

FINAL TRANSCRIPT

Thomson StreetEventsSM

SYMC - Symantec at Morgan Stanley Technology Conference

Event Date/Time: Mar. 04. 2008 / 4:00PM ET

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

CORPORATE PARTICIPANTS

Mark Bregman
Symantec - CTO

PRESENTATION

Unidentified Participant - *Morgan Stanley - Analyst*

All right, so we'll try to keep on time here. We're very pleased to have Mark Bregman, CTO of Symantec, with us to discuss what's been going on in the systems management security and storage world. We'll start off the conversation and give Mark an opportunity to introduce himself, tell us a little about his role at Symantec and go over a little bit of some of the sort of key initiatives that have been going on in Symantec over the past 12 months.

Mark Bregman - *Symantec - CTO*

Great. Well, as you heard, I am the CTO at Symantec, so I focus more on the technology and product and engineering side. Over the last 12 months we have continued to focus on and I think strengthen our belief in the strategy around helping to manage and protect the world's information. Another way to think about that is helping our customers manage the risk that comes with their implementation of IT systems that handle all this critical business information.

We see three major pillars there supported by our security business, by our backup and data protection business and by our storage management business. We've made obviously investments to fill in areas, and I'll talk about that in a minute, but one of the probably most profound things is if I were sitting here a year ago I would probably be a little bit defensive about some of the products in our portfolio, frankly, where we had issues in either product quality or scalability, usability etcetera.

Over the last 12 months I think with some of the new releases, like our NetBackup 6.5, like our Symantec Endpoint Protection, a refresh of our consumer products, today I look at the portfolio and I think we have across the board very strong products that none of-- the I certainly wouldn't be embarrassed to show to a customer and, frankly, our sales people aren't embarrassed to show to a customer and that also ultimately leads to better sales efficiently because the sales people feel like they're not having to fight an uphill battle, so that's a very positive development.

One of the things that we've spent some time on over the last year related to this is really taking a hard look at our portfolio across all our businesses and trying to understand what are the businesses, which are very key, big core businesses that ultimately are not going to drive double-digit top line growth? What are the businesses, which are emerging and which we can invest in to help contribute to that higher top line growth? And what are some of the emerging areas where we ought to be placing some bets or purchasing options, if you will, on the future and having a more systematic approach to that?

And I think part of that also has been a shift, and I am now really referring more to the product people, product engineering people, from thinking about products to thinking about businesses. Rather than thinking about boy this is really a cool product and I can kind of see how I have to enhance it to meet customer demand, they are taking a broader view of what the business opportunity here is. Is it big enough to justify the investment? What are the things I need to do to not only make a cool product but make it easy to sell, easy to service, etcetera? And I think that's a positive development.

Unidentified Participant - *Morgan Stanley - Analyst*

That's interesting. Excellent. To start off the conversation I wanted to kind of lay the groundwork with your guy's view on macro environment. We just heard John Chambers over at lunch talking about how they very much think that we're in a recessionary period right now. They think it's going to be shallow but trying to figure out the timing of it. When you guys gave your guidance

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

on a going forward basis what were the assumptions that you guys were looking at for the U.S. macro environment and the global macro environment and that was incorporated and that under laid that guidance that you gave to the Street?

Mark Bregman - Symantec - CTO

Well, I think-- let me answer that in a little bit different way because I don't know the specific detail of those assumptions but if we look at our business there are kind of three areas, three distinct areas, where we are sensitive to the macro environment. Clearly our consumer business is sensitive to consumer spending and we see that-- we would see that pretty quickly because that's a run rate business. People go out and buy it. We see it right away. It's a pretty high business flow and so we're watching that very, very carefully but I don't think that we're ready yet to say, "Boy we see a secular slowdown in that business."

The second area is in the small, medium business arena, which is also a run rate business and that's our product like NetBackup and some of our end point protection products and, again, we would see that pretty quickly in terms of the flow of business. And there again I don't think we yet even today are able to say with much conviction that we see a slowdown. We're very sensitive and watching it carefully but I can't say, "Oh yes looking in the mirror I see a slowdown."

The third one is really the large enterprise piece and in many ways that's the one that's sort of the maybe scariest just because a lot of those large enterprises are the ones we read about in the newspaper everyday that are struggling for various reasons. There the issue would be large deal flow and, again, as of today I don't think we can say that we see a definitive slowdown there. We don't see deals that are getting cancelled or slowing down dramatically. That doesn't mean it's not going to happen tomorrow, so we're watching when we hear people like John Chambers say this we get sort of hypersensitive but I would say we don't yet see that.

Unidentified Participant - Morgan Stanley - Analyst

Right, so kind of turning there where--

Mark Bregman - Symantec - CTO

Now just one other comment I should make is the other thing is we're, of course, looking at it on a global basis and we always get some balancing between the different regions, so that may be part of why we're not as-- I mean I would think John Chambers as also a global business but some businesses that are more regional would be more sensitive to a regional slowdown.

Unidentified Participant - Morgan Stanley - Analyst

Excellent. So to kind of turn the question around a little bit, for you guys spending outlook looking out at the coming year, have you guys adjusted your spending outlook to any degree to perhaps moderate the aggressiveness of the investments that you're making in the business to perhaps give yourself a little bit more cushion in case you see that macro slowdown?

Mark Bregman - Symantec - CTO

Well I-- we're being conservative in our spending plan, not because we necessarily see a slowdown but it's a lot easier for us to turn up the spending rate than turn it down and so we've done a couple of restructurings over the last couple of years to correct a mismatch between spending and income or revenue and we don't want to do that again, so I think we are targeting to be more conservative on the spending rate relative to our outlooks and if we do see a slowdown that will obviously put us in a better shape but it's not motivated so much by concern over the slowdown as it is by just generally trying to get our spending more carefully aligned to our expectations in revenue.

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

A piece of that I should mention is one of the other things we've focused a lot of effort on over the last year and you've seen some announcements of organizational shifts that are the sort of a result of that is streamlining our internal operations to be more efficient and, of course, anything we do there also contributes to a little bit of buffer, if you will, relative to expectations.

Unidentified Participant - *Morgan Stanley - Analyst*

So I mean in a certain sense I would say that you guys probably have had a pretty long-term view of streamlining the operations, so you're probably in a better position to withstand any macro weakness, any-- given all of the prophecy of or--

Mark Bregman - *Symantec - CTO*

We've been on this path, frankly, for a while independent of the external market or external economy and so we're just continuing on that path to get it more efficient.

Unidentified Participant - *Morgan Stanley - Analyst*

Okay so to turn to products a little bit and one of the big new products and also this is from last year was Norton 360. In your recent 3Q it represented 25% of new customer sales. John Thompson is talking about a 2.0 that's going to be coming out I believe in March?

Mark Bregman - *Symantec - CTO*

Which is this month.

Unidentified Participant - *Morgan Stanley - Analyst*

This month, taking another big step ahead of the competition, can you talk about some of the competitive differentiators in that product?

Mark Bregman - *Symantec - CTO*

Sure. I mean one of the things we did with Norton 360-- there are really three things we did. One was, frankly, catch up which was our prior consumer product was kind of fat and slow relative to competition. So with Norton 360 we did a lot of work on internally re-architecting it to make it more streamlined, smaller footprint, much higher performance and that's now we're in the market I think leading position but that was just necessary. That's not a new feature.

We then did an integration of capabilities, which was unique, in the sense that it's not about antivirus or even just about anti-mal wear but it's really about protecting the whole of your PC experience, so all of the traditional security pieces are there but in addition we have data protection in the form of an on line backup solution, which is surprising. Frankly, we've been surprised at how big the uptake has been. About 25% of users have taken advantage of that. We didn't know going in how quickly it would be adopted. And then the other things we have in there is a kind of a PC tune up function, which used to be in many cases a separate thing but it is all part of protecting your PC.

As we go into the next release we're adding in additional functions, such as capability to help you manage your identity credentials. It's not strictly speaking identity management but, as you know, you probably have lots of different accounts. You've got different passwords and user IDs and all of that, different information you're willing to share with them. You know, Amazon, you're willing to give your credit card but maybe you're not willing to give it somewhere else. That becomes difficult for people

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

to manage. We provide the capability to keep and manage those credentials in a secure way and make it easier for people to deal with and that's in a way laying the groundwork for a broader longer-range strategic initiative around identity.

And then we continue to work on improving footprint and speed and so on. I mean our goal which is, like many goals, sort of the Holy Grail. We'll probably never get there but our goal is to really have-- and this is where the engineers are focused-- essentially zero impact, so a customer doesn't know they have the product on their desktop because doing a virus scan is not productive to you. (inaudible) you kind of have to pay the price but--

Unidentified Participant - *Morgan Stanley - Analyst*

Right so then going forward into that 2.0 version, any new features that you could speak to or any of the features that you think are really going to now that you've caught up, now that you've streamlined and made it sort of gotten caught up with the market, anything that's going to push you ahead in the 2.0 version you could share?

Mark Bregman - *Symantec - CTO*

I think we're-- I think it's not going to look like as big a quantum leap as the first version because we're incrementally adding functionality and I think customers will say, "Oh yes that's cool; we need that, that's an extra feature." I don't think there's going to be a big, "Ah ha!" with 2.0. We're going to do more in storage management. We're going to do more in the way it more easily integrates and manages data protection. I mentioned the identity stuff.

Unidentified Participant - *Morgan Stanley - Analyst*

So it seems like consumers are looking for sort of that complete suite, that complete tool suite, to make the Internet a little bit kinder, gentler, not as scary of a world out there. One of your main competitors, McAfee, is-- it looks like they're pushing their strategy out onto the Internet with stuff like SiteAdvisor and they recently acquired that Hacker Safe certification technology. Do you see in providing that complete suite of tools, do you see the need to sort of follow them onto the Internet and into that sort of site certification world and take a protection just from the endpoint and move it out into the broader Internet?

Mark Bregman - *Symantec - CTO*

There are a number of things that, as you called it, sort of move out into the Internet away from just the endpoint, which we are working on and some of those we've shown in shows and things as prototypes. A good example of that is what we're doing around the child safety or parental controls in a very different way than traditional and that's really not about protecting the end point. It's about monitoring and protecting the interactions you have over the Internet. Another example is when you look at things like Site Certification or SiteAdvisor type products they're two different challenges. The idea is really great. Boy when I go to that website I see a green signal or a red signal, great idea. The problem is how did you get that red or green signal and the challenge is generally-- you or me?

Unidentified Participant - *Morgan Stanley - Analyst*

I'm off.

Mark Bregman - *Symantec - CTO*

It's me. I turned off one of them and not the other one, too much electronics. The challenge is how do you get those certifications and the Internet is growing so quickly that it's very hard to keep up if you do a web crawler or any other technologies, so we've

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

actually got some very active research right now looking at new ways to categorize and classify not only websites but files, downloads, that we think is going to be quite revolutionary and that will-- that won't be in the latest product but it will be coming into the product. The challenge there with a lot of these technologies is that's not going to necessarily be very visible to an end user in the sense that gee it's got the same green bar over here as they had over there, but under the hood it's a very different engine and we think with some education and some experience customers can see and detect that difference.

Unidentified Participant - Morgan Stanley - Analyst

So I guess the bottom line is that it may be something that may be more difficult to monetize down the road just because--

Mark Bregman - Symantec - CTO

I don't think it will be more difficult to monetize. I think it's kind of why do people buy like German cars instead of chrome covered other cars. The chrome is pretty cool and at first they might fall for that but once they understand that reliability and performance really matters, that's a little education for the consumer, then they see the value of it.

Unidentified Participant - Morgan Stanley - Analyst

I wanted to open the floor up to questions, see if there's any questions from the audience.

QUESTIONS AND ANSWERS

Unidentified Audience Member - Analyst

You have a higher gross margin than your competitors but your operating margins are a little less. In your new capacity what are the steps that you're going to take to try to improve that?

Mark Bregman - Symantec - CTO

Well, I think over the last probably year, year and a half, one of the impacts on the operating margins has been a higher expense to OpEx because of things like some of the integration we've done with the acquisitions of Altiris and others and, frankly, investments we were making, thoughtful investments we were making, to drive the business going forward. I think you'll see improvement in continued improvement. We've focused on that in our operating margins to the tune of about 100 basis points a year and that's the path we're on.

Unidentified Audience Member - Analyst

What are your targets? What are your goals for your operating margins? Do you have an idea?

Mark Bregman - Symantec - CTO

Well, eventually if we do a point a year I guess in about 70 years it would be 100% but at some point we'll stop. We don't have a target point.

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

Unidentified Participant - *Morgan Stanley - Analyst*

Any additional questions?

Unidentified Audience Member - *- Analyst*

My question relates to the new organizational changes. Could you please explain the rationale behind that?

Mark Bregman - *Symantec - CTO*

Sure. So we've had several organizational changes. About the beginning of January Enrique Salem was named as the Chief Operating Officer and we put together all of the business units and sales operations under Enrique. At the same time we announced the formation of a Chief Strategy Office led by Greg Hughes and I continued in my capacity as the CTO and obviously the corporate functions stayed the same.

More recently after some couple of months of looking through all of this we made some announcements recently that streamlined the business operating units under Enrique, so I think he now has 6 or 7 business units reporting in '07 including consumer and we've eliminated essentially a layer of management there that we had before.

So if you will go back 6 months ago we had pretty deep, if you will, business units and they were very autonomous. What we have now is a much flatter organization and part of the objective there is to get more cooperation and more sharing across that eliminate the silos or the boundaries because increasingly we see the need from our customers to make these products integrate, work together and we also see the opportunity from an operating cost, operating expense point of view to share and be more effective in the engineering side and so that was really the motivation for both of those pieces.

The formation of the Chief Strategy Office was really to systematize some work that we've been doing over the last year on an ongoing basis around our ongoing portfolio management and I mentioned shifting our thinking, even at the engineering and product team level, from product focus to business focus. And so Greg Hughes in his capacity and myself in my capacity work very closely together to make sure we have an integrated technology and product and business strategy and that we have a consistent view of what are the businesses that are at different stages of their life cycle, mature core businesses generating profit and cash, emerging businesses that are driving top line growth to become future core businesses and some future businesses or options on the future where we'll make small investments that could have very high payoff to sort of bring in house a little bit more of our long-term innovation as opposed to being as reliant on purely on acquisitions. So I hope that answers your question.

Unidentified Audience Member - *- Analyst*

Just to follow up on that if you don't mind, what's your strategy regarding Veritas? NetBackup has come. It seems to have provided a nice lift but what's the long-term vision? And vision and the merger hasn't really panned out.

Mark Bregman - *Symantec - CTO*

Well I am not sure I would say that Vision hasn't panned out unless there's some vision I am not aware of. The vision we had in the merger was that increasingly enterprise customers, particularly large enterprise customers, wanted to be able to go and find a comprehensive solution or a partner who could provide a comprehensive solution to their problems of managing and protecting their information and that ranges from security and securing it against intrusion, against bad guys, against data loss, against theft, to protecting against loss through non malicious things, system failures etcetera. Backup are very important to also protecting against failures in the arena of compliance. We have-- we are able to address all of that.

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

Now focusing specifically on backup, the backup market is or the backup segment of the market is very interesting because arguably backup is probably one of the oldest software businesses in the IT world. It's from the very beginning and yet it's-- and it's very mature and yet at the same time it's going through a kind of renaissance right now caused by new technologies and changes in technology cost points and hard disk storage, for example, changes such as the desire to do more centralized management changes, such as the desire to not just do backup but actually use that as a form of data management and archiving.

And so there's actually a lot of investment and growth opportunity, both investment to get there and growth opportunity on the back end in our backup business and what we've done organizationally in this more recent organization is brought together net backup and backup exec. They serve quite different markets but there are some areas where some of the emerging new technologies can be shared and we can both get better efficiency from an engineering point of view, shorter time to market by putting more focus on it and build better solutions in the market by having this broader view of everything from the very large enterprise to the SMB in one organization.

Unidentified Participant - Morgan Stanley - Analyst

If I could actually follow up on some of those things, so when you guys created the Chief Strategy Office part of what you did is you moved-- you merged corporate strategy and M&A but you were speaking how your-- your comments seemed to indicate that perhaps you were trying to de-emphasize M&A as the only way of building new competitive businesses. It seems almost cross purposes that when it seems like you're increasing the profile of M&A by incorporating it right with the Office of Strategy.

Mark Bregman - Symantec - CTO

Yes I don't know if I would say that. I mean it used to report directly to the CFO. Now it reports to another C level executive. Frankly I think it will get-- it will be more integrated with the strategy now than it was before. Arguably when it was in the CFO's organization it was more transaction focused from an M&A point of view. Now it's more business strategy focused, so I don't see it as either a diminution of its importance or an enhancement of its importance. I think it will change the emphasis a little bit to have a more balanced view.

Unidentified Participant - Morgan Stanley - Analyst

Okay so would it be fair to say that it's moving more to a strategic focus from a transaction focus?

Mark Bregman - Symantec - CTO

Yes I would say that's true.

Unidentified Participant - Morgan Stanley - Analyst

So net, net do you think the change is going to be a reduction in your focus or a reduction in your how acquisitive Symantec is as a Company or net, net no change or--?

Mark Bregman - Symantec - CTO

Well, so let me put it in this context. I think if you look at the overall market there is going to be a reduction just because of the opportunities. I think for one thing that as the market has consolidated, as the industry has consolidated players like Symantec are bigger and an acquisition that's going to move the needle is, therefore, going to be a bigger target and there are fewer of them. I think we'll continue to see acquisitions that are pretty small where it's a particular technology or a particular capability

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

but not a-- there are, frankly, going to be fewer acquisitions, which are of interest in the near term from a top line revenue point of view just because to make a difference it's going to have to be bigger and there are fewer targets. And so one of the things we need to do, given that and given that as you do bigger acquisitions there's more integration risk, is we need to build a stronger pipeline of internal organic future growth and that's the balance point.

Unidentified Participant - Morgan Stanley - Analyst

Right and then onto the question of the Veritas, some of the perception might be the fact that we just-- we haven't-- let me phrase it this way. With Norton 360 we saw a good example of where you merged backup technology and security technology, came out with a product that was very successful in the marketplace. I guess the question to you is can you point to the same sort of success to date in the enterprise market where you were able to merge Veritas product with traditional Symantec product and get that same kind of the sum of parts made up or the whole made up into the sum of the parts?

Mark Bregman - Symantec - CTO

Well, I think yes but I think it's-- I think there's a little bit of a misconception, which frankly we held ourselves at the very beginning, which is that somehow we're going to come up with a new kind of category of product coming about from the merger of these capabilities. And one of the differences is that when you look in the consumer space consumers like to buy a suite or packaged solution.

When you look in the enterprise space very often they want to be able to buy a solution but it's not necessarily a product that's integrated and so we've seen a lot of examples, messaging management, where we've tied together data protection, data security, email, anti-spam, clustering all technology from both companies and created a solution, which is unique in the marketplace but it's not a product. It's a set of products with some integration and I think that's partly the nature of the way the enterprise market works, the way that-- the way Morgan Stanley implements something is different than the way every one of your other competitors does it. Each one of them is different whereas every consumer at home that has Norton 360 it is identical to the neighbor's.

That's a market difference, so we probably created a misconception, which I think we held ourselves, which is wow wait till we come up with this cool new product which merges these two and that's probably not in retrospect probably not the right way to think about it. There are a lot of new solution capabilities that customers benefit from enterprises buy but they don't show up as a kind of shrink wrapped together product. Any additional questions from the audience?

Unidentified Audience Member - - Analyst

Early on you talked about a strategic initiative around identity. Can you elaborate a little bit further on that?

Mark Bregman - Symantec - CTO

Sure. John has talked about this. I think even at the RSA Conference a year ago and I have talked about this a lot. I think that as we look at the evolution of the Web, the Internet, what have you, ebusiness, one of the key issues is that identity-- we never built identity into the Internet and, therefore, the good news is there is anonymity. The bad news is there is anonymity and so for an awful lot of things that people want to do on the Internet commercial as well as social interactions, having identity available would be helpful.

The challenge is how do you do identity on the Internet and now all of you are probably thinking oh this is all about second factor authentication. That's an important aspect of it but it's not identity. It's purely the way to the next time prove you're the same person you were in the first time, so there's a broader issue when we think about identity, which is as a consumer, for

Mar. 04. 2008 / 4:00PM, SYMC - Symantec at Morgan Stanley Technology Conference

example, how can I assert my credentials to an enterprise and have them believe me. When I go and want to open an account on line with Morgan Stanley I guarantee you that there is an off line process today because you have no way of knowing that I am who I say I am on line. So you have to send something to my house, which I have to sign and maybe send a copy of something, some other credential.

The question is can we come up with a technology or a capability, a service that allows individuals to assert their attributes, credentials and have them be certified as true. If I go and want to buy liquor on line and they say are you over 21 I want to be able to say yes and have them believe me. Now that's an interesting opportunity because if you think about it for a while there are lots of interesting things you can do. Think about social networking. What if you could go to a social network where, in fact, everyone was-- had the attributes they claimed to have as opposed to My Space where they might not. It doesn't mean My Space goes away but now I have a choice.

I think that ultimately is going to be one of the keys to the next wave of business innovation etcetera on the Internet and I think it's a huge opportunity and one of the reasons why I think I particularly am very interested in it is I think there's a unique opportunity for a company, which is present on 50 million consumer desktops and interacts with them regularly and has a trusted brand where the consumer has confidence in what we do, where that same company has relationships with enterprises around the globe and similarly has a position of trust within their enterprise and could potentially have the infrastructure in place to provide that kind of service. So whether we're the ones or someone else I think those are the kind of attributes that you have to look at that are going to make it possible to introduce consumer identity. And it's really a-- consumer identity when I say it that way, it's really the bridge between consumers and enterprises. So I hope that gives you some flavor of the strategic thrust.

Unidentified Participant - Morgan Stanley - Analyst

Excellent. Interesting stuff, unfortunately our 30 minutes just flew by but it's a pleasure speaking with you and I thank you for joining us here at the Tech Conference.

Mark Bregman - Symantec - CTO

Thanks. Thanks a lot.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.