Company's cloud-hosted subscription offerings, with routine customer support, as well as revenues from the CSP program and on-premise subscription software licenses. For the Company's cloud-hosted performance obligations, revenue is generally recognized on a ratable basis over the contract term beginning on the date that the Company's service is made available to the customer, as the Company continuously provides online access to the web-based software that the customer can use at any time. The CSP program provides subscription-based services in which the CSP partners host software services to their end users.

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Product and license

Product and license revenues are primarily derived from perpetual offerings related to the Company's Workspace solutions and Networking products. For performance obligations related to perpetual software license agreements, the Company determined that its licenses are functional intellectual property that are distinct as the user can benefit from the software on its own.

Support and services

Support and services revenues include license updates, maintenance and professional services which are primarily related to the Company's perpetual offerings. License updates and maintenance revenues are primarily comprised of software and hardware maintenance, when and if-available updates and technical support. For performance obligations related to license updates and maintenance, revenue is generally recognized on a straight-line basis over the period of service because the Company transfers control evenly by providing a stand-ready service. The Company is continuously working on improving its products and pushing those updates through to the customer, and stands ready to provide software updates on a when and if-available basis. Services revenues are comprised of fees from consulting services primarily related to the implementation of the Company's products and fees from product training and certification.

The Company's typical performance obligations include the following:

Performance Obligation	When Performance Obligation is Typically Satisfied
<i>Subscription</i>	
Cloud hosted offerings	Over the contract term, beginning on the date that service is made available to the customer (over time)
CSP	As the usage occurs (over time)
On-premise subscription software licenses	When software activation keys have been made available for download (point in time)
<i>Product and license</i>	
Software Licenses	When software activation keys have been made available for download (point in time)
Hardware	When control of the product passes to the customer; typically upon shipment (point in time)
<i>Support and services</i>	
License updates and maintenance	Ratably over the course of the service term (over time)
Professional services	As the services are provided (over time)

Sales tax

The Company records revenue net of sales tax.

Timing of revenue recognition

	December 31,	
	2019	2018
	(In Thousands)	
Products and services transferred at a point in time	\$ 722,324	\$ 821,111
Products and services transferred over time	2,288,240	2,152,792
Total net revenues	\$ 3,010,564	\$ 2,973,903

Contract balances

The Company's short-term and long-term contract assets were \$12.2 million and \$20.5 million, respectively, as of December 31, 2019. The Company's short-term and long-term contract assets were \$4.6 million and \$3.7 million, respectively, as of December 31, 2018. The increase in the Company's contract asset balances is primarily the result of unbilled amounts from multi-year on-premise licensing subscriptions where the revenue recognized exceeds the amount invoiced to the customer, and right to payment is not solely subject to the passage of time.

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The Current portion of deferred revenues and the Long-term portion of deferred revenues were \$1.35 billion and \$443.5 million, respectively, as of December 31, 2019 and \$1.35 billion and \$489.3 million, respectively, as of December 31, 2018. The difference in the opening and closing balances of the Company’s contract assets and liabilities primarily results from the timing difference between the Company’s performance and the customer’s payment. During the year ended December 31, 2019, the Company recognized \$1.33 billion of revenue that was included in the deferred revenue balance as of December 31, 2018. During the year ended December 31, 2018, the Company recognized \$1.25 billion of revenue that was included in the deferred revenue balance as of January 1, 2018.

The Company performs its obligations under a contract with a customer by transferring solutions and services in exchange for consideration from the customer. Accounts receivable are recorded when the right to consideration becomes unconditional. The timing of the Company’s performance often differs from the timing of the customer’s payment, which results in the recognition of a contract asset or a contract liability. The Company recognizes a contract asset when the Company transfers products or services to a customer and the right to consideration is conditional on something other than the passage of time. The Company recognizes a contract liability when it has received consideration or an amount of consideration is due from the customer and the Company has a future obligation to transfer products or services. The Company had no material asset impairment charges related to contract assets for the years ended December 31, 2019 and 2018, respectively.

For the Company’s software and hardware products, the timing of payment is typically upfront for its perpetual offerings and the Company’s on-premise subscriptions. Therefore, deferred revenue is created when a contract includes performance obligations such as license updates and maintenance or certain professional services that are satisfied over time. For subscription contracts, the timing of payment is typically in advance of services, and deferred revenue is created as these services are provided over time.

A significant portion of the Company’s contracts have an original duration of one year or less; therefore, the Company applies a practical expedient to determine whether a significant financing component exists and does not consider the effects of the time value of money. For multi-year contracts, the Company bills annually.

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period (in thousands):

	<1-3 years	3-5 years	5 years or more	Total
Subscription	\$ 828,604	\$ 104,890	\$ 1,350	\$ 934,844
Support and services	1,521,564	43,240	972	1,565,776
Total net revenues	<u>\$ 2,350,168</u>	<u>\$ 148,130</u>	<u>\$ 2,322</u>	<u>\$ 2,500,620</u>

4. ACQUISITIONS

2018 Business Combinations

Sapho, Inc.

On November 13, 2018, the Company acquired all of the issued and outstanding securities of Sapho, Inc. (“Sapho”), whose technology is intended to advance the Company’s development of the intelligent workspace. The acquired technology enables efficient workstyles by creating a unified and customizable notification experience for business applications. The total cash consideration for this transaction was \$182.7 million, net of \$3.7 million cash acquired. Transaction costs associated with the acquisition were not significant.

Cedexis, Inc.

On February 6, 2018, the Company acquired all of the issued and outstanding securities of Cedexis, Inc. (“Cedexis”) whose solution is a real-time data driven service for dynamically optimizing the flow of traffic across public clouds and data centers that provides a dynamic and reliable way to route and manage Internet performance for customers moving towards hybrid and multi-cloud deployments. The total cash consideration for this transaction was \$66.0 million, net of \$6.0 million cash acquired. Transaction costs associated with the acquisition were not significant. During the third quarter of 2019, the Company 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, the Company impaired a portion of the carrying value of the intangible assets related to this acquisition in the third quarter of 2019. See Note 2 for more information on the impairment.

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5. INVESTMENTS

Available-for-sale Investments

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

Description of the Securities	December 31, 2019				December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	\$ 1,681	\$ 1	\$ —	\$ 1,682	\$ 314,982	\$ 333	\$ (2,367)	\$ 312,948
Corporate securities	49,027	6	(149)	48,884	612,698	116	(4,156)	608,658
Municipal securities	—	—	—	—	2,500	4	—	2,504
Government securities	9,124	5	—	9,129	234,668	91	(935)	233,824
Total	\$ 59,832	\$ 12	\$ (149)	\$ 59,695	\$1,164,848	\$ 544	\$ (7,458)	\$ 1,157,934

The change in net unrealized (losses) gains on available-for-sale securities recorded in Other comprehensive 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 and other than temporary impairments, as well as prepayments of available-for-sale investments purchased at a premium. 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, 2019 were approximately 4 months and 2 years, respectively.

Realized Gains and Losses on Available-for-sale Investments

For the years ended December 31, 2019 and 2018, the Company had realized gains on the sales of available-for-sale investments of \$1.5 million and \$0.1 million, respectively. For the years ended December 31, 2019 and 2018, the Company had realized losses on available-for-sale investments of \$0.9 million and \$1.5 million, respectively, primarily related to sales of these investments during the period. All realized gains and losses related to the sales of available-for-sale investments are included in Other income (expense), net, in the accompanying consolidated statements of income.

Unrealized Losses on Available-for-Sale Investments

The Company regularly reviews its investments for impairments based on criteria that include the duration of the market decline and the Company's ability to hold its investment until recovery of its amortized cost basis. During the year ended December 31, 2018, the Company recorded an other than temporary impairment of \$4.6 million of certain available-for-sale securities, which was included in Other income (expense), net in the accompanying consolidated statements of income.

The gross unrealized losses on the Company's available-for-sale investments that are not deemed to be other-than-temporarily impaired were \$0.1 million and \$2.9 million as of December 31, 2019 and 2018, respectively. Because the Company does not intend to sell any of its investments in an unrealized loss position, other than as noted above, 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 these securities to be other-than-temporarily impaired.

Equity Securities without Readily Determinable Fair Values

The Company held direct investments in privately-held companies of approximately \$12.3 million and \$13.4 million as of December 31, 2019, and 2018, respectively, which are accounted for at cost, less impairment plus or minus adjustments resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer. These investments are included in Other assets in the accompanying consolidated balance sheets. The Company periodically reviews these investments for impairment and observable price changes on a quarterly basis, and adjusts the carrying value accordingly. The Company determined that there were no material adjustments resulting from observable price changes to the Company's investments in privately-held companies without a readily determinable fair value for the years ended December 31, 2019 and 2018. The fair value of these investments represents a Level 3 valuation as the assumptions used in valuing these investments are not directly or indirectly observable. See Note 6 for detailed information on fair value measurements.

Equity Securities Accounted for at Net Asset Value

The Company held equity interests in certain private equity funds of \$11.2 million and \$10.9 million as of December 31, 2019, and 2018, respectively, which are accounted for under the net asset value practical expedient. These investments are included in Other assets in the accompanying consolidated balance sheets. The net asset value of these investments is determined using quarterly capital statements from the funds, which are based on the Company's contributions to the funds, allocation of profit and loss and changes in fair value of the underlying fund investments. These private equity funds focus on making venture capital investments, principally by investing in equity securities of early and late stage privately held corporations. The funds' general partner shall determine the amount, timing and form (whether cash or in kind) of all distributions made by the funds. The Company may only transfer its investments in private equity fund interests subject to the general partner's written consent and cannot trade its fund interests in established securities markets, secondary markets or equivalents thereof. The Company has unfunded commitments of \$0.7 million as of December 31, 2019.

6. 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 applies a four level hierarchical pricing methodology to all of the Company's fixed income securities based on the circumstances. The hierarchy starts with the highest priority pricing source, then subsequently uses inputs obtained from other third-party sources and large custodial institutions. 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.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

	As of December 31, 2019	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	\$ 474,756	\$ 474,756	\$ —	\$ —
Money market funds	42,019	42,019	—	—
Agency securities	19,993	—	19,993	—
Corporate securities	8,993	—	8,993	—
Government securities	—	—	—	—
Available-for-sale securities:				
Agency securities	1,682	—	1,682	—
Corporate securities	48,884	—	47,884	1,000
Municipal securities	—	—	—	—
Government securities	9,129	—	9,129	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	1,889	—	1,889	—
Total assets	\$ 607,345	\$ 516,775	\$ 89,570	\$ 1,000
Accrued expenses and other current liabilities:				
Foreign currency derivatives	1,390	—	1,390	—
Total liabilities	\$ 1,390	\$ —	\$ 1,390	\$ —

	As of December 31, 2018	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	\$ 505,363	\$ 505,363	\$ —	\$ —
Money market funds	88,126	88,126	—	—
Agency securities	3,296	—	3,296	—
Corporate securities	9,371	—	9,371	—
Government securities	12,610	—	12,610	—
Available-for-sale securities:				
Agency securities	312,948	—	312,948	—
Corporate securities	608,658	—	607,945	713
Municipal securities	2,504	—	2,504	—
Government securities	233,824	—	233,824	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	764	—	764	—
Total assets	\$ 1,777,464	\$ 593,489	\$ 1,183,262	\$ 713
Accrued expenses and other current liabilities:				
Foreign currency derivatives	2,543	—	2,543	—
Total liabilities	\$ 2,543	\$ —	\$ 2,543	\$ —

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The Company's fixed income available-for-sale security portfolio generally consists of 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 the majority of its fixed income available-for-sale securities as Level 2.

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 Non-recurring Basis Using Significant Unobservable Inputs (Level 3)

During 2019, certain direct investments in privately-held companies with a combined carrying value of \$2.4 million were determined to be impaired and written down to their fair values of \$0.4 million, resulting in impairment charges of \$2.0 million. During 2018, certain direct investments in privately-held companies with a combined carrying value of \$2.8 million were determined to be impaired and have been written down to their fair values of \$1.9 million resulting in impairment charges of \$0.9 million. The impairment charges are included in Other income (expense), net in the accompanying consolidated statements of income for the years ended December 31, 2019 and 2018. In determining the fair value of the 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.

Additional Disclosures Regarding Fair Value Measurements

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

As of December 31, 2019, the fair value of the \$750.0 million of unsecured senior notes due December 1, 2027 (the "2027 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, 2019, and carrying value of the 2027 Notes was as follows (in thousands):

	Fair Value	Carrying Value
2027 Notes	\$ 813,998	\$ 742,926

See Note 13 for more information on the 2027 Notes.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following:

	December 31,	
	2019	2018
	(In thousands)	
Accrued compensation and employee benefits	\$ 196,846	\$ 196,847
Other accrued expenses	134,834	93,645
Total	\$ 331,680	\$ 290,492

8. 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, 2019, 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 Amended and Restated 2014 Equity Incentive Plan (the "2014 Plan"), which was approved at the Company's Annual Meeting of Stockholders on June 22, 2017. In March 2019, the Company's Board of Directors adopted an amendment to the 2014 Plan, which was approved at the Company's Annual Meeting of Stockholders on June 4, 2019. The Company's superseded stock plans with outstanding awards include 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

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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. ISOs, NSOs, and SARs are not currently being granted. Pursuant to the June 2019 amendment, the maximum number of shares of common stock available for issuance under the 2014 Plan was reduced to 43,400,000. In addition, the amendment removes the fungible share adjustment used to determine shares available for issuance. Under the original terms of the 2014 Plan, shares available for issuance were adjusted by a 2.75 fungible share factor. Pursuant to the amendment, beginning on June 4, 2019, each share award granted under the 2014 Plan will reduce the share reserve by one share and all share awards granted on June 4, 2019 and thereafter that are later forfeited, canceled or terminated will be returned to the share reserve in the same manner. 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, 2019, there were 11,894,175 shares of common stock reserved for issuance pursuant to the Company's stock-based compensation plans including authorization under its 2014 Plan to grant stock-based awards covering 6,156,746 shares of common stock.

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. 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 either the first business day of the Payment Period or the last business day of the Payment Period, whichever is lower. 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 continue 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, 2019, 2,192,755 shares have been issued under the 2015 ESPP. The Company recorded stock-based compensation costs related to its employee stock purchase plan of \$12.4 million, \$9.8 million and \$10.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company used the Black-Scholes model to estimate the fair value of the 2015 ESPP awards with the following weighted-average assumptions:

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Expected volatility factor	0.22 - 0.29	0.26 - 0.29	0.27 - 0.29
Risk free interest rate	2.06% - 2.49%	1.12% - 2.19%	0.60% - 1.12%
Expected dividend yield	1.27% - 1.39%	0% - 1.27%	0 %
Expected life (in years)	0.5	0.5	0.5

The Company determined the expected volatility factor by considering the implied volatility in six-month market-traded options of the Company's common stock based on third party volatility quotes. The Company's decision to use implied volatility was based upon the availability of actively traded options on the Company's common stock and its assessment that implied volatility is more representative of future stock price trends than historical volatility. The risk-free interest rate was based on a U.S. Treasury instrument whose term is consistent with the expected term of the stock options. The Company's historical dividend yield input was zero in prior periods as it has not historically paid cash dividends on its common stock. The current dividend yield has been updated for expected dividend yield payout given the Company started paying a recurring quarterly dividend beginning in December 2018. The expected term is based on the term of the purchase period for grants made under the ESPP.

Expense Information

As required by the authoritative guidance prior to January 1, 2017, the Company estimated forfeitures of stock awards and recognized compensation costs only for those awards expected to vest. Forfeiture rates were determined based on historical experience. The Company also considered whether there had been any significant changes in facts and circumstances that

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would affect its forfeiture rate quarterly. Estimated forfeitures were adjusted to actual forfeiture experience as needed. Subsequent to January 1, 2017, in connection with the adoption of an accounting standard update, the Company made a policy election to account for forfeitures as they occur rather than on an estimated basis.

The Company recorded stock-based compensation costs, related deferred tax assets and tax benefits of \$278.9 million, \$54.4 million and \$59.5 million, respectively, in 2019, \$203.6 million, \$39.7 million and \$49.7 million, respectively, in 2018 and \$165.1 million, \$46.1 million and \$72.9 million, respectively, in 2017.

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

Income Statement Classifications	2019	2018	2017
Cost of subscription, support and services	\$ 10,921	\$ 7,979	\$ 4,281
Research and development	104,553	66,154	47,291
Sales, marketing and services	95,535	72,406	55,173
General and administrative	67,883	57,080	58,375
Total	<u>\$ 278,892</u>	<u>\$ 203,619</u>	<u>\$ 165,120</u>

Non-vested Stock Units

Market Performance and Service Condition Stock Units

In March 2017, the Company granted senior level employees non-vested stock unit awards representing, in the aggregate, 275,148 non-vested stock units that vest based on certain target performance and service conditions. The number of non-vested stock units underlying the award was determined within sixty days of the three-year performance period ending December 31, 2019. The attainment level under the award will be based on the Company's relative total return to stockholders over the performance period compared to a pre-established custom index group. If the Company's relative total return to stockholders is between the 41st percentile and the 80th percentile when compared to the index companies, the number of non-vested stock units earned will be based on interpolation. The maximum number of non-vested stock units that may vest pursuant to the awards is capped at 200% of the target number of non-vested stock units set forth in the award agreement and is earned if the Company's relative total return to stockholders when compared to the index companies is at or greater than the 80th percentile. If the Company's total return to stockholders is negative, the number of non-vested stock units earned will be no more than 100% regardless of the Company's relative total return to stockholders compared to the index companies. 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. In December 2018, certain awards for senior level employees, none of whom were executive officers, were modified to replace the pre-established custom index group used to measure performance and related award payout to companies that are part of the Nasdaq Composite index. As a result, the awards were revalued as of the modification date. The impact of the modification was not material to the consolidated financial statements.

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:

	March 2017 Grant (Modified)	March 2017 Grant
Expected volatility factor	0.16 - 0.32	0.27 - 0.32
Risk free interest rate	2.67 %	1.48 %
Expected dividend yield	0 %	0 %

For the unmodified March 2017 grant, the range of expected volatilities utilized was based on the historical volatilities of the Company's common stock and the average of its peer group. 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 its peer group in order to model the stock price movements. The volatilities used were calculated over the most recent 2.75 year period,

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which is commensurate with the awards' performance period at the grant date. 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 performance period. In addition, 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 \$104.05.

For the modified March 2017 grant, all input variables chosen are as of the modification date. The range of expected volatilities utilized was based on the historical volatilities of the Company's common stock and the average of the Nasdaq Composite index peer group. 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 its peer group in order to model the stock price movements. The volatilities used were calculated over the most recent 1.06 year period, which is commensurate with the awards' remaining performance period at the modification date. 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 used a zero dividend yield input for this award as dividends are assumed to be reinvested. The estimated incremental fair value of each modified award as of the modification date was \$99.54.

Both the unmodified and modified March 2017 awards vested on December 31, 2019 and met the performance metric underlying the awards. Final payout approval was obtained within sixty days of the vesting date in accordance with the award provisions.

Service Based Stock Units

The Company also awards senior level employees, certain other employees and new non-employee directors, 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. 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 continuing 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.

Company Performance Stock Units

In April 2019, the Company awarded senior level employees 293,991 non-vested performance stock unit awards granted under the 2014 Plan. The number of non-vested stock units underlying the award will be determined within sixty days following completion of the performance period ending December 31, 2021 and will be based on the achievement of specific corporate financial performance goals related to subscription bookings as a percentage of total subscription and product bookings measured during the period from January 1, 2021 to December 31, 2021. 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 200% of the target 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. Compensation expense will be recorded through the end of the performance period on December 31, 2021 if it is deemed probable that the performance goals will be met. If the performance goals are not met, no compensation cost will be recognized and any previously recognized compensation cost will be reversed.

In February 2019, the Company had awarded certain senior level employees 93,500 non-vested performance stock units granted under the 2014 Plan. The number of non-vested stock units underlying the award were to be determined within sixty days following the completion of the performance period ending December 31, 2020 and were based on the achievement of specific corporate financial performance goals between the fiscal years ended December 31, 2018 and December 31, 2020. The Company was required to estimate the attainment expected to be achieved related to the defined performance goals and the number of non-vested stock units that would have ultimately been awarded in order to recognize compensation expense over the vesting period. Each non-vested stock unit, upon vesting, represented the right to receive one share of the Company's common stock. Compensation expense would have been recorded through the end of the performance period on December 31, 2020 if it was deemed probable that the performance goals would have been met. In January 2020, the non-vested performance stock units were cancelled pursuant to a forfeiture agreement executed by each holder in return for nominal cash consideration. The impact of the cancellation was not material to the consolidated financial statements.

In March 2018, the Company awarded senior level employees 268,729 non-vested performance stock unit awards granted under the 2014 Plan. The number of non-vested stock units underlying the award will be determined within sixty days following completion of the performance period ending December 31, 2020 and will be based on the achievement of specific corporate financial performance goals related to subscription bookings as a percentage of total product bookings measured

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during the period from January 1, 2020 to December 31, 2020. As defined in the applicable award agreements, total product bookings includes subscription bookings. 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 200% of the target 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. Compensation expense will be recorded through the end of the performance period on December 31, 2020 if it is deemed probable that the performance goals will be met. If the performance goals are not met, no compensation cost will be recognized and any previously recognized compensation cost will be reversed.

On August 1, 2017, the Company awarded certain senior level employees 184,322 non-vested performance stock unit granted under the 2014 Plan. The number of non-vested stock units underlying each award was determined within sixty days of the calendar year following completion of the performance period ending December 31, 2019 and was based on achievement of specific corporate financial performance goals related to non-GAAP net operating margin and subscription bookings as a percent of total product bookings measured during the period from January 1, 2019 to December 31, 2019. As defined in the applicable award agreements, total product bookings includes subscription bookings. 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 200% of the target 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. The non-GAAP net operating margin and subscription bookings as a percent of total product targets were set in the first quarter of 2018. As a result, such awards were not outstanding under U.S. GAAP until the first quarter of 2018 when the performance goals were determined and subsequently communicated to employees who received these awards. Finally, these awards vested on December 31, 2019 and met the underlying performance metrics. As a result, compensation expense was recorded through the end of the performance period. The final payout approval related to the awards was obtained within sixty days of the vesting date in accordance with the award provisions.

Modification of Market and Company Performance Stock Units

On April 22, 2019, the change in control provisions of the unvested and outstanding March 2017 market performance stock unit awards and the February 2019, March 2018 and August 2017 company performance stock unit awards were modified such that if a change in control were to occur prior to the end of the award's performance period, the award would be deemed earned at 200% of the target award, subject to time-based vesting and the awardee's continuous employment through the end of the award's performance periods. Previously, the change in control provisions of these awards allowed for either pro rata vesting or vesting based on interim performance through the change in control date. No incremental compensation expense was recorded as a result of this modification given the improbable nature of a change in control event.

Non Vested Stock Unit Activity for the Year

The following table summarizes the Company's non-vested stock unit activity for the year ended December 31, 2019:

	Number of Shares	Weighted- Average Fair Value at Grant Date
Non-vested stock units at December 31, 2018	5,853,501	\$ 88.79
Granted	3,444,414	97.98
Vested	(2,911,198)	84.76
Forfeited	(698,183)	97.23
Non-vested stock units at December 31, 2019	5,688,534	96.68

For the years ended December 31, 2019, 2018 and 2017, the Company recognized stock-based compensation expense of \$266.5 million, \$193.8 million and \$149.8 million, respectively, related to non-vested stock units. The fair value of the non-vested stock units released in 2019, 2018, and 2017 was \$246.7 million, \$149.3 million and \$150.0 million, respectively. As of December 31, 2019, there was \$392.1 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 1.69 years.

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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 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 \$14.4 million, \$13.0 million and \$13.7 million in 2019, 2018 and 2017, respectively. The Company's matching contributions vest immediately.

9. CAPITAL STOCK

Stock Repurchase Programs

The Company's Board of Directors authorized an ongoing stock repurchase program, of which \$600.0 million was approved in October 2019. 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, 2019, \$914.0 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 and 2027 Notes offerings, as well as proceeds from employee stock awards exercises and the related tax benefit. The Company is authorized to make 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.

In November 2017, the Company purchased \$750.0 million of shares of its common stock through the ASR agreement with the ASR counterparty. The Company paid \$750.0 million to the ASR counterparty under the ASR agreement and received approximately 7.1 million shares of its common stock from the ASR counterparty, which represented 80 percent of the value of the shares to be repurchased pursuant to the ASR agreement. 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 its common stock during the term of the ASR agreement, less a discount. Final settlement of the ASR agreement was completed in January 2018 and the Company received delivery of an additional 1.4 million shares of its common stock.

In February 2018, the Company entered into an ASR transaction with a counterparty to pay an aggregate of \$750.0 million in exchange for the delivery of approximately 6.5 million shares of its common stock based on current market prices. The purchase price per share under the ASR was based on the volume-weighted average price of the Company's common stock during the term of the ASR, less a discount. The ASR was entered into pursuant to the Company's existing share repurchase program. Final settlement of the ASR agreement was completed in April 2018 and the Company received delivery of an additional 1.6 million shares of its common stock.

During the year ended December 31, 2019, the Company expended \$453.9 million on open market purchases under the stock repurchase program, repurchasing 4,533,688 shares of outstanding common stock at an average price of \$100.11.

During the year ended December 31, 2018, the Company expended \$511.2 million on open market purchases under the stock repurchase program, repurchasing 4,730,542 shares of outstanding common stock at an average price of \$108.05.

During the year ended December 31, 2017, the Company expended \$575.0 million on open market purchases under the stock repurchase program, repurchasing 7,384,368 shares of outstanding common stock at an average price of \$77.86.

Shares for Tax Withholding

During the years ended December 31, 2019, 2018 and 2017, the Company withheld 882,078 shares, 739,522 shares and 974,501 shares, respectively, from equity awards that vested. Amounts withheld to satisfy minimum tax withholding obligations that arose on the vesting of equity awards was \$89.2 million, \$71.6 million and \$80.0 million, for 2019, 2018 and 2017, respectively. These shares are reflected as treasury stock in the Company's consolidated balance sheets and the related cash outlays do not reduce the Company's total stock repurchase authority.

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, 2019 or 2018.

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Cash Dividend

The following table provides information with respect to quarterly dividends on common stock during the years ended December 31, 2019 and 2018.

Declaration Date	Dividends per Share	Record Date	Payable Date
October 24, 2018	\$ 0.35	December 7, 2018	December 21, 2018
January 23, 2019	\$ 0.35	March 8, 2019	March 22, 2019
April 24, 2019	\$ 0.35	June 7, 2019	June 21, 2019
July 24, 2019	\$ 0.35	September 6, 2019	September 20, 2019
October 24, 2019	\$ 0.35	December 6, 2019	December 20, 2019

Subsequent Event

On January 22, 2020, the Company announced that its Board of Directors approved a quarterly cash dividend of \$0.35 per share. This dividend is payable on March 20, 2020 to all shareholders of record as of the close of business on March 6, 2020. Future dividends will be subject to Board approval. Additionally, its Board of Directors increased the Company's share repurchase authorization by \$1.00 billion.

On January 30, 2020, the Company used the proceeds from its term loan credit agreement (the "Term Loan Credit Agreement") to enter into accelerated share repurchase transactions ("ASR") with each of Goldman Sachs & Co. LLC and Wells Fargo Bank, National Association (each, a "Dealer") for an aggregate of \$1.00 billion. Under the ASR transactions, the Company received an initial share delivery of 6.5 million shares of its common stock, with the remainder, if any, delivered upon completion of the ASR transactions. The total number of shares of common stock that the Company will repurchase under each ASR agreement will be based on the average of the daily volume-weighted average prices of its common stock during the term of the applicable ASR agreement, less a discount. At settlement, each Dealer may be required to deliver additional shares of common stock to the Company or, under certain circumstances, the Company may be required to deliver shares of common stock, at its election, or make a cash payment to the applicable Dealer. See Note 13 for detailed information on the Term Loan Credit Agreement.

10. COMMITMENTS AND CONTINGENCIES

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 any pending claims, suits, assessments, regulatory investigations, or other legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is 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.

Due to the nature of the Company's business, the Company is subject to patent infringement claims, including current litigation alleging infringement by various Company solutions and services. The Company believes that it has meritorious defenses to the allegations made in its pending litigation and intends to vigorously defend itself; 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 subject to various other legal proceedings, including suits, assessments, regulatory actions and investigations generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcomes of these matters, the Company believes that outcomes that will materially and adversely affect its business, financial position, results of operations or cash flows are reasonably possible but not estimable at this time.

The Company was the victim of a previously disclosed cyberattack during which international cyber criminals gained intermittent access to Citrix's internal network. The Company's investigation of this incident confirmed that between October 13, 2018 and March 8, 2019, international cyber criminals gained intermittent access to Citrix's internal network through "password spraying", and over a limited number of days stole business documents and files from a shared network drive and a drive associated with a web-based tool used in the Company's consulting practice. The shared drive from which documents and files were stolen was used to store current and historical business documents and files, such as human resources and employee records, some of which contained sensitive and personal identification information of the Company's current and former

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employees and, in some cases, their beneficiaries, dependents and others; customer engagement documents, including consulting services project materials, statements of work and proofs of concept, some of which were also stored on the drive associated with a web-based tool used in the Company's consulting practice; marketing materials; sales and finance documents; contracts and other legal records; and a wide assortment of other company records. The Company has completed its review of the documents and files that may have been accessed or were stolen in this incident, and the Company has completed notifications to regulators. The Company's investigation found no indication that the cyber criminals discovered and exploited any vulnerabilities in the Company's products or customer cloud services to gain entry, and no indication that the security of any Citrix product or customer cloud service was compromised. The Company found no impact to its financial reporting systems from this cyberattack. Additionally, the Company has taken steps to enhance its internal controls over financial reporting and disclosure controls and procedures related to cyberattacks.

Further, the Company has a program of network-security (or cyber risk) insurance policies that, with standard exclusions, insure against the costs of detecting and mitigating cyber breaches, the cost of credit monitoring, and reasonable expenses for defending and settling privacy and network security lawsuits. These policies are subject to a \$500,000 self-insured retention and a total insurance limit of \$200.0 million. There can be no assurance, however, that this insurance coverage is sufficient to cover this or any other cyberattack. In addition to these insurance policies, the Company maintains customary business coverage under its crime, commercial general liability, and director and officer insurance policies.

Although it is difficult to predict the ultimate outcomes of this cyberattack, to date, three putative class action lawsuits have been filed against the Company in the United States District Court for the Southern District of Florida. These matters, Howard v. Citrix, Jackson and Sargent v. Citrix, and Ramus, Young and Charles v. Citrix, were filed on May 24, 2019, May 30, 2019, and June 23, 2019, respectively, and have been consolidated. The plaintiffs, who purport to represent various classes of current and former employees (and their dependents) of the Company, generally claim to have been harmed by the Company's alleged actions and/or omissions in connection with this incident and their personal data. They assert a variety of common law and statutory claims seeking monetary damages or other related relief.

The Company is unable to currently determine the ultimate outcome of these legal proceedings or the potential exposure or loss, if any, because the legal proceedings remain in the early stages, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

Beyond the matters described above, the Company believes that it is reasonably possible that outcomes from potential unasserted claims related to this cyberattack could materially and adversely affect its business, financial position, results of operations or cash flows. However, it is not possible to estimate the amount or a range of potential loss, if any, at this time, and the Company will continue to evaluate information as it becomes known, and will record an accrual for estimated losses at the time or times it is determined that a loss is both probable and reasonably estimable.

On July 25, 2019, a class action lawsuit was filed against Citrix, LogMeIn, Inc. ("LogMeIn") and certain of their directors and officers in the Circuit Court of the 15th Judicial Circuit, Palm Beach County, Florida. The complaint alleges that the defendants violated federal securities laws by making alleged misstatements and omissions in LogMeIn's Registration Statement and Prospectus filed in connection with the 2017 spin-off of Citrix's GoTo family of service offerings and subsequent merger of that business with LogMeIn. The complaint seeks among other things the recovery of monetary damages. The Company believes that Citrix and its directors have meritorious defenses to these allegations, however, the Company is unable to currently determine the ultimate outcome of this matter or the potential exposure or loss, if any.

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. 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.

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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, 2020 to be \$10.8 million. The Company also has contingent obligations to purchase inventory for the fiscal year ended December 31, 2020 of \$15.6 million. The Company does not have any purchase obligations beyond December 31, 2020.

Other Purchase Commitments

In June 2018 and 2019, the Company entered into two amended agreements with third-party providers, respectively, in the ordinary course of business, for the Company's use of certain cloud services through June 2021. Under the amended agreements, the Company is committed to a purchase of \$50.0 million in fiscal year 2020.

11. INCOME TAXES

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 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.

On December 22, 2017, President Donald Trump signed the Tax Cuts and Jobs Act (the "2017 Tax Act") into law effective January 1, 2018. The 2017 Tax Act significantly revised the U.S. tax code by, in part but not limited to: reducing the U.S. corporate maximum tax rate from 35% to 21%, imposing a mandatory one-time transition tax on certain un-repatriated earnings of foreign subsidiaries, modifying executive compensation deduction limitations, and repealing the deduction for domestic production activities. Under Accounting Standards Codification 740, Income Taxes, the Company must recognize the effects of tax law changes in the period in which the new legislation is enacted.

The SEC staff acknowledged the challenges companies face incorporating the effects of the 2017 Tax Act by their financial reporting deadlines. In response, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete accounting for certain income tax effects of the 2017 Tax Act. During the period ended December 31, 2018, the Company completed the accounting for the tax effects of all of the provisions of the 2017 Tax Act within the required measurement period and as a result recorded adjustments to the previous provisional amounts. Adjustments recorded during the period ended December 31, 2018 include in part a tax benefit of \$26.3 million attributable to a tax benefit of \$21.9 million related to the finalization of the one-time transition tax on deemed repatriation of foreign income and a tax benefit of \$4.4 million related to the finalization of the remeasurement of the U.S. deferred tax assets and liabilities due to the maximum U.S. federal corporate rate reduction from 35% to 21%.

On May 19, 2019, Swiss voters approved the Federal Act on Tax Reform and AHV Financing ("TRAF"), which provides for broad changes to federal and cantonal taxation in Switzerland effective January 1, 2020. The TRAF requires the abolishment of certain favorable tax regimes, provides for certain transitional relief, and directs the cantons to implement certain mandatory measures while other provisions are at the discretion of the canton. During the period ended December 31, 2019, the cantonal authority provided its guidance for the cantonal tax implications of the TRAF. As a result of the TRAF and the accompanying guidance from the Swiss taxing authorities, the Company recorded a deferred tax asset and related tax benefits of \$145.6 million and \$99.9 million attributable to the cantonal and federal impact of the TRAF, respectively. The Company also recorded a valuation allowance of \$33.5 million to reduce the cantonal deferred tax asset as it is not more likely than not the cantonal deferred tax asset will be fully realized. The income tax impact of the TRAF may be subject to change due to the issuance of further legislative guidance from the Swiss taxing authorities.

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

	2019	2018	2017
	(In thousands)		
United States	\$ 31,932	\$ 174,519	\$ 78,897
Foreign	477,568	454,936	471,449
Total	\$ 509,500	\$ 629,455	\$ 550,346

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

	2019	2018	2017
	(In thousands)		
Current:			
Federal	\$ 7,718	\$ (19,461)	\$ 374,602
Foreign	63,205	70,146	56,526
State	1,697	16,259	3,075
Total current	<u>72,620</u>	<u>66,944</u>	<u>434,203</u>
Deferred:			
Federal	(35,932)	1,899	52,842
Foreign	(209,010)	(14,804)	(5,468)
State	9	(251)	46,784
Total deferred	<u>(244,933)</u>	<u>(13,156)</u>	<u>94,158</u>
Total provision	<u>\$ (172,313)</u>	<u>\$ 53,788</u>	<u>\$ 528,361</u>

The following table presents the breakdown of net deferred tax assets:

	December 31,	
	2019	2018
	(In thousands)	
Deferred tax assets	\$ 361,814	\$ 136,998
Deferred tax liabilities	(2,630)	(15,075)
Total net deferred tax assets	<u>\$ 359,184</u>	<u>\$ 121,923</u>

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

	December 31,	
	2019	2018
	(In thousands)	
Deferred tax assets:		
Accruals and reserves	\$ 53,465	\$ 27,022
Deferred revenue	58,977	62,085
Tax credits	107,046	81,720
Net operating losses	56,156	54,747
Stock based compensation	40,182	30,936
Swiss tax reform	245,554	—
Valuation allowance	(128,388)	(85,400)
Total deferred tax assets	<u>432,992</u>	<u>171,110</u>
Deferred tax liabilities:		
Acquired technology	(3,521)	(15,681)
Depreciation and amortization	(34,653)	(5,044)
Prepaid expenses	(29,775)	(23,213)
Other	(5,859)	(5,249)
Total deferred tax liabilities	<u>(73,808)</u>	<u>(49,187)</u>
Total net deferred tax assets	<u>\$ 359,184</u>	<u>\$ 121,923</u>

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. At December 31, 2019, the Company determined a \$128.4 million valuation allowance was necessary, which relates to deferred

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tax assets for net operating losses, tax credits and the cantonal deferred tax asset recorded due to the TRAF that may not be realized.

At December 31, 2019, the Company retained \$159.0 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 may begin to expire in 2020. At December 31, 2019, the Company held \$118.5 million of remaining net operating loss carry forwards in foreign jurisdictions that begin to expire in 2022. At December 31, 2019, the Company held \$146.0 million of federal and state research and development tax credit carry forwards in the United States, a portion of which may begin to expire in 2020.

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

	Year Ended December 31,		
	2019	2018	2017
Federal statutory taxes	21.0 %	21.0 %	35.0 %
State income taxes, net of federal tax benefit	0.3	0.7	2.1
Foreign operations	(5.8)	(5.4)	(20.0)
Permanent differences	3.0	2.0	2.6
The 2017 Tax Act - tax rate impact on deferred taxes	—	(0.7)	11.8
The 2017 Tax Act - transition tax	—	(3.5)	66.3
Tax reform - Switzerland	(48.2)	—	—
Change in valuation allowance reserve	7.4	0.4	8.8
Change in deferred tax liability related to acquired intangibles	—	(0.1)	0.3
Tax credits	(8.4)	(5.8)	(7.6)
Stock-based compensation	(1.9)	(1.9)	(3.6)
Change in accruals for uncertain tax positions	(1.1)	1.8	0.3
Other	(0.1)	—	—
	(33.8)%	8.5 %	96.0 %

The Company's effective tax rate generally differs from the U.S. federal statutory rate primarily due to lower tax rates on earnings generated by the Company's foreign operations that are taxed primarily in Switzerland.

The 2017 Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income provides that an entity may make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years, or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. Additionally, the 2017 Tax Act provides for a tax benefit to U.S. taxpayers that sell goods or services to foreign customers under the new Foreign Derived Intangible Income Deduction ("FDII") rules. As of December 31, 2019, the Company concluded to provide for the GILTI tax expense and FDII benefit in the year the tax is incurred and as a result the Company included federal and state GILTI and FDII amounts of \$3.8 million expense and \$3.8 million benefit, respectively, related to current-year operations only in its estimated annual effective tax rate and has not provided additional GILTI on deferred items. As of December 31, 2018, the Company included federal and state GILTI and FDII amounts of \$12.8 million expense and \$5.4 million benefit, respectively, related to current-year operations only in its estimated annual effective tax rate and has not provided additional GILTI on deferred items.

The Company's effective tax rate was approximately (33.8)% and 8.5% for the years ended December 31, 2019 and 2018, respectively. The decrease in the effective tax rate when comparing the year ended December 31, 2019 to the year ended December 31, 2018 was primarily due to tax items unique to each period including major changes to the tax regime in Switzerland and significant changes related to U.S. tax reform, as well as a change in the combination of income between the Company's U.S. and foreign operations. For the year ended December 31, 2019, unique tax items include tax benefits of \$112.1 million and \$99.9 million attributable to the cantonal and federal impact of the TRAF, respectively, and a tax benefit of \$20.1 million attributable to the 2015 U.S. federal income tax return statute of limitations closing. The results from the year ended December 31, 2018 also included unique tax items due to U.S. tax reform legislative changes including a tax benefit of \$21.9 million to true up the provisional transition tax on deemed repatriation of foreign income and a tax benefit of \$4.4 million to true up the provisional benefit for the remeasurement of U.S. deferred tax assets and liabilities because of the maximum U.S. federal corporate rate reduction from 35% to 21%.

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The Company's effective tax rate was approximately 8.5% and 96.0% for the years ended December 31, 2018 and 2017, respectively. The decrease in the effective tax rate when comparing the year ended December 31, 2018 was primarily due to accounting for the estimated tax impact of the 2017 Tax Act and the separation of the GoTo Business. Specifically, results from 2017 include a \$364.6 million provisional income tax charge for the transition tax on deemed repatriation of deferred foreign income, and a \$64.8 million provisional income tax charge for the remeasurement of U.S. deferred tax assets and liabilities because of the maximum U.S. federal corporate rate reduction from 35% to 21%. The Company also recorded a \$48.6 million income tax charge to establish a valuation allowance primarily due to a change in expectation of realizability of state R&D credits arising from the separation of the GoTo Business. During the year ended December 31, 2018, the Company recorded a tax benefit of \$21.9 million related to the finalization of the one-time transition tax on deemed repatriation of foreign income and a tax benefit of \$4.4 million related to the finalization of the remeasurement of U.S. deferred tax assets and liabilities because of the maximum U.S. federal corporate rate reduction from 35% to 21%.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2019 and 2018 is as follows (in thousands):

Balance at December 31, 2017	\$	77,849
Additions based on tax positions related to the current year		10,168
Additions for tax positions of prior years		10,325
Reductions related to the expiration of statutes of limitations		(8,436)
Balance at December 31, 2018		89,906
Additions based on tax positions related to the current year		11,244
Additions for tax positions of prior years		3,414
Reductions related to the expiration of statutes of limitations		(20,098)
Balance at December 31, 2019	\$	<u>84,466</u>

As of December 31, 2019, the Company's net unrecognized tax benefits totaled approximately \$84.5 million compared to \$89.9 million as of December 31, 2018. At December 31, 2019, \$57.1 million included in the balance for tax positions would affect the annual effective tax rate if recognized. The Company recognizes interest accrued related to uncertain tax positions and penalties in income tax expense. As of December 31, 2019, the Company has accrued \$3.2 million for the payment of interest.

The Company and one or more of its subsidiaries are subject to U.S. federal income taxes in the United States, as well as income taxes of multiple state and foreign jurisdictions. The Company is not currently under examination by the United States Internal Revenue Service. With few exceptions, the Company is generally not subject to examination for state and local income tax, or in non-U.S. jurisdictions by tax authorities for years prior to 2016.

On July 24, 2018, the U.S. Ninth Circuit Court of Appeals overturned the U.S. Tax Court's unanimous decision in *Altera v. Commissioner*, where the Tax Court held the Treasury regulation requiring participants in a qualified cost sharing arrangement to share stock-based compensation costs to be invalid. On August 7, 2018, the U.S. Ninth Circuit Court of Appeals, on its own motion, withdrew its July 24, 2018 opinion to allow time for a reconstituted panel to confer. Given the increased uncertainty as to the Ninth Circuit panel's eventual ruling and the impact it will have on the Internal Revenue Service's ability to challenge the technical merits of the Company's position, the Company accrued amounts for this uncertain tax position as of the year ended December 31, 2018. On June 7, 2019, a reconstituted panel issued a new opinion which again reversed the Tax Court's holding in *Altera v. Commissioner* and upheld a 2003 regulation that requires participants in a cost-sharing arrangement to share stock-based compensation costs. The Ninth Circuit panel concluded that the 2003 regulations were valid under the Administrative Procedure Act. Since the Company previously accrued amounts for this uncertain tax position, there were no changes to the Company's position or treatment of its cost-sharing arrangements in the current period. On July 22, 2019, Altera Corp. filed an appeal with the Ninth Circuit to rehear this case, which is ongoing. Therefore, the case's final disposition may result in a benefit for the Company in the future if the case is reversed.

The Company's U.S. liquidity needs are currently satisfied using cash flows generated from its U.S. operations, borrowings, or both. The Company also utilizes a variety of tax planning strategies in an effort to ensure that its worldwide cash is available in locations in which it is needed. The Company expects to repatriate a substantial portion of its foreign earnings over time, to the extent that the foreign earnings are not restricted by local laws or result in significant incremental costs associated with repatriating the foreign earnings.

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12. SEGMENT INFORMATION

Citrix has one reportable segment. The Company's CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's CEO is the CODM.

International revenues (sales outside of the United States) accounted for 48.2%, 47.0% and 46.3% of the Company's net revenues for the year ended December 31, 2019, 2018, and 2017, respectively.

Long-lived assets consist of property and equipment, net, and are shown below.

	December 31,	
	2019	2018
(In thousands)		
Property and equipment, net:		
United States	\$ 178,956	\$ 185,091
United Kingdom	24,681	25,459
Other countries	28,257	32,846
Total property and equipment, net	<u>\$ 231,894</u>	<u>\$ 243,396</u>

In fiscal years 2019 and 2018, one distributor, the Arrow Group, accounted for 15% and 14%, respectively, of the Company's total net revenues. In fiscal year 2017, two distributors, Ingram Micro and the Arrow Group, accounted for 13% and 12%, respectively, of the Company's total net revenues. The Company's distributor arrangements with the Arrow Group and Ingram Micro consist of several non-exclusive, independently negotiated agreements with its subsidiaries, each of which covers different countries or regions.

Revenues by product grouping were as follows for the years ended:

	December 31,		
	2019	2018	2017 ⁽⁴⁾
(In thousands)			
Net revenues:			
Workspace ⁽¹⁾	\$ 2,127,350	\$ 2,024,289	\$ 1,901,952
Networking ⁽²⁾	750,268	817,193	790,434
Professional services ⁽³⁾	132,946	132,421	132,300
Total net revenues	<u>\$ 3,010,564</u>	<u>\$ 2,973,903</u>	<u>\$ 2,824,686</u>

- (1) Workspace revenues are primarily comprised of sales from the Company's application virtualization solutions, which include Citrix Workspace, Citrix Virtual Apps and Desktops, the Company's unified endpoint management solutions, which include Citrix Endpoint Management, related license updates and maintenance and support, Citrix Content Collaboration, and cloud offerings.
- (2) Networking revenues primarily include Citrix ADC and Citrix SD-WAN, related license updates and maintenance and support and cloud offerings.
- (3) Professional services revenues are primarily comprised of revenues from consulting services and product training and certification services.
- (4) Prior period amounts have not been adjusted under the modified retrospective method of adoption of the revenue recognition standard.

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Revenues by Geographic Location

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

	December 31,		
	2019	2018	2017⁽¹⁾
	(In thousands)		
Net revenues:			
Americas	\$ 1,704,763	\$ 1,716,876	\$ 1,644,008
EMEA	991,216	956,365	888,072
APJ	314,585	300,662	292,606
Total net revenues	\$ 3,010,564	\$ 2,973,903	\$ 2,824,686

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method of adoption of the revenue recognition standard.

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 2019, 2018 and 2017 were \$161.2 million, \$141.9 million and \$151.9 million, respectively.

Strategic Service Providers

The Company defines Strategic Service Providers (SSP) as its three historically largest hyperscale Networking customers. The following table summarizes SSP revenue for the years ended:

	December 31,		
	2019	2018	2017⁽¹⁾
	(In thousands)		
Net revenues:			
SSP revenue	\$ 119,929	\$ 152,995	\$ 174,881
Non-SSP revenue	2,890,635	2,820,908	2,649,805
Total net revenues	\$ 3,010,564	\$ 2,973,903	\$ 2,824,686

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method of adoption of the revenue recognition standard.

Subscription Revenue

Subscription revenue relates to fees which are generally recognized ratably over the contractual term. The Company's subscription revenue includes Software as a Service (SaaS), which primarily consists of subscriptions delivered via a cloud service whereby the customer does not take possession of the software and hybrid subscription offerings; and non-SaaS, which consists primarily of on-premise licensing, hybrid subscription offerings, CSP services and the related support. The Company's hybrid subscription offerings are allocated between SaaS and non-SaaS, which are generally recognized at a point in time. The following table presents subscription revenues by SaaS and non-SaaS components, for the years ended:

	December 31,		
	2019	2018	2017⁽¹⁾
	(In thousands)		
Subscription:			
SaaS	\$ 390,774	\$ 273,771	\$ 175,762
Non-SaaS	260,036	181,505	138,973
Total Subscription revenue	\$ 650,810	\$ 455,276	\$ 314,735

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method of adoption of the revenue recognition standard.

13. DEBT

Senior Notes

On November 15, 2017, the Company issued \$750.0 million of unsecured senior notes due December 1, 2027. The 2027 Notes accrue interest at a rate of 4.500% per annum. Interest on the 2027 Notes is due semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. The net proceeds from this offering were approximately \$741.0 million, after deducting the underwriting discount and estimated offering expenses payable by the Company. Net proceeds from this offering were used to repurchase shares of the Company's common stock through an ASR transaction which the Company entered into with Citibank, N.A. (the "ASR Counterparty") on November 13, 2017. The 2027 Notes will mature on December 1, 2027, unless earlier redeemed in accordance with their terms prior to such date. The Company may redeem the 2027 Notes at its option at any time in whole or from time to time in part prior to September 1, 2027 at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the 2027 Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments under such 2027 Notes, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. Among other terms, under certain circumstances, holders of the 2027 Notes may require the Company to repurchase their 2027 Notes upon the occurrence of a change of control prior to maturity for cash at a repurchase price equal to 101% of the principal amount of the 2027 Notes to be repurchased plus accrued and unpaid interest to, but excluding, the repurchase date.

Credit Facility

On November 26, 2019, the Company entered into an amended and restated credit agreement (the "Credit Agreement") with a group of financial institutions, which amends and restates the Company's Credit Agreement, dated January 7, 2015. The Credit Agreement provides for a five year unsecured revolving credit facility 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. 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 a rate equal to (a) either (i) a customary London interbank offered rate formula ("LIBOR") or, upon a phase-out of LIBOR, an alternative benchmark rate as provided in the Credit Agreement, or (ii) a customary base rate formula, plus (b) the applicable margin with respect thereto, which initially will be determined based on the Company's consolidated leverage ratio but may, if so elected by the Company, be based on the Company's long-term debt rating as set forth in the Credit Agreement. In addition, the Company is required to pay a quarterly facility fee ranging from 0.11% 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 or long-term credit rating. During the year ended December 31, 2019, the Company borrowed and repaid \$200.0 million under the credit facility. As of December 31, 2019, no amounts were 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, subject to, upon the occurrence of a qualified acquisition, if so elected by the Company, a step-up to 4.0:1.0 for the four fiscal quarters following such qualified acquisition, 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 or consolidate, dispose of all or substantially all of its assets, change its business and incur subsidiary indebtedness, in each case subject to customary exceptions. The Company was in compliance with these covenants as of December 31, 2019.

Convertible Senior Notes

During 2014, the Company completed a private placement of approximately \$1.44 billion principal amount of 0.500% Convertible Notes due 2019. As of October 15, 2018, the Company had received conversion notices from noteholders with respect to \$273.0 million in aggregate principal amount of Convertible Notes requesting conversion as a result of the sales price condition having been met during the second and third quarter of 2018. In accordance with the terms of the Convertible Notes, in the fourth quarter of 2018, the Company made cash payments of this aggregate principal amount and delivered 1.3 million newly issued shares of its common stock in respect of the remainder of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted, in full satisfaction of such converted notes. The Company received shares of its common stock under the Bond Hedges (as defined below) that offset the issuance of shares of common stock upon conversion of the Convertible Notes. In addition, on or after October 15, 2018 until the close of business on the second scheduled trading day immediately preceding the April 15, 2019 maturity date, holders of the Convertible Notes had the right to convert their notes at any time, regardless of whether the sales price condition was met. All Convertible Notes were converted by their beneficial owners prior to their maturity on April 15, 2019. In accordance with the terms of the

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indenture governing the Convertible Notes, on April 15, 2019 the Company paid \$1.16 billion in the outstanding aggregate principal amount of the Convertible Notes and delivered 4.9 million newly issued shares of its common stock in respect of the remainder of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted, in full satisfaction of such converted notes. The Company received shares of its common stock under the Bond Hedges that offset the issuance of shares of common stock upon conversion of the Convertible Notes.

In accounting for the settlement of the Convertible Notes, the Company allocated the fair value of the settlement consideration remitted to the noteholders between the liability and equity components. The portion of the settlement consideration allocated to the extinguishment of the liability component was based on the fair value of that component immediately before extinguishment. The Company allocated the remaining settlement consideration to the reacquisition of the equity component and recognized this amount as a reduction of Stockholders' equity.

The following table includes total interest expense recognized related to the Convertible Notes and 2027 Notes (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Contractual interest expense	\$ 35,383	\$ 40,151	\$ 11,406
Amortization of debt issuance costs	1,670	4,663	4,050
Amortization of debt discount	8,272	34,228	34,039
	<u>\$ 45,325</u>	<u>\$ 79,042</u>	<u>\$ 49,495</u>

See Note 6 to the Company's consolidated financial statements for fair value disclosures related to the Company's 2027 Notes.

Convertible Note Hedge and Warrant Transactions

To minimize the impact of potential dilution upon conversion 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") and also entered into separate warrant transactions (the "Warrant Transactions") with each of the Option Counterparties relating to approximately 16.0 million shares of common stock to offset any payments in cash or shares of common stock at the Company's election. As a result of the spin-off of its GoTo Business, the number of shares of the Company's common stock covered by the Bond Hedges and Warrant Transactions was adjusted to approximately 20.0 million shares.

As noted above, the Bond Hedges reduced the dilution upon conversion of the Convertible Notes, as the market price per share of common stock, as measured under the terms of the Bond Hedges, was greater than the strike price of the Bond Hedges, which initially corresponded to the conversion price of the Convertible Notes and was 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 Warrants expired in ratable portions on a series of expiration dates that commenced on July 15, 2019 and concluded on November 18, 2019. During the year ended December 31, 2019, 14.9 million Warrants were exercised, and the Company delivered 1.0 million shares of its common stock as the volume weighted average stock price was above the Warrant strike price. Additionally, as of December 31, 2019, 5.4 million Warrants expired unexercised on various dates and no Warrants remain outstanding. The Warrants were not marked to market as the value of the Warrants were initially recorded in stockholders' equity and remained classified within stockholders' equity through their expiration.

Subsequent Event

On January 21, 2020, the Company entered into a Term Loan 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 Term Loan Credit Agreement provides the Company with facilities to borrow term loans on an unsecured basis in an aggregate principal amount of up to \$1.00 billion, consisting of (i) a \$500.0 million 364-day term loan facility (the "364-day Term Loan"), and (ii) a \$500.0 million 3-year Term Loan, in each case in a single borrowing, subject to satisfaction of certain conditions set forth in the Term Loan Credit Agreement. The Company borrowed \$1.00 billion under the term loans to enter into the ASR transactions for an aggregate of \$1.00 billion. See Note 9 for detailed information on the accelerated share repurchase.

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Borrowings under the Term Loan Credit Agreement will bear interest at a rate equal to (a) either (i) a customary London interbank offered rate formula (“LIBOR”) or, upon a phase-out of LIBOR, an alternative benchmark rate as provided in the Credit Agreement, or (ii) a customary base rate formula, plus (b) the applicable margin with respect thereto, which initially will be determined based on the Company’s consolidated leverage ratio but may, if so elected by the Company, be based on the Company’s non-credit enhanced, senior unsecured long-term debt rating as determined by Moody’s Investors Service, Inc., Standard & Poor’s Financial Services, LLC and Fitch Ratings Inc., in each case as set forth in the Term Loan Credit Agreement.

The Term Loan Credit Agreement includes a covenant limiting the Company’s consolidated leverage ratio to not more than 3.5:1.0, subject to, upon the occurrence of a qualified acquisition, if so elected by the Company, a step-up to 4.0:1.0 for the four fiscal quarters following such qualified acquisition, and a covenant limiting the Company’s consolidated interest coverage ratio to not less than 3.0:1.0. The Term Loan 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 of the Company and bankruptcy-related defaults. The Lenders are entitled to accelerate repayment of the loans under the Term Loan Credit Agreement upon the occurrence of any of the events of default. In addition, the Term Loan Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the ability of the Company to grant liens, merge or consolidate, dispose of all or substantially all of its assets, change its business and incur subsidiary indebtedness, in each case subject to customary exceptions. In addition, the Term Loan Credit Agreement requires the Company to make prepayments of any net cash proceeds received in connection with the Company issuing or incurring debt or issuing equity, subject to certain ordinary course exceptions described in the Term Loan Credit Agreement. The Term Loan Credit Agreement also contains representations and warranties customary for an unsecured financing of this type.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives Designated as Hedging Instruments

As of December 31, 2019, 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 12 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. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Gains and losses on derivatives that are designated as cash flow hedges are initially reported as a component of Accumulated other comprehensive loss and are subsequently recognized in income when the hedged exposure is recognized in income. Gains and losses from changes in fair values of derivatives that are not designated as hedges are recognized in Other income (expense), net.

The total cumulative unrealized gain on cash flow derivative instruments was \$0.9 million at December 31, 2019, and is included in Accumulated other comprehensive loss in the accompanying consolidated balance sheets. The total cumulative unrealized loss on cash flow derivative instruments was \$1.0 million at December 31, 2018, and is included in Accumulated other comprehensive loss in the accompanying consolidated balance sheets. See Note 16 for more information related to comprehensive income. The net unrealized gain as of December 31, 2019 is expected to be recognized in income over the next 12 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 income (expense), net.

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Fair Values of Derivative Instruments

	Asset Derivatives				Liability Derivatives			
	(In thousands)							
	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	\$1,335	Prepaid expenses and other current assets	\$708	Accrued expenses and other current liabilities	\$371	Accrued expenses and other current liabilities	\$1,811

	Asset Derivatives				Liability Derivatives			
	(In thousands)							
	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	\$554	Prepaid expenses and other current assets	\$56	Accrued expenses and other current liabilities	\$1,019	Accrued expenses and other current liabilities	\$732

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		Location of Loss Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss	
Derivatives in Cash Flow Hedging Relationships	2019	2018		2019	2018
Foreign currency forward contracts	\$ 1,853	\$ (3,143)	Operating expenses	\$ (1,616)	\$ (699)

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

	For the Year ended December 31,			
	(In thousands)			
	Location of (Loss) Gain Recognized in Income on Derivative	Amount of (Loss) Gain Recognized in Income on Derivative		
Derivatives Not Designated as Hedging Instruments		2019	2018	
Foreign currency forward contracts	Other income (expense), net	\$ (1,135)	\$ 7,062	

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Outstanding Foreign Currency Forward Contracts

As of December 31, 2019, the Company had the following net notional foreign currency forward contracts outstanding (in thousands):

Foreign Currency	Currency Denomination
Australian Dollar	AUD 25,900
Brazilian Real	BRL 400
British Pounds Sterling	GBP 4,700
Canadian Dollar	CAD 1,550
Chinese Yuan Renminbi	CNY 57,608
Czech Koruna	CZK 18,700
Danish Krone	DKK 8,900
Euro	EUR 9,864
Hong Kong Dollar	HKD 30,200
Indian Rupee	INR 1,377,000
Japanese Yen	JPY 473,499
Korean Won	KRW 941,600
Singapore Dollar	SGD 17,300
Swedish Krona	SEK 6,200
Swiss Franc	CHF 159,884

15. 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 exercise or settlement of stock awards and shares issuable under the employee stock purchase plan (calculated using the treasury stock method) during the period they were outstanding and potential dilutive common shares from the conversion spread on the Company's Convertible Notes and the Company's warrants.

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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,		
	2019	2018	2017
Numerator:			
Income from continuing operations	\$ 681,813	\$ 575,667	\$ 21,985
Loss from discontinued operations, net of income taxes	—	—	(42,704)
Net income (loss)	<u>\$ 681,813</u>	<u>\$ 575,667</u>	<u>\$ (20,719)</u>
Denominator:			
Denominator for basic earnings per share - weighted-average shares outstanding	130,853	136,030	150,779
Effect of dilutive employee stock awards	2,196	2,653	2,493
Effect of dilutive Convertible Notes	1,422	5,769	2,231
Effect of dilutive warrants	1,024	1,482	—
Denominator for diluted earnings per share - weighted-average shares outstanding	<u>135,495</u>	<u>145,934</u>	<u>155,503</u>
Basic earnings (loss) per share:			
Income from continuing operations	\$ 5.21	\$ 4.23	\$ 0.15
Loss from discontinued operations, net of income taxes	—	—	(0.28)
Basic net earnings (loss) per share	<u>\$ 5.21</u>	<u>\$ 4.23</u>	<u>\$ (0.13)</u>
Diluted earnings (loss) per share:			
Income from continuing operations	\$ 5.03	\$ 3.94	\$ 0.14
Loss from discontinued operations, net of income taxes	—	—	(0.27)
Diluted net earnings (loss) per share:	<u>\$ 5.03</u>	<u>\$ 3.94</u>	<u>\$ (0.13)</u>

For the years ended December 31, 2019 and 2018, the weighted-average number of shares outstanding used in the computation of diluted earnings per share includes the dilutive effect of the Company's warrants, as the average stock price during the year was above the weighted-average warrant strike price of \$94.42 and \$94.94 per share, respectively. For the year ended 2017, the weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include common stock issuable upon the exercise of the Company's warrants. The effects of these potentially issuable shares were not included in the calculation of diluted earnings per share because the effect would have been anti-dilutive. Anti-dilutive stock-based awards excluded from the calculations of diluted earnings per share were immaterial during the periods presented.

The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on its Convertible Notes on diluted earnings per share because upon conversion the Company paid cash up to the aggregate principal amount of the Convertible Notes converted and delivered shares of common stock in respect of the remainder of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes converted. The conversion spread had a dilutive impact on diluted earnings per share when the average market price of the Company's common stock for a given period exceeded the conversion price. For the years ended December 31, 2019, 2018, and 2017, the average market price of the Company's common stock exceeded the conversion price, therefore, the dilutive effect of the Convertible Notes was included in the denominator of diluted earnings per share. See Note 13 to for detailed information on the Convertible Notes offering.

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16. COMPREHENSIVE INCOME

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

	Foreign currency	Unrealized loss on available- for-sale securities	Unrealized (loss) gain on derivative instruments	Other comprehensi ve loss on pension liability	Total
(In thousands)					
Balance at December 31, 2018	\$ (2,946)	\$ (2,440)	\$ (985)	\$ (1,783)	\$ (8,154)
Other comprehensive income (loss) before reclassifications	—	2,881	237	(1,127)	1,991
Amounts reclassified from accumulated other comprehensive loss	—	(580)	1,616	—	1,036
Net current period other comprehensive income (loss)	—	2,301	1,853	(1,127)	3,027
Balance at December 31, 2019	<u>\$ (2,946)</u>	<u>\$ (139)</u>	<u>\$ 868</u>	<u>\$ (2,910)</u>	<u>\$ (5,127)</u>

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

Reclassifications out of Accumulated other comprehensive loss are as follows:

	For the Year Ended December 31, 2019	
	(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 gains on available-for-sale securities	\$ (580)	Other income (expense), net
Unrealized net losses on cash flow hedges	1,616	Operating expenses *
	<u>\$ 1,036</u>	

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

17. RESTRUCTURING

The Company has implemented multiple restructuring plans to reduce its cost structure, align resources with its product strategy and improve efficiency, which has resulted in workforce reductions and the consolidation of certain leased facilities.

For the years ended December 31, 2019, 2018 and 2017, restructuring charges from continuing operations were comprised of the following (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Employee severance and related costs	\$ 19,581	\$ 2,507	\$ 62,844
Consolidation of leased facilities	2,666	14,218	9,718
Reversal of previous charges	—	—	(187)
Total Restructuring charges	<u>\$ 22,247</u>	<u>\$ 16,725</u>	<u>\$ 72,375</u>

During the years ended December 31, 2019, 2018, and 2017, the Company incurred costs of \$22.2 million, \$2.5 million, and \$53.7 million, respectively, related to initiatives intended to accelerate the transformation to a cloud-based subscription business, increase strategic focus, and improve operational efficiency. For December 31, 2019, the Company incurred costs of \$19.6 million related to employee severance and related costs and \$2.7 million related to the consolidation of leased facilities.

In connection with its restructuring initiatives, the Company had previously vacated or consolidated properties and subsequently reassessed its obligations on non-cancelable leases. The fair value estimate of these non-cancelable leases was based on the contractual lease costs over the remaining term, partially offset by estimated future sublease rental income. During the years ended December 31, 2018 and 2017, the Company incurred costs of \$14.2 million and \$9.7 million, respectively, related to the consolidation of leased facilities.

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During the year ended December 31, 2017, the Company incurred costs of \$8.1 million related to operational initiatives designed to improve infrastructure scalability and cost saving efficiencies. The charges primarily related to employee severance. Activities related to this program were substantially completed as of the first quarter of 2018.

Restructuring accruals

The activity in the Company's restructuring accruals for the year ended December 31, 2019 is summarized as follows (in thousands):

	Total
Balance at January 1, 2019	\$ 45,095
Adjustment for ASC 842	(42,248)
Employee severance and related costs	19,581
Payments	(15,471)
Balance at December 31, 2019	<u>\$ 6,957</u>

As of December 31, 2019, the \$7.0 million in outstanding restructuring accruals primarily relate to employee severance and related costs. As a result of the adoption of the new lease standard, the provision for lease losses was reclassified, resulting in a reduction to operating lease right-of-use assets as of January 1, 2019. During the year ended December 31, 2019, the charges for consolidation of leased facilities were recognized as an impairment of the related operating lease right-of-use assets subsequent to the adoption of ASC 842. Refer to Note 2 for additional information on adoption of the lease standard.

18. LEASES

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.

The components of lease expense were as follows (in thousands):

		December 31,
		2019
	Classification	
Operating lease cost	Operating expenses	\$ 50,163
Variable lease cost	Operating expenses	9,448
Sublease income	Other income (expense), net	(878)
Net lease cost		<u>\$ 58,733</u>

Operating lease expense for the year ended December 31, 2018 totaled approximately \$73.8 million, of which \$14.2 million related to charges for the consolidation of leased facilities related to restructuring activities. Operating lease expense for the year ended December 31, 2017 totaled approximately \$64.3 million, of which \$9.7 million related to charges for the consolidation of leased facilities related to restructuring activities.

Supplemental cash flow information related to leases was as follows (in thousands):

	December 31,
	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 54,690
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 49,264

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supplemental balance sheet information related to leases was as follows (in thousands):

Operating Leases

	December 31,
	2019
Operating lease right-of-use assets	\$ 206,154
Accrued expenses and other current liabilities	\$ 47,025
Operating lease liabilities	209,382
Total operating lease liabilities	\$ 256,407

Lease Term and Discount Rate

	December 31,
	2019
Weighted-average remaining lease term (years)	
Operating leases	6.1
Weighted-average discount rate	
Operating leases	5.04 %

Maturities of lease liabilities as of December 31, 2019 were as follows (in thousands):

Year ending December 31,	Operating Leases
2020	\$ 58,399
2021	52,306
2022	44,562
2023	40,356
2024	40,380
After 2024	61,752
Total lease payments	\$ 297,755
Less: imputed interest	(41,348)
Present value of lease liabilities	\$ 256,407

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. DISCONTINUED OPERATIONS

On January 31, 2017, the Company completed the Spin-off and its financial results are presented as (Loss) income from discontinued operations, net of income tax expense in the consolidated statements of income. The following table presents the financial results of the GoTo Business through the date of the Spin-off for the indicated period and do not include corporate overhead allocations:

	2017
	(in thousands)
Net revenues	\$ 58,215
Cost of net revenues	15,456
Gross margin	42,759
Operating expenses:	
Research and development	9,108
Sales, marketing and services	20,881
General and administrative	7,636
Amortization of other intangible assets	1,176
Restructuring	3,189
Separation	40,573
Total operating expenses	82,563
Loss from discontinued operations before income taxes	(39,804)
Income tax expense	2,900
Loss from discontinued operations, net of income tax	\$ (42,704)

The Company incurred significant costs in connection with the separation of its GoTo Business, which were primarily included in discontinued operations. 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 of the GoTo Business. During the year ended December 31, 2017, the Company incurred \$0.5 million of separation costs in continuing operations, which are included in General and administrative expense in the accompanying consolidated statements of income.

As a result of the Spin-off, the Company recorded a \$475.2 million reduction in retained earnings which included net assets of \$461.8 million as of January 31, 2017. Of this amount, \$28.5 million represents cash transferred to the GoTo Business, with the remainder considered a non-cash activity in the consolidated statements of cash flows. The Spin-off also resulted in a reduction of Accumulated other comprehensive loss associated with foreign currency translation adjustments of \$13.4 million, which was reclassified to Retained earnings.

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

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total Year</u>
(In thousands, except per share amounts)					
2019					
Net revenues	\$ 719,143	\$ 748,697	\$ 732,901	\$ 809,823	\$ 3,010,564
Gross margin	611,670	638,218	605,983	690,646	2,546,517
Income from operations	122,844	117,082	110,831	185,361	536,118
Net income	110,348	93,495	270,857	207,113	681,813
Earnings per share - basic	0.84	0.71	2.08	1.59	5.21
Earnings per share - diluted	0.78	0.70	2.04	1.56	5.03

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total Year</u>
(In thousands, except per share amounts)					
2018					
Net revenues	\$ 697,192	\$ 742,365	\$ 732,476	\$ 801,870	\$ 2,973,903
Gross margin	588,906	633,616	628,559	689,019	2,540,100
Income from operations	165,563	145,147	164,779	202,471	677,960
Net income	144,259	106,833	158,857	165,718	575,667
Earnings per share - basic	1.04	0.79	1.18	1.24	4.23
Earnings per share - diluted	0.99	0.73	1.08	1.15	3.94

The sum of the quarterly net income per share amounts may differ from 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)							
2019							
Deducted from asset accounts:							
Allowance for doubtful accounts	\$ 3,634	\$ 3,626	\$ —	(3)	\$ 1,099	(2)	\$ 6,161
Allowance for returns	896	—	5,307	(1)	2,807	(4)	3,396
Valuation allowance for deferred tax assets	85,400	—	42,988	(5)	—		128,388
2018							
Deducted from asset accounts:							
Allowance for doubtful accounts	\$ 3,420	\$ 3,586	\$ 457	(3)	\$ 3,829	(2)	\$ 3,634
Allowance for returns	1,225	—	1,561	(1)	1,890	(4)	896
Valuation allowance for deferred tax assets	76,789	—	8,611	(5)	—		85,400
2017							
Deducted from asset accounts:							
Allowance for doubtful accounts	\$ 3,889	\$ 3,917	\$ 9	(3)	\$ 4,395	(2)	\$ 3,420
Allowance for returns	1,994	—	4,890	(1)	5,659	(4)	1,225
Valuation allowance for deferred tax assets	14,156	—	62,633	(5)	—		76,789

(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.

Note Regarding Forward-Looking Statements

This Annual Report 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. 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, investors are cautioned that statements contained in this Annual Report for the year ended December 31, 2019, and in the documents incorporated by reference into this Annual Report, which are not strictly historical statements, including, without limitation, statements concerning our strategy and operational initiatives, our business transformation, including our subscription model transition, tailwinds to our business, our penetration rate within our customer base, business continuity and impact of COVID-19 and associated business disruption, plans for ESG-related activities, training, disclosure and infrastructure, and other statements regarding management’s plans, business initiatives, objectives, expectations regarding future performance or needs of our business constitute forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “goal,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential” and similar expressions intended to identify forward-looking statements.

The forward-looking statements in this Annual Report and in the documents incorporated by reference into this Annual Report or presented elsewhere by our management from time to time are not guarantees of future performance. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the forward-looking statements, including, without limitation: risks associated with the impact of COVID-19 on our business, the broader economy, and our ability to forecast our future financial performance, risks associated with our ability to advance business

transformation, including our subscription business model transition; our ability to expand our customer base; our ability to forecast our future financial performance during our business model transition; our ability to continue to grow the company’s Workspace business and continued demand for our Workspace; risks associated with our ability to expand our ESG infrastructure; risks associated with the expansion of our cloud-delivered services; the risks associated with maintaining the security of our products, services, and networks, including securing customer data, and the risks associated with our recent cyber security incident; risks associated with regulation of privacy and data security; the impact of the global economic and political environment on our business, volatility in global stock markets, foreign exchange rate volatility and uncertainty in IT spending, including as a result of COVID-19; changes in our pricing and licensing models, promotional programs and product mix, all of which may impact our revenue recognition; the introduction of new products by competitors or the entry of new competitors into the markets for our products and services; the concentration of customers in our networking business; the company’s ability to innovate and develop new products and services while growing its established virtualization and networking products and services; changes in our revenue mix towards products and services with lower gross margins; seasonal fluctuations in the company’s business; failure to execute our sales and marketing plans; failure to successfully partner with key distributors, resellers, system integrators, service providers and strategic partners; bankruptcies, insolvencies or other economic conditions that limit our customers’ ability to pay for our services; transitions in key personnel and succession risk; our ability to maintain and expand our business in large enterprise accounts and reliance on large service provider customers; the size, timing and recognition of revenue from significant orders; the success of investments in our product groups, foreign operations and vertical and geographic markets; risks related to paying of cash dividends or repurchase of our stock; our ability to make suitable

acquisitions on favorable terms in the future; risks associated with our acquisitions and divestitures, including failure to further develop and successfully market the technology and products of acquired companies, failure to achieve or maintain anticipated revenues and operating performance contributions from acquisitions, which could dilute earnings; the recruitment and retention of qualified employees; risks in effectively controlling operating expenses, and our ability to improve our operating margin; ability to effectively manage our capital structure and the impact of related changes on our operating results and financial condition; the effect of new accounting pronouncements on revenue and expense recognition; failure to comply with federal, state and international regulations; our ability to protect our innovations and intellectual property, including in higher-risk markets; litigation and disputes, including challenges to our intellectual property rights or allegations of infringement of the intellectual property rights of others; the ability to maintain and protect our collection of brands; charges in the event

of a write-off or impairment of acquired assets, underperforming businesses, investments or licenses; international market readiness, execution and other risks associated with the markets for our products and services; risks related to servicing our debt; risks of political uncertainty, social turmoil and pandemics, including COVID-19; and other risks detailed in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019, or in the documents incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2019 and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. 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.

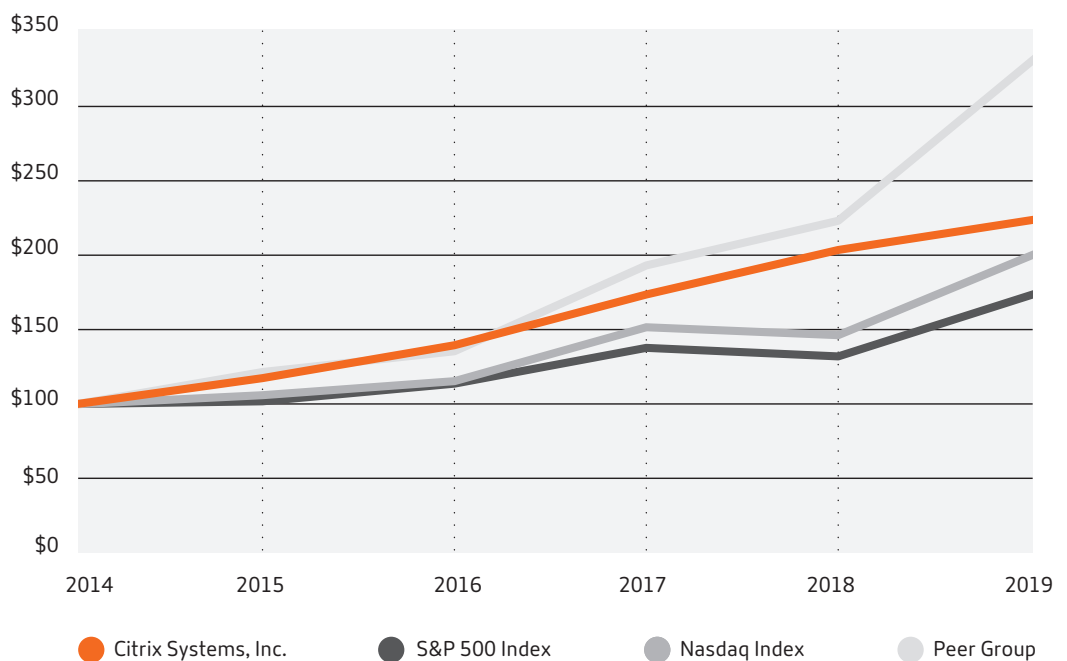
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Total Return to Shareholders (Includes Reinvestment of Dividends¹)

ANNUAL RETURN PERCENTAGE		Years ending				
Company Name/Index	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19	
Citrix Systems, Inc.	18.57	18.06	24.25	16.81	9.76	
S&P 500 Index	1.38	11.96	21.83	-4.38	31.49	
Nasdaq Index	6.96	8.87	29.64	-2.84	36.69	
Peer Group	21.61	11.15	42.91	15.92	47.53	

INDEXED RETURNS		Years ending				
Company Name/Index	Base Period Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Citrix Systems, Inc.	100	118.57	139.98	173.93	203.16	223.00
S&P 500 Index	100	101.38	113.51	138.29	132.23	173.86
Nasdaq Index	100	106.96	116.45	150.96	146.67	200.49
Peer Group	100	121.61	135.18	193.18	223.94	330.38

Peer Group consists of companies with an SIC code of 7372.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN²

Prepared by S&P Global Market Intelligence

- For purposes of this graph, the reinvestment of Citrix's \$0.35 per share cash dividend paid during the fourth quarter of 2018 and each quarter during 2019 was calculated using the closing price on Nasdaq on each quarterly dividend payment date.
- In January 2017, we completed the separation of our GoTo business and its subsequent merger with LogMeIn, Inc. For the purpose of this graph, the distribution of LogMeIn common stock to our shareholders in connection with such separation and merger is treated as a non-taxable cash dividend of \$18.59 (equal to the opening price of LogMeIn common stock February 1, 2017 multiplied by .1718 of a share of LogMeIn common stock). Such amount was deemed reinvested in Citrix common stock at the closing price on February 1, 2017 using the daily dividend reinvestment methodology. Other financial data providers may use different methodologies to adjust for the GoTo separation, which may produce different results.

CORPORATE INFORMATION

Citrix (NASDAQ:CTXS) aims to power a world where people, organizations and things are securely connected and accessible to make the extraordinary possible. We help customers reimagine the future of work by providing the most comprehensive secure digital workspace that unifies the apps, data and services people need to be productive, and simplifies IT's ability to adopt and manage complex cloud environments. Citrix solutions are in use by more than 400,000 organizations including 98 percent of the Fortune 500.

STOCKHOLDER INFORMATION

Executives

David J. Henshall

President, Chief Executive Officer and Director

Arlen Shenkman

Executive Vice President and Chief Financial Officer

Mark Ferrer

Executive Vice President and Chief Revenue Officer

Tony Gomes

Executive Vice President and Chief Legal Officer

PJ Hough

Executive Vice President and Chief Product Officer

Donna Kimmel

Executive Vice President and Chief People Officer

Tim Minahan

Executive Vice President, Business Strategy and Chief Marketing Officer

Mark Schmitz

Executive Vice President and Chief Operating Officer

Jeroen van Rotterdam

Executive Vice President, Engineering

Board of Directors

Bob Calderoni

Chairman of the Board, Citrix

Nanci E. Caldwell

Lead Independent Director, Citrix

Jesse A. Cohn

Partner and Head of U.S. Equity Activism, Elliott Management

Robert D. Daleo

Former Vice Chairman, Thomson Reuters

Murray J. Demo

Executive Vice President and Chief Financial Officer, Rubrik

Ajei S. Gopal

President and Chief Executive Officer, ANSYS

David J. Henshall

President and Chief Executive Officer, Citrix

Thomas E. Hogan

Former Chairman and Chief Executive Officer, Kony, Inc.

Moira A. Kilcoyne

Former Chief Operating Officer Global Operations, Technology and Data, Morgan Stanley

Peter J. Sacripanti

Partner, McDermott Will & Emery

JD Sherman

President and Chief Operating Officer, HubSpot

Investor Relations

Citrix's stock trades on the NASDAQ Global Select Market under the ticker symbol CTXS.

The Citrix Annual Report, Proxy and Form 10-K are available electronically at investors.citrix.com/financials/annual-reports.

For further information about Citrix, additional copies of this report, Form 10-K, or other financial information without charge, contact:

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Independent Registered Public Accountants

Ernst & Young LLP
5100 Town Center Circle, Suite 500
Boca Raton, FL 33486

Annual Meeting of Shareholders*

The Annual Meeting of Shareholders of Citrix Systems, Inc. will be held on June 3, 2020, at 5:00 p.m., Eastern Time.

Citrix Headquarters
851 West Cypress Creek Road
Fort Lauderdale, FL 33309
United States

*As part of our precautions regarding the novel coronavirus, or COVID-19, we are planning for the possibility that alternate arrangements for attendance at the 2020 Annual Meeting may be required, including the possibility of holding the meeting solely by means of remote communication. If we determine that alternative 2020 Annual Meeting arrangements are advisable or required, then we will announce our decision and post additional information at <https://investors.citrix.com> as soon as practicable before the meeting. In that event, the 2020 Annual Meeting would be conducted solely by virtual means, on the above date and time. If we hold the 2020 Annual Meeting by means of remote communication, shareholders will be able to attend the meeting by visiting www.virtualshareholdermeeting.com/CTXS2020 by using the 16-digit control number included in your proxy materials.



Citrix Systems, Inc.
851 West Cypress Creek Road
Fort Lauderdale, FL 33309

citrix.com



Shareholder
Materials



Annual Meeting
Voting

