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

Good morning, and thank you for joining our call to discuss our first quarter results for fiscal 2013. With me today are Steve Bennett, Symantec's newly appointed Chairman, President and CEO and James Beer, Symantec's Executive Vice President and CFO.

In a moment, I will turn the call over to Steve. He will make a few opening remarks then James will provide quarterly highlights and review our financial results as well as guidance assumptions 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 website at www.symantec.com/invest. A copy of today's press release and supplemental financial information are posted on our website. And, a copy of today's prepared remarks will be available on our investor relations website after the call is completed.

Before we begin, I'd like to remind you that we provide year over year constant currency growth rates in our prepared remarks unless otherwise stated. Earnings per share growth rates are provided on an as reported basis. We use our foreign currency "rules of thumb" in our guidance section for all constant currency year over year growth rates. For the June 2012 quarter, the actual weighted average exchange rate was \$1.28 per Euro, and the end of period rate was \$1.27 per Euro compared to our guided rate of \$1.32 per Euro. For the June 2011 quarter, the actual weighted average rate was \$1.44 per Euro, and the end of period rate was \$1.45 per Euro. We've included a summary of the year over year constant currency and actual growth rates in our press release tables and in our supplemental information which are available on our website.

Some of the information discussed on this call, including our projections regarding revenue, operating results, deferred revenue, 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. Steve Bennett.

# Steve Bennett, Chairman, President and CEO

Thanks Helyn, and good morning everyone. Thank you for joining at the rescheduled time.

I'm glad to be here with you on our earnings call on my first day on my new job.

The decision to replace Enrique was a tough call that was not based on any particular event or issue, but one that the board made after reflection on the ongoing company performance. While progress has been made over the last 3 years in many areas, it was the board's decision that making a change now was in the best interests of all of our stakeholders.

Enrique has been a significant contributor during his 19 years at Symantec. Throughout this time and especially during his last three years as CEO, Enrique showed an incredible dedication to customers and strong enthusiasm to pursue new emerging opportunities. I want to recognize and thank him for his considerable commitment and wish him the best in the future.

My perspective is that while the company has very strong assets, we are under-performing against the opportunities. I'm very excited about working with our leaders to speed up the pace at which we create value for all of our stakeholders.

My first order of business will be to speak with our customers, partners and shareholders. Over the next 90-120 days, I'm going on a tour to listen, learn, and work with the leadership team to figure out the right strategy to leverage all of the Symantec resources to accelerate our rate of value creation. Once this tour is completed, I'll share our go-forward strategy to win in the marketplace and how we're going to drive accelerated revenue and profit growth. This is a process that I've used many times in the past and it's been successful. I look forward to applying a similar playbook at Symantec.

With that, I'll turn it over to James to review the quarterly highlights and financial details.

### James Beer, EVP & CFO

Thank you Steve and good morning.

Let me start by welcoming you to the management team. I look forward to working closely with you to drive value creation at Symantec.

Now, let me begin with some highlights from the quarter.

Our consumer results were driven by ongoing cross selling and up selling. The consumer security products continue to demonstrate best-in-class quality, winning over 250 awards in the past 2 years. Though early in their product lifecycle, our newest premium suites, Norton One and Norton 360 Everywhere, have received very positive feedback, with Norton One earning the Editors' Choice award from PC Magazine. We also refreshed and extended our portfolio to target the growing number of Mac users.

Norton Online Backup and NortonLive solutions maintained their strong performance and continued to be meaningful contributors to the growth of our business. Our Norton Mobile Security solution maintained its leadership position in the mobile security market, as we surpassed Lookout as the top grossing security app in the Google Play marketplace. While still a nascent market, our products continue to receive top reviews, with Norton Mobile Security earning 4.4 stars in Google Play. We also signed new Norton Mobile Security partnerships with several leading wireless retailers and carriers in all three regions.

On the enterprise side, our backup, archiving and eDiscovery solutions continue to drive momentum. Our enterprise backup business continues to be driven by customer's desire to minimize complexity and backup challenges without complicating recovery. With three Best of VMworld awards, Symantec is the industry leader in VMware and Hyper-V backup. Only Symantec offers a single product capable of providing true individual file recovery, deduplication and policy management across VMware, Hyper-V and traditional physical servers.

Let me spend a moment on an area where we didn't execute to our high standard on a new product launch. While we delivered a much improved user interface for Backup Exec, we excluded specific functionality that customers still required. As such, we have now re-instated this functionality to further simplify the backup process. We expect it will take 2-3 quarters to get Backup Exec back on track.

Our backup appliance business is gaining significant traction and has been well received by customers and the industry alike. Our 5220 appliance won the Backup and Recovery award at Microsoft's Best of TechEd 2012 event. In the June quarter, we delivered our first appliance for the mid market, and we continue to grow our appliance business by expanding our portfolio into additional geographies.

The quality of our endpoint protection product, SEP 12, continues to garner industry acclaim. Third party research has confirmed that SEP 12 uses less computing power to provide greater protection than competitive offerings. In addition, at the Gartner Security & Risk Management Summit, the quality of SEP was identified as a primary threat to our competitors.

Trust Services, our SSL certificate business, had another strong quarter. We continue to differentiate our premium and value SSL brands, driving growth in both market segments. We've also simplified and streamlined our online enrollment process which will be rolled out to other geographies throughout the year.

Our data loss prevention solutions saw strong growth across all of our geographies, including an increased appetite for DLP in Europe. We are winning competitive bids by demonstrating our market leading capability to protect sensitive information from the desktop to the server. We rolled out DLP for tablets in fiscal 2012 to accommodate the breadth of devices in use, and plan to extend support to the iPhone later this year.

eDiscovery and cloud based archiving exceeded our expectations this quarter as we leveraged the scope and scale of the Symantec sales force. Both products were named "Leaders" in their respective Gartner Magic Quadrants as customers reported that our solutions were easy to buy, implement and use.

User authentication continued its strong growth in the first quarter. We continue to gain market share as customers choose our SaaS-based authentication solution for its ease of use and best-inclass security. As governments and businesses deliver more online services requiring security, we expect to see continued growth for these services.

Leveraging our user authentication technology, our security for the cloud solution, O3, signed its first large enterprise customer and continues to garner significant attention. Enterprises are rapidly shifting their software needs to the cloud and the security and visibility O3 offers addresses a critical customer need.

We made significant progress towards developing the first complete enterprise mobility solution, including device and application management, data protection, and full compliance capabilities. While we work towards integrating these best-of-breed capabilities, we continue to receive positive feedback from customers.

Moving now to the financial details.

We posted better than expected first quarter results for each of our key financial metrics for which we guide – revenue, deferred revenue and EPS.

GAAP revenue totaled \$1.67 billion, an increase of 4% versus the June 2011 period. Our Clearwell and LiveOffice acquisitions together accounted for \$24 million of total revenue. Our organic, constant currency revenue growth rate for the June quarter was 1% year over year.

Despite the US dollar strengthening by approximately 11% against the Euro year over year, our results were better than expected. Total foreign currency movements negatively impacted revenue growth by 3 percentage points driving a reported revenue growth rate of 1%.

Our subscription business continues to grow. In constant currency, our license revenue declined 6% while content and maintenance revenue grew 2%. Subscription revenue, which includes our consumer, authentication, MSS and software as a service offerings, grew 10% and accounted for 44% of total revenue compared to 42% of revenue in the year ago period. Enterprise subscriptions, which exclude our consumer offerings, grew 24% and accounted for 14% of total revenue as compared to 12% of revenue in the year ago period.

The Consumer business generated revenue of \$521 million, up 2% year over year, driven by up selling customers to our premium suites and growing our emerging businesses such as online backup, NortonLive services and our mobile applications.

The Storage and Server Management segment generated revenue of \$584 million, an increase of 1% as compared to the June 2011 quarter, driven by continued growth in our backup and archiving business. Revenue from the information management business, which includes our backup, archiving and eDiscovery offerings, increased 6% year over year driven by our appliances, cloud based archiving and eDiscovery solutions. Revenue from the storage and availability management business declined 8% year over year. This business continues to be highly profitable and generates strong cash flow for the company.

The Security and Compliance segment generated revenue of \$501 million, up 10% year over year as our endpoint protection business continues to gain market share with enterprise customers. Our authentication services and data loss prevention solutions continued to post double digit growth.

This is the first quarter of year over year growth for our Services business since we transitioned our consulting services to specialized partners. Our Services business generated revenue of \$62 million, up 1% year over year.

Turning now to total company margins. Consistent with the growth we are experiencing in our subscription and appliance businesses, non-GAAP gross margin declined 140 basis points to 84.3% as higher costs are associated with these businesses, a trend we expect to continue going forward.

Non-GAAP operating margin was 26.1%, down 60 basis points compared to the June 2011 quarter. Operating margins were better than we expected in the June quarter due to lower than expected OEM fees which accounted for approximately 1 penny of benefit to EPS. In addition, ongoing cost controls decreased expenses as we continue to tightly manage our expense structure.

Improved operating leverage from better than expected revenue positively impacted EPS by approximately  $2\phi$ . Net income of \$309 million resulted in fully diluted non-GAAP earnings per share of  $43\phi$ .

Continued growth in subscriptions and maintenance contributed to deferred revenue growth of 5% year over year to \$3.75 billion.

We exited the June quarter with \$4.1 billion in cash, cash equivalents and short-term investments, which was an increase of 79% year over year, driven primarily by the proceeds we received from our \$1 billion senior note offering on June 14<sup>th</sup> and the sale of our 49% stake in the Huawei Symantec joint venture. As we exited the June quarter, approximately 47% of our cash balance resided in the U.S., which includes the \$1 billion in net proceeds from our June debt offering that will be used to retire our \$1 billion convertible notes maturing in June of 2013. Excluding this \$1 billion, approximately 30% of our cash balance resides in the U.S.

We continued repurchasing our shares during the quarter, spending \$301 million of our domestic cash to repurchase 19 million shares at an average price of \$15.59.

Foreign currency movements negatively impacted operating cash flow by \$12 million year over year. Cash flow from operating activities for the June quarter totaled \$340 million.

#### **GUIDANCE:**

Now, I'd like to spend a few minutes discussing our guidance for the September 2012 quarter.

Given the recent strengthening of the US dollar relative to other currencies, we expect GAAP revenue for the September 2012 quarter to be in the range of \$1.635 to \$1.665 billion. We expect year over year revenue to be down 1% to 3% on an as reported basis and up 1% to 3% in constant currency. Approximately 76% or \$1.25 billion of our September quarter revenue is estimated to come from the balance sheet. LiveOffice is expected to contribute between \$7 and \$8 million to our September quarter revenue.

As a result of raising a billion dollars in senior notes during June, our interest expense for the next four quarters will be higher by \$8 million per quarter. This will decrease EPS by  $0.8\phi$  per quarter for a total of approximately  $3\phi$  dilution through June 2013.

GAAP earnings per share are estimated to be between 15¢ and 19¢ as compared to 24¢ in the year ago period. Non-GAAP earnings per share are estimated to be between 35¢ and 39¢, down 10% to flat on an as reported basis.

GAAP deferred revenue is estimated to be between \$3.49 and \$3.55 billion. We are expecting deferred revenue to be up 1% to 3% on an as reported basis, and up 3% to 4% in constant currency.

I'd like to remind everyone that the September quarter typically produces the lowest quarterly operating cash flow of each year.

Lastly, our guidance assumes an exchange rate of \$1.23 per Euro versus the weighted average rate of \$1.41 and the end of period rate of \$1.34 per Euro in the September 2011 quarter. Our \$1.23 per Euro assumption reflects a decrease of 13% from our weighted average rate in the year ago period and a decrease of 4% sequentially. Our guidance assumes an effective tax rate of 28.5% and a common stock equivalents total for the quarter of approximately 710 million shares.

And now, I'll turn it over to Helyn so that we can start taking some of your questions.

### Hand over to Helyn for Q&A

Thanks. Operator will you please begin polling for questions.

While the operator is polling for questions, I'd like to update you on our upcoming conference events. We will be presenting at the Citi Technology Conference on September 5th in New York. Lastly, we will be reporting our fiscal second quarter results on October 24th. For a complete list of all of our investor related events, please visit our events section of the investor relations website.

Operator, we are ready for the first question.

#### Thank you

Please direct all questions to investor relations at 650-527-5523.