

FINAL TRANSCRIPT

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SYMC - Symantec at Barclays Capital Global Technology Conference

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CORPORATE PARTICIPANTS

Janice Chaffin

Symantec Corporation - Group President, Consumer Business Unit

PRESENTATION

Unidentified Participant

Good afternoon again. We're happy to have Symantec for our next fireside chat. With us today we have Janice Chaffin. She is a Group President of consumer products. So welcome, and thanks for joining us.

I would like to maybe start kind of high-level, maybe just frame the discussion, put the discussion in context around your Consumer Business, particularly coming out of Q3 and some of the trends that you're seeing, and maybe try just a little bit of a snapshot of what you're seeing now.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Okay. So I think it might be helpful if I just sort of give an overall look at what we have as a strategy in the Consumer Business. So the Norton family of products is the largest part of the Consumer Business today. And it is a very large, healthy, and growing business for us.

And there are some simple drivers that help us continue to grow that business. One is the ASPs and continually increasing our ASPs. We have been a business that traditionally up sells our customers -- NAV to NIS, NIS to 360. And that's something that helps us in terms of increasing ASPs every year, but we are also cross selling, up selling to that customer base as well.

And we continue to add value to products within those categories. So for instance, with Norton 360 we added backup. Backup has a huge adoption rate. Just in the world, there's about 50% per year growth of customer data, so that has presented an opportunity for us because we fully integrated into 360, made it extremely easy for people who are not very technology savvy people to go in, punch a button, they backed up into cloud, and their data is safe.

That is a great opportunity for us to add more value. Those customers actually have a higher renewal rate for us than an average 360 customer. They are very happy. We've got their data. They want to stay with us. So that's one piece of it.

We're a premium business, so we are able to, with the greatest products -- like 2009 products have really received tremendous accolades in the market. That is helping us continue to keep this premium position.

Outside of just being the premium provider, it's all about acquiring new customers and retaining more of the customers that you do get. So in terms of acquisition, the two biggest forms of acquisition today are the OEM channel, trialware on new PCs; and the retail channel.

In the OEM channel we have seven of the top 10 OEMs, longtime relationships with many of them. And in the retail side, while it's under pressure recently, it's still a good source of new customers. The customers -- some customers want to walk into that store and pick up the box, and so it continues to be a good form of new customer acquisition.

So outside of the Norton products that you probably all know and love, we have been growing the Consumer portfolio so that we have a set of offerings that expand beyond just the traditional Norton security products. In the security space we've recently purchased PC Tools. PC Tools is a company that focuses on a kind of technology do-it-yourselfer, somebody who is pretty technology savvy. Very much products that are more single-purpose -- registry mechanic for playing with your registry; utilities for cleaning up your PC; some security products, but usually single-purpose.

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Those are the kind of customers that tend to purchase online. The channel of acquisition for that business is online as opposed to Norton, which is largely OEM and retail channel. That has allowed us to expand our footprint in the Consumer space by focusing on an additional, fast-growing segment of people that want to have a (inaudible) value-based, single-purpose product and that have a different purchasing behavior online than a traditional Norton product.

We also want to keep selling more to that Norton base, and so when I mentioned backup, today we have that backup integrated into 360. SwapDrive, which was a company we purchased that provides the backup also is the backup behind a number of OEM and retail partners, and we are able to now create a stand-alone Norton backup offering that will be a web-based offering, that we not only can bundle with existing Norton products outside of 360 -- say with NIS, for instance; or NAV -- but we can offer it stand-alone to non-Norton customers.

We also have a premium services business, which is growing very fast. It's already this year as big as it was all of last year. In this economic environment it's a real opportunity because it offers PC tune-up and checkup, and people are wanting to get more out of that PC they've got versus walking into the store and buying a new one this year. So that is a fast-growing business with a number of services in numerous countries as well.

Then last but not least, in sort of a consumer software as a service space, we have a family safety product that will go into beta very shortly. It's a product that is really a different approach to parental control. It's all about a web-based type of offering, very small agent on the device, where you can set up some household rules that kids follow, and when they break a rule, they break a rule and have a discussion with their parents. What's interesting is for things like netbooks, which are often targeted at kids as a companion device to maybe a family laptop or PC, this is the type of security parents would be interested in on those types of devices.

So if you look across the portfolio, certainly Norton is the big, big piece of that today, but we have been growing the portfolio so that we have more opportunities to sell and grow in fast-growing markets as well.

So, hope that helps.

Unidentified Participant

All right. Sure. So given that context, can you talk about some of the trends that you've been seeing. Specifically in the business, some quarters -- September -- retail was a challenge. Can you speak to some of the headwinds that you're seeing right now in the marketplace? And what does slowing PC demand mean for the consumer (multiple speakers) Symantec?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

So we've seen retail become a smaller and smaller part of our business for some time. It's been more pronounced over the last year. Retail is under a lot of pressure. I mean, just read the newspaper and there're fewer retailers than there were last year. Credit issues and things. It's really putting pressure on that channel. So what we saw in the last quarter was really some effects of that channel.

Still, while it's smaller -- it's 20% of our overall business -- still a good form of customer acquisition for us. So we've got some relationships there, and certainly as consolidation occurs, we have strong relationships with a lot of the big players around the world, and we'll optimize those relationships through new customer acquisition.

PC sales and what's happening there. PC sales are certainly a factor in the adoption of security. It is a good source of new customers to us. However, it's not the only factor that we look at, so for instance, broadband adoption in a geography -- you have a lot of PC sales, but if they are not really connecting to the Internet, we don't tend to see the adoption of security as much. So that will be a factor.

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There will be geographic differences. There will be cultural differences and things that -- education about what -- the need for security. A lot of those play into the adoptions of security products by people. So while the PC unit volumes going -- slowing down may impact us, it won't be the only factor. We do a lot with renewals, up-sells, increasing our ASPs; and that's what you have to add into the equation.

Unidentified Participant

How does the impact of one of your competitors being very aggressive in pursuit of new OEM channels and deals -- how has that impacted your business? How are you responding? And what does it mean ultimately for the profitability of the category?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

So we know that the OEM channel is a channel that's important to us. We have seven of the top 10 OEMs. So those are very important relationships. When we do a deal with an OEM, what we're looking for is really value in the lifetime of the deal, or value across the lifetime of that customer. And if we believe that there is good value in that, we can get pretty darn aggressive at going after those deals.

We have the number-one OEM, HP, that has been taking share from many others, and that's a good relationship for us and certainly one in which we acquire many, many new customers over a period of time.

It has become a more competitive channel, certainly. OEMs like the fact that people will pay them to be on their units, their PC units, and so it has, as you've seen in our past as we've done more of these placement [key-type] deals, impacted our margins, but we've been able to bring them back over time as well as increasing over the last quarter, for instance. So we will do the kind of deals that are good business for us, that allow us to acquire customers and increase our overall market share.

Unidentified Participant

Great. Are you seeing any changes in consumer purchasing behavior over the last several months and in the context of renewal rates, in the context of paying for a premium software package today just for obvious reasons? And what are you doing in response to try to maintain momentum?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

So we haven't really seen changes in renewal rates really being affected, and not really changes in buying premium products. And I think the reason is that very clearly, when our customers buy our products, they are looking for more complete protection. That is why they buy the suites.

With our 2009 products what we've done is give them not only complete protection but a situation where they are -- actually don't even know it's on their system, and they are fully protected, because of the performance and size work that we've done and pretty much won almost every award there is to win with these 2009 products.

So we've not seen them stopping purchasing premium. We haven't seen renewal rates at this point really change dramatically beyond what we've expected to see in the normal course of business. But what we have seen is the retail effects. So it really appears to be currently affecting that channel more than individual customer buying behavior. Not to say that we won't see it, but we just haven't seen it to date.

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Unidentified Participant

Are you doing anything to stimulate demand in terms of any increasing promotion?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

We've done normal seasonality. Black Friday is always a big day for us. Black Friday met our expectations. That was good. We had good positions in all the major retailers for Black Friday. And we feel pretty good about what we were able to accomplish there. We will do promotions in the normal course of business. And there was nothing unique or different. That's always just a big promotional period them us.

Unidentified Participant

Great. Microsoft had an interesting announcement a couple of weeks ago, disclosing that it is essentially providing Windows OneCare, or a version of Windows OneCare, for free. A lot of investors in this room are going to be reading a lot of headlines over the next few months saying, sell the security vendors (multiple speakers) their shorts. How do you respond to that? And can you just talk about (multiple speakers)

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Gosh, I never get that question.

Unidentified Participant

Well, today, I'm sorry (multiple speakers)

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes. So obviously with OneCare, to just sort of look back at what people expected with OneCare. The expectation there was, gosh, they are going to bring the prices down and do price compression. They are going to take a lot of share. And it happened. There was a lot of ajada around that.

However, what happened was, OneCare wasn't a very good product. It didn't take much share. It doesn't work very well. And so now Microsoft has come back and said, well, we're going to shrink it down, give you less capability, and give it to you for free. Well, the problem with that is, one, consumers are pretty smart. For free, not protected -- as soon as they figure that out, they're not going to want any more of that.

And there's no incentive for distribution. If you are an OEM, you really aren't incented to do that for a couple of reasons. One is that if your margins are thin, you want to deal with players that really add value, want to help you with your margins, give your customers more value. And the last thing you want is your support lines ringing off the hook about, hey, I've put this on my system, it's not protected, and my PC is messed up, what do I do? Because that adds expense to them. So it's going to be very difficult to get the distribution that you need.

So I think customers understand in many cases the need for security. Certainly our customers understand the need for security in a more holistic way. So we just don't think that there's going to be a lot of traction tomorrow, even for free in emerging countries. And by the way, we're in all the emerging countries. We're there with either the Norton products on OEM systems, in retail, or with PC Tools and the online, which is the only channel left really for Microsoft is that online channel.

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Unidentified Participant

But to play devil's advocate, it is still free.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes. You know, free is not new. Free has been in the market for a very long time. And it's another free player. The free players who offer decent products are the ones that people have adopted. Free, not so good -- people don't adopt.

In the channel of free is the channel where PC Tools products play. They offer free products in a number of geographies, point products that are from PC Tools. So we have a way to make that offering. We also have offerings of small products from Norton that, for instance, when you download Adobe Shockwave, you get a small, free product called NSF. The game there is all about up-selling. It's free, but every vendor, even for free, has a strategy to up sell those customers one way or another.

Unidentified Participant

Can you talk about some of the recent acquisitions, talk a little bit about PC Tools and what it brings to the table. Can you talk about how you -- what the go-to-market strategy is going to look like?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes. So today their go-to-market strategy is almost entirely online. Your keyword searches, you find them, they are really -- online is the way they get to their customers, because the customers they have targeted, that's how they purchase. And they are very, very good at that. They've built a very nice business, growing well using that online mean of acquisition. In a few places they are in retail as well, but very few places today.

So as we look at how do we maximize that coverage of the consumer security market, we certainly are looking at how do we leverage things between product families but in a way that doesn't pollute the fact that they are a very different customer looking for something different than a Norton premium customer, which is a very suite-oriented, all-in-one, do-it-for-me; versus PC Tools -- point products, best of breed, I want to do it myself.

Unidentified Participant

Will it be sold under the Norton umbrella, or do you try to keep it separate just for them?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes. It will be separate, separate product names, yes -- PC Tools.

Unidentified Participant

International. Can you talk about some of the trends there and some of the investments that you're making to try to drive some incremental growth, because obviously the US is a much more mature market.

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Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Right. So first of all, in the emerging market, OEMs are important. So they're -- a number of our OEM relationships are offshore, outside of the US. And so where those PC manufacturers are taking part in that growth for PC sales, we have trialware, we're on their products and can present ourselves that way.

In most every country around the world we're in retail, not in every retail store but certainly with usually the larger respected retailers, and we have distribution relationships in those emerging markets. So we play there. And now with PC Tools, in emerging markets through online means more aggressively than we play with Norton there.

So there are many channels to acquire customers, and emerging is no different than mature, so we need to be, as John Thompson would always say, every place the customer wants to buy is where we went to be and be in front of those customers with our offering.

Unidentified Participant

Are you seeing the same types of pressures at retail in some of these markets? Maybe in Western Europe, for example?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes, we are seeing pressures with retailers. They have the same issues as a number of retailers here in the US have. They may be not able to get the credit they want. Those kinds of things are impacting some of our partners and distributors, EMEA for instance.

Unidentified Participant

In terms of 2009, beyond the annual releases of the NIS, can you just talk about perhaps maybe some of the new offerings that are coming to market?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

For 2010?

Unidentified Participant

Or fiscal 2010, sure.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

So our -- this last year the real focus was performance and size, literally because that was the major thing that customers have been saying they wanted from a security product -- we want to be able to do what we can do, and we don't want to be interfered with either by slowing down my system or interrupting me with pop-ups while I'm trying to do -- playing games or whatever it might be on my PC.

So that was our big focus. And we kind of knocked that one out of the park. Pretty much every review that you read, we have 99% positive and neutral. We've won pretty much every award that you can imagine. So that was kind of number one.

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What -- where customers are looking at now is the overall experience of owning your product. And we know that a customer who is really happy and loyal is a great recommender of your product to their friends and family. They're going to stay with you a very long time. Once those customers are acquired, keeping them is really important in our business. So we want to do everything that we can to make that experience one in which we can acquire more new customers and keep the ones we have. So you will see things that are modifications of our product experience over all that help us accomplish that.

Unidentified Participant

[Please] talk about maybe just what you're seeing seasonally. Talk about (inaudible) Black Friday being one of your maybe biggest days. What are some of the trends that you have been -- you're seeing out there in the market?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

In the market, let's see. So trends from a retail perspective (multiple speakers) general?

Unidentified Participant

I guess, well, just retail just in general coming out of Q3 into Q4.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Yes. So I think one of the things that we're seeing and we are benefiting from is that while on the one hand less PC sales may have an effect in one part of our business, it's certainly an opportunity for us in the services part of our business. Because we offer PC checkup and tune-up, you can't get a new PC this Christmas, but you can get one that runs like new. So that's -- people are looking for ways to save money, to extend the life of their products. We're seeing that.

The backup is just growing. People -- even though these days are tough economically, people are spending a lot of time on their PCs doing things that create data -- they're downloading music, they are taking photographs, they're looking at videos. And they want to save that, and a lot of times it's a very emotional attachment to that data. So potentially data is growing about 50% per year. That's an opportunity for us that we see as well.

We're also seeing that people need security, whether it's a tough economic time or not. They -- particularly in this market in the US, people have a better understanding of what threats can do and the fact that people are out there to steal your identities and do bad things. So they don't necessarily want to compromise on poor protection, even though it might be tough economically out there. They certainly will shop to some degree, as we found on Black Friday, for promotions. We do promotions regularly, so we're going to be in front of them with things in retail, for instance, or on our online store that are going to be things that will be attractive for them.

Unidentified Participant

Do you have any -- I'm kind of bouncing around here, but in terms of the OEM business, are there any new OEM agreements that are coming up for renewal over the next 12 months?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Well you know, every quarter there is some number of new OEM agreements. Some are bigger, some are smaller. All these OEM agreements have different lengths of time. They are not one-size-fits-all. OEMs either decide to do a geographic split or a

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customer segment split, which is generally a configuration for product families. And there are so many of them out there that they are always coming up for either a new opportunity, because they've maybe split some of their product families up; or a renewal. So we are always, always working on them, probably net two to four a quarter on the (multiple speakers)

Unidentified Participant

But are there any major ones that we should be on the lookout for because that -- you'll be a source of controversy among this group.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

Ah. So you know, I think I would probably pay attention to some of the OEMs who might have Microsoft products on there -- less of a reason to have OneCare, perhaps.

Unidentified Participant

Okay. Great. And maybe we've touched on -- you know the profitability of the overall business has been coming under pressure.

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

It's improved recently, though.

Unidentified Participant

Okay. Then maybe we could just talk about some of the trends. And in the context there have been some -- there has been some downsizing across the Symantec organization over the last year. Can you just talk about what you're doing with the business, and kind of expectations going forward?

Janice Chaffin - Symantec Corporation - Group President, Consumer Business Unit

So I mean, with a business as large as ours, I mean we have a pretty good scale. A \$1.7 billion business is a big business. So we are always paying attention to how can we be more efficient in terms of the money we spend? We want to make sure we're putting investment into new areas, but also running efficiently in the business operations that we've got. So it's like any large company. There's always some improvements to make there.

In terms of looking at what we're trying to do with revenue growth and profitability, we're really trying to balance those two. We intend to grow faster than the market. At this point, the market is probably growing somewhere mid-single-digits if we take the market as a whole. At the same time, we're a pretty darn healthy business with very good margins, and so we would like to continue to look at our cost structures and expenses to make sure that the profitability remains in line with our expectation.

Could be that we in some channels could become much more competitive, and that might impact us. That's really what we saw a year or so ago as the dynamics in the OEM relationships changed from a revenue-share model to a placement-fee model, which is up-front expenses. So we may see some of those dynamics in the future, and that might impact us. But today we really are balancing continually improving our margins but at growing at the same time.

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Unidentified Participant

That doesn't necessarily imply that you would go toe-to-toe with an aggressive competitor if economics weren't any better?

Janice Chaffin - *Symantec Corporation - Group President, Consumer Business Unit*

Well, we're probably not going to do any deals that are bad economically for us. It doesn't mean we won't be aggressive. If we think that that deal is going to provide us with a good customer flow over the period of the contract, the customer life, we really -- we'll be pretty aggressive in that deal. So it's not -- aggressive doesn't mean we're going to do a bad deal.

Unidentified Participant

On the note -- I see the door keeps opening up so we're bumping up into the next presentation. But thanks so much, Janice.

Janice Chaffin - *Symantec Corporation - Group President, Consumer Business Unit*

Thank you. I appreciate it.

Unidentified Participant

We'll head to the breakout room.

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