Helyn Corcos, Vice President Investor Relations

Good afternoon, and thank you for joining our fiscal first quarter 2009 earnings conference call. With me today are John Thompson, Chairman of the Board and Chief Executive Officer of Symantec, Enrique Salem, Chief Operating Officer and James Beer, Executive Vice President and Chief Financial Officer.

In a moment, I will turn the call over to John. He will provide high level comments on the company, Enrique will follow with quarterly highlights and James will wrap it up with a review of the financials and our guidance as outlined in the press release. This will be followed by a question and answer session.

Today's call is being recorded and will be available for replay on Symantec's investor relations home page at www.symantec.com/invest. A copy of today's press release and supplemental financial information are available on our website and a copy of today's prepared comments will be available on the investor relations website shortly after the call is completed.

During the June-08 quarter, we reclassified the Altiris services revenue from Security and Compliance to the Services segment. We have provided the corresponding historical comparisons in our press release and supplemental information which has been posted on our website.

Before we begin, I would like to remind everyone that some of the information discussed on this call, including our projections regarding revenue, operating results, deferred revenue, cash flow from operations, amortization of acquisition-related intangibles and stock-based compensation, for the coming quarter contain forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in the statements. Additional information concerning these risks and uncertainties can be found in the company's most recent periodic reports filed with the U.S. Securities and Exchange Commission. Symantec assumes no obligation to update any forward-looking statements.

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Symantec reports non-GAAP financial results. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP results, which can be found in the press release and on our web site.

And now, I would like to introduce our CEO, Mr. John Thompson.

John Thompson – Chairman & CEO

Thanks, Helyn and good afternoon everyone.

I'm excited by the team's ability to execute our operating plan and deliver solid June quarter results. Performance was strong in all geographies with international growth remaining robust, and with North America posting strong double digit results. The sales force continues to focus on up-sell and cross-sell opportunities resulting in record June quarter large transaction volumes.

Healthy spending on storage management solutions continued during the quarter as growth in data volumes continues for our customers around the world. In addition, our investments in higher growth areas, like archiving and data protection , are paying off. As an example, the integration of our de-duplication technology with NetBackup has ignited an important growth opportunity for us. And, our archiving business continues to build on it market leading position.

The June quarter results highlight the critical nature of our product portfolio to customers around the world. In addition, we saw CIOs of large enterprises purchase more products from Symantec as they strive to reduce the number of vendors they must manage. This is a trend we expect to continue, particularly during these more challenging economic times.

In addition to strong revenue and earnings results, our deferred revenue and strong cash flow generation, during the June quarter, underscore the financial strength of our company. This performance is a terrific start to our fiscal year.

Looking ahead, we believe the pipeline for the September quarter is strong and visibility continues to improve. We intend to leverage our core strengths in endpoint security, data protection, storage management, and our consumer franchise to accelerate new growth opportunities. We will continue to up-sell new functionalities and drive incremental business across our global customer base. And, we will continue to invest in areas such as software-as-a-service and virtualization.

At our Financial Analyst Day, we provided an update on our endpoint virtualization strategy as one of our emerging growth areas. Additionally, according to IDC, the X86 server virtualization market is growing in excess of 25% annually and is expected to exceed $3 billion by 2011. We've made a number of important moves over the past few years to position our company to be able to take advantage of these opportunities. They include the purchase of Altiris, with its Software Virtualization Solution, the acquisition of AppStream to complement the SVS solution, as well as, the recent announcement of our Veritas Virtualization Infrastructure solution. So, let me put our strategic intent around virtualization in context for you today.

At the endpoint, our strategy is based on freeing valuable information from the underlying systems functions. Today, important enterprise information is scattered across a broad range of devices.....from PDAs to storage arrays. This valuable information is deeply entangled with other data such as operating system and application code, which is far less valuable to the enterprise. We believe that virtualization, when properly applied, can decouple <u>information that matters</u> from the rest of the IT environment, so that it can be independently secured and managed. To help our customers achieve this benefit, Symantec is infusing virtualization capabilities across our portfolio from server management and high availability to security.

For instance, in the data center, server and storage virtualization coupled together can separate unique information from redundant copies of an application or operating system, dramatically lowering storage costs. In June, we announced Veritas Virtual Infrastructure as the only product that can provide a total server and storage management solution for both virtual and physical environments. Available on the X86 platform, this will allow us to leverage our customers' interest in Linux and Windows server consolidation.

On the endpoint, the user experience can be separated from the OS and applications to provide better portability in today's highly mobile environment. Together, Symantec's application streaming technology and our client Software Virtualization Solution provides end users with the application they require on demand, allowing IT managers to optimize the cost of delivery of critical applications without impacting the user's experience.

We believe customers will use virtualization technologies to help them simplify their environments by separating out the information that matters from that which does not. And, we believe Symantec is well positioned to help them secure and manage that information by putting virtualization to work across our portfolio.

With enterprise data volumes doubling every two years, we believe we have the right products, right now, with additional enhancements and innovations planned to meet the critical need to secure and manage the information explosion. We will continue to strengthen our position with both our enterprise and our consumer customers around the world, as this opportunity represents a significant growth catalyst for our company.

With that, I'll turn the call over to Enrique, who will provide more detail on the June quarter highlights.

Enrique Salem -- Chief Operating Officer
Thanks John, and good afternoon everyone.

I am very pleased with the strong performance of our team during the June quarter. Sales activity continued to improve around the world, with all regions posting double digit revenue growth. In addition, all key product areas generated strong growth.

The sales force executed well, effectively up-selling and cross-selling the broader Symantec portfolio. This was evident in our large transactions. During the June quarter, we generated a total of 336 transactions valued at more than $300,000 each, up 35% compared to 249 transactions in the year ago quarter. We generated 85 transactions worth more than $1 million each, up 77% compared to 48 transactions in the June 2007 quarter. In addition, nearly 80% of large transactions included multiple products or services, driven by the trend that large enterprises prefer to deal with fewer vendors.

During the quarter, we generated strong sales and revenue performance across all of our segments and geographies.

Within our Storage and Server Management segment, our data protection business posted outstanding results as we continue to extend our leadership position by gaining market share from our competitors. The revenue from our backup business grew by more than 20% year-over-year.

Sales of NetBackup 6.5 were driven by our unique capabilities around virtual machine protection, disk based data protection and by our de-duplication technology in PureDisk. During the quarter, we launched a beta version of our new continuous data protection technology. This innovative technology dramatically reduces IT risk, and improves backup and recovery service levels. At the same time, it minimizes infrastructure costs through advanced disk based protection and more efficient usage of server and storage resources. This product has already garnered strong interest from our customer base.

Backup Exec 12, which launched in mid-February, continues to perform extremely well in the small and mid-market segments. We also continue to leverage technology between NetBackup and Backup Exec in order to deliver innovation across our product offerings for all market segments. We protect more than half the world's data, and we will continue to bring next generation technologies to market in a timely manner.

On the data center side of the business, our storage foundation products posted its best results in years. The performance was driven by our customers' desire to simplify their data center infrastructure, and reduce costs by standardizing the storage management software across their heterogeneous environments.

In our Security and Compliance segment, our market leading endpoint security franchise posted strong results and generated double digit year-over-year revenue growth. Customers value Symantec Endpoint Protection's superior feature set and smaller footprint. We continue to garner new customers, and have won a number of competitive displacements.

Our endpoint management business generated strong sales activity and posted year-over-year revenue growth in the high teens. We continue to see strong win rates against all of our competitors. In the June quarter, we announced the release of the new Symantec Endpoint Management Suite. This suite defines the next generation of integrated best-of-breed systems management, endpoint security, and backup and recovery. The suite uniquely differentiates Symantec versus others in this market. We believe our integrated approach provides organizations with visibility into, and control of an entire endpoint environment, thereby minimizing the exposure of security and compliance risks.

Looking ahead, one of our key product deliverables this year is Altiris 7.0, built on the Symantec Open Collaborative Architecture. It will provide the opportunity to integrate other Symantec solutions, such as endpoint products, within the new architecture.

Now, moving on to our archiving business. We continue to win against our competition in the archiving space. Enterprise Vault, had another outstanding quarter, with revenue posting 30% year-over-year growth. We believe Enterprise Vault has become the de facto standard for addressing the ever increasing regulations around e-discovery. Once again, Gartner positioned Enterprise Vault in the leaders quadrant of the 2008 Magic Quadrant for email archiving. In addition, for the fifth consecutive time, we are the only vendor positioned in this leadership category.

Our Vontu team had the best quarter in their history. The continued momentum of our Data Loss Prevention business demonstrates the successful integration of our teams. During the quarter, we closed our largest DLP deal ever, and we won our largest international deal to date. Gartner recently positioned Vontu Data Loss Prevention 8 in the leaders Quadrant for data loss prevention. DLP is a key component in Symantec's product strategy to secure and manage the world's information.

Moving to the consumer business. We continue to enhance our leadership position by delivering the most innovative products and services that address the evolving needs of consumers today. Our suite products, Norton Internet Security and Norton 360, continue to perform well, increasing their share of total consumer sales and driving ASPs higher. Norton 360 now represents almost 25% of our consumer revenue and more than 35% of consumer sales.

During the quarter, we closed the SwapDrive acquisition. With the explosion of digital information such as photos, music and videos, consumers have more files on their computers than ever before. Adding SwapDrive’s technology to the Norton portfolio gives consumers access to a world-class service to help secure and manage their information. While we already leverage SwapDrive’s online backup service in Norton 360, this acquisition allows us to enhance operating results for this product, and gives us the capability to utilize SwapDrive’s online backup and storage platform in our other consumer offerings.

Our consumer services continue to generate strong customer interest. Our most popular services include PC tune-up, PC installation and Green PC. We are finding that these services lead to higher customer satisfaction levels, and build even greater loyalty for the Norton family of products.

We also recently launched the public betas of the 2009 editions of Norton AntiVirus and Norton Internet Security. The 2009 products have been designed to be the fastest security products in the industry. This is supported by more than 300 improvements that span nearly every aspect of the product, from the scanning engines to the user interface. Examples include: an install time of one-minute or less with one click, provide the industry's fastest update capability, and memory usage reduced to less than 50% of our nearest competitor. Our beta users consistently give us high marks for performance and usability. And finally, we expect these products to ship during the usual September timeframe.

Looking ahead, the September quarter pipeline looks strong, and I believe security and storage are priority areas for IT spending, even in this environment.

And with that, I’ll hand the call over to James.

James Beer – Chief Financial Officer

Thank you Enrique and good afternoon everyone.

It is very encouraging to see the combination of consistent execution, further margin expansion and solid cash generation driving better results in each of our four key financial metrics.

First, I'll review with you the financial details of the June quarter, which as a reminder included 14 weeks of activity versus the normal 13 weeks.

GAAP revenue came in at $1.65 billion. Non-GAAP revenue grew 16% over the June 2007 period to $1.66 billion driven by both our success in selling more to our installed base, as well as new customers around the world. Our June quarter revenue included approximately $75 million of one-time benefit generated from the extra week.

Foreign currency movements positively impacted non-GAAP revenue by 7 percentage points year-over-year.

The June quarter's fully diluted GAAP earnings per share were 22¢. Non-GAAP fully diluted earnings per share for the quarter were 40¢, up 38% year-over-year, reflecting that even as our top line growth strengthened, we continued to judiciously manage expenses. Our June quarter EPS included approximately 3¢ of one-time benefit generated from the extra week.

International non-GAAP revenue of $866 million grew 19% versus the year ago period with all regions posting double digit growth. International revenue accounted for 52% of total non-GAAP revenue.

We are also particularly pleased with the Americas performance which grew 13% year-over-year.

Now, I'd like to move on to our non-GAAP revenue by segment.

The consumer business generated record revenue of $473 million up 12% versus the June 2007 quarter. Electronic distribution grew by more than 20% year over year reaching a new high of nearly 80% of our total consumer revenue. Online sales were driven primarily by strong subscription renewal, ISP and OEM activity.

In the enterprise arena, the competitiveness of our security, availability and services solutions, along with excellent sales execution, drove the improved top line growth.

The Storage and Server Management segment generated revenue of $616 million, up 20% as compared to the June 2007 results driven by strong data protection and storage management performance.

Our Security and Compliance segment generated revenue of $449 million, up 12% versus the year ago period. Our endpoint security products generated record revenue during the quarter, growing approximately 10% year-over-year. We were also pleased with the performance of our endpoint management team for posting another very solid quarter. In addition, we continued to see strong double digit growth from our industry leading archiving solutions.

Our Services segment generated revenue of $117 million, up 35% year-over-year, representing 7% of our total revenue. We continue to focus on improving the cost efficiency of our services operations and we're pleased with the contribution improvements that the group has made during the past couple of quarters. Please note that we have reclassified the Altiris services revenue from Security and Compliance to the Services segment. We have provided the corresponding historical comparisons on the investor relations website.

Non-GAAP gross margin increased 170 basis points to 86.5% for the June 2008 quarter as compared to the year ago period. This is as a result of our cost of goods sold remaining approximately constant year-over-year while revenue grew by more than $230 million.

Improved revenue production and a focus on cost management have also increased non-GAAP operating margins for the June quarter to 29.3%, up 360 basis points year over year. This is the third consecutive quarter in which operating margins have increased strongly versus the prior year. As I mentioned at our financial analyst day, strong top line performance can lead to operating margin improvements above our planned annual goal of 100 basis points year-over-year.

GAAP net income was $187 million for the June 2008 quarter. Non-GAAP net income was $342 million, up 30% year over year.

We exited June with a cash and short-term investments balance of nearly $2.3 billion.

During the June quarter, we repurchased 9.7 million shares at an average price of $20.55. This $200 million repurchase volume is consistent with our annual target of spending half of our cash flow from operations on share buy backs.

Our net accounts receivable balance at the end of the June 2008 quarter was $652 million. Days-sales-outstanding, or DSO, was 36 days, in line with normal seasonal trends.

Cash flow from operating activities for the June quarter was up 18% to $414 million as compared to the June 2007 quarter primarily due to strong collections and the benefit from prior period litigation settlements, offset by increased cash tax payments.

GAAP deferred revenue at the end of June 2008 was approximately $3.01 billion. Non-GAAP deferred revenue grew 12% year-over-year to $3.02 billion assisted by strong selling activity particularly at the end of the quarter. Foreign currency movements positively impacted non-GAAP deferred revenue by 7 percentage points year-over-year. Our deferred revenue included a one-time negative impact of approximately $5 million from the June quarter's extra week.

As you may recall, in May 2006, we paid $130 million of additional U.S. taxes associated with the repatriation of offshore funds by Veritas in 2005. Earlier this month, we reached a settlement with the IRS which we expect will result in our obligation being only 10% of the original $130 million at issue.

Now, I'd like to spend a few minutes discussing our expectations for the September quarter which, as I noted earlier, contains only 13 weeks.

We expect GAAP revenue to be in the range of $1.52 to $1.56 billion. Non-GAAP revenue is estimated to be in the range of $1.525 to $1.565 billion as compared to $1.437 billion in the September 2007 quarter.

GAAP earnings per share are forecasted to be in the range of between 15 and 17¢. Non-GAAP earnings per share are estimated to be in the range of between 34 and 36¢, as compared to 29¢ in the year ago period.

At the end of the September quarter, we expect GAAP deferred revenue to be between $2.865 and $2.965 billion. We expect non-GAAP deferred revenue to be between $2.875 and $2.975 billion as compared to $2.62 billion at the end of September 2007.

We expect about 64% or approximately $990 million of our September quarter revenue to come from the balance sheet. This percentage once again illustrates the degree of predictability that we have built into our income statement during the last few years.

This guidance assumes a common stock equivalents total for the quarter of approximately 860 million shares. We have also assumed an exchange rate of $1.53 cents per Euro for the September quarter.

In closing, we're very pleased with our June quarter results and are encouraged with the prospect of building on this momentum during the September quarter.