

FINAL TRANSCRIPT

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SYMC - Symantec at Goldman Sachs Software and IT Services Retreat

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PRESENTATION

Sarah Friar - *Goldman Sachs - Analyst*

Okay, folks, we're going to kick off with our next session so it's my pleasure to have on stage with me here, Ken Berryman from the Endpoint Virtualization Group at Symantec. Ken thank you very much for making the time to come spend it with us.

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Thank you happy to be here.

Sarah Friar - *Goldman Sachs - Analyst*

Now because Ken is relatively specific, I'm going to stick to his expertise area. We'll go a little broader because I think you can definitely talk to many segments.

Ken Berryman - *Symantec - VP Endpoint Virtualization*

I'm somewhat general as well.

Sarah Friar - *Goldman Sachs - Analyst*

Yes and you're also an ex-McAfee consultant and they can talk about anything.

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Yes, well we already had one of those up earlier

Sarah Friar - *Goldman Sachs - Analyst*

Exactly. I'm making a joke at myself too. So, maybe I will start there, more broadly, because I know you do have a great perspective because you have-- you know, being in the Valley for many, many years you have a lot of kind of former clients and friends and so on that you speak to. I mean, what do you see in companies talk about, think about, with regard to spending intentions? Any color on that is very helpful at the moment.

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Ken Berryman - Symantec - VP Endpoint Virtualization

Yes, I mean I think certainly we are in a challenging economic times and I think many analysts and you yourself included, I believe, have brought down aggregate growth rates to low single digits from what had been high single digits for software. In some categories even some contractions worked for overall IT so I think we are headed for an environment in aggregate that looks like that.

And I think though for Symantec we view this as some opportunity, partly because we are generally in the classes of software that you have to buy. I mean, you can't be unprotected, you can't be out of compliance, you can't be unmanaged and so those are all categories where we continue to see purchasing take place because it really-- it can't be deferred. And, secondly, there is a bit of flight to quality I think and by virtue of our size and by virtue of our demonstrated ability to execute, we're seeing a lot of companies that might have positioned us relative to smaller competitors come back and say, "Well no, we want to go with somebody who we know will be around for awhile."

So, I think that we are busily positioning ourselves for capturing more market share and positioning ourselves for success and we expect to out perform the market. I'm not going to predict what the market will do. That's your business.

Sarah Friar - Goldman Sachs - Analyst

Indeed.

Ken Berryman - Symantec - VP Endpoint Virtualization

But, I think all that we can do is out execute the conditions that we're faced with.

Sarah Friar - Goldman Sachs - Analyst

So maybe broadly let's talk a little bit about that positioning. So from a [50,000s] of used security storage may sound like good areas and then more of the management pieces were you're a little more oriented, clearly. But then within that I think that the push back in Symantec, particularly in the last quarter, is there definitely some chinks in the armor, whether it was a little bit more kind of retail type exposure in consumer antivirus, for example, or just in general a little bit more SMB focused than some of your kind of near and dear competitors. You tend to be a little bit more high-end enterprise.

Like, how do you think through all those moving parts and where there is weakness, what can you do to kind of preempt that or at least kind of solve for it knowing that SMB weakness is likely an ongoing issue for the next couple of quarters?

Ken Berryman - Symantec - VP Endpoint Virtualization

Sure. Yes and I think there are a couple of comments and responses to that. The first is that we are portfolio and in any portfolio you will see areas of the business and for us it's things like data loss prevention and archiving that continue to be very, very strong performers. And then you'll see areas of relative weakness and retail and consumer has certainly been one of those and that's been a story that we've talked about for awhile and in this most recent quarter we just saw retail weakening more aggressively than had been the case in previous quarters.

Although, the overall trend there is consistent with the secular trend to lower retail sales, more online sales and then our various online channels we continue to see things progress quite nicely. So we preempt that by continuing to build out the right sort of online offerings and staying in the retail market on the consumer side as a means of customer acquisition, but we know that that will be an area of secular decline.

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In the mid-market I agree with you, spending environment there is challenging and that, particularly in the enterprise security side, we saw in the previous quarter was an area of potential future opportunity, I will say.

We're going to meet that opportunity with a new release of our Endpoint protection products, so SEP 11 MR3, which has been out in the market now just for a month, was much more targeted at the mid-market type of customer and, frankly, I think this was one where we did miss something. We missed the fact that SEP 11, while a very robust and a very sophisticated offering that high-end customers were asking for in its initial versions was a little bit too heavy weight for the mid-market. So we fixed that. That should now be something that is well addressed going forward.

I think the general answer to your question is that we just have to stay on top of our name in all of the different areas of the business, continue to keep the core areas functioning well, which they are, and then invest in new areas like virtualizations and softwares of service for growth in addition to areas like data loss prevention and archiving that continue to do very good things for us.

Sarah Friar - Goldman Sachs - Analyst

Right. I mean you have this interesting perspective because you are relatively newer to Symantec and you kind of came from a [McKenzie] background where you could be that outsider and here's ways to fix your business. Now you're that insider. What do you think are some of the levers that Symantec has and where have you seen kind of good focus in terms of just better operational optimization internally and whether it's restructuring and so on? Just I'd love to hear that perspective in a way.

Ken Berryman - Symantec - VP Endpoint Virtualization

Sure. So I think it is safe to say that historically we were not as good as we are today at leveraging the different parts of the portfolio to be self reinforcing. It was a portfolio that was not as well aligned with our go-to-market mechanisms and not as well aligned to supporting each other and that's been an area of real improvement. So the fact that we can now trigger backups when you see heightened threats in the environment on the security side of the house, the fact that we're building virtualization technology into different aspects of the portfolio so that we get more value out of existing products because we work better in virtual environment, those are all the kinds of improvements that I think have been brought about both by improved execution and focus, but also on the realization that this portfolio does provide some ability to be self reinforcing. I think--

Sarah Friar - Goldman Sachs - Analyst

And what is it that drives those better linkages? Is it just compensating people differently? Is it putting different kind of structure of the hierarchy in place? Like how do you create because none of this is new? Symantec has known this. They have bought a lot. They have a lot of kind of silos in a way. Why is there a kind of a light bulb moment now, finally it's working versus year ago, two years ago?

Ken Berryman - Symantec - VP Endpoint Virtualization

Yes. So I'll point to a couple of changes that have I think had real impact here. One is that when the organizational changes did occur at the beginning of the year, we flattened a lot of the structure. Enrique Salem became the Chief Operating Officer and took out some of the business unit structure that had, I think not by fault of the structure itself, but over time created some degree of more silo than we would've liked to see. So, that was certainly one area where though the avenues of communication were opened up and Enrique's early mandate was certainly for us to take more advantage of the linkages between the different types of businesses.

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And, then I think on the compensation side, you know there were some changes made across the board and executive compensation in terms of overall corporate performance, but also in the field and in sensing areas of growth for us that have had quite a bit of benefit in moving us from looking at the businesses of the past, if you will, to looking at the areas where we have the most potential for upside, the most potential to deliver value to customers and that's something that we are continuing to see improved execution resulting from-- as a result of those changes.

Sarah Friar - Goldman Sachs - Analyst

And to the extent that you are currently now going to work through another reduction in force, I think 4.5%.

Ken Berryman - Symantec - VP Endpoint Virtualization

Of headcount costs.

Sarah Friar - Goldman Sachs - Analyst

Of headcount costs yes, so it's not a total headcount depending on how far up and down the stack you go. I mean, what are the ramifications of that for-- because the bears will clearly say no growth. That's actually even going to impinge upon growth. How do you manage that and still fix some of the targets that you (inaudible) broadly.

Ken Berryman - Symantec - VP Endpoint Virtualization

Sure, so first it's important to say that the reason that we're undertaking that action is to position ourselves with strength for the future environment so that we can take advantage of the future environment whether it stays flat, whether it trends slightly up, whether it trends slightly down.

Secondly, I think when one looks at many of our peers in the industry or in the Valley, they've undertaken a higher percentage cut and so when we look at that 4.5%, I think most of the employees of Symantec say "Hey, that's a very prudent course to take; we understand why we're doing it and it is strengthening us, it's not weakening us." At that level it is a number that is quite manageable to meet with retaining both the growth targets that we have and expect and the improvements in operating earnings that we've guided to.

Sarah Friar - Goldman Sachs - Analyst

Got it, okay. To come back then to the whole Endpoint Virtualization, maybe give folks in the room a little bit of history of how you got there because in some ways hearing John get on the call and talk a lot about virtualization certainly-- particularly I would say last quarter, some of you might be am I on the wrong call? It's not what I traditionally--

Ken Berryman - Symantec - VP Endpoint Virtualization

What Company was this?

Sarah Friar - Goldman Sachs - Analyst

Exactly. It's not traditionally what I think of from Symantec, but clearly with a number of the acquisitions Altiris upstream, [In Fleet] etcetera now built quite a portfolio virtualization asset. How do you bring this together and then we can kind of talk about positioning and strategy and so on.

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Ken Berryman - Symantec - VP Endpoint Virtualization

Sure, so let me first backup a talk about virtualization in general because I think this is one of the topics that partly because it has been such a buzz word and so much in the press and in the attention of analysts and the industry, folks forget that virtualization first of all is a very old set of technologies. So the first forms of virtualization were really resource virtualization like storage virtualization in which Symantec through the VERITAS acquisition was both a pioneer and is still a leader. So we are absolutely a virtualization Company in many of the pioneering areas of virtualization, such as storage virtualization, that remain critically important in the data center today and some of which are having new life breathed into them because of some of the other forms of virtualization like server-base virtualization that need more of that storage virtualization technology to fulfill its full promise. So, that's point number one.

As we are seeing the full deployment of more virtualization technologies on the Endpoint, what we really see at Symantec is that virtualization is just a means to separate information from the underlying systems so that you can drive costs out of those underlying systems and improve the facility with which you manage, protect and control that information.

So virtualization is all about separating information. Who better to manage, protect, and control it than a Company like Symantec where our whole mission is to secure and manage your information world? So, for us virtualization becomes the means to better leverage a lot of our existing products, a lot of our existing assets to create more value from securing and managing information.

Now when I turn to the Endpoint side, we had some core Endpoint Virtualization technology that came into the Company through Altiris. This was a product called SVS. It's an application virtualization technology, which was an award-winning technology and competed with the likes of Softricity that Microsoft acquired and installed it. VMware went an acquired, in some ways very similar and some ways many advantages because we create layers that applications live in rather than bubbles that they live in so applications continue to interoperate normally.

But, in addition to that we acquired AppStream, a company with application streaming technology that allows us to move applications to a user, to an Endpoint on demand with strong license compliance rules that license compliance to allow us to move to more of a real time license deployment model for most applications.

And then End suite brought us brokering technology and roaming work space technology so that we could accomplish some of what I talked earlier on the panel, the ability to have a work space that is defined to you independent of the device. It's not a virtual desktop. We're not talking about an operating system running in a data center. We're talking about the collection of information that's specific to you independent of the operating system and independent of the application so that on whatever device that you access, you can dynamically have that workspace created for you. You can operate with it and then if you move from that device to another device or move from the office to home, it all follows you in a very natural way.

That's the world that we think we're headed toward and it's a world you take advantage of existing infrastructure and existing applications deployment models. And it's a very world that's very similar to what Symantec has done in other areas where we don't have a hardware agenda, we don't have an operating system agenda, we don't have a platform agenda. We know our customers expect to be able to use multiple versions of each. We'll provide the solutions that manage to secure information in the physical and the virtual world on the Endpoint and in the data center across all of that complexity.

Sarah Friar - Goldman Sachs - Analyst

So when we spoke about this last, when we kind of sat down, clearly I think the over arching strategy makes a lot of sense, but in the near term you're kind of facing both the headwinds of a poor economy so CIOs wanting to display a broad-based strategy. It's probably a bit unnerving, like I think they are making much more tactical buys. So maybe if we could talk for now kind of how does some of that translate to more tactical spends currently? And, then also as part of that again, it's back to if investors

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are kind of wondering if they're on the right call, are customers having that same reaction of like, well when I do my RFP list for virtualization, is Symantec making it on that list. How do you ensure that Symantec starts to make it on that list?

Ken Berryman - Symantec - VP Endpoint Virtualization

Sure. So let me take the second part of the question first. I think one of the-- quite fair, one of the initial challenges we face were that when desktop virtualization came up as an RFP topic, six, nine months ago Symantec would not have made the list. Increasingly we are seeing not only that we make the list but even folks that have gone down the road with one of the other vendors now wants to come and talk to us because we are generating quite a bit more awareness. And that is all about awareness that we have, the types of solutions we're talking about that we have, many of the deployed on millions of Endpoints already so they are tried and tested and we're continuing to integrate new technology to deliver against the full vision that I've described.

So that's something where I think we've seen a substantial change just over the last six months from very limited awareness to now we typically get listed in any RFPs and most customers will say "Yes I heard you're doing something; now tell me about it." Now when they say, "I know what you're doing and I want it" we'll know we made it.

On the point about tactical buys, I do think this is an area where the approach that we're taking is you don't need a lot of new infrastructure, you don't have to put in a lot of servers, you don't have to put in a lot of new storage. In fact, in many cases we'll layer on top of your existing infrastructure and allow you to have immediate benefits with license reduction, with solving specific application conflict problems, sometimes lowering the cost of application upgrades and the like.

So those are all-- can be tactically buys with a very limited investment in the total cost of the solution required to do it. I think that position is differently than some of the competitive offerings, particularly the early forms of "desktop virtualization" where with a lot of servers to host those desktops with a lot of expensive storage associated with it to get a benefit that wasn't quite as easy to define because you just moved the desktop to the data center. So, that is a model I think that's more challenging to show in the current environment. But we're pursuing a much different model, which is layer on top of what's there and allow the customer, the enterprise, to steadily improve it.

Sarah Friar - Goldman Sachs - Analyst

So maybe turn what you just said, which is still quite a technical view, into for the average investor in this room, maybe give us an example of a customer, how they kind of first started working with you and then what they really did? They took these 10 sales people, or whatever, so to try and make it a little bit more real because I think that's something people struggle with when we start talking about Endpoint Virtualization.

Ken Berryman - Symantec - VP Endpoint Virtualization

Sure so let me give you a couple different examples. We have one customer that was in the process of upgrading some of the applications that they rolled out, enterprise wide, and we're looking at a budget that was actually several million dollars for the training associated with those applications because they had to run everybody through a training room where you had two machines set up, one running the old, one running the new application, sit down and have folks look at both and actually go through the same process on both to understand how to do their jobs with the new set of applications.

Well, with our application virtualization we were able to allow them to run both applications on the same machine, which not only lowered the cost of the training equipment, but actually decreased the amount of time involved in training because it turned out that was much more efficient and that translated into a, in this case, a several million dollars savings, about a 50% reduction in the training cost associated with the rollout of those new applications. So that's one example.

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A second example is we had a customer and in this case it was a university that looked at the licensing of the applications that they had, everything from very high-end statistics applications that were very expensive on a per user basis down to some of the standard Microsoft applications that they were broadly licensing for the use of faculty and staff in the school. And, when we actually deployed our applications streaming technology, which includes a real-time license tracking, we were able to see that they were using far fewer of those applications than they thought. By moving those applications to a central pool where the licenses could be deployed on demand rather than being deployed by default out to everybody, they were able to lower the total license costs by 40 or 50%, so in that case, very immediate hard dollar savings because they were coming up on license renewals for several of those classes of applications.

So it's these cases like that, whether it's shrinking the cost of licensing, shrinking the cost of training, shrinking the cost of Endpoint administration because application complex has gone away that we see still lots of opportunity for tactical buys even in this environment.

Sarah Friar - Goldman Sachs - Analyst

Sure and that's kind of real bread and butter Altiris in a way as well. So you're already on that RFP, get some of those people start thinking about the expense of managing the Endpoint. On that dollar saving around kind of concurrency of licenses and so one, that's definitely something that we have looked into to try to explore more. It feels like the vendors understand that that could come at them so for now they really try to hold it at bay particularly Microsoft where they really [with their cows] it's very much down to the user. Are you seeing any shifting or I mean how quickly could this come at us because I think it has very broad ramifications for the entire software eco system if you start getting into much concurrency of licenses and so on.

Ken Berryman - Symantec - VP Endpoint Virtualization

So I expect change to be gradual here but I do think that there is substantial and increasing pressure to move more in the direction of real time matching of use to licensing. So even Microsoft is shortening the amounts of time that they require you to have a license fit to a particular machine and in particular before you move it, which allows you to move licenses for applications like Visio more frequently. And I think we will see some of the other vendors move much more towards more concurrent licensing as customer demand continues to pick up. The technology is there to do it today so there's no reason why we can't do it. The only real barrier is vendor resistance.

Sarah Friar - Goldman Sachs - Analyst

Absolutely. And I would actually think that a downturn maybe speeds that up because to the extent that you start cutting heads in organizations you're suddenly-- we see it internalize a firm. I think our CIO made the comment the area we cut back on first is market data and so when you go out and kind of ask people well, how much do you really use that market data, there can be a lot of resistance, oh I use it all the time. But I think if you really monitoring often they are not using it at all or if they use it once a week and--

Ken Berryman - Symantec - VP Endpoint Virtualization

Right.

Sarah Friar - Goldman Sachs - Analyst

And there can be interesting just license auditing that can be done too from the procurement side so.

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Ken Berryman - Symantec - VP Endpoint Virtualization

Exactly.

Sarah Friar - Goldman Sachs - Analyst

And talking about the competitors you kind of eluded to some of them, so you mentioned Microsoft as both kind of the apps being deployed, but also someone who could move into this space, Citrix, VMware, kind of the other public market vendors. That has actually made some interesting acquisitions here too and that's some interesting pieces even now for the end-points.

How do you think the competitive landscape evolves from here and is Symantec really competitive or can you end up kind of managing more a lot of these other installations, like how does that go from here?

Ken Berryman Yeah, so first of all as is the case with much of the software industry and is certainly the case for many of the areas in which Symantec competes, we have quite a bit of partnership in competition going on with many of the companies you mentioned and with respect to end-point virtualization, we will continue to work with the server virtualization vendors whether it is VMware, Citrix, Microsoft and our view is that that market, which has been really lead by the VMware to this point is going continue to fragment a bit more, that Microsoft will gain share, that Xen will gain shares as well through Citrix and will have most enterprises using a variety of hypervisors on the server side.

And so, Symantec has always been Switzerland when it comes to working with a variety typically hardware providers but also in this case software infrastructure providers and we will absolutely continue that strategy. But, in many cases we will have our own solutions that compete. Sometimes in smaller areas of the market we're adding for instance storage virtualization to the Xen Hypervisor can give you some real advantages, which is what we have done with our VERITAS virtual infrastructure product, and sometimes in very broad areas like on the desktop where we will compete broadly with what Microsoft is doing from the an APV perspective or with some of what Citrix is doing from a Xen desktop perspective.

I would expect that it's good for customers to have a range of options here. We'll continue to provide management security across the top and some pieces that extend all the way down but we'll partner and compete wherever is appropriate.

Sarah Friar - Goldman Sachs - Analyst

And you mentioned some of those other areas that I think are still to be addressed, so clustering availability, configuration management and so on. I mean how much is your Group charged with doing more of that or other areas Symantec in terms of bringing together some of those next generation virtualized environment management very long term so (inaudible) your marketing, wherever I'm going.

Ken Berryman - Symantec - VP Endpoint Virtualization

Yes I do and we actually have effectively we have an overall virtualization initiative within the Company right now, which spans all of the product areas, which I chair in addition to leading that the Endpoint Virtualization product groups. Part of the overall effort on virtualization is to make sure that in all of our classic product areas backup, storage security, that we are virtualization aware and that our solutions actually enhance the value in virtualized environment so that customers can use those tools across the physical and the virtual in the data center and on the Endpoint and so a couple of examples; we have the industry leading product for backing up VMware environments and that backup which includes support for the VMware VCP interface.

We are also leading the charge in creating high availability and clustering for VMware or for Zen environments and that's our VCS One product, which allows you in the next 86 type compute configuration to actually have high availability for your

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virtualized-- for your servers that are running your virtual servers. Of course, it's even more important because you may not know what applications are where in an environment where you're moving things very dynamically and so you darn well better be sure that those servers stay up and that's what our software will do underneath.

Sarah Friar - *Goldman Sachs - Analyst*

So before-- I'm going to throw it open to the audience now in just a minute but just broadly, you don't really pull this area out as kind of having standalone revenue targets and so on but can you at least give us a sense for what are your feet held to the fire on? Is it getting growth rates? Is it growth plus profitability? And how is Symantec thinking about newer areas that they're investing in right now?

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Yes so we really-- we have a very clear portfolio view of the entire business at this point and I can kind of bucket into three areas. We've got the traditional, the large core areas, storage, security, consumer. We have sort of it's hard to even call them emerging growth areas because they are large businesses in their own right but archiving data loss prevention. And then we have areas of investment where we really expect to see large revenue growth in the future and that's virtualization and software as a service. And so you look across the portfolio we have that full range of businesses. Obviously the large core businesses, it's all about growing above market but market growth in many of those cases is single-digit and having strong operating earnings performance. In the emerging areas it is growing above market where market growth can be 20, 30, 40, even higher percent and with a proper attention to managing the cost of the business but where they are definitely areas of investment for us. So my own feet are held to the fire around generating awareness for our solutions and seeing that awareness translate into revenue growth in the very near future.

QUESTIONS AND ANSWERS

Sarah Friar - *Goldman Sachs - Analyst*

Got it. Okay let me throw it out to the audience. We still have about ten minutes.

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Those of you who are still awake post lunch.

Sarah Friar - *Goldman Sachs - Analyst*

Well, let's go over here first. Thank you.

Unidentified Audience Member

What do you attribute the difference in the performance of McAfee's AntiVirus and security businesses versus your own? It was a pretty stark difference when both you guys reported last week.

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Ken Berryman - Symantec - VP Endpoint Virtualization

Yes so a couple of things to say on that front, one is that obviously as the market leader we have a much broader portfolio in our Security business, obviously in our total business. One of the aspects of that is that we have strong participation in the retail channel where McAfee really isn't a player and retail, which has been trending downward, saw an even larger than expected downward spike, if you will, in that quarter.

The other part in the aggregate business moving outside of consumer where we feel we have more future potential and had some challenges that we wanted to rectify was in the mid market where our SEP 11 product, while again appropriate for high-end enterprise, was probably a little bit too heavyweight for the mid market than we would have liked. That's something that we've now rectified with our MR3 release so retail will continue to do what retail does. Mid market we feel like we've addressed the concerns. In aggregate we feel like we're very well positioned relative to McAfee and to other competitors in the fit.

Unidentified Audience Member

You talked a lot kind of the opportunity that virtualization (inaudible). (Inaudible Question-Microphone Inaccessible).

Ken Berryman - Symantec - VP Endpoint Virtualization

So every once in a while somebody will bring up a topic like this. For our business by and large virtualization on both the server side and on the Endpoint side represents net new opportunity because the infrastructure challenges that a virtual environment poses creates new ways for us to add value to the environment. Now I do think that for some of the other vendors and you know I spoke earlier on the panel about challenges posed to Microsoft in particular by Endpoint Virtualization, I think there are some more difficult threats to deal with. For our business, frankly, we're happier seeing more virtualization deployed on the data center and certainly more virtualization deployed on the Endpoint.

Sarah Friar - Goldman Sachs - Analyst

I mean, just to drill a little bit more on that point, so talking about things like concurrency of licensing and so on, I mean do you get so real time that you start to think about if you have-- if you've talked about follow the sun employee base that even things like AV licensing and so on that typically is more linked to an Endpoint becomes more linked to kind of what my user population is doing at that point in time? Or is that just way out there, 3, 5 years?

Ken Berryman - Symantec - VP Endpoint Virtualization

Yes I mean I think again, that is a real challenge for some parts of the software industry, particularly more of the vendors that sell applications of any form, enterprise applications or Endpoint applications, or security protection backup. You know that's not something that you ever want to turn off and so whether the employee is currently using it, as long as the machine is on or is going to be on you want to have that software sitting there ready to protect, ready to manage, ready to control the enterprise information so there are small pockets where that might be a concern for us but I think it in aggregate it's not something that we see a significant threat from today.

Sarah Friar - Goldman Sachs - Analyst

Right, probably not a big enough budget item either to spend too much. You're better off trying to work out how to get rid of that extra I don't know, SAP or auto desk or something license in a way.

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Ken Berryman - Symantec - VP Endpoint Virtualization

Right, right, exactly.

Unidentified Audience Member

So going back to what was mentioned on the panel before, the-- that was thrown out that 5 or 6% of enterprise desktops right now are using [Thin] clients. What's a real catalyst in the next one or two years to actually drive the up tick much more aggressively?

Ken Berryman - Symantec - VP Endpoint Virtualization

Yes so I think that the one thing that has stood in the way of much broader adoption of any of these different technologies, and I mentioned this on the panel earlier today, is forcing a change in user experience and until you get to a place where users can more or less continue to do what they're doing and have it done on a Thin client or have it done with a virtualized application on an existing desktop, it is very tough to drive greater adoption rates. Now I think we're getting there and certainly the solutions that we and others are offering are getting us closer to that point.

The tipping point will really be when folks start to be able to be device independent and once you can move everything that characterizes your work space, all of your settings, all of your application configuration information from device to device, then people are going to demand it, right, because you don't want to then be tethered to the devices that you're tethered to today. But we're still a ways away from that and I think in the end we are unlikely to see the traditional [SEC] client really displaced in much higher percentages than we're already seeing it because there's a lot that you want to do with local compute power and this is something where some of our competitors will certainly argue it but we need to see [Thin] client percentage penetration rates go up into the 10, 15% range but I wouldn't expect that to climb much higher than that. I would expect instead to see a broader range of devices added on top of existing desktop, laptop, notebook, sub-notebook type of devices that still give that rich local compute experience that does have advantages for what most people want to do now and will want to do in the future.

Sarah Friar - Goldman Sachs - Analyst

I mean I guess just on that point, so in some ways I completely agree and it's actually very consistent with what the CIO of Verizon said on the CIO panel. You know you have this you know if you use Microsoft lingo, [software flex] services, so the idea that there's something local plus then service as you're pulling out of the clouds but to the extent we really do get-- I mean if broadband continues the kind of track it's on, then to the extent I have a browser and the compute power of the machine with Moore's Law continues to up, I mean do I really need anything more than just that browser? Like couldn't a Thin client while they're at in today's forum kind of a netbook but they will evolve and why isn't that just enough ultimately? I mean effectively today it's what I do to compute at Goldman, right? I have a desktop; I just pull them as long as I've got a browser.

Ken Berryman - Symantec - VP Endpoint Virtualization

Yes so part of that, so there are two answers to that question. there is some fraction of types of applications that will always have locally dedicated hardware or high-end graphics where you do need something beyond what you can do in a browser and so high-end engineering, artistic, all of those kinds of applications that require high-end graphics or in a hospital the machines attached to the cat scanner, right. That will always require local hardware and something that may look less like a PC but will have quite a bit of local compute power.

But the same thing is that the same reason that the PC model has continued, it's easy to develop applications for a relatively standard platform where you can take advantage of local compute power and people will continue to do that and we've had Moore's Law with us now since the advent of the computing age and certainly since PCs first came on the scene. The power

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has continued to increase in the local PC and yet programmer's ability to take advantage of that power has increased at a greater rate than the PC power has increased, so I do think that we will see some standardization around more and more of the information worker type workload being delivered through a browser type interface but I don't think that's going to be a significant shift in the next couple of years and I doubt that we'll actually get to the point where that is the default model for everybody any time in the time horizon that we're looking at.

Sarah Friar - *Goldman Sachs - Analyst*

Other questions? Good we've silenced everyone. I have a couple of quick questions to come back to. So Symantec A, is quite cash generative. You've been kind of willing to split that cash flow down the middle and return it either through repurchase or use it for acquisitions. It's a question I have asked all the big acquirers that have been on stage with me this morning and as things look cheap relative to where they have been over the course of the last five plus years, I mean are you guys looking at more deals at the moment? What would start the kind of as a strategic acquirer give you more confidence? You know, do you need to see stabilization in the environment or isn't this a great time to be opportunistic?

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Well, it certainly is a good time to be opportunistic and we at the same time are not deviating from the long-term strategy that we've set, which, as you say, is to use roughly half of our operating cash flow for acquisitions on a long-term basis. I think we are continuing to look at acquisitions of all sizes in the new market environment. We are probably pausing for a bit of time just to make sure that asset values stabilize but that said, we will continue to acquire in accord with our long-term strategy and we'll continue to look both for technology acquisitions and for sizable ongoing businesses that make a natural fit with our portfolio. So no change to the strategy, yes some acquisitions look even more attractive in the new environment. We want to make sure that they don't become even more attractive by waiting a little bit longer and then we'll continue to move forward as planned.

Sarah Friar - *Goldman Sachs - Analyst*

Yes I mean it certainly feels if things stay tough, particularly in where you've done tech in tech acquisitions that private companies may find it harder to do second, third rounds, fourth rounds. Do you see you still have unlimited pockets?

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Well my inbound call volume has certainly gone way up. I can tell you that.

Sarah Friar - *Goldman Sachs - Analyst*

Yes I bet this [Acquire] presentation helped too. Okay if there's any last question, otherwise we shall adjourn. Okay terrific. Ken, thanks very much for taking the time. We really appreciate it.

Folks, we're going to take a 15 minute break right now to get everyone re-caffeinated and then we'll come back for our final couple of presentations of the day. Thanks a lot.

Ken Berryman - *Symantec - VP Endpoint Virtualization*

Thank you.

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