

FINAL TRANSCRIPT

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SYMC - Symantec at Goldman Sachs Technology Symposium

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PRESENTATION

Sarah Friar - *Goldman Sachs - Analyst*

Okay. Let's kick it off. Sorry to keep you guys waiting. And thanks for sticking with us for the last day of the conference. Thankfully a great agenda I think from the software side today. So it is a pleasure to have John Thompson on stage, CEO of Symantec. I fear that the last time John sat with me it was his last conference he did for about two years then. So I'm hoping not to have the impact this time around. Whatever we did to you.

John Thompson - *Symantec Corporation - CEO*

Very powerful. Powerful.

Sarah Friar - *Goldman Sachs - Analyst*

John, it was great to even have you at dinner last night, but I'm going to ask a few of the same sorts of questions. Just starting on a macro note, what are you seeing out there, more broadly, not just the Symantec question. But you have a great purview because you're fairly linked in. You know a lot of CIOs. You are constantly talking to the CEO community. People [know those]. People pulling back on budgets. What do you think is going on?

John Thompson - *Symantec Corporation - CEO*

When we had the audacity to speak out in October about the macroeconomic environment, we got crushed because we were bold enough, or brave enough, to tell people what we thought. And so I have decided that I am no longer in the economic forecasting business that I am in the software business. And our business is doing just fine.

It is clear that there are customer segments that are more impacted early on in this apparent recession or economic slowdown. You guys know those buyer segments as well as I do. But one of the things that is true about our business is more digital content is being created every day. 50% growth in online or digital content every year. Therefore, it is going to have to be secured and managed. So it is not likely that people are going to stop backing up data. It is not likely they are going to stop securing endpoints. It is not likely they are going to say, gee, we no longer have to comply with the regulatory standards, bit it HIPAA or GLB or whatever it might be. And so I think our core business will weather any economic up and down. And the diversity of our portfolio, both from a product perspective and from a geographic perspective should help.

But that said, we are watching what people are doing very, very carefully. This is the -- we're entering the last month of the quarter. That is the time when you will tell just what is going on around the world. The software business, as all of you know, is skewed to the last month and the last two weeks of last month, and so this is a critical month.

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Sarah Friar - *Goldman Sachs - Analyst*

Let me switch gears away from that then. I'm actually going to go to an area that probably not many folks in the room think about for Symantec, but you are extending this February the decision to start offering a little bit more of a software as a service platform. It is a theme we think is the biggest theme in software right now. We think it will be pervasive. I don't think everyone automatically thinks of Symantec though when they think of the SAS theme. So maybe a little bit of color on what you're doing and what are some of the milestones we should see over the next couple of quarters.

John Thompson - *Symantec Corporation - CEO*

It is clear that there are two important technology phenomenon going on right now. One is virtualization, which we all know about. The other one is SAS. And SAS is about offering software capabilities over the wire as opposed to in a packaged product of some sort.

We announced over a year ago our intent to enter the market, first in the backup space with a platform architecture that we call the Symantec Protection Network, or short SPN. And on top of the infrastructure we will then deliver a range of services. So think about it somewhat like a blade server, if you will, where you buy the chassis and then you install the blades. The first blade to be delivered in the SPN network is a backup blade.

When we first started to talk about this our thoughts were that we had to focus on getting the service in the market fast, because they were so many other players that were talking about what they were doing in SAS and on and on and on. And then we quickly came to the realization that the real issue is how do you acquire customers for the service. Because the investment that you're going to have to make on the front end for customer acquisition are fairly substantial. And we had the obvious release of BE, Backup Exec 12, which is a classic midmarket product.

Sarah Friar - *Goldman Sachs - Analyst*

And that is just released.

John Thompson - *Symantec Corporation - CEO*

It is just released last month -- or this month, earlier this month. The notion was why not tie these two together. Because then you could go to market with BE-12 that could be a software product that has a backup service attached to it, and the customer could then make an obvious choice. And, oh By the way, it might make customer acquisition costs for our initial entry into the SAS market a little bit lower than having to spend hundreds and hundreds and hundreds of thousands of dollars or millions of dollars in marketing and advertising and what have you.

So our focus right now is get the first service seated in. Get some of the early customer acquisition activity under way using BE as the foundation for that. And then deliver the next set of blades, if you will, or services that sit on top of the substrate of the SPN network.

Sarah Friar - *Goldman Sachs - Analyst*

To be clear, what we're talking about is something that you have already created, because a lot of folks in the room are used to the SAP way of thinking about it. For example, where they are spending EUR10 million or EUR50 million to EUR350 million, yours is an investment already done, and that you have guided margins that include it in there.

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John Thompson - Symantec Corporation - CEO

Yes, this is something we have been doing for the last two years. So we have already incurred the cost, if you will, to build the infrastructure. So this is not some big incremental investment that we're going to make in the coming fiscal year.

Sarah Friar - Goldman Sachs - Analyst

Got it. Let me switch back then to maybe more something people are used to. Last quarter it was very nice quarter. We are seeing some impact from the credit cycle. So 11.0 kicking in from the security side, your NetBackup upgrades, and now you'll have BE. How much growth do you think we can see from these product cycles over the next couple of quarters? And I guess, the real question is one quarter doesn't make a trend, but what makes you confident that this could be the beginning of a trend here?

John Thompson - Symantec Corporation - CEO

I think what gave us the confidence to raise our outlook for the March quarter was just the sense that we had as we looked at the pipeline and saw -- for the March quarter -- and saw the activity around the world in our sales organization. Europe had its best quarter ever. And it was not a quarter where you had lots of large deals or a few large deals that made the day for the European team. It was more a quarter where the geographic dispersion of the business and the size dispersion was quite encouraging. Where rather than \$6 million plus transactions, they had 40 -- the numbers aren't accurate, but it gives you the scale -- they had 40 or so that were of the \$300,000 to \$700,000. And that starts to speak to the team getting its stride, and as sales teams have success, success breeds success. They have a lot more momentum built beyond that.

In the Americas we tend to be a bigger deal culturally because there are much larger large buyers, if you will, in this market. And the pipeline in the Americas for the March quarter was very, very solid. And for the first time in quite some time coverage ratios, which is what is the outlook and how much is identified in the pipeline, the coverage ratios around the world, and particularly in the Americas, were the strongest we've seen.

And so we felt good enough about what we had achieved in December and strong enough about the coverage ratios and the momentum that was building, particularly in Europe, in Northern Asia and in the U.S., that we said, gee, let's raise the view, if you will, for what March could be. That was only a view of March. It was somewhat ironic to me that we were obviously chastised for our outlook in October, but I was surprised to be chastised again for our outlook in March, or the one that we gave in January.

Sarah Friar - Goldman Sachs - Analyst

To come back to why that is happening, so some of it sounds like execution improvement, salesforce starting to settle down here. How much can we also depend on the product cycles? So let's say we split them apart. So the Endpoint Protection 11.0 upgrade rolled out right at the end of September. So December was your first full quarter of seeing that. How much is that driving incremental spend, and how does it drive incremental spend? But typically people who are on maintenance are getting the dot release, correct?

John Thompson - Symantec Corporation - CEO

SEP 11 has embedded within it a price increase at renewal time. And so as people move to the new product, there is an inherent price release in -- a price increase in that transaction. All of our existing customers on maintenance are entitled to the product, and hence in the first full quarter we shipped 23 million units. And so now the question is to watch deployment, actual deployment and usage of those 23 million units, and see if that shipment rate continues as we work our way through March.

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Sarah Friar - *Goldman Sachs - Analyst*

Can you give us a sense for the price increase, just an approximate? Do you have a sense for how that impacts growth?

John Thompson - *Symantec Corporation - CEO*

If I did that, I would give my competitors a sense of what we're doing too, so we're not going to go there.

Sarah Friar - *Goldman Sachs - Analyst*

Fair enough. Then also as part of it there is an ability to buy the new modules, things like network access control. And I think there you have talked about the type of ASP list you could see.

John Thompson - *Symantec Corporation - CEO*

So we would expect the upsell, if you will, to SNAC or Symantec Network and Mission Control, to add another 10 to 20%, if you will. Now the question is what penetration level will you get of the base. It is not a one for one. Not every device is necessarily going to need Network and Mission Control. But as the market moves more to laptops as opposed to desktops, clearly the SNAC component becomes an awfully important part of what we will do.

Sarah Friar - *Goldman Sachs - Analyst*

Really this product cycles should have 12 months of legs to it, and probably more like 24 when you think about then the renewal piece. Is that a valid way to think of the product cycle in terms of longevity?

John Thompson - *Symantec Corporation - CEO*

Yes, that's fair. I think the real opportunity for us is to bring our Altiris endpoint management technologies together with our endpoint security technologies. Because clearly the relevant competitor in our mind in the endpoint space is not the company with the red letters, it is the Company in Redmond, Washington. Where clearly they have a capability around their security and systems management technologies that is interesting for customers to consider as they evaluate Vista migrations and what have you. And so our positioning of our endpoint, it is about securing and managing the endpoint. And security is a necessary, but not sufficient part of how large enterprises are going to have to deal with that.

Sarah Friar - *Goldman Sachs - Analyst*

Let's just take that one step deeper. So obviously Microsoft with SMS and Forefront bring together now something that could be considered good enough. And for the big or large enterprise the pain is more managing multiple footprints from multiple vendors on that endpoint. The cost is -- the people cost of management probably much more so than the capital spend on the products. What prevents them just being good enough? What maybe makes the return you guys might see obsolete on this endpoint?

John Thompson - *Symantec Corporation - CEO*

I think the question really is, is good enough good enough for a large enterprise? Most large enterprises have used security as one of those where they say, gee, I want best of class. And we have fought against that in some instances where we think integration matters. So if you look at the buyer intentions in the security space, the largest enterprises in the world are the ones

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who are least likely to assume Microsoft as their provider. It is when you move down market that it becomes more probable, because those buyers tend to have drunk the Microsoft kool-aid, if you will, to a greater degree than the largest enterprises in the world.

Sarah Friar - *Goldman Sachs - Analyst*

It is really though when you sell to them getting across this point of best of breed and adding on being quicker to innovate, which has always been really the premise of security products.

John Thompson - *Symantec Corporation - CEO*

Our view has always been we have to out-innovate Microsoft and out-execute Microsoft. I think we have done pretty well there, if you will, to keep them at bay over the last several years, as they have made a lot of noise about security, but they have not gained a lot of market share in the security space.

We will keep running as fast as we can to stay ahead of Microsoft. And we think the issue is less about the continued improvements and efficacy of our security products, but it is our ability to blend security and management tools together in such a way that we make managing the Windows environment and the handhelds that will evolve and emerge in the corporate world much, much easier.

I would argue that most large enterprises will want to use the same management infrastructure for managing a laptop as they might a Palm-based mobile device, or they might a Symbian-based mobile device. So why would I want two management and security infrastructures for that heterogeneous endpoint environment? That is where we think we will distinguish ourselves against Microsoft.

Sarah Friar - *Goldman Sachs - Analyst*

Staying on security before we jump over to the storage side, maybe just less than some of the other high-growth areas you are excited about, DLT has obviously being an area customers talk a lot about, still very underpenetrated. You guys bought Vontu. You bought a leader in the space.

John Thompson - *Symantec Corporation - CEO*

The leader.

Sarah Friar - *Goldman Sachs - Analyst*

Okay.

John Thompson - *Symantec Corporation - CEO*

To be clear.

Sarah Friar - *Goldman Sachs - Analyst*

The leader in the space. I will talk to Joe about that. How do you think --.

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John Thompson - Symantec Corporation - CEO

Joe who?

Sarah Friar - Goldman Sachs - Analyst

Ansaneli. Talk about the growth rate you expect there. What you think penetration rates are. I know they are low. And then any other areas of security that you are particularly investing in right now.

John Thompson - Symantec Corporation - CEO

Vontu has been growing at 50% a year. And our assumptions as we did the financial case was that that could continue for a few years yet, because it is a woefully underpenetrated market. We think there are two obvious points of integration between the Vontu technology and our core portfolio. One around the endpoint, because data leakage at the endpoint is a significant issue for large enterprises for sure. And the second is around backup, where in the Vontu world I much more aware of what the actual content is. And so given my awareness of the content that might allow me to be a lot more prescriptive, if you will, in terms of what I do as I go to backup a given set of data. So those are two areas that Joseph and the Symantec team are working on from an integration perspective.

Beyond that there are a couple of other areas that we're investing in. Archiving is an equally rapidly evolving market. We happen to have the lead there again. Enterprise Vault is clearly the market leader around the world. And we're investing in capabilities around the platform for ediscovery, better search, simpler search, a whole range of things that would extend the leadership position that we have in the marketplace.

Then the third area of investment is around compliance. Historically we have focused our compliance initiatives on security policy compliance. But what has involved over the last I would say 18 to 24 months is a desire by many of the large enterprises in the world to not have a set of compliance capabilities for security and another set of compliance capabilities for IT infrastructure policy compliance. They would like to have those things blended. We have done that with the Policy Manager. We will have additional capabilities delivered into the marketplace mid to late summer in a product or project that we call Next Gen, which is the merger or convergence, if you will, of our agentless and agent-based compliance capabilities. So compliance, archiving, and data loss prevention are all big opportunities for growth for us.

Sarah Friar - Goldman Sachs - Analyst

Do those grow the market in the bag of a Symantec salesperson that is also selling something like SEP 11, or is that where you engage partners to be more of a consultive sell? And how do you think about going to market there?

John Thompson - Symantec Corporation - CEO

The answer is yes to both. We will engage partners for sure around the DLP compliance initiatives because those tend to be very, very high services sales. And so you'll want the VARs of the world or the integrators of the world to truly engage with you and your customers to make sure that, not only that they buy the software, that they deploy the software.

But the doors are open by our direct salesforce. And the selling model is our account managers, supported by a set a product specialists, go in and sell the capabilities. And to the extent that the customer wants to engage with a partner, we invite a partner to join that more from the point of view of integration services, to the extent that we don't have the capacity to do it ourselves.

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Sarah Friar - *Goldman Sachs - Analyst*

That is fair. So overall when we go out do and do our security surveys with key security officers, we come back looking at growth rates for the industry obviously heavily blended between things like DLP at 50% plus to AD probably in the small single digits, something around 8%. Is there reason why Symantec can't grow at industry level?

John Thompson - *Symantec Corporation - CEO*

There is no reason why we can't. Our own execution is the only thing that will preclude us from being able to grow at industry level period.

Sarah Friar - *Goldman Sachs - Analyst*

It is my way of asking kind of long term questions. Let me switch to storage.

John Thompson - *Symantec Corporation - CEO*

I would be disappointed if that is all we did, given the leadership capabilities we have in our portfolio. We lead in enterprise AV. We lead in enterprise backup. We lead in the consumer space. We lead in archiving. We lead in DLP. We lead in compliance. If you're the leader you ought to be able to be the pacing bunny for the rest of the industry, if you execute.

Sarah Friar - *Goldman Sachs - Analyst*

That is I think what needs to disconnect, because sheet models, my models don't even have you growing at 8% right now in security. And so I just would be happy right now for the industry growth rate. And then hopefully we have this conversation 12 months from now and we can talk about how the leader takes (multiple speakers).

John Thompson - *Symantec Corporation - CEO*

I will come back.

Sarah Friar - *Goldman Sachs - Analyst*

On the storage side, maybe switching gears, again a product cycle going on there, if I talk high-end purse. NetBackup 6.5 rolled out in the middle of the summer. Again, kind of a similar question to the SEP 11, how does that really drive incremental growth, and it isn't just folks get it because they are on maintenance?

John Thompson - *Symantec Corporation - CEO*

They get it because they are on maintenance, but there are two issues that will drive NetBackup growth. The first is the continued growth in servers. Because it is a per instance software license, right, so if you grow servers 100 a quarter at some of our largest -- or more, as some of our largest customers are, you need to backup the data that sits on those devices.

Sarah Friar - *Goldman Sachs - Analyst*

And virtualization doesn't hurt that because it is even on our (inaudible).

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John Thompson - Symantec Corporation - CEO

You can do a per copy or you can do a terabyte capacity-based model. So server growth will drive some, a modest amount of growth, if you will, in the backup business. The other thing that will drive growth in the backup business is this conversion from tape to disk. And we have a terrific product called PureDisk that allows customers to not only move from tape-based backup, but also in the process of moving to a disk, de-duplicate a certain amount of data. And with data volumes growing at 50% per year, what customers really want to do is not just manage that growth, they would like to lower the slope of the curve. One of the things that de-duplication technology does is allows them to change the slope of the curve so they have less data to manage. So PureDisk is an important area of opportunity for us in the core backup business, if you will.

Sarah Friar - Goldman Sachs - Analyst

Yes, and you're definitely echoing a comment from our own CIO about as we build out a new data center our biggest decision right now is pretty much shifting petabytes of data, and duplication is a major part of that.

That begs the question competitively, EMC has obviously made a lot of progress over the past five years to add a significant kind of software piece on top of the hardware, which is a nice linkage for them. Even in your own business you kind of created that gap that enabled a ComVault to come and create actually a sizable company, a sizable business. How do you think about how Symantec now stacks up competitively? You fixed a number of things in the 6.5 release from the 6.0. Is that fixed enough? What feedback from customers (inaudible)?

John Thompson - Symantec Corporation - CEO

The feedback from customers so far has been that the release is much, much stronger, the architectural changes that we made and then enhanced. We made architectural changes in 6.0, and that is part of what created the instability. We enhanced the feature richness, if you will, and stabilized the architecture in 6.5. And so it should allow us now to add de-dup capability, that archiving capability, a full range of things, if you will, that turns NetBackup from a backup product to really a platform for managing the storage environment.

The CommVault comment relates more to kind of a gap that was rather artificial. And what I mean by that was we have two products in the marketplace, a low end product called Backup Exec that is Windows only, or it was initially Windows only, and a high-end product called NetBackup that started in the high-end data center environment and worked its way down to Windows.

Because of the pricing model we created the opportunity for CommVault. When they run around whining about competing with us on price, it is because we closed the price gap. Because we're not going to just seed the market because of our own pricing strategy. And we have closed the gap on architectural stretch. In other words, BE now runs on Linux, NBU runs down on Linux and Windows. And so we have closed in the architectural gap. And change to bring the two teams together is to demonstrate for many of our NBU customers who have BE, here is how these things come together architecturally, and here's how you blend archiving in.

Some of this is a relic of the way -- candidly, Veritas had run the business and now we're trying to go about the notion of let's look at the market, let's look at how we're positioned in the market, and let's organize around a way that would allow us to execute better than perhaps we have in the past.

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Sarah Friar - *Goldman Sachs - Analyst*

Right, because if I think of the execution, part of why you have put BE into a vendor in the security and data management area was this idea of there's a single go to market strategy. It is very tunnel focused. You're are just selling more into (multiple speakers).

John Thompson - *Symantec Corporation - CEO*

Windows oriented.

Sarah Friar - *Goldman Sachs - Analyst*

Windows oriented. Now you pull that back into more of a pure storage growth. Is there a concern that then you stop focusing now on the SMB on a more of a channel (multiple speakers).

John Thompson - *Symantec Corporation - CEO*

Not at all. Not at all. The reality is there are still product teams that drive the product activity. What you want is one leader calling the play on what is the architecture and how do you support the SMB segment versus, or in comparison to, the large enterprise segment. When you have two different leaders trying to call the play, you're likely to get two different answers. And so this should close the strategy gap for sure to make sure that we don't have a misstep as we go to execute.

Sarah Friar - *Goldman Sachs - Analyst*

Is there anything else coming on the storage side that particularly new or avant garde, things that we should be looking for?

John Thompson - *Symantec Corporation - CEO*

Clearly the whole notion of off-host replication of managing a distributed storage environment, managing video, all of those things are issues that large enterprises are going to have to deal with. Because if now all of a sudden the speed of the network allows me to move video around, and a few of you probably do YouTube stuff, I might want to store some of that. I need to think about the impact that that is going to have on the storage farm, and therefore what compression algorithms and all those kinds of things make for a pretty exciting time in the storage business.

Sarah Friar - *Goldman Sachs - Analyst*

Growth rates in storage, industry growth rates mid single digits is usually the number that is thrown out. Do you think that growth rate is changing, either positively or negatively right now?

John Thompson - *Symantec Corporation - CEO*

No, I think 5 to 7%, 5 to 8% is probably not a bad number for core backup. Where you get some increment on top of that is can you move more rapidly to push people to disk-based backup? Can you get de-duplication technology that gives you a lift on the per server price, if you will? Can you get off-host replication seeded in? Can you get storage resource management allocated across a broader array?

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So we think if you can feather those things on top, you can push this thing to the high single digits kind of growth rate, if you will. Remember, this is a business for us that is literally almost ten times the size of CommVault. And while everybody runs around talking about their growth rate, we are ten times their size in the same core franchise.

Sarah Friar - *Goldman Sachs - Analyst*

Let me come back to execution. There has been a lot of management changes over the course of the last 12, 18 months and a shifting around at the division. And that definitely raises some investor concerns about why is there some mismanagement turnover? Is there some leading indicator that I should be concerned about? How do you feel about how the team is positioned? And you talk in particular about COO role that is being created with Enrique there. And we talked a little bit last night about the strength of bench, because to the outside world you see two more execs leaving, or (inaudible). But if you could just talk about the investor concerns.

John Thompson - *Symantec Corporation - CEO*

First off, when we brought Symantec and Veritas together, we doubled the size of the Company. And I had run the old Symantec in a functional model. And you had a lot more central control. And the philosophical shift that we made was, gee, given that we're doubling the size of the Company, maybe we need to create a different management model for the Company. So we moved to a business unit model.

Quite frankly, after 2.5 years of running that way, it was clear to me it wasn't working. And so the change that we made in January was to go back to a more centrally managed model for how we're going to make investments and make trade-offs across our Company. So rather than having a BU try to optimize their business at the expense of other parts of the Company, moving to a more essentially oriented model allows us to optimize Symantec, not a given component of Symantec.

With Enrique being installed as the Chief Operating Officer, it then allowed us to start to break down, if you will, some of the silos that had been the legacy of of that BU oriented model. The thing that I guess I was little bit surprised at on this week's investor reaction to the changes, was when we announced Enrique in January, it should have been apparent to people that he was not the only one aspiring to be the COO in the Company, and therefore those other aspirants are going to make choices about what they want to do. And so Tom Kendra who has done a terrific job for us over the years clearly aspired to be the COO. Enrique got that job, and so Tom at this point says, okay, I will go think about other places that I can practice my craft.

In the case of Greg Butterfield, who I will say of all the companies I have acquired in the nine years I have been at Symantec he is by far the highest class executive I have ever had to deal with. But, Greg, like every acquired company CEO, they last six to nine months. And so people should not view the fact that Greg is going to take some time off and spend time with his family. One of his daughters who is an aspirant to be an Olympic class skater, and another one who is a ballerina, why wouldn't a guy want to spend some time doing that. So that shouldn't be a surprise.

The bigger move was the move that we made in January that structurally realigned the Company around a model for centralized decision-making, which should improve resource allocation and speed.

Sarah Friar - *Goldman Sachs - Analyst*

Then underneath that the bench strength it sounds like you're going to move more from within. It is not something where you feel you need to go externally to bring folks in here.

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John Thompson - Symantec Corporation - CEO

No, not at all. We brought in a few guys. Like we brought in Ken Berryman, a long time McKensey partner, who is running a very important part of our business. Or we've had a young guy Francis deSouza who was the CEO at IMlogic, who has emerged as really a terrific young leader.

So what this allows us to do is say, okay, now let's elevate some of the young leaders that we have been nurturing or cultivating for the last couple of years, give them a higher level of visibility, broader responsibilities across the Company, and build the new leadership team, if you will, for Symantec.

Sarah Friar - Goldman Sachs - Analyst

And maybe this answered the kind of bear case as well of the fact that you have taken BE back into the storage framework. You have almost kind of broken the Company back at the security and storage. Is that an indication that longer-term this strategy of bringing the two things together is not working? You talked last night about some of the aspects of BE did not include the storage factor.

John Thompson - Symantec Corporation - CEO

Not at all. This is more about looking at the relevant competitors in the market and making sure that we don't create exposures for ourselves by some arbitrary product alignment. But if you look at B-12, the product that we just shipped, when we announced the acquisition of Veritas we said, imagine a world when a change in the threat landscape might allow you to increase the frequency of your backups. Guess what? The threat detection capability that we have in the security side is now embedded in BE-12. So a mid market customer, if the threat meter does from 2 to 3, may have automatically provisioned the backup infrastructure, where rather than having a weekly backup, I do it every two days.

Those are the things that we envisioned back in the December timeframe of 2004 that are starting to appear, if you will, as we merge the concept of security and storage. Furthermore, if you look at what data loss prevention is all about, it is about understanding the content of the file, and then taking policy-based actions to protect the content of a file.

If that is not pushing storage and security closer together, I don't know what is. If you look at archiving, fundamentally what that is about is having policies to drive decisions about how you backup information. Because all archiving is a more sophisticated form of backup.

Sarah Friar - Goldman Sachs - Analyst

Let me ask one more question because we're tight on time. So I think we will save the conversation about the consumer business for the break out. On margins, so (inaudible) on the P&L.

John Thompson - Symantec Corporation - CEO

Higher is better.

Sarah Friar - Goldman Sachs - Analyst

How much higher? Where could we go?

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John Thompson - Symantec Corporation - CEO

100 basis points a year.

Sarah Friar - Goldman Sachs - Analyst

In terms of going beyond that, because I would push you and say, a company of Symantec's size and maturity, geographical disbursement should be 30% plus type operating margin. If I do 100 bips a year on your FY '08, I'm looking at kind of 27ish in '09, maybe 28 in 2010. It feels like you should be able to get higher faster.

John Thompson - Symantec Corporation - CEO

First off, when Symantec had low 30s operating margins, it was driven not by cost control, but by revenue growth. And so the most important lever for margin expansion is not continuing to squeeze the turnip, but to get the revenue growth that we would want out of this business. We will continue to be fiscally responsible and prudent, but we will drive revenue growth. And we will commit to minimally 100 basis point improvement in operating margins per year. If we get upside surprise on revenue, guess what, if you are fiscally prudent with upside surprise on revenue, you get faster margin expansion than might have been planned.

Sarah Friar - Goldman Sachs - Analyst

Is there room from a cost prospective to either (multiple speakers)?

John Thompson - Symantec Corporation - CEO

There is never low hanging fruit.

Sarah Friar - Goldman Sachs - Analyst

Which is slightly less painful than squeezing the organization to death for available --.

John Thompson - Symantec Corporation - CEO

If you were to look at our Company and segment it by its functional components and say, gee, how does G&A compare to the benchmark? How does R&D compare to the benchmark? How does marketing or sales compare to the benchmark? The place where we are furthestest away from benchmark is in our sales cost model.

Sarah Friar - Goldman Sachs - Analyst

I agree.

John Thompson - Symantec Corporation - CEO

And that is a function of having layered on many, many, many operations, if you will, that had different sales focuses and different deployment models. So we will make progress this year, because that has been a focus that Enrique and I have had over FY '08. We will make some changes in FY '09 that will get us closer there. But in other parts of our business, we're pretty much on or

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below, quite frankly, the benchmark. What I don't want to do is be too aggressive and say, look, let's just go guns ablazing into the sales operation to get its cost structure in line in 12 months. Guess what you do then?

Sarah Friar - Goldman Sachs - Analyst

Kill the top line.

Sarah Friar - Goldman Sachs - Analyst

You kill the top line. We will have to be a lot more measured, if you will. We have taken the -- done the hard work in the other parts of the Company. Now let's be more measured as we go execute on the sales side.

Sarah Friar - Goldman Sachs - Analyst

We have to wrap there. But we will take John to the break out room and delve into some of the other areas. Thanks very much.

John Thompson - Symantec Corporation - CEO

My pleasure.

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