

Symantec to Acquire MessageLabs

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Helyn Corcos, Vice President Investor Relations, Symantec

Thank you for joining us on such short notice to discuss Symantec's planned acquisition of MessageLabs.

With me on the call today from Symantec is John Thompson, Chairman and CEO and James Beer, Executive Vice President and CFO. From MessageLabs, we have Adrian Chamberlain, CEO and Stephen Chandler, CFO.

In a moment I will turn the call over to John who will discuss the strategic rationale of the planned acquisition and provide an overview of the Software-as-a-Service messaging security opportunity. Next, Adrian will discuss the advantages of the combination with Symantec from MessageLabs's perspective. Then, James will provide a financial summary of the acquisition's details and discuss our financial expectations.

Today's call is being recorded and will be available for replay on Symantec's website. In addition, a copy of today's press release and a presentation outlining

the strategic merits of the acquisition are currently available on our website. We encourage you to review the presentation as we deliver our prepared remarks. A copy of today's prepared comments will be available on our website shortly after the call is completed.

Before we begin, I would like to remind everyone that the information discussed on this call contains forward-looking statements that involve risks and uncertainty, including expectations regarding the closing of the acquisition and the potential benefits of the combination of Symantec and MessageLabs. Such risk factors include, among others, satisfaction of closing conditions to the transaction, our ability to successfully integrate the merged businesses and technologies, and customer demand for the technologies and integrated product offerings.

These statements are based on current expectations and actual results may differ materially from those set forth. Additional information concerning factors that may cause actual results to differ can be found in Symantec's filings with the U.S. Securities and Exchange Commission.

It's now my pleasure to introduce Symantec's Chairman and CEO, Mr. John Thompson.

John W. Thompson, Chairman and CEO Symantec

Thank you . Good afternoon, or good morning – depending on where you are in the world.

Today, we announced that Symantec has signed a definitive agreement to acquire MessageLabs, the leading provider of message security services. With the acquisition of MessageLabs, Symantec gains a leadership position in the rapidly growing segment of Software-as-a-Service or SaaS and strengthens our lead in the messaging security market. SaaS offers customers flexibility and choice in managing their technology investments to support their growing use of the web as a medium of information exchange. By implementing online solutions, customers have access to world-class technology, infrastructure and the people to ensure it works in their operating environment. This acquisition represents a natural extension of our current SaaS offerings and provides a strong customer base into which we can cross-sell our current online services – backup, storage and remote access – from the Symantec Protection Network.

We are excited to have MessageLabs’s team and market leading SaaS messaging security capability become a part of Symantec. The acquisition of MessageLabs

will accelerate the international expansion of the Symantec Protection Network, increase distribution opportunities for both companies, and leverage the strength of Symantec's software portfolio for growth in new SaaS solutions.

Information is one of a company's most valuable assets. Whether it be a company's email infrastructure, customer lists, financial data, or valuable intellectual property, securing and managing that information is critical to any business's ongoing success. MessageLabs's offerings help ensure that only appropriate information enters an organization which complements the Symantec Protection Network's ability to secure and manage that data with backup and on-line storage solutions.

Furthermore, the acquisition catapults Symantec into a leadership position in the rapidly growing market for messaging and web security services. Market estimates from IDC suggest messaging security will deliver a compounded annual growth rate (CAGR) of 15% from approximately \$2.4 billion in 2007 to \$5 billion in 2012. Together, Symantec and MessageLabs will have more than 2 times the market share of our nearest competitor. In addition, MessageLabs is the leader in the largest and fastest growing segment of the messaging market - hosted services, with 30% market share and a CAGR of 32%, according to IDC.

As the first company in the world to offer customers the choice of security as an on-line service, the MessageLabs team has achieved tremendous success. They have set the standard for the industry with world class online services and outstanding customer relationships. Along the way, they have built an industry-leading SaaS suite that provides customers instant and continuous protection of information transmitted through email, web services and instant messages. With over eight million users and 19,000 clients located in more than 86 countries, MessageLabs's customer base spans the full range of clients from small businesses to FORTUNE 500 accounts. MessageLabs has relationships with some of the largest global companies including Dupont and Motorola. To support these clients, MessageLabs has designed and implemented a robust global infrastructure with 14 data centers across three continents.

What makes the acquisition so attractive to us is the opportunity to merge the Symantec Protection Network and MessageLabs, each representing an opportunity for growth. MessageLabs provides the Symantec Protection Network an international expansion footprint and very strong expertise in the SaaS sales and support service model, which should prove invaluable as the service grows in both the large enterprise and SMB markets. And equally, Symantec provides

MessageLabs expansion in new geographies and channels, and a more comprehensive software portfolio from which to contemplate new product offerings.

What I find most exciting about this transaction is that it immediately leverages our respective core competitive strengths. It will extend Symantec's software expertise in data loss prevention, compliance, archiving and endpoint security solutions when combined with MessageLabs's online expertise in email, web security and instant messaging. The combination will create what we believe will be the most comprehensive SaaS offerings with a simplified user experience that packages billing, support and application management through one easy-to-use portal.

Increasingly, our customers want choice. The opportunity to provide them an expanded set of on-premise and off-premise solutions for many of their most critical information management challenges is truly exciting. And, the timing of this choice couldn't be more appropriate as customers think carefully about their IT investment plans for the coming years.

And now, I'd like to welcome Adrian Chamberlain and the entire MessageLabs team to Symantec and ask Adrian to provide his perspective on the many opportunities ahead for our combined company.

Adrian Chamberlain, CEO, MessageLabs

Thank you, John and hello everyone.

Let me begin by saying how excited we are to be joining such a world class organization. As John mentioned, there are tremendous advantages in combining our highly talented teams, market leading services, blue chip customers and our shared goal of helping organizations protect their most valuable asset, their information. Whether that information is on the move or being stored, it needs to be secure at all times and compliant with that organization's policies. Together with Symantec, we look forward to delivering this comprehensive assurance to clients and building on our respective strengths to further enhance our position in the market.

The e-mail security market is one of the few security markets where all three delivery models – software, appliance, and Software-as-a-Service – are available and are increasingly being deployed in combination. In addition, this market

continues to show strong growth and remains a "must have" security purchase. Symantec is already a market leader in the software and appliance mail security market. With Symantec and MessageLabs together, we will drive geographic expansion and offer the broadest range of software, appliances, and online services.

MessageLabs was built from the ground up as a security SaaS company. In fact, we were the first company to develop an anti-virus service "in the cloud." Our success stems from our patented Skeptic technology processing more than 3 billion email connections and one billion web requests through our network every day, to create a comprehensive and up to date knowledge base of Internet threats. This provides dynamic and instant protection for MessageLabs customers.

Now, with threats across multiple communication channels – email, web and instant messaging, MessageLabs introduced an industry first, "Converged Threat Analysis," taking current threat and reputation information from one protocol, such as email, and applying that knowledge to another protocol, such as web traffic, providing an unparalleled level of knowledge and protection for MessageLabs clients.

Clients adopting SaaS for security also demand strong Service Level Agreements. Our patented Skeptic technology and robust infrastructure, with 14 load balanced and fully redundant data centers, allows us to provide market leading SLAs, including a 100% SLA against both known and unknown virus infection, a 99% spam capture rate and the lowest anti-spam false positive rate in the industry of 0.0003%.

MessageLabs has been incredibly successful in delivering market leading messaging security solutions to a variety of small and large customers worldwide. We grew revenue more than 20% during our fiscal year 2008 which ended on July 31, 2008. We continue to have high customer satisfaction and low churn. Our services are highly scalable and flexible. As our clients grow or needs change, our services seamlessly adjust to meet their needs without any hardware or software investments.

We currently offer customers a range of managed security services to protect, control, encrypt and archive communications across email, web and instant messaging. Our services protect a customer's infrastructure from spam, viruses and other unwanted content without requiring on-site hardware, software or ongoing maintenance.

Combined with Symantec, we will have the ability to offer clients a broader solution set by incorporating the Symantec Protection Network's data protection and remote access services. Going forward, we will also leverage the synergies across Symantec's respective data loss prevention, compliance, archiving and storage capabilities to deliver expanded services. Each of these product lines are recognized by industry analysts for their category leadership.

We plan to take advantage of Symantec's robust distribution network and the relationships with enterprise and large enterprise to scale our existing success in the Fortune 500. Joining with Symantec, also enables us to scale our efforts in the Americas, Public Sector and mid-market segments to improve our penetration rates and expand geographically.

In closing, I am personally very excited about the opportunity to work with John and the team, as well as lead the SaaS group at Symantec. By joining forces and building upon Symantec's strengths in endpoint, compliance, network and storage solutions, we can achieve our shared vision of information centric security.

With that, let me hand the call over to James.

James Beer, Executive Vice President and CFO, Symantec

Thank you Adrian. I will walk through a brief summary of the transaction details and a description of how MessageLabs will be structured within Symantec, as well as an update on the expected impact this transaction will have on our financial results.

The value of this transaction equates to approximately \$695 million, subject to the fluctuation in the Dollar/Pound exchange rate between the signing and closing dates of the acquisition. Symantec will pay approximately £310 million and \$154 million for the acquisition of MessageLabs. We will pay for the transaction in cash from our international cash balance.

MessageLabs generated approximately \$145 million in revenue during fiscal year 2008, ending July 31, 2008 and grew by more than 20% over the prior fiscal year, indicating a revenue multiple of approximately 4.8 times, based on our \$695 million purchase price. Geographically, approximately 63% of MessageLabs's revenue comes from EMEA, 28% comes from the US and 9% comes from the Asia Pacific regions. The majority of MessageLabs's business is billed monthly. In addition, MessageLabs' service contracts are on defacto auto-renewal, which

means agreements automatically renew unless written notice is provided otherwise. As such, we believe MessageLabs gives us another predictable and growing revenue stream.

This acquisition will be accounted for under purchase accounting rules and will be subject to European regulatory approvals. The transaction is expected to close as soon as practicable with our intent being to close towards the end of the calendar year.

The transaction is expected to be 2 cents dilutive to FY09 non-GAAP earnings per share. We expect GAAP earnings per share to be more diluted due to purchase accounting items and the amortization of acquired intangibles.

From an operating perspective, once the acquisition is finalized, MessageLabs will merge with our existing Symantec Protection Network group to create a new Software-as-a-Service group operating as a dedicated team. Adrian will lead the team reporting directly to Enrique Salem, Symantec's COO. MessageLabs's research and development, sales, services and marketing teams will remain largely intact. For reporting purposes, we plan to include the SaaS results within our Services segment.

Now, I would like to hand the call back to Helyn so that we can take some of your questions.

Helyn Corcos, Vice President Investor Relations, Symantec

Thanks. Operator will you please begin polling for questions?

While the operator is polling for questions, I'd like to remind everyone that today's press release and supplemental presentation are available on the investor relations website. In addition, a copy of our prepared remarks will be available shortly after the call is completed.

I'd also like to remind everyone that we will be reporting our fiscal second quarter results on Wednesday, October 29th and that we are still in our quiet period. As such, we will not be answering any questions with regards to our quarterly performance or results on this call.

Operator, we are ready for the first question.