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PRESENTATION

Adam Holt - *Morgan Stanley - Analyst*

Good morning. Thank you all for coming. My name is Adam Holt, I'm the head of the software practice in the equity research department at Morgan Stanley. I'm very pleased this morning to be able to introduce Symantec and Enrique Salem, who is currently the Chief Operating Officer, but as most of you know, will be stepping into the well-deserved CEO role over the next few weeks. I'm going to host a Q&A with Enrique, but we want to make sure that we get all of your questions answered as well. We've got a couple of microphones in the audience, so once I get through my questions, we'll open it up to the floor for any of yours. Raise your hand, I will recognize you and we'll get you a microphone as quickly as possible.

Before we get started, please note that all important disclosures, including my personal holdings disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at MorganStanley.com.

Enrique Salem - *Symantec Corporation - COO*

By the way, that's an important part of those whole presentation. Thank you for that.

Adam Holt - *Morgan Stanley - Analyst*

That's right, absolutely. I'm getting good at it, too. So, Enrique, thank you, first of all, for joining me. And I'll start with the question I've been starting most of these conversations with, which is we're in difficult IT spending environment, there's no question there. Maybe give us your planning assumptions with respect to the macro and how you as a management team and a company are managing through what is hopefully the worst IT spending environment we'll see in our lifetimes?

Enrique Salem - *Symantec Corporation - COO*

I think, Adam, as you look at it, it's not news what's going on at this point. If you look at the spending environment, it obviously has continued to change, but if you just go back to 2001, IT spending, folks have started to be much more careful on spending since 2001. It's not like IT budgets suddenly overnight started to contract. And I think the distinction that we see out there right now is that you've got a situation where we do expect IT budgets to be flat to down, but the distinction for Symantec is that we're in two segments of the market that have historically proven to be a little bit more resilient.

The first one being security, where if you think about security spending and you think about what every company has, you've got important intellectual property, customer data, employee data that absolutely needs to be protected. Nobody wants to be on the front page of the paper saying we lost 100,000 or 5 million customer records. And so security continues to be important, even in this environment.

I think the second point is what we've seen is storage demand continues to grow very rapidly; it's doubling; storage incumbents is doubling every two years. If you go talk to an IT executive, he'll say that every month he continues to buy more storage. And so what that does for us is that they need to continue to backup that data.

The other side of it is we've got this new campaign that we call Stop Buying Storage, because today for all IT managers, one of the biggest priorities for them is how do we reduce our overall expenditures, but we've got to show hard ROIs. I met with an account last week in the Chicago area who told me, using one of your products, something we call Command Central Storage, we'll be able to show a four-month ROI by basically reducing the amount of storage that we're going to buy. And so in this environment, because we can show compelling ROIs, because we're in the security market that continues to be important, I think what you get is continued spending coming our way. While we expect budgets to be flat to down, we absolutely believe that for our business we should be able to outperform the current view on IT spending.

The other thing that you've seen over the last five quarters is that we've been able to continue to drive margin improvement. We've done that through being pretty rigorous on our cost management side and we think that there's opportunity to continue to do that, and from our perspective, even in this environment, we think that there's an opportunity to continue to look at long-term how do we drive further margin expansion.

What we want to do is balance that margin expansion in this environment with top-line growth, because we think that is pretty important for Symantec at this point. And so we do expect to drive a little bit more growth through even this challenged economic environment.

Adam Holt - *Morgan Stanley - Analyst*

So just to put a sharper point on that, it sounds like you expect to do better than an IT spending environment that may be flattish to down a little bit, so it sounds like you would expect to grow your business. How do you think about the forecasting methodology that underpins that? Have you changed at all the way that you compensate salespeople, your close rate assumptions, your pipeline? Maybe walk us through how you actually build your plan?

Enrique Salem - *Symantec Corporation - COO*

I think there are a lot of different factors and one of the factors that I think we're all going to face, especially with a company as diversified as Symantec as far as our revenues being international to domestic, one of the things you've got to look at is what happens to currency. And we do have a bit of a currency headwind at this point, given that this time last year the euro was somewhere in the $1.55-$1.58 range, and so you got a little bit of a headwind there. So you've got to use currency as an assumption.

I think if you look at close rates, I think we saw close rates improve a little bit in the December quarter over September. I think part of it was September saw a lot of folks get very nervous about what was happening in the economy and the marketplace. We did get a good benefit at the end of the year with some amount of year-end budget flush. I don't expect that to continue into the March quarter as we go into the new fiscal year for many companies, but we do have an advantage that this is our fiscal year-end, which I think that's helped Symantec to some extent. As we do our planning though, we look at what's the pipeline coverage, what are the currency assumptions, what do we believe the close rates will be, and so we factored all those things in as we gave our guidance for the March quarter. I think if you look at our numbers though, pretty clearly the currency headwind does play a fairly big factor.

Adam Holt - *Morgan Stanley - Analyst*

And if I could just touch on a couple of operational items before we get into the different product elements, as you noted, you've done a terrific job on the operating side. There are a number of initiatives ranging from outsourcing some of your back office to moving some of your organization to lower-cost geographies. You've had a headcount reduction. Can you talk about, maybe in general terms, where you are on some of the operational improvements that have enabled you to benefit and show such nice operating margin and what on a going forward basis we should expect you to continue to do to keep your costs under control?

Enrique Salem - *Symantec Corporation - COO*

I think that in a company with 17,500 employees that we spend roughly $3.5 to $3.6 billion a year, there's still plenty of opportunities for continued improvement. I think that we benchmark ourselves against world class, not on any just company basis, but on every line item and I think if you look at it from a cost structure perspective, there's opportunity for improvement. I think the question is, how do we balance putting that on the bottom line and operating margin expansion with driving growth.

Now one thing we won't do is try to go chase demand that doesn't exist. So if we can find some opportunities to save in our cost structure, I don't think it's necessary to go in and try to say push that to drive demand if customers aren't going to buy. So I think we're balancing the improvements in our cost structure with what's the right level of how hard should we push on the revenue build at this point.

Adam Holt - *Morgan Stanley - Analyst*

So with margins at over 30% in the most recent quarter, that's a level we hadn't seen in a number of years. Again, not trying to get you to update guidance, but to think about--.

Enrique Salem - *Symantec Corporation - COO*

And you know I'm not going to do that.

Adam Holt - *Morgan Stanley - Analyst*

Right. But as we think about some of your longer-term targets, is it fair to think about margins ultimately being somewhere in the mid-30s maybe even high 30s over time?

Enrique Salem - *Symantec Corporation - COO*

If you think about our business, we actually are going to keep looking at driving the 100 basis points margin improvement over the long-term per year. And I think the question is just in this environment we probably have to be careful with the margins roughly on an annual basis just in that 29 to 30 range. We think that that's a reasonable place to be for right now, but what we'll do is we'll keep balancing the investments against margin expansion, but I do think that the company can actually continue to drive 100 basis points of margin improvement long-term.

Adam Holt - *Morgan Stanley - Analyst*

Terrific. Let me shift to some of the product areas and I want to talk about the backup business, which as you noted is typically more resilient in downturns, because people continue to spend. You've also had some product cycle momentum there with some of the emerging technologies around data deduplication, disk to disk, I know your capabilities there. Where do you think you are from a product cycle perspective on the backup side and what should we be thinking about from a roadmap perspective? You'll have your user conference next week, maybe we'll see some announcements. What are the important upcoming products on the backup front?

Enrique Salem - *Symantec Corporation - COO*

If you think about what's happened, historically most of backup has been done to tape. That's just the historical way people have protected their data. Now what we're seeing is a fairly big move to disk, because disks have become cheaper and faster, more reliable than tape. And so we've been on a steady drumbeat of updates to our technology that allow us to take advantage of the shift in technology. So that move from tape to disk is something that we're well positioned for. We've got a number of opportunities across the entire market to help our customers with that migration. Now if you look at it, today we've got 47% market share in the tape backup business and we think this is an opportunity to add the disk based option. Because people are still going to keep using tape; no one moves completely away from it. So, I think that's the continuing opportunity.

The second thing is, as people virtualize their infrastructure, there's a new set of capabilities they need from a backup perspective, where we think that we've got some great technologies, but the good news is that at VM World we were awarded the best backup product for a virtual environment, so I think we can help folks in that move.

I think the other area that's interesting is from a customer perspective, they don't want to think about archiving and backup differently. We've got the market leading archiving product that by Gartner's recent surveys and recent Magic Quadrant we've got five years in a row where we've been the only -- the only company in the leader quadrant. And so what we want to do with our customers is not only help them in this migration from tape to disk, but also help them as they think about how do they manage their information across both archiving and backup and make them not have multiple policies, so simplify that environment, help them reduce some of the management costs and help them with that move beyond just the tape to disk migration and that's why you're seeing some resilience in the backup business.

Adam Holt - *Morgan Stanley - Analyst*

On the storage front, I don't want to make this sound the wrong way, but I've been surprised at how strong Foundation has been over the last year, after a couple of years where Foundation maybe wasn't that strong. There have been a few different things that have improved in that business, ranging from how you sell it and the bundling, to some parts of the aggregate server market actually stabilizing with respect to where Foundation participates. Do you think that improvement is sustainable or have you seen some of the low-hanging fruit with respect to stabilizing the Foundation business?

Enrique Salem - *Symantec Corporation - COO*

I think if you look at our Storage Foundation business there's a couple of key drivers there. First of all, where it's deployed customers will keep using it, so very high renewal rates. You're going to be in a situation where just the base is very solid and continues to do well. But more importantly, what happens is if you look at the Gartner statistics, currently storage utilization is 37%. That's the Gartner number. You take that number and you say well, that means that we've probably got -- if you think 70 is the right target for utilization, that means you've got at least another 35 points to go or 33 points to go. And what we can show our customers is how they can effectively use our software to get better utilization of their storage. If you can do that, that means they have an ROI right now.

If you use the storage Foundation product, what it allows you to do is do storage tiering, which means from a customer perspective, they don't have to put everything on tier-1 storage. Tier-1 storage is very expensive. With our product line, you're able to help our customers decide what quality or what type of storage infrastructure they need to utilize. And so if you look at that, in this environment I think this continues to be a good opportunity to help our customers better utilize their storage and save money. If you can save somebody money right now with four, five, six-month ROIs, they're going to continue to invest. So I think that there is still opportunity in that business, but it's contingent on our ability to show that there is a clear and compelling ROI.

Adam Holt - *Morgan Stanley - Analyst*

A long time ago we looked at server shipments as to some extent a proxy for that business, but it sounds like that's no longer really an applicable rule of thumb?

Enrique Salem - *Symantec Corporation - COO*

I think it helps. I think more servers is a good thing, but if you think about what's happening is if you can go in and say to somebody, buy less hardware, buy less storage, that's a plus for us. What are CFOs everywhere doing? They're cutting CapEx. They're going to the CIO and saying, reduce your capital expenditures. We can help you do that. And so I do think server shipments have always been a plus and it's really more storage shipments for us. But overall, I would tell you that at this point in time, what really matters is our ability to help them drive savings.

Adam Holt - *Morgan Stanley - Analyst*

Shift to the enterprise security front, there are really two principle issues I want to drill down on. The first is the exposure of this business to seat reductions. I get asked that question all the time. As unemployment is going up, people are unfortunately losing their jobs, that's a business where you have 100 million end points. Is there any sensitivity to a contraction in the workforce for the end point security business?

Enrique Salem - *Symantec Corporation - COO*

So as Adam mentions, we've got approximately about 110 million end points that we are currently protecting, using our Enterprise software and we've got 56 million on the Consumer side, which I'm sure we'll get to, because we can never leave a conversation without talking about the Consumer business -- 56 million.

So 110 million in the Enterprise space, and so what ends up happening is if you look at the current environment, and unfortunately our economy is shedding about half a million jobs a month at this point and if you double that to cover kind of globally what's probably happening, that's about a million jobs a month. But, not 100% of those are currently using our software and a lot of those people probably aren't using any software in the Enterprise. So at the end of the day, I think what you're finding is we haven't really seen any change in the install base demand for our products. If anything, it's very de minimis. So we really haven't had that kind of impact, Adam. The base is large enough and while unfortunate as it is, the current unemployment level, it's not showing up in our numbers.

Adam Holt - *Morgan Stanley - Analyst*

The second key issue there is around competition and particular in the mid-market. You've talked about the mid-market being an area where pricing has gotten more competitive and there's been a little bit of, I guess I would say a softness in end demand. You have obviously a competitor that's been very aggressive there. Can you talk about how you view that market, I guess the mid-market and what your product strategy is, because I believe you've got more products coming out to better position yourself for the mid-market?

Enrique Salem - *Symantec Corporation - COO*

I think what you see is our new Symantec EndPoint Protection has done very well in the large enterprise, which is where we targeted that product. I think what you've seen in the mid-market is folks were looking for us to do some things around simplifying the overall offering and quite frankly we didn't do as good a job as we needed to. At that point, what we've done is we've updated the product, we've done a couple of maintenance releases that have better tailored it to meet that environment, and in the first half of the next fiscal year we'll ship an update that further helps do a better job in the mid-market segment. But it's a clear opportunity; it's a place where we've underperformed, in my opinion, and I think we've got an opportunity to do better.

The other thing that we're seeing there, you just saw us make an acquisition in November of a company called MessageLabs. And MessageLabs gives us the ability to do more as a service, to deliver more of our product portfolio as a service, and so expect us to take more of our entire portfolio to the MessageLabs platform and that will enable us to do things like archiving as a service, extend our storage as a service business, extend our filtering products, our web security, our data loss prevention. And so by moving all of those products to a service, I think that will also help serve the mid-market. And so expect to see us start rolling out those products in the coming fiscal year and into the following year.

Adam Holt - *Morgan Stanley - Analyst*

We've talked in the previous discussion with Computer Associates about the security end market being relatively robust; you talked about it in your comments. As you look at your current security portfolio, do you feel like you're in all of the markets that you need to be, or should we expect you to continue to be aggressive on the M&A side within security?

Enrique Salem - *Symantec Corporation - COO*

I think if you look at us, we are covering what we think we need to cover in security. It doesn't mean that we won't do some technology tuck-ins, but when you talk about M&A, I think at this point you're in a buyer's market. You really are in a position where companies like Symantec can afford to be very patient. There is no reason for us to be rushing to look at what is the next set of acquisitions. While we see M&A as a competitive advantage for us that we can do if given the position of the company from a cash flow perspective, we don't feel a need to rush out. We think our security portfolio has the breadth of products. While there's probably a couple of things that we will add, nothing of any scale, at least not short-term.

Adam Holt - *Morgan Stanley - Analyst*

Why don't I shift to the Consumer business. One of the questions I get and I think even came up on your last conference call, with some regularity is the PC market is deteriorating rapidly and historically there has been some correlation between the PC market as a source of new subscribers and your consumer business. How should we be thinking about the PC market potentially being down 10% this year globally and what the impact would be on your consumer business?

Enrique Salem - *Symantec Corporation - COO*

I think if you look at our consumer business, definitely PC shipments are absolutely related, but our opportunity has always been, Adam, how do we move our products from point products to higher price suites. And so we started that migration a number of years ago, where our customers used to buy Norton Antivirus, and then we started moving them to buying Norton Internet Security, which is the predominant part of our consumer business and that product moves our customer base to a higher price point.

So what we're trying to do is we've obviously got to make up this potentially 10% drop in unit shipment, but part of the strategy is to move customers through the product line from a point product, Norton Antivirus, to a higher price point suite, Norton Internet Security, to the next suite, which is Norton 360, which is $79.00, and then we just launched Norton 360 Version 3 just this last week and with that product we introduced not only the new version of 360, but also the premium version. The premium version goes for $99.00 because our surveys show that there is a set of users who are less price sensitive, even in this environment, who are willing to spend all the way up to $99.00 for a product. So the idea is, even though units may be slowing, you have an opportunity to increase the ASP.

The second thing that's important in this business is that you've got an opportunity to drive renewal rates. What we've done, especially with products like Norton 360, when customers use our backup, our online backup service, their renewal rates go up 10 to 15%. We've got their data in our data center, they want to keep using it and so that drives a higher renewal rate.

The second thing that's improved our renewal rate anywhere from 5 to 10 points is that we've now got an auto-renewal capability. So the combination of driving higher renewal rates and higher ASPs is how we're looking to offset the potential drop in unit shipment in the Norton family of products.

The last thing we've done, so the third point would be, we have introduced a new brand, the PC Tools brand and that's what we'll use to go after either emerging markets or price sensitive customers. A market like China, no reason for us to take the Norton brand and lower the price point and erode our margins, let's go in with a new brand that we can aggressively take into the marketplace, seat aggressively and then try to up-sell folks to the fuller versions of our products. And so we've got a dual brand strategy in Consumer that should also help us bring in new buyers into the family that previously weren't buying the Norton products.

Adam Holt - *Morgan Stanley - Analyst*

So if I were to maybe parse that, if I look at the first element of growth, the average selling prices, I believe in the most recent call you talked about Norton 360 being about a third of bookings. Where do you think ultimately that can go?

Enrique Salem - *Symantec Corporation - COO*

I think Norton 360, as you look at what we've done with the new version, will probably move to being 60 to 70% of the portfolio. Now that takes some time, because a lot of folks are using Norton Internet Security and it's a very stable, functional product. We've won every -- every award for Norton Internet Security. If you look at the 2009 product, customers told us one very important thing, they said we like using your product but it's too heavy, it slows down our computers. And so our teams put in 300 improvements that have solved that problem and we are winning every award around the world. You look at it -- you pick the review and you'll see that we've got the best product.

Adam Holt - *Morgan Stanley - Analyst*

And if I were to turn then to the second element, which is the renewal rates, the auto-renewal has been in place for a while, you've rolled that out globally. I don't know if you've talked about where renewal rates are publicly, but how much more opportunity do you think there is to improve renewal rates?

Enrique Salem - *Symantec Corporation - COO*

There is still opportunity there. We haven't disclosed renewal rates, but what we do think is the renewal rates probably still have another 5 to 10 points that we can drive improvements on. Each incremental point from here though gets harder. We did auto-renewal, that made a big difference. Things like online backup make a difference. We've worked on the customer experience. We've seen a couple of improvements there. There's another set we need to do. So there's still an opportunity for another 5 to 10 points of improvements on the renewal rates.

Adam Holt - *Morgan Stanley - Analyst*

One of the other things that we've talked a little about is the fact that your retail business, which was 35% of the Consumer business 2.5 years ago, is now down below 20% and so you're starting to see easier comparisons effectively on the retail side.

Where do you think retail bottoms with respect to a percentage of the business and is it fair to say that we are starting to see easier comparisons there, so maybe a headwind over the last couple of years is starting to be less of a headwind?

Enrique Salem - *Symantec Corporation - COO*

I think the retail market is less than 20% of our total Consumer business at this point and I think you don't have that much further to fall when you're at 20. I mean, we were at -- I started at Symantec in 1990 and it was 100% retail and each year since then it's been dropping and each year we keep saying it's probably finding a bottom and each year it drops a little further. So I would tell you though we're getting close to the bottom. I think that at some point, sub 10% is probably not where it will end, so we've probably got a little more slide in retail, but not a lot, and so the comparisons do get better. Because year-over-year we were off -- retail was off over 20% and it is less than 20% of our business now.

Adam Holt - *Morgan Stanley - Analyst*

I've got one more question and then I'll open it up to the floor. Consumer is still obviously a very important part of the margin structure. You should be working through your largest OEM distribution deal to the point where you're starting to get better economics on that deal. Consumer margins have been relatively stable for the last couple of quarters. What's your outlook for the Consumer margins on a going forward basis?

Enrique Salem - *Symantec Corporation - COO*

I think if you look at our margin structure, we've made a number of investments. I touched on some of the work that we're doing with the new brand PC Tools and that will roll into the Consumer margin structure, so that is a lower margin business than the Norton brand, but that was important to us, because what we're looking at is how do we ultimately add cash flow and incremental margin dollars. And so if you look at the combination of PC Tools and the traditional Norton brand, given that the lower margin structure of PC Tools will still have a slight drag on the Consumer business, but the goal is that as we grow our customer base and then we can move them through the product lines, that will be a net positive to the business.

Adam Holt - *Morgan Stanley - Analyst*

All right, then to the floor for any of your questions. On the left here in the front. We're timing you to see how quick it takes to get here.

Unidentified Audience Member

I was just thinking in terms of your Consumer business, how Apple plays into this and how you think about it? You know, Apple is a percent of the overall PC market share is still relatively small, but if you look at that as a percent of the Consumer market, it's become much bigger and continues to become bigger it seems. And if you think about one of the reasons people were switching at the time was the OS was viewed as more stable, less prone to viruses as opposed to the Microsoft system, and as Apple continues to take share in the marketplace, how do you think about that and what kind of impact that has on your business?

Enrique Salem - *Symantec Corporation - COO*

If you think about it, Mac is sort of becoming increasingly relevant in our business and it's not just the Mac, it's also the iPhone. Lots of kids are running around with their iPhones and that's their device for getting on the internet, so I think it becomes more relevant. The threats are still there though. You may not have as much malware on a Mac or an iPhone, but if you go online, you still have some number of vulnerabilities.

And if you look at one of the new products that we've added in the Consumer business, something called Norton Family Safety, it is about helping parents have the right dialogue with their kids. I mean, you don't want your kid going onto FaceBook, they're a 13-year-old and representing themselves as an 18-year-old. So we've got a product in beta right now that does work on both PCs and Macs, and people are going online and they're going online with Netflix too, and so they're going to need the protect themselves when they go online. And so from our perspective, the Mac represents incremental opportunity because quite frankly, there hasn't been previously as much of a perceived need and I think that need is absolutely there and I think that's an incremental opportunity for us.

Unidentified Audience Member

On the security side of your business it seems that MacAfee has been growing faster the last year, so could you just walk through what you're doing to try to become more aggressive in that sector and what have they done that's allowed them to grow faster than you have over the last year or two?

Enrique Salem - *Symantec Corporation - COO*

I think if you look at the markets where we compete are the end point security market and the data loss prevention market. In the large Enterprise we're gaining share. Data loss prevention we're absolutely gaining share. They've actually done well in the mid-market segment that we talked about, sub 100 users they've done pretty well. But then they're also in security businesses we're not in. Network security, I think you just saw them buy Secure Computing. I'm not really that interested in selling hardware, not interested in competing with Cisco. I actually would rather have Cisco as a partner and I think we're going to be in a position where that's much more possible than ever.

So I would tell you that from my perspective, we are in a place where there is overlap in what we do in security and there's places which we're not. We plan to do a much better job in the mid-market. I think that we've got a new product coming out in the beginning of the fiscal year or in the first half of the fiscal year that helps us serve the mid-market much better than we have previously. And I think you look at the breadth of our portfolio, one of the things that we're seeing is as we bring in the new Altiris technology, the systems management technology, we're able to start showing our customers how we can better manage not only the security, but also the systems that are being run.

Because if you think about it, just managing security isn't enough. You've got to also be able to manage that end point device or that server and so combining our security products with the systems management technology, I think creates a real differentiator and you're seeing some of the initial integration there. So it's less about being necessarily aggressive in pricing or anything else, it's more about how do we differentiate what we're doing for our customers. And I think that combination of our systems management and security assets, because as we always say, the only way you really have a secure end point is it has to be well managed, and we're in a better position to do that than ever before.

Unidentified Audience Member

You mentioned that driving higher price points is critical and yet you said that you also were being -- it sounded like you were being cautious and slow in terms of M&A and it's certainly a buyer's market, so why wouldn't you be aggressively out looking for products that you could tuck-in on security to have a bigger product footprint and drive those price points?

Enrique Salem - *Symantec Corporation - COO*

I think what you look at is that we haven't fully exploited our current portfolio. We did 30 acquisitions from 1999 to 2009, and so we've got an opportunity to further integrate our security technologies. We're getting good integration in our core end point business where we've integrated firewalls, antivirus, antispyware, the network access control technology, we've got a partnership in Encryption, we're integrating our data loss prevention technology, but that's at the end point. Now we've got to be able to cross-sell into other parts of the portfolio like our compliance technology. And so, I think we've got an opportunity to do more with the breadth of our security portfolio. And there are going to be some opportunities to drive M&A, but it's not something that we're in any rush to do.

Unidentified Audience Member

Could you expand a little bit on your participation in the virtualization market, not just from a backup but also a file system perspective?

Enrique Salem - *Symantec Corporation - COO*

When you look at it, you know, I've done about 200 customer visits in the last nine months and virtualization is a topic that is on every IT, CIO, VP of Operations mind today and they think about virtualization in three camps. One is server virtualization, the other is storage virtualization and the third is end point virtualization. So you take those three markets and when you look at it from our customers' perspective, the place they're looking for Symantec to help them is in two areas; one is storage virtualization. Now we really have an opportunity here where using our Storage Foundation business and just the concepts of thin provisioning and tiered storage, we can do a lot to help our customers better utilize and basically take advantage of storage virtualization.

I think the other area, the second area is endpoint virtualization, where you have customers trying to figure out how do they better manage and secure those endpoint devices. And while I actually thought that this year we'd see a little bit more adoption of the end point virtualization technology, I think that we'll see more pilots this year and looking out in to 2010 and 2011 is where we'll get a bigger up-tick of the end point virtualization technology. I don't know that we do a lot in the server virtualization space as far as while we secure it with some of our new technologies, we're not doing as much to enable the server side. It's more the storage and the endpoint.

Adam Holt - *Morgan Stanley - Analyst*

I wanted to circle back on a couple of things while maybe a few more questions are materializing. You talked a little bit about the upcoming Altiris release and I wanted to get the updated timing on that release. And then secondarily, historically there has been some correlation between Windows product cycles and that business. What would you expect to see from Windows 7?

Enrique Salem - *Symantec Corporation - COO*

I think that if you look at it, we are in a position right now where we will ship the new version of our what we call the Client Management Suite, Server Management Suite or the Total Management Suite, which are the Altiris family products. Those will become available this quarter, before the end of the quarter. It will have no impact on this quarter, obviously, as it ships just towards the end of the quarter. But, what you think about is that does have a nice effect not only in upgrading the base, but also pulling in some of our other security products that I mentioned earlier. So I think that is a good upgrade cycle for us. And so that's the first part on that refresh cycle. What was your second part?

Adam Holt - *Morgan Stanley - Analyst*

Just on Windows 7, if Windows 7 is a fall release as most now expect, what kind of impact might that have on either Altiris or the broader business?

Enrique Salem - *Symantec Corporation - COO*

I think when you look at -- Vista was a bust. It didn't drive adoption in the Enterprise. I think in this current macro environment and viewing that even though we're running it and it seems like Windows 7 is definitely a step forward, I think that there will probably be an adoption cycle that will not start in earnest until probably what everybody always calls Service Pack 1 from Microsoft, so that's probably pushed out three to six months post the shipment of Windows 7. But that does help us, because the Altiris technology helps customers migrate and they want to do that migration in a cost effective way. And so I think when you see the next refresh cycle for Windows that will benefit us. But I would tell you that the real benefit starts about six months after the shipment of the new operating system.

Adam Holt - *Morgan Stanley - Analyst*

We have time for one more question.

Unidentified Audience Member

I appreciate it's a touch environment, but in a more normalized environment, I'm just curious what you think with the existing product suite and the development of some of these acquisitions as you integrate them more fully, what do you think normalized revenue growth can be in a sort of steady state PC market as opposed to declining?

Enrique Salem - *Symantec Corporation - COO*

Revenue growth in a more stable state. If you think about it, we are in very good markets. I think our goal internally is we always look at our business and how do you get 17,500 people to be on the same page? I think what you think about is we've got a set of financial metrics that everybody understands in our company around revenue growth, earnings growth, cash flow and deferred revenue, but we are managing the market share targets. And so our goal when we think about growth rates is how do we grow at or better than the markets we participate in?

I think that we have an opportunity with the breadth of our portfolio to grow absolutely in a more stable environment in the mid single-digits, maybe a little better, with a combination of organic development and M&A, we probably could push that up a little bit. But I think it's going to be -- our goal is ultimately if the markets are growing at 5%, then we need to grow at 6%, and so it's going to be based on what's happening in the marketplace. But we do think that that's roughly where this will settle out for the big markets that we're in right now.

Adam Holt - *Morgan Stanley - Analyst*

We actually have a couple of minutes left, maybe I'll sneak in one final question. You did touch on Netbooks earlier and I forgot to ask you about Netbooks, which represents an opportunity in the online storage side, on the desktop security side and potentially the management side, to the extent there's penetration for the enterprise. What is your thinking about how Netbooks will impact your business as it increases as a percentage of the PC market?

Enrique Salem - *Symantec Corporation - COO*

If you think about Netbooks in general, all Netbooks are going to do is drive price points down for PC hardware, because today if you take the five largest Netbook manufacturers, they're all going to have to compete with each other and that means they're going to add more storage, more RAM, they're going to add DVDs and CD-ROMs, and so it's just going to bring prices down in hardware and hopefully that will reach new segments of the market.

What we have found and what everybody asks me about is what happens to prices. So what happens to the price of your software on a lower priced hardware device? What we've absolutely found is that what people are willing to pay for our software is no longer connected to the value of the hardware, so if cell phones are subsidized, if people start giving away Netbooks, if they just started giving them away, people are still going to have to protect their information, they're still going to have to be safe when they go online. And so what we've found is that our price points have been very stable.

And let me give you an anecdote. In 1990, PCs cost $4,000 to $5,000. Our software used to cost $199.00. As the prices have come down on PCs, Netbooks sub-350, people are still paying $69.00 for Norton Internet Security and $79.00 for Norton 360, because it's no longer the cost of the hardware, it's what you do, it's what you do when you go online that you need to protect. It's what you do with your data that you create everyday. And so from our perspective, the price points have become disconnected; it's more the value of our software; no longer the cost of the hardware.

Adam Holt - *Morgan Stanley - Analyst*

We're all out of time. Enrique, thank you, good seeing you.

Enrique Salem - *Symantec Corporation - COO*

Good seeing you too, Adam.

Adam Holt - *Morgan Stanley - Analyst*

Thank you, all.
