

FINAL TRANSCRIPT

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SYMC - Symantec at Goldman Sachs Symposium

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PRESENTATION

Sarah Friar - *Goldman Sachs - Analyst*

Okay. Let's kick it off. It's my pleasure to have on stage Enrique Salem -- now CEO? Have you made the --?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

No.

Sarah Friar - *Goldman Sachs - Analyst*

So it's still COO. I wasn't sure.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I'll officially be CEO on April 4.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. I won't then say -- so COO of Symantec. Enrique, thanks for taking the time with us.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Pleasure.

Sarah Friar - *Goldman Sachs - Analyst*

So it's great to have you. We -- I sat here this morning actually with Dave DeWalt in this chair.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Who's he?

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Sarah Friar - *Goldman Sachs - Analyst*

Yes. I'm not sure if you've heard of --. It's a little --. No. So Dave talked a little bit about trends in security, and I guess one thing we're trying to get to the bottom of is can security be a growth industry this year in light of the macro-backdrop? Is it one of those areas where you do get some relative -- pardon the pun -- security because it's so must-have, and how do you think about that for your business?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

So I do think that -- wow, that was loud. Alright. There we go. Much better. So I think security is definitely an industry where it's going to outperform other IT spending. Definitely outperforms other segments of software. And it's because, no matter what's going on, you're going to protect your information. Customers have data that they've got to protect -- intellectual property, customer data, employee data -- that, even in this environment, you're not going to say, "No, I will not spend on protecting information." Just take the headline risk. You don't want to be on the cover of the Wall Street Journal saying, "I lost 20 million customer records." So you're always going to be in a position where security and parts of security are less discretionary than other types of software purchases.

I think the other opportunity right now in security is there's an opportunity to drive costs out of the administration of security because what has happened over the years is you've had a lot of point products and if you go to talk to Chief Information Security Officers around the world, they'll tell you we used to buy hundreds of different technologies, and now we have to manage all of those those, and so the opportunity is to bring those together in a way that is easier to administer and can hopefully drive down costs from that perspective.

So security can be both must-have from protecting your data, and there are some things we can do right now to drive out costs.

Sarah Friar - *Goldman Sachs - Analyst*

Yes. So that was a very clear message we heard even this morning. As you think -- are you seeing customers come to you and say, "Even with my security budget, it needs to be down 10%, it needs to be down 20%," and then is it the long tail of others or is it some of those bigger vendors, like a McAfee or a Checkpoint or a Cisco that you're squeezing out. How do you think about who is the consolidator versus being consolidated away from?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Yes. I do think that scale matters and I think you are in a situation where you've got a whole set of anklebiters and then you've got little larger competitors. But in general, there's still a lot of small players in security. And the markets -- if you go segment by segment, you still have lots of folks who are subscale, and I think in this environment, you're going to shake out a lot of people. I think some folks, as you say, from a consolidation perspective -- I think once we see a deal fall -- a fairly sizeable deal fall -- I think you're going to get a lot of consolidation in security and storage and so forth.

Sarah Friar - *Goldman Sachs - Analyst*

Yes. No, I agree, although I think everyone's kind of said you need a point where the sellers recognize the (inaudible) that the market has gone to --

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

That's right.

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Sarah Friar - *Goldman Sachs - Analyst*

And that seems to be the second point.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think that's right. I think you still are -- I think people are trying to figure out have they reset their expectations far enough, and probably not.

Sarah Friar - *Goldman Sachs - Analyst*

So to come back to -- I'm going to start in the enterprise security side. What can Symantec do there to kind of make sure that you can keep growth coming, that -- when SEP 11 rolled out, you clearly have an upgrade cycle. It seemed, though, that there was some stumbling around the products for the mid-market. Is that fixed and is there any pent-up demand or at least mid-market demand that could now help?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Yes. I think that we did very well in the large enterprise, and one of the poster childs of one of my competitors in Santa Clara that was on your stage this morning is they used to have an account called Continental Airlines. If you go to the website, you probably can still see the press release about when they won them in 2006. We just won that deal back, and the reason we now have that deal in large enterprise is because what was pretty clear to the marketplace is that we're able to bring a lot more together on that endpoint, and one of the biggest assets we have right now is an acquisition we did about a year and a half ago -- a company called Vontu. They're the market leader in DLP. And so the ability to bring in the data loss prevention, the firewall, the malware -- together into one administration console and one agent -- or one set of agents -- I think is making a big difference in the large enterprise.

If you look at the mid-market, I think that we engineered a product that was well-suited to the high end of the market and we needed to make a couple of changes, which we've been making over the last year. We have a further update that comes out in the first half of the new fiscal year -- fiscal year '10 -- which starts April 4, and that will absolutely continue to do a better job of simplifying the installation for the very low end of the mid-market, so the 100-person, 200-person, 500-person company.

Sarah Friar - *Goldman Sachs - Analyst*

And then as you -- the other kind of topic on security that we hear is this flip from the endpoint coming together with the network. Now I feel like that used to be a conversation I would have with you literally 7, 8 years ago. Symantec did Axent. They did a lot of different things to try to bring that together. With McAfee making the purchase of Secure, they're trying to make that play once again. How does Symantec respond? Do you need to have more on the network security side -- I know Vontu can kind of set up both sides -- or you feel that that's not the play now?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think you make a couple of distinctions. I have no interest in competing in network security. I'll leave that to Cisco, and I wish anybody luck who wants to compete with them there. I think that -- I think what you want to do is we think about data in motion, and so data in motion -- yes, it flows over a network, but it's application-level analysis, right? And so what you do is -- we don't need to be in the network layer packet inspecting. We need to be analyzing people who have content. If you want to send out social security numbers or employee data, you want to analyze that at the application layer. And so when you think about it,

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it's not the network layer that I'm interested in, but it's the application-level security of data in motion. And so when we think about what we have to do is both protect data in motion and data at rest. And that's what matters to our customers today and that's what will endure and be effective in this current economic environment.

Sarah Friar - *Goldman Sachs - Analyst*

Sure. And so if I think of your spectrum -- hence the segue to storage, and we'll come to that, but hence the link there. Okay. If I look at Symantec's results over the last 3 years, call it, consumer actually has done better than any -- than I think a lot of folks assumed in the market. On the enterprise side -- because I want to stay there before we shift to consumer -- enterprise has, I would say, disappointed in a way. Is that -- your competitors talk like market share losses. What has been the issue there and do you think that that's now fixed as you look forward?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think when you look at the markets that we compete with -- some of our bigger competitors -- large enterprise, we're gaining share. Mid-market, we're probably falling -- we've fallen a little bit behind. I think we address it with some of the updates that we've already made in the upcoming weeks in the first half. So I think there's an execution issue in the mid-market that we have resolved. I think that, when you look beyond the endpoint, though, I think things like our compliance technology and our DLP technology are both going to do well in the security market. So I expect to see our security business, as you look out to fiscal year '10, outperform the marketplace. So I think the question which is on everybody's mind is what does growth look like in this current environment, and I think the challenge for all of us is, I think security continues to be important, even in this downturn. The question is where will IT spending be? And I expect it to be flat to slightly up for security.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. If I switch to the consumer side -- so there, again, kind of a divergence in strategies, because it really has become more (inaudible) in a way because of the environment. I know you probably don't like that word, but the big guys have definitely gotten bigger, maintained their share. The anklebiters seem to be fading a little. So maybe we'll start there. Is that what you're seeing on the consumer side? These guys, like trend, seem to have fallen away. Is that just that the brand came through and that's what matters?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I would tell you I guess I see it a little bit differently. If you take a global view, I think that you see lots of competitors in specific geographies. And yes, they're sub-scale, but they're still competitive. If you go into Japan, trend's still meaningful. If you go into Germany, there's players in Germany that are still meaningful. So I would tell you, on a global basis, yes, I have one or two primary competitors, but you have lots of folks who are relevant in different market segments. So I wouldn't want to say that there's only one competitor out there.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. And then in terms of the strategy -- so we've seen McAfee go hard after a lot of these OEM agreements and so on, and we've had discussions where you've said, "I really will only do that in a profitable way and I'm very mindful of not just the revenue gains, but what's the net income gain from it." Give us a little bit more color there and what you mean by that, and how you think about should you be chasing some of these OEM deals.

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Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think that every deal, we analyze on an individual basis and then we look at the overall P&L of the consumer business and the overall P&L of Symantec. And as you've seen, we've driven margin expansion over the last several years and, quite frankly, in the December quarter, given some of the cost actions that we took, we actually expanded even further. And I think that, at this point, when you look at any OEM deal, what we're able to do pretty effectively is say, "What will the conversion rate look like and when does it become profitable?" Buying a deal in OEM to go ship a lot of units into China where conversion rates are low and you've got a lot of piracy -- I don't think that is a bet worth placing and I think it will be -- it would have been a deal, like with Lenovo -- it would be dilutive to Symantec's margins. And so we decided that that was not the right deal for us to do. What we will do, though, is if there's a must-win -- for example, HP is a deal that was important to us, and we went out and used breadth of our P&L to go out and make sure that we had that deal. So we will win deals that we think we can get the economics to work, that we can get -- because of conversion rates. But there are certain deals that just aren't meaningful -- aren't going to be beneficial to our profits and we're not going to do it.

Sarah Friar - Goldman Sachs - Analyst

So when I look at your consumer business, it seems like the strategy is take the base, first of all, and keep working at how to sell more into that base. And you've been very successful raising ASPs as you've built up more of a bundle. Is there a cap on that over time? And then what are the new add-ons? Talk about some of the storage adds and so on that you (inaudible).

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think you've got a couple of things that we're doing. If you think about the consumer business, I think you want to think about how do successful consumer businesses -- how are they run? So take Procter & Gamble. What does Procter & Gamble actually do? They have a multi-brand strategy, right? So if you go into a store and you're buying consumer products, they'll pick 2 -- they'll have 2, 3, 4 brands that they use to attack the entire market segment. That's what we've done. What we've gone out and done is we've got a high-end premium brand in Norton, where less price-sensitive buyers. And then we have a low-end brand that we use in emerging markets called PC Tools and in more price-sensitive segments. So two brands -- Norton and PC Tools. What we then do is we're going to go out and say, "How do we move people through the product portfolio to get to higher ASPs?" So we started with point products like Antivirus. Most of our base is now on Norton Internet Security, which is a \$69 price point product, moving them to Norton 360 which is a \$79 product. So moving up market. The other part of it is how do we add on other functionalities? So two new things -- one is Norton Online Backup. We currently are shipping online backup technology that works very, very well for a home user that's trying to make sure that they can protect any of the digital assets that they're creating on a daily basis -- pictures and anything else that's relevant. The nice thing about that technology is it also works very well in a Netbook environment. So Netbooks have a little smaller hard drives and so you're able to back up all your data onto the internet. So backup as a service or storage as a service is one add-on to the consumer business. The second add-on is -- as we've done a lot of focus groups with a whole range of users, one of the opportunities we identified was what can we do to protect families or kids that go online. And if you look at what's happening in that market, the old tools that people used to use were things like URL filtering, which is just block a website. That's a very blunt instrument. Telling -- I've got kids. Telling a kid that you're going to keep him from going to Facebook is not a worthwhile discussion. What is important is let them go to Facebook but monitor what they're doing. So if my child decides to represent themselves as something that they're not -- an 18-year-old when they're much younger -- I don't want to allow them to do that. So I want to be able to monitor their behavior online, have a discussion with them, but don't say, "I'm going to keep you from going to Facebook," because what they'll do is they'll figure out ways around the software or go somewhere else. And so that's a nice add-on to the consumer business where we can continue to drive a higher revenue per PC. So even in a market where you're seeing the numbers of PCs -- there's predictions saying minus 5, minus 10 --

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Sarah Friar - *Goldman Sachs - Analyst*

Right.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

-- year over year, I think our goal is how do we continue to monetize the base by getting more revenue per PC, using things like online backup or storage, and also the Norton Family Safety add-on.

Sarah Friar - *Goldman Sachs - Analyst*

But isn't that same consumer also the consumer (inaudible) who's constrained, who's running out of credit, who's worried about keeping their job? How hard is it, as you look at your base, to see an ability to keep mining them for more at this point in time?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think with the Norton brand, what we've found -- it is a premium security buyer. It's folks who are less price-sensitive, where what -- the analysis we've done -- and the nice thing is when you have 56 million consumers in a \$1.7 billion business is you have great market analytics, and so you can tell where is the price sensitivity. So users in the consumer space are willing to pay sub-\$100 to do all the things that they're going to do on their PC. And so I think that you look at Norton Internet Security, \$69 -- Norton 360, \$79 -- there's probably still a little bit more we can do, especially with add-ons. And so I think that we are in a position that we can get more revenue per PC. Now for the price-sensitive buyer, especially in this downturn, we've got PC Tools. But what I don't want to do is take Norton down into the more price-sensitive segment, because that'll just serve the purpose of -- maybe I'd get a little bit of segment or market expansion, but it drives prices down. I'd rather keep the premium buyer up here and use PC Tools at the other end. And that's just smart brand management.

Sarah Friar - *Goldman Sachs - Analyst*

So to come back to that strategy of you get the customer and then you've proven yourself successful in continuing to shift them up, you come back to where we came into this conversation about OEM deals. How do you decide to walk away from something like Lenovo, given that there is China -- huge markets -- everyone gets excited when they see the numbers. How do you think about long-term greedy versus short-term profitability?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think what you've got to look at is we have all the conversion statistics in China and around the world, and that's a market where we will seed it with -- we will put units into the market with PC Tools and we'll look to convert them into a paying product. We won't take the Norton brand there because, ultimately, the price points will be too low. And at a couple-percentage-point conversion rate, you've got to convert a lot of users and sell them a lot to make those deals more profitable.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. Fair. And then just on the renewal side -- because I think people get fearful of that in this environment, too. What are you guys seeing in terms of renewals? Automatic renewal clearly was a great driver of the business. Any sign that people are falling off now that credit is getting tougher?

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Enrique Salem - Symantec Corporation - Chief Operating Officer

We haven't. We haven't seen -- in the Norton-branded products, we haven't seen a change of renewal rates. While yes, there's anecdotes of a few folks who have not continued to renew, that's not happening. We are still absolutely getting the high renewal rates, and that's continuing to happen even through this entire downturn.

Sarah Friar - Goldman Sachs - Analyst

Let's switch gears over to storage. So we've kind of gone from enterprise security back to consumer, now we're going back to enterprises again. The storage business has gotten a lot healthier. It's -- you kind of bought Veritas. There were teething problems. There were issues about execution. It felt like it had gone off the rails for a period of time, and then suddenly, in the last year -- kind of I think the 6 (inaudible) release and so on -- things really kind of started to shape up again. How do you feel as you look at that business now? What are you excited about? What do you still think are the execution elements that you want to change here?

Enrique Salem - Symantec Corporation - Chief Operating Officer

I think there's two things that are going on. Virtualization is a topic that, every time you go in to talk to an IT executive, they want to discuss it, and there's -- virtualization comes in three flavors -- server virtualization, storage virtualization and endpoint virtualization. When we think about server virtualization, that's not the market that we're in. We're not participating there. But we are participating in the storage virtualization side, and if you take a look at what's happening in the marketplace, data volumes continue to explode. We're saying -- last night, I met with a very large insurance company that -- based in the Midwest, just to be clear -- and --

Sarah Friar - Goldman Sachs - Analyst

Not a New York (inaudible), no.

Enrique Salem - Symantec Corporation - Chief Operating Officer

Exactly. So if you think about that company, they continue to grow their storage demands pretty rapidly. They're still producing a lot of rich content, and so they've got to back that content up. Their utilization in their storage infrastructure is sub-40%. And he made just a great point. The head of operations said to me, "Enrique, what I want you to help me do is I don't want to be locked in to any storage vendor. I want to be able to commoditize the hardware. So whether it'd be a SAN that I buy from one vendor or a disk array from another or a network attached storage from another -- I want you to help me basically commoditize the storage using your software layer." And so what ultimately happened is storage volumes are going up very high, very rapidly. They want to drive disk prices down, and we can help them then do that. We can help them drive utilization up. Gartner's statistic -- 37% utilization. It's getting a little better. It hasn't gotten a lot better. What we're doing is giving our customers a dashboard that lets them understand how much storage are they using, report back on that utilization and then look at how do they drive utilization higher. So that has a compelling ROI in this environment. Make no mistake about it. Going to somebody and saying two-year ROI doesn't work. We showed them a four-month ROI on storage utilization -- that's a deal that gets done. And so that's, I think, what's happening is you've got explosive growth and you've got opportunities to show real savings with the notions of, let's say, stop buying storage. Stop buying storage hardware. Get better utilization of what you currently have.

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Sarah Friar - *Goldman Sachs - Analyst*

Which feels like the market coming to you, in a way, because that was always the Veritas proposition, that if you have the independent software layer, (inaudible) from the hardware vendor. And I presume the hardware vendors can't really compete with you on the message because they don't want to stop buying hardware --

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Exactly.

Sarah Friar - *Goldman Sachs - Analyst*

And -- okay.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

And they want to move up, right? Their goal is -- if you look at the SRM market, the hardware vendors were saying, "Well, we'll help you optimize utilization," but that's a little bit disingenuous in some ways because they want to keep selling hardware, as you said. But they are trying to move up and be able to play more in the storage management layer, but they're never going to do as good a job on somebody else's hardware.

Sarah Friar - *Goldman Sachs - Analyst*

Is there a new upgrade cycle (inaudible) something that gets you excited when you look about the -- look at the Veritas business right now?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Well, from a product perspective, the big change that's happening is we're seeing a big move from people using tape as the backup media to disk --

Sarah Friar - *Goldman Sachs - Analyst*

Yes.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

And that cycle does matter. And that's because the volumes are so large that you have a situation where you absolutely need to use other technologies. And so two technologies that are relevant. One is data deduplication and the other is continuous data protection. So dedupe says, "Why store multiple copies when you can only -- when you should only need one copy?" And continuous data protection says, "Don't try to fit all of your entire backup into a -- the backup window in big chunks. Just continuously update or back up the data as you go throughout the day or as it changes throughout the day so you can keep up with your data lines."

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Sarah Friar - *Goldman Sachs - Analyst*

And so then, broadly, what has been the impact on the storage business, though, from the environment? Are you seeing any changes to maintenance renewals? People asking for better pricing? It feels tough out there right now.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think -- IT has always been looking to manage costs. Since 2000, 2001, you've obviously seen IT budgets be constrained. The change that we've seen is that the term of the deals has probably gotten shorter, where if somebody was looking at -- a customer would look at a multi-year deal, they're trying to look at one-year deals. I think they're less focused on how do I buy a three-year license. They're looking at year to year. I think the second thing that's happened is we have a pretty broad portfolio, both on the security side and on the storage side. We were able to previously bring more products together in a sale. So more -- and some cross-overs, where you had, in one agreement or in one transaction, getting both security products and storage products. You're seeing folks say, "I've got a very specific problem. I'm going to go solve that problem. I'm going to use a product to do that." And so that's the changes we've seen -- shortened terms and probably less products per purchase.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. Shifting to the cost side, just to be mindful of time.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Sure.

Sarah Friar - *Goldman Sachs - Analyst*

So Symantec has been (inaudible) trying to right-size for a period of time. And (inaudible) doing this long before this downturn hit us. Are you at a point now where you feel you're right-sized for the environment or where else might you go to look to kind of keep up that very nice margin expansion we've seen?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Yes. I think that we definitely have been looking at our cost structure and we've been showing consistent improvement over the last couple years. There's still more opportunity. The question for us is always how to balance margin expansion with investing to drive further growth. In this environment, I think you want to be mindful, though, that you don't want to throw good money after bad, meaning if there isn't going to be demand, I don't want to put more money in demand generation. And so I think we're going to always be mindful of that. Have we right-sized to this environment? For our current view of the environment, yes. The thing to think about, though, is that this environment could deteriorate further and what we've done is we've got our list of if we had to take more costs out of the business, we know how to do that. If you look at what happened in the December quarter, we got a little bit ahead of this and said we're going to take out about 4.5% of our staff, or the salary of that staff. And so what our team did, though, is -- because they wanted to reallocate some resources -- they went a little further, and you saw that in our margin expansion in December --

Sarah Friar - *Goldman Sachs - Analyst*

Right.

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Enrique Salem - Symantec Corporation - Chief Operating Officer

But now, we'll hire back a few of those folks in different jobs or different locations. So it gave us an opportunity to also reallocate resources to where we saw opportunity. But we will continue to look at how do we manage the cost structure. We know how to adjust it, however this market goes.

Sarah Friar - Goldman Sachs - Analyst

And it seemed even beyond people, there were a lot of processes that were being re-engineered -- procurement, marketing and so on. Are there still vestiges of that flowing through the model that we'll see or where are we in some of those?

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. We continue -- when you have a company of our size, you can continue to find ways to improve your cost structure and become more efficient. And you touched on productivity improvements. We are looking at how do we drive further productivity improvements for our sales force. And small improvements are meaningful when you have a sales force of 4,500 people. So I think the notion is how much of that do we put on the bottom line and how much of it do we reinvest. But there's still plenty of opportunities to improve our cost structure and we'll look at it month-to-month. And we get -- we have real-time analytics of what's happening in the consumer business, in our channel business, and then obviously, in enterprise software, you do have a little bit of a back-end loading for the enterprise transactions. But in general, we have good visibility and can continue to adjust how much we invest. And so good opportunities to drive costs down or improve the cost structure, but I want to reinvest some of that (inaudible).

Sarah Friar - Goldman Sachs - Analyst

Is there an optimal margin structure you think about when you think of a broadly Symantec 50,000-foot view?

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think we're -- we've been on a drumbeat that says we want to keep expanding margins at a rate of about 100 basis points, and I think some quarters you're going to get better performance and some quarters you're going to get a little bit less. But over the long term, we still have room to expand margins. I think the question is, in this environment, how much margin expansion will we go after.

Sarah Friar - Goldman Sachs - Analyst

Right.

Enrique Salem - Symantec Corporation - Chief Operating Officer

And I think we're going to balance revenue growth and margin expansion based on market demand. That's the real driver here. I think we don't -- if we are not getting growth, we're going to keep looking at how we expand margins. But if we see an opportunity to grow a little bit more, we're probably not going to expand margins as rapidly. That's the trade-off in the balance. But long term, we still think we can improve margins by 100 basis points.

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Sarah Friar - *Goldman Sachs - Analyst*

And then the other driver at the bottom of the P&L of earnings growth for you folks has definitely been share repurchase. Now you absolutely took a more forward-thinking view of capital structure than probably any company I cover. I give James (inaudible) some credit for that.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Absolutely.

Sarah Friar - *Goldman Sachs - Analyst*

I think with his background. What's the view today on cash and uses of cash, given the more constrained credit environment we're in?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

I think we are in a position where we have high cash flow. Cash is king right now. We're not looking to say, "How do we start utilizing that cash beyond what we've already said we're going to do?" We can afford to be very patient on M&A right now. We're not looking to go out and start doing a lot of acquisitions. This is a buyer's market and so we're going to be very patient. So from a cash perspective and a capital structure perspective, I think that we like where we are. We have an investment-grade rating and so we think, at some point if we need to do something, we want to be in a position to do that, but right now, we're pleased with where we are.

Sarah Friar - *Goldman Sachs - Analyst*

And will you keep up kind of a healthy level of stock repurchase? How do you think about that?

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Well, we look at it -- every quarter, we look at it. We'll look at the fiscal year and we'll decide is that the best use of cash right now. And we've got an authorization for a couple hundred -- \$400 million at this point that we're working our way through. We'll proceed through that and then we'll decide what else we do from there.

Sarah Friar - *Goldman Sachs - Analyst*

Okay. With that, I'm going to open up to the audience. We have about 5 minutes here. I clearly can run and run, but I was trying to stop myself.

Enrique Salem - *Symantec Corporation - Chief Operating Officer*

Sarah has lots of questions. She's actually been easy on me so far, so --

Sarah Friar - *Goldman Sachs - Analyst*

Yes. Great. Thank you.

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Unidentified Audience Member

You mentioned (inaudible) a better idea of what would be the first thing to get cut would be great.

Enrique Salem - Symantec Corporation - Chief Operating Officer

I think you have plenty of things you can do around variable spend. If you just take a look at a company like ours, we have a number of activities we do every day, from marketing programs and brandbuilding to activities where we're --. For example, real estate, where we've got hundreds of offices all over the world where there's opportunities to drive some consolidation. And so there's a number of those things that we can do. There's span of control. When you have 17,500 people working at the company, you can move from a span of control of 5 to 1 to 6 to 1, and so there's a number of opportunities that we think we can do. And some of those things, we're going to do anyway. It's just that we'll take some of the savings and invest it in growth. And then if we need to put -- protect the bottom line, we'll just shut some of those programs off. So we've got some money that we're investing right now in variable that if this goes down further, we'll just stop some of those activities.

Unidentified Audience Member

[Inaudible question - microphone inaccessible]

Enrique Salem - Symantec Corporation - Chief Operating Officer

So you always stay away from anything that drives revenue and you always try to be very mindful of what are the revenue-generating activities. And you start -- you protect those and then you go -- as you go further, you say what are the -- the things that are furthest away from revenue generation are the things that are most likely to get cut. Simple way to look at it.

Sarah Friar - Goldman Sachs - Analyst

Great. Thanks.

Unidentified Audience Member

As you think about your new role that you're taking on, do you have some specific goals or objectives or longer-term sort of strategy that you placed for yourself or internally for the organization?

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think when you look at our company, John Thompson, our current CEO, joined in '99. The company was roughly \$600 million or so. Today, we're \$6 billion. So we've gone up 10x. And that was driven by about 30 different acquisitions. I think the opportunity right now is in the area of storage management and backup and security. We can do a lot better job of integrating those technologies together. And we acquired a company called Altiris which brought with it a platform -- a systems management platform -- that we can use to integrate our products, so that the priority right now for us is how do we drive better integration of the technologies that we already own. If we do a good job there, what that will do is if we sell you our endpoint security technology, we can then sell you our DLP technology. And so I think there's an opportunity to do a better job of integrating the products and driving higher ASPs because more products are being sold at the same time. The second area I think is very important to our customers is this move to software as a service. We absolutely think that, over time, more and more of our business will move to be internet-delivered, and that will be an area of investment. And so one of the things that we'll look back

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on hopefully 5, 6 years from now is that we were able to transform or move Symantec from being a provide of on-premise hardware and software to being a provider of on-premise hardware and software with a very strong software as a service business.

Unidentified Audience Member

[Inaudible question - microphone inaccessible]

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think that there will come -- we'll spend the near term driving integration, and then I think what'll happen is there'll be some opportunities to bring in some other technologies that can be easily integrated on what we've already done. But again, no rush. No rush to go out and do a bunch of acquisitions. That's just not the priority right now.

Unidentified Audience Member

Without sort of being overly alarmist, we have a scenario with a deteriorating global economy, increasing terrorist threats around the world. Can you talk a little bit -- again, without being alarmist -- about the possibility of sort of a massive cybercrime or, if you're watching this version of -- this year's "24" -- shutting down airlines, shutting -- polluting water. Just the possibilities there. What Symantec is doing, if anything, to sort of work with governments around the world to prevent it. And is there an -- and lastly, is there an opportunity for sort of a major revenue source to Symantec toward working with the governments around the world to prevent sort of a massive terrorist cybercrime?

Enrique Salem - Symantec Corporation - Chief Operating Officer

Yes. I think what you see is there's been a move to attacks being much more targeted. And so the attackers right now aren't looking for how do I get a lot of visibility. There is the notion of a big denial of service attack. There absolutely is the ability, especially with what's known as a botnet, which is this network of machines that you infect that then you can use to launch this big denial of service attack. Is that possible? Absolutely. We've got lots of technologies that we're working not only with governments, but with corporations, to try and make sure that their systems can't be used in this massive type of attack. Corollary to that that's very interesting to us is that the federal --

Unidentified Audience Member

Can I ask how you get paid for that?

Enrique Salem - Symantec Corporation - Chief Operating Officer

How do we get paid for that? It's anti-malware technology. So detecting these -- when you're --

Unidentified Audience Member

You're selling it to governments or are you getting paid a consulting service by governments?

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Enrique Salem - Symantec Corporation - Chief Operating Officer

We're -- in that case, we're selling into everybody who has a computer, not just government. So everybody who has a computer is an opportunity for us to sell that anti-malware -- anti-botnet. The second part of it, though, is federal governments are going to spend money, especially in this environment, not only to protect themselves, but as a part of stimulating or increased spending to stimulate the economy. So we think that there's a lot of opportunity to help not only in the cybercrime, but also in some of the new investments that the federal government will make to upgrade some of their infrastructure and retool. And so we've got a pretty active set of initiatives around state and local governments and then federal governments around the world.

Unidentified Audience Member

Is there a game-changing or new product in there? Ten years ago, antivirus wasn't really a product. Is there something in the works that you could see being a massive product set for Symantec over the next 5 or 10 years?

Enrique Salem - Symantec Corporation - Chief Operating Officer

I think that it's going to be extensions to how we secure and manage information, meaning that data loss prevention is step one, but that's still not enough. And so there's going to be -- your data's vulnerable. 59% of people who leave companies today are taking confidential information with them. 59%. That's a (inaudible) Institute study. And so there's a lot more work to do in how you effectively protect that information. And so I think that you'll see that be a very large growth opportunity for Symantec over the next 3 to 5 years.

Sarah Friar - Goldman Sachs - Analyst

Okay. I'm getting lots of signals from the door. Let's take it to the breakout room. It's Golden Gate B2. Enrique, thank you so much for being here.

Enrique Salem - Symantec Corporation - Chief Operating Officer

Pleasure. Great to be here, Sarah.

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