

PTC Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

| | Three Months Ended | | |
|--|--------------------|------------------|------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| Revenue: | | | |
| Subscription license | \$ 53,705 | | |
| Subscription support & cloud services | 90,159 | | |
| Total Subscription | 143,864 | \$ 171,631 | \$ 126,712 |
| Perpetual support | 100,328 | 99,664 | 121,127 |
| Total recurring revenue | 244,192 | 271,295 | 247,839 |
| Perpetual license | 9,213 | 10,644 | 25,780 |
| Total software revenue | 253,405 | 281,939 | 273,619 |
| Professional services | 42,081 | 40,471 | 41,158 |
| Total revenue ⁽¹⁾ | 295,486 | 322,410 | 314,777 |
| Cost of revenue: | | | |
| Cost of software revenue ^{(2) (3)} | 47,092 | 46,604 | 46,273 |
| Cost of professional services revenue ^{(2) (3)} | 35,613 | 34,629 | 35,360 |
| Total cost of revenue | 82,705 | 81,233 | 81,633 |
| Gross margin | 212,781 | 241,177 | 233,144 |
| Operating expenses: | | | |
| Sales and marketing ^{(2) (3)} | 108,202 | 113,533 | 107,801 |
| Research and development ^{(2) (3)} | 60,590 | 60,590 | 61,221 |
| General and administrative ^{(2) (3)} | 28,773 | 28,773 | 33,098 |
| Amortization of acquired intangible assets | 5,920 | 5,920 | 7,850 |
| Restructuring and other charges, net | (9) | (9) | 1,627 |
| Total operating expenses | 203,476 | 208,807 | 211,597 |
| Operating income | 9,305 | 32,370 | 21,547 |
| Other expense, net ⁽³⁾ | (9,790) | (10,080) | (11,576) |
| Income (loss) before income taxes | (485) | 22,290 | 9,971 |
| Provision (benefit) for income taxes | 14,273 | 10,585 | (7,026) |
| Net income (loss) | \$ (14,758) | \$ 11,705 | \$ 16,997 |
| Earnings (loss) per share: | | | |
| Basic | \$ (0.13) | \$ 0.10 | \$ 0.15 |
| Weighted average shares outstanding | 116,133 | 116,133 | 115,774 |
| Diluted | \$ (0.13) | \$ 0.10 | \$ 0.14 |
| Weighted average shares outstanding | 116,133 | 117,019 | 117,500 |

(1) See supplemental financial data for revenue by license, support, and professional services.

(2) See supplemental financial data for additional information about stock-based compensation.

(3) Periods prior to 2019 reflect immaterial expense reclassifications in connection with the adoption of new pension accounting prescribed in Accounting Standards Update 2017-07.

PTC Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

| | Nine Months Ended | | |
|--|--------------------------|-----------------|-----------------|
| | June 29, | June 29, | June 30, |
| | 2019 | 2019 | 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| Revenue: | | | |
| Subscription license | \$ 168,762 | | |
| Subscription support & cloud services | 250,811 | | |
| Total Subscription | 419,573 | \$ 482,114 | \$ 339,651 |
| Perpetual support | 315,242 | 312,453 | 379,007 |
| Total recurring revenue | 734,815 | 794,567 | 718,658 |
| Perpetual license | 61,354 | 63,661 | 82,604 |
| Total software revenue | 796,169 | 858,228 | 801,262 |
| Professional services | 124,457 | 118,438 | 128,041 |
| Total revenue ⁽¹⁾ | 920,626 | 976,666 | 929,303 |
| Cost of revenue: | | | |
| Cost of software revenue ^{(2) (3)} | 136,601 | 134,803 | 139,078 |
| Cost of professional services revenue ^{(2) (3)} | 103,360 | 99,593 | 109,298 |
| Total cost of revenue | 239,961 | 234,396 | 248,376 |
| Gross margin | 680,665 | 742,270 | 680,927 |
| Operating expenses: | | | |
| Sales and marketing ^{(2) (3)} | 316,142 | 330,258 | 305,566 |
| Research and development ^{(2) (3)} | 182,774 | 182,774 | 187,390 |
| General and administrative ^{(2) (3)} | 102,008 | 102,008 | 101,487 |
| Amortization of acquired intangible assets | 17,786 | 17,786 | 23,566 |
| Restructuring and other charges, net | 45,464 | 45,464 | 1,846 |
| Total operating expenses | 664,174 | 678,290 | 619,855 |
| Operating income | 16,491 | 63,980 | 61,072 |
| Other expense, net ⁽⁵⁾ | (29,974) | (30,126) | (33,085) |
| Income (loss) before income taxes | (13,483) | 33,854 | 27,987 |
| Provision (benefit) for income taxes ⁽⁴⁾ | 23,803 | 14,931 | (10,809) |
| Net income (loss) | \$ (37,286) | \$ 18,923 | \$ 38,796 |
| Earnings (loss) per share: | | | |
| Basic | \$ (0.32) | \$ 0.16 | \$ 0.33 |
| Weighted average shares outstanding | 117,636 | 117,636 | 115,915 |
| Diluted | \$ (0.32) | \$ 0.16 | \$ 0.33 |
| Weighted average shares outstanding | 117,636 | 118,664 | 117,687 |

(1) See supplemental financial data for revenue by license, support, and professional services.

(2) See supplemental financial data for additional information about stock-based compensation.

(3) Periods prior to 2019 reflect immaterial expense reclassifications in connection with the adoption of new pension accounting prescribed in Accounting Standards Update 2017-07.

(4) Our 2018 year-to-date tax rate includes a benefit of \$7 million relating to the enactment of the Tax Cuts and Jobs Act.

PTC Inc.
SUPPLEMENTAL FINANCIAL DATA FOR REVENUE AND STOCK-BASED COMPENSATION
(in thousands)

Revenue by license, support and services is as follows:

| | Three Months Ended | | |
|------------------------------------|---------------------------|--------------------------|--------------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| License revenue ⁽¹⁾ | \$ 62,918 | \$ 163,220 | \$ 136,568 |
| Support and cloud services revenue | 190,487 | 118,719 | 137,051 |
| Professional services revenue | 42,081 | 40,471 | 41,158 |
| Total revenue | <u>\$ 295,486</u> | <u>\$ 322,410</u> | <u>\$ 314,777</u> |

| | Nine Months Ended | | |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| License revenue ⁽¹⁾ | \$ 230,116 | \$ 493,256 | \$ 376,591 |
| Support and cloud services revenue | 566,053 | 364,972 | 424,671 |
| Professional services revenue | 124,457 | 118,438 | 128,041 |
| Total revenue | <u>\$ 920,626</u> | <u>\$ 976,666</u> | <u>\$ 929,303</u> |

(1) Under ASC 605, we have classified all subscription revenue as license revenue.

The amounts in the income statement include stock-based compensation as follows:

| | Three Months Ended | | |
|---------------------------------------|---------------------------|--------------------------|--------------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| Cost of software revenue | \$ 1,219 | \$ 1,219 | \$ 948 |
| Cost of professional services revenue | 1,345 | 1,345 | 1,471 |
| Sales and marketing | 5,870 | 5,870 | 4,910 |
| Research and development | 4,761 | 4,761 | 3,283 |
| General and administrative | 2,039 | 2,039 | 6,046 |
| Total stock-based compensation | <u>\$ 15,234</u> | <u>\$ 15,234</u> | <u>\$ 16,658</u> |

| | Nine Months Ended | | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| Cost of software revenue | \$ 3,722 | \$ 3,722 | \$ 3,267 |
| Cost of professional services revenue | 5,065 | 5,065 | 4,846 |
| Sales and marketing | 25,114 | 25,114 | 14,827 |
| Research and development | 14,851 | 14,851 | 9,626 |
| General and administrative | 22,856 | 22,856 | 19,449 |
| Total stock-based compensation | <u>\$ 71,608</u> | <u>\$ 71,608</u> | <u>\$ 52,015</u> |

PTC Inc.
NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)
(in thousands, except per share data)

| | Three Months Ended | | |
|--|--------------------|-------------------|-------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| GAAP revenue | \$ 295,486 | \$ 322,410 | \$ 314,777 |
| Fair value adjustment of acquired deferred subscription revenue | - | - | 75 |
| Fair value adjustment of acquired deferred services revenue | 124 | 124 | 225 |
| Non-GAAP revenue | <u>\$ 295,610</u> | <u>\$ 322,534</u> | <u>\$ 315,077</u> |
| GAAP gross margin | \$ 212,781 | \$ 241,177 | \$ 233,144 |
| Fair value adjustment of acquired deferred revenue | 124 | 124 | 300 |
| Fair value adjustment to deferred services cost | (58) | (58) | (93) |
| Stock-based compensation | 2,564 | 2,564 | 2,419 |
| Amortization of acquired intangible assets included in cost of revenue | 6,873 | 6,873 | 6,798 |
| Non-GAAP gross margin | <u>\$ 222,284</u> | <u>\$ 250,680</u> | <u>\$ 242,568</u> |
| GAAP operating income | \$ 9,305 | \$ 32,370 | \$ 21,547 |
| Fair value adjustment of acquired deferred revenue | 124 | 124 | 300 |
| Fair value adjustment to deferred services cost | (58) | (58) | (93) |
| Stock-based compensation | 15,234 | 15,234 | 16,658 |
| Amortization of acquired intangible assets included in cost of revenue | 6,873 | 6,873 | 6,798 |
| Amortization of acquired intangible assets | 5,920 | 5,920 | 7,850 |
| Acquisition-related and other transactional charges included in general and administrative costs | 424 | 424 | 1,578 |
| Restructuring and other charges, net | (9) | (9) | 1,627 |
| Non-GAAP operating income ⁽¹⁾ | <u>\$ 37,813</u> | <u>\$ 60,878</u> | <u>\$ 56,265</u> |
| GAAP net income (loss) | \$ (14,758) | \$ 11,705 | \$ 16,997 |
| Fair value adjustment of acquired deferred revenue | 124 | 124 | 300 |
| Fair value adjustment to deferred services cost | (58) | (58) | (93) |
| Stock-based compensation | 15,234 | 15,234 | 16,658 |
| Amortization of acquired intangible assets included in cost of revenue | 6,873 | 6,873 | 6,798 |
| Amortization of acquired intangible assets | 5,920 | 5,920 | 7,850 |
| Acquisition-related and other transactional charges included in general and administrative costs | 424 | 424 | 1,578 |
| Restructuring and other charges, net | (9) | (9) | 1,627 |
| Income tax adjustments ⁽⁴⁾ | 13,121 | 1,683 | (9,657) |
| Non-GAAP net income | <u>\$ 26,871</u> | <u>\$ 41,896</u> | <u>\$ 42,058</u> |
| GAAP diluted earnings (loss) per share | \$ (0.13) | \$ 0.10 | \$ 0.14 |
| Fair value adjustment of acquired deferred revenue | - | - | - |
| Stock-based compensation | 0.13 | 0.13 | 0.14 |
| Amortization of acquired intangibles | 0.11 | 0.11 | 0.12 |
| Acquisition-related and other transactional charges | - | - | 0.01 |
| Restructuring and other charges, net | - | - | 0.02 |
| Income tax adjustments | 0.11 | 0.01 | (0.08) |
| Non-GAAP diluted earnings per share | <u>\$ 0.23</u> | <u>\$ 0.36</u> | <u>\$ 0.36</u> |
| GAAP diluted weighted average shares outstanding | 116,133 | 117,019 | 117,500 |
| Dilutive effect of stock-based compensation plans | 886 | - | - |
| Non-GAAP diluted weighted average shares outstanding | <u>117,019</u> | <u>117,019</u> | <u>117,500</u> |

(1) Operating margin impact of non-GAAP adjustments:

| | Three Months Ended | | |
|---|--------------------|------------------|------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| GAAP operating margin | 3.1% | 10.0% | 6.8% |
| Fair value adjustment of acquired deferred revenue | 0.0% | 0.0% | 0.1% |
| Fair value adjustment to deferred services cost | 0.0% | 0.0% | 0.0% |
| Stock-based compensation | 5.2% | 4.7% | 5.3% |
| Amortization of acquired intangibles | 4.3% | 4.0% | 4.7% |
| Acquisition-related and other transactional charges | 0.1% | 0.1% | 0.5% |
| Restructuring and other charges, net | 0.0% | 0.0% | 0.5% |
| Non-GAAP operating margin | <u>12.8%</u> | <u>18.9%</u> | <u>17.9%</u> |

(2) We have recorded a full valuation allowance against our U.S. net deferred tax assets. As we are profitable on a non-GAAP basis, the 2019 and 2018 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. Income tax adjustments reflect the tax effects of non-GAAP adjustments, which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above. We have also excluded a tax charge of \$0.9M relating to the change in the functional currency of a wholly owned foreign subsidiary.

PTC Inc.
NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)
(in thousands, except per share data)

| | Nine Months Ended | | |
|--|-------------------|-------------------|-------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| GAAP revenue | \$ 920,626 | \$ 976,666 | \$ 929,303 |
| Fair value adjustment of acquired deferred subscription revenue | 66 | 66 | 266 |
| Fair value adjustment of acquired deferred services revenue | 529 | 529 | 706 |
| Non-GAAP revenue | <u>\$ 921,221</u> | <u>\$ 977,261</u> | <u>\$ 930,275</u> |
| GAAP gross margin | \$ 680,665 | \$ 742,270 | \$ 680,927 |
| Fair value adjustment of acquired deferred revenue | 595 | 595 | 972 |
| Fair value adjustment to deferred services cost | (220) | (220) | (293) |
| Stock-based compensation | 8,787 | 8,787 | 8,113 |
| Amortization of acquired intangible assets included in cost of revenue | 20,432 | 20,432 | 20,029 |
| Non-GAAP gross margin | <u>\$ 710,259</u> | <u>\$ 771,864</u> | <u>\$ 709,748</u> |
| GAAP operating income | \$ 16,491 | \$ 63,980 | \$ 61,072 |
| Fair value adjustment of acquired deferred revenue | 595 | 595 | 972 |
| Fair value adjustment to deferred services cost | (220) | (220) | (293) |
| Stock-based compensation | 71,608 | 71,608 | 52,015 |
| Amortization of acquired intangible assets included in cost of revenue | 20,432 | 20,432 | 20,029 |
| Amortization of acquired intangible assets | 17,786 | 17,786 | 23,566 |
| Acquisition-related and other transactional charges included in general and administrative costs | 1,215 | 1,215 | 1,718 |
| Restructuring and other charges, net | 45,464 | 45,464 | 1,846 |
| Non-GAAP operating income ⁽¹⁾ | <u>\$ 173,371</u> | <u>\$ 220,860</u> | <u>\$ 160,925</u> |
| GAAP net income (loss) | \$ (37,286) | \$ 18,923 | \$ 38,796 |
| Fair value adjustment of acquired deferred revenue | 595 | 595 | 972 |
| Fair value adjustment to deferred services cost | (220) | (220) | (293) |
| Stock-based compensation | 71,608 | 71,608 | 52,015 |
| Amortization of acquired intangible assets included in cost of revenue | 20,432 | 20,432 | 20,029 |
| Amortization of acquired intangible assets | 17,786 | 17,786 | 23,566 |
| Acquisition-related and other transactional charges included in general and administrative costs | 1,215 | 1,215 | 1,718 |
| Restructuring and other charges, net | 45,464 | 45,464 | 1,846 |
| Income tax adjustments ⁽²⁾ | 403 | (20,857) | (20,738) |
| Non-GAAP net income | <u>\$ 119,997</u> | <u>\$ 154,946</u> | <u>\$ 117,911</u> |
| GAAP diluted earnings (loss) per share | \$ (0.32) | \$ 0.16 | \$ 0.33 |
| Fair value adjustment of acquired deferred revenue | 0.01 | 0.01 | 0.01 |
| Stock-based compensation | 0.60 | 0.60 | 0.44 |
| Amortization of acquired intangibles | 0.32 | 0.32 | 0.37 |
| Acquisition-related and other transactional charges | 0.01 | 0.01 | 0.01 |
| Restructuring and other charges, net | 0.38 | 0.38 | 0.02 |
| Income tax adjustments | - | (0.18) | (0.18) |
| Non-GAAP diluted earnings per share | <u>\$ 1.01</u> | <u>\$ 1.31</u> | <u>\$ 1.00</u> |
| GAAP diluted weighted average shares outstanding | 117,636 | 118,664 | 117,687 |
| Dilutive effect of stock-based compensation plans | 1,028 | - | - |
| Non-GAAP diluted weighted average shares outstanding | <u>118,664</u> | <u>118,664</u> | <u>117,687</u> |

(1) Operating margin impact of non-GAAP adjustments:

| | Nine Months Ended | | |
|---|-------------------|------------------|------------------|
| | June 29, 2019 | June 29, 2019 | June 30, 2018 |
| | ASC 606 | ASC 605 | ASC 605 |
| GAAP operating margin | 1.8% | 6.6% | 6.6% |
| Fair value adjustment of acquired deferred revenue | 0.1% | 0.1% | 0.1% |
| Fair value adjustment to deferred services cost | 0.0% | 0.0% | 0.0% |
| Stock-based compensation | 7.8% | 7.3% | 5.6% |
| Amortization of acquired intangibles | 4.2% | 3.9% | 4.7% |
| Acquisition-related and other transactional charges | 0.1% | 0.1% | 0.2% |
| Restructuring and other charges, net | 5.0% | 4.7% | 0.2% |
| Non-GAAP operating margin | <u>18.8%</u> | <u>22.6%</u> | <u>17.3%</u> |

(2) We have recorded a full valuation allowance against our U.S. net deferred tax assets. As we are profitable on a non-GAAP basis, the 2019 and 2018 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. Income tax adjustments reflect the tax effects of non-GAAP adjustments, which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above. We have also excluded a tax charge of \$0.9M relating to the change in the functional currency of a wholly owned foreign subsidiary.

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | <u>June 29,</u> <u>2019</u> <u>ASC 606 ⁽¹⁾⁽²⁾</u> | <u>June 29,</u> <u>2019</u> <u>ASC 605</u> | <u>September 30,</u> <u>2018</u> <u>ASC 605</u> |
|--|--|--|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 267,862 | \$ 267,862 | \$ 259,946 |
| Marketable securities | 54,626 | 54,626 | 55,951 |
| Accounts receivable, net | 321,426 | 111,165 | 129,297 |
| Property and equipment, net | 107,752 | 107,752 | 80,613 |
| Goodwill and acquired intangible assets, net | 1,428,423 | 1,428,423 | 1,382,659 |
| Other assets | 468,500 | 478,928 | 420,556 |
| Total assets | <u>\$ 2,648,589</u> | <u>\$ 2,448,756</u> | <u>\$ 2,329,022</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Deferred revenue | \$ 382,579 | \$ 550,933 | \$ 499,442 |
| Debt, net of deferred issuance costs | 698,916 | 698,916 | 643,268 |
| Other liabilities | 351,499 | 292,409 | 311,723 |
| Stockholders' equity | 1,215,595 | 906,498 | 874,589 |
| Total liabilities and stockholders' equity | <u>\$ 2,648,589</u> | <u>\$ 2,448,756</u> | <u>\$ 2,329,022</u> |

(1) The adoption of ASC 606 resulted in up front license recognition under our subscription contracts, resulting in unbilled receivables, and an increase in receivables previously included in other current assets under ASC 605 related to billed but uncollected support and subscription receivables that had corresponding deferred revenue. The adoption also resulted in a decrease in deferred revenue primarily due to the up front license recognition to accumulated deficit at the time of adoption related to on-premise subscription software licenses.

(2) Our consolidated balance sheet as of June 29, 2019 under ASC 606 is preliminary, pending final adjustments required as a result of our adoption of ASC 606 in the first quarter of 2019. We expect the adjustments to be finalized prior to the filing of our Form 10-Q for the third quarter of 2019.

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ (14,758) | \$ 16,997 | \$ (37,286) | \$ 38,796 |
| Stock-based compensation | 15,234 | 16,658 | 71,608 | 52,015 |
| Depreciation and amortization | 19,076 | 22,576 | 58,634 | 65,303 |
| Accounts receivable | 33,753 | (10,832) | 88,254 | 21,195 |
| Accounts payable and accruals | 8,550 | 243 | (19,318) | (38,887) |
| Deferred revenue | (11,622) | 23,767 | 25,325 | 82,794 |
| Income taxes | 2,900 | (15,871) | (12,777) | (30,005) |
| Other ⁽¹⁾ | 14,452 | (4,344) | 55,489 | (5,419) |
| Net cash provided by operating activities ⁽³⁾ | 67,585 | 49,194 | 229,929 | 185,792 |
| Capital expenditures | (8,311) | (7,527) | (59,579) | (18,666) |
| Acquisition of businesses, net of cash acquired ⁽²⁾ | (17,284) | - | (86,737) | (3,000) |
| Purchase of intangible asset | - | - | - | (3,000) |
| Borrowings (payments) on debt, net | (40,000) | 50,000 | 55,000 | (20,000) |
| Net proceeds associated with issuance of common stock | - | - | 4,158 | 7,472 |
| Repurchases of common stock | (25,001) | (100,000) | (89,995) | (100,000) |
| Payments of withholding taxes in connection with vesting of stock-based awards | (9,700) | (10,855) | (44,191) | (44,797) |
| Proceeds from (purchase of) investments | - | (1,000) | (7,500) | (1,000) |
| Contingent consideration | - | (4,574) | (1,575) | (7,750) |
| Purchases of marketable securities, net | 1,960 | 1,131 | 1,727 | (4,423) |
| Other financing & investing activities | 4,395 | - | 4,509 | - |
| Foreign exchange impact on cash | (94) | (9,446) | 2,143 | (3,609) |
| Net change in cash, cash equivalents, and restricted cash ⁽¹⁾ | (26,450) | (33,077) | 7,889 | (12,981) |
| Cash, cash equivalents, and restricted cash, beginning of period | 295,432 | 301,305 | 261,093 | 281,209 |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 268,982</u> | <u>\$ 268,228</u> | <u>\$ 268,982</u> | <u>\$ 268,228</u> |

(1) In the first quarter of fiscal 2019, we adopted Accounting Standards Update (ASU) 2016-18 - *Statement of Cash Flows (Topic 230)*. In accordance with this guidance, we excluded the \$0.1 million increase and \$0.5 million increase related to the change in restricted cash from the change in other current assets for the three months and nine months ended June 30, 2018, respectively.

(2) On December 29, 2018, we acquired Frustum for \$70 million, net of cash acquired.

(3) Our consolidated cash flows as of June 29, 2019 under ASC 606 is preliminary, pending final balance sheet adjustments required as a result of our adoption of ASC 606 in the first quarter of 2019, which will impact components of operating cash flow, but not total cash from operating activities. We expect the adjustments to be finalized prior to the filing of our Form 10-Q for the third quarter of 2019.