

## **Helyn Corcos, Vice President Investor Relations**

Good afternoon, and thank you for joining our fiscal second 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 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](http://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.

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 W. Thompson – Chairman and Chief Executive Officer**

Thank you Helyn and good afternoon everyone.

In the face of a slowing economic environment, our company generated year over year growth in revenue, demonstrated solid progress in our operating margins goals and delivered strong earnings growth. Our core businesses – consumer security, backup and storage – continued to grow and drive profitability for our company. And, we saw solid performance from the large enterprise buyer segment as illustrated by the strength of our big deals during the September quarter.

While we are pleased overall with the results, like many other companies, we saw a pause in IT spending among some of our customers during the last week of the quarter due to what we suspect were uncertainties and constraints in the global markets. And, as expected, the strengthening of the dollar versus other currencies around the world also impacted our financial results. While a stronger dollar is certainly an important metric for the health of the US economy relative to other economies, it will continue to have an impact on our results for the December quarter. Therefore, we're updating our business outlook to reflect the likelihood of a continued economic slowdown and the change in the foreign currency rates. In addition, we intend to maintain our flexibility with customers in tailoring transactions to assist them in acquiring the technology they need to weather these uncertain times. The strength of our financial position, as well as our focus on areas where we can outperform our competitors, should position us well in the marketplace.

As always, we will continue to be prudent in managing our costs and expenses. We have identified incremental cost savings areas and are making them part of our continuous improvement approach. These new actions are consistent with the efforts we have had in place which have produced the improvements in operating margins over the past four quarters. These actions are intended to align our cost structure with the new realities driven by the economic environment. James will provide a bit more detail on our plans in a few minutes.

We think customers will take advantage of this environment to both rationalize the products they use and the vendors they buy from. In speaking with customers around the world, they feel certain areas must continue to garner their attention and capture the lion share of any new investments they are likely to make over the next year or so. All of these investments must meet stringent ROI standards and support the requirements to create a less complex, but more compliant IT infrastructure. Some examples of these areas include more comprehensive storage management solutions to help lower overall hardware spending, rich data loss prevention solutions to deal with a rapidly changing employee and contractor environment, and services that allow them to selectively "out-task" those things no longer deemed to be critical for them to manage. Our storage business, for example, certainly benefits from the ROI based selling approach we put in place more than a year ago. And, the recent enhancements to our data loss prevention solution are quite timely and consistent with what our customers say they need to manage in today's more uncertain times.

We will stay focused on executing our strategy to secure and manage information against more risks, at more points, more completely and efficiently than any other company in the world. Our development teams have been working diligently to deliver next generation products for compliance and systems management. Let me spend a minute discussing a couple of these offerings.

In the compliance arena, our integrated process automation solution, Control Compliance Suite 9.0, helps organizations create and maintain a sustainable compliance program in accordance with governance mandates and their risk management strategies. Importantly, it should allow our customers to achieve their compliance objectives at a more lower cost than manual or more traditional approaches.

Our next release of Altiris 7.0 leverages the proven infrastructure and technology to deliver a tightly integration solution to help customers automate many of the labor-intensive processes they use today in their distributed client and server infrastructure. The Symantec Management Platform, a core technology of our Open Collaborative Architecture, will be used to integrate technologies from many of our key products, including Symantec Endpoint Protection, Backup Exec System Recovery, Configuration Management and Data Loss Prevention. Our customers are really excited about these products and the progress we're making in integration across our portfolio. Something that will be difficult for some of our competitors to achieve through partnerships alone.

We are well positioned to keep our business growing and to return value to shareholders. We've got a strong balance sheet, a solid recurring revenue model, minimal capital expenditure requirements and a continued focus on improving the efficiency of our business operations. These attributes, when combined with our strong product portfolio, diverse customer base and investments in key product growth areas, position our company for continued long-term success.

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

**Enrique Salem – Chief Operating Officer**

Thanks John, and good afternoon everyone.

I'd like to highlight a few key items of our fiscal second quarter.

Starting with our consumer segment, the consumer revenue was impacted by continued softness in the retail sector. As you know, retail sales have been steadily declining. It is important to note that during the September quarter, revenue from the retail channel declined by more than 20% year over year. However, our electronic distribution channels continue to grow, posting 10%

year over year growth. Our consumer business remains very profitable and the contribution margin from this segment continues to improve.

As you know, we launched the 2009 versions of Norton Antivirus and Norton Internet Security in September. These products have set a new industry standard for speed and performance by being the fastest security products in the world. Initial response to the launch of Norton Internet Security 2009 has been overwhelmingly positive. In addition to the eight top awards we have received to date, Walt Mossberg of the Wall Street Journal notes that NIS 2009 is “the fastest, simplest and least obtrusive security suite in the market.”

We continue to pursue a multi-pronged strategy to acquire new customers. First, we have relationships with 7 of the top 10 OEM vendors. We signed several OEM deals during the September quarter, including a deal with Packard Bell, where Packard Bell will continue to ship NIS in EMEA. In another deal, a large PC manufacturer has awarded NIS “Recommended” and “Trial Default” positions in EMEA, Japan and Latin America for all small business PCs for the period November 2008 through April 2009.

Second, in the emerging markets, where customers are more price sensitive, we will grow our business by leveraging the PC Tools brand and its online go-to-market model.

Now moving onto our enterprise business. We had another strong quarter in terms of large deals. During the September quarter, we generated a total of 326 transactions valued at more than \$300,000 each, up 8% compared to 302 transactions in the year ago quarter. We generated 77 transactions worth more than \$1 million each, up 20% compared to 64 transactions in the September 2007 quarter. In addition, we also saw a good mix of our product offerings within these top deals. 87% of large transactions included multiple products or services providing further validation that during difficult economic times, customers prefer to consolidate vendors and are doing so with Symantec.

In our endpoint security business, we are seeing good traction in large enterprises and continue to win competitive displacements. We are also seeing large scale deployments, with one high-tech customer deploying our Symantec Endpoint Protection solution on more than 100,000 nodes worldwide. Symantec Endpoint Protection is leveraging the “zero-impact performance” core technology already available in our consumer security products. Our recently delivered maintenance release has faster boot-time than any of our competitors. While this business is doing well in large enterprises, we saw softness in the mid-market influenced in part by weak macro-economic conditions.

A particular area of strength in our core business was in storage and backup.

There are two factors that are driving our storage management business to grow above market growth rates.

The first driver is customers' increasing focus on the hard dollar ROI from savings on storage spending. Customers want to manage complexity while reducing costs and making more efficient use of their existing storage investments. Our Storage Foundation products help customers simplify their data center infrastructure, and reduce costs by standardizing the storage management software across their heterogeneous environments.

The second catalyst is being driven by large enterprises migrating to linux and windows based commodity servers in their data centers. This "horizontal scale-out" architecture allows infrastructure to grow or shrink based on computing demands without huge changes in capital expenditure. These types of data centers rely heavily on sophisticated management and availability tools to take full advantage of server and storage virtualization technologies, providing a catalyst for our storage management and high availability businesses.

To further take advantage of this shift in the data center, we recently launched Veritas Cluster Server One. VCS One is a new high availability and disaster recovery platform optimized for the next-generation virtualized data centers. We believe VCS One has a multi-year head start over our competitors' proprietary high availability tools, which are optimized for the legacy data center environments. Early adopter reception to this product has been strong, with a major telecommunications provider already using this product in production today. Given these factors, we are confident in the long term direction of our server management and high availability businesses.

The next area of our business that continues to show strength is backup. The backup market, where we have the market leading product for both high-end and mid-market segments, is being driven by the migration from tape-to-disk, virtualization, de-duplication and replication. Our next generation data protection strategy leverages these trends and continues to gain momentum with our customers and partners.

NetBackup has the best protection for VMware environments, and now we have taken these best-in-class virtual machine protection features and incorporated them into Backup Exec. This is an example of how we are gaining cost synergies by combining the NetBackup and Backup Exec product teams. We have started shipping Backup Exec 12.5, which not only provides protection for VMware platforms but also supports Microsoft's Hyper-V environments. We

remain committed to providing solutions that work across all major operating systems, hardware types and now across all hypervisors.

We recently expanded our strategic partnership with Dell in the backup area. Dell will sell disk arrays that are pre-installed with Backup Exec 12.5 technology. These appliances are extremely easy to deploy, provide support for both physical and virtual environments, and are mostly targeted for the SMB marketplace. Small and medium businesses can now take advantage of Backup Exec's advanced features around SharePoint and Exchange protection and granular recovery of files.

Moving on, our archiving and data loss prevention businesses continue to show strong growth, further extending our market leading positions.

In the same way that databases have become the home for structured information, our market leading archiving solution, Enterprise Vault, gives companies of all sizes a primary storage tier for unstructured information. An increasing number of Fortune 100 companies are recognizing that an intelligent archive is the best place to secure and manage unstructured information. Enterprise Vault 8.0, which we expect to ship in early 2009, will focus on helping organizations reduce the costs of storing unstructured information through data de-duplication and will feature advanced electronic discovery capabilities.

Our data loss prevention team had its best quarter ever. We signed deals with some of the largest global enterprises during the quarter, with most customers opting to purchase the full suite. For example, a large US credit card company licensed the entire Symantec Data Loss Prevention suite to prevent data loss. PCI compliance was the key driver to protect credit card information, employee data, financial data, and high net worth customer lists. This customer selected our solution because of detection accuracy, central management, and the ability of the solution to scale.

During the quarter, we also announced the release of Symantec DLP 9.0, which includes endpoint management leveraging Symantec's Open Collaborative Architecture. This release highlights the focus our teams are making to integrate key technologies across the portfolio using the collaborative architecture.

In closing, we will continue to drive profitability while investing in key high growth areas and further strengthen our competitive position in the market place.

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

**James Beer – Chief Financial Officer**

Thank you Enrique and good afternoon everyone.

I'm pleased that our ongoing focus on managing costs is leading to continued operating margin expansion and earnings growth.

I'll start by reviewing the financial details of the September quarter.

GAAP revenue was \$1.518 billion. Non-GAAP revenue grew 6% over the September 2007 period to \$1.523 billion driven by strong growth in our storage, backup, archiving, data loss prevention and services businesses.

Foreign currency movements positively impacted non-GAAP revenue by approximately 3.5 percentage points year over year, and negatively impacted revenue by 2 percentage points sequentially. Had the exchange rate remained at our guided rate of \$1.53 per Euro versus the weighted average rate of \$1.49 per Euro for the quarter, our non-GAAP revenue would have totaled \$1.541 billion, approximately in-line with the midpoint of our revenue guidance.

The September quarter's fully diluted GAAP earnings per share were 16¢. Non-GAAP fully diluted earnings per share for the quarter were 37¢, up 28% year over year, reflecting the combination of continued revenue growth and judicious expense management.

International non-GAAP revenue of \$764 million grew 5% versus the year ago period, accounting for 50% of total non-GAAP revenue. The Asia Pacific Japan region grew 11%. The Americas grew 6%, and the Europe, Middle East and Africa region grew 3% year over year. Emerging markets such as China, India and Russia continued to generate very strong growth rates.

Moving on to our non-GAAP revenue by segment. The consumer business generated revenue of \$440 million, equivalent to 29% of total revenue, and grew 2% year over year.

Moving to the enterprise arena, the Storage and Server Management segment generated revenue of \$573 million, up 12% year over year, and representing 38% of total revenue.

Our Security and Compliance segment generated revenue of \$403 million, up 1% versus the year ago period. This segment accounted for 26% of total revenue.

Our Services segment generated revenue of \$107 million, up 16% year over year, representing 7% of 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 few quarters.

Non-GAAP gross margin increased 40 basis points to 85.7% for the September 2008 quarter as compared to 85.3% for the year ago period.

Our continued focus on cost management has also increased non-GAAP operating margins for the September quarter to 29.1%, up 390 basis points year over year. This is the fourth consecutive quarter in which operating margins have increased strongly versus the prior year.

GAAP net income was \$140 million for the September 2008 quarter. Non-GAAP net income was \$311 million, up 18% year over year.

We exited September with a cash and short-term investments balance of nearly \$2.31 billion.

During the September quarter, we repurchased \$200 million or 9.3 million shares at an average price of \$21.46.

Our net accounts receivable balance at the end of the September 2008 quarter was \$645 million. Days-sales-outstanding, or DSO, was 39 days, in line with normal seasonal trends.

Cash flow from operating activities for the September quarter was \$248 million as compared to \$331 million in the September 2007 quarter. This reduction was driven by increased cash tax payments versus the year ago period in which we received a tax refund. The year over year differential in cash taxes totaled over \$100 million.

GAAP deferred revenue at the end of the September 2008 quarter was approximately \$2.71 billion. Non-GAAP deferred revenue grew 4% year over year to \$2.72 billion. Foreign currency movements negatively impacted non-GAAP deferred revenue by 1 percentage point year over year, and negatively impacted deferred revenue by 5 percentage points sequentially. Had exchange rates remained at our \$1.53 per Euro guided rate versus the ending period rate of \$1.38 per Euro, deferred revenue would have totaled \$2.83 billion. This was weaker than expected due to the reluctance on the part of some customers to finalize contracts during the last week of our quarter.

Now, I'd like to spend a few minutes discussing our expectations for the December quarter.

While the storage and security value propositions that we offer our customers give us a certain amount of insulation from the current macroeconomic environment, clearly, no company is immune from its customer's challenges during tough economic times. As a result, along with recognizing the recent strengthening of the dollar, we are providing a wider guidance range than normal as follows.



We are assuming an exchange rate of \$1.25 per Euro for the December 2008 quarter versus the \$1.45 per Euro we experienced during the December 2007 quarter. Given the rapidly moving exchange rate environment, it may be helpful to provide the following “rules of thumb” as to the impact of currency movements on our financial metrics. For every US cent movement versus the Euro, revenue would be impacted by approximately \$4.5 million and deferred revenue would be impacted by approximately \$7 million. In addition, for every 5 US cent movement versus the Euro, non-GAAP earnings per share would be impacted by approximately one penny. It is important to note however, that these “rules of thumb” will move around based on the actual currency mix of our revenues and expenses.

For the December 2008 quarter, we expect GAAP revenue to be in the range of \$1.446 to \$1.496 billion. Non-GAAP revenue is estimated to be in the range of \$1.45 to \$1.50 billion. In constant currency terms, this range would equate to \$1.54 to \$1.59 billion as compared to the \$1.529 billion we generated in the December 2007 quarter.

As a result, GAAP earnings per share are forecasted to be in the range of between 11¢ and 14¢. Non-GAAP earnings per share are estimated to be in the range of between 30¢ and 33¢. In constant currency, this range would equate to 34¢ to 37¢ as compared to the 33¢ result in the year ago period. This guidance assumes a common stock equivalents total for the quarter of approximately 840 million shares.

At the end of the December quarter, we expect GAAP deferred revenue to be between \$2.696 and \$2.821 billion. We expect non-GAAP deferred revenue to be between \$2.7 and \$2.825 billion. The exchange rate at the end of the December 2007 quarter was \$1.47 per Euro. Using this constant currency rate, this range would be between \$2.854 and \$2.979 as compared to \$2.897 billion at the end of December 2007.

We expect about 62% or approximately \$920 million of our December 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.

Lastly, we have \$600 million left in our current stock repurchase board authorization. We continue to be committed to share buybacks as an important part of our capital management strategy.

There is further opportunity to improve the efficiency and effectiveness of our cost structure. For example, we just recently entered into contracts with third parties to outsource portions of both our IT and finance back office functions. We are also in the process of outsourcing our European manufacturing operations from Ireland to the Czech Republic. The economic and process improvement benefits of these moves will begin to appear during fiscal year 2010.

In the shorter term, we are continuing to focus on each line item of our cost structure and the attendant opportunities to drive additional efficiencies. We are in the process of implementing a reduction in force, as well as carefully managing the replacement of ongoing attrition. In addition, we are focusing on our travel expenses as well as all other discretionary purchases. We

estimate that these actions will allow us to maintain our quarterly operating expenditures approximately in line with the September quarter's result for the remainder of the fiscal year, versus the more traditional pattern of cost increases in the second half of the year. In saying this, I am accounting for the increase in costs driven by the acquisition of PC Tools and am assuming a foreign exchange rate of \$1.25 per Euro for the remainder of the fiscal year.

In closing, while our September quarter was impacted by the strengthening of the dollar and the weakening of the economic environment, we believe that the last three months marked another important step forward in the development and growth of Symantec. We continue to build momentum in terms of the breadth and quality of our product offerings, the depth of our relationships with customers and the efficiency and effectiveness of our back office. Our security products continue to be essential to the protection of digital assets and our storage and system management products save customers considerable amounts of money, which will be even more important in the coming quarters.

We generate strong cash flow from operations, in part as a result of our predictable maintenance streams, and have reduced net capital expenditures during the last two years. We possess a strong balance sheet and have a sustained record of share buybacks while also successfully continuing to expand the product and market scope of the company through acquisitions. As a result, I believe we are well positioned to deal with the current macroeconomic environment. And, we will stay focused on both our revenue and cost strategies.

And now, I'll turn the call back to Helyn so that we can take some of your questions.