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# EDITED TRANSCRIPT

SYMC - Q3 2013 Symantec Earnings and Strategic Direction Conference Call

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**OVERVIEW:**

SYMC reported 3Q13 constant currency revenue growth of 5%. Expects 4Q13 YoverY constant currency revenue growth to be 1-3%.



## CORPORATE PARTICIPANTS

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**James Beer** *Symantec Corp - CFO*

**Steve Bennett** *Symantec Corp - President and CEO*

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## PRESENTATION

### Operator

Ladies and gentlemen, please welcome Vice President Investor Relations, Helyn Corcos.

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### Helyn Corcos - *Symantec Corp - VP of IR*

Welcome. We are very excited to have you here. Thank you so much. It's wonderful to have you all here to join us today for the strategic direction and third-quarter announcement. I'm going to be really quick here. I am just going to do some housekeeping comments and then move on. What we'll do is we'll start with the agenda. We will cover earnings very briefly with guidance and then we'll move on to the strategic direction and operational plan discussion and then we'll have a Q&A session. The event is actually being recorded. We'll also have the presentation on our website right after the event.

In addition as you know, we will have a lot of comments here today about products and financial statements that are forward-looking, so we do encourage you to please check our risks and uncertainty statements in our filings. And in addition, we also talk about GAAP and non-GAAP financial information and there's reconciliation comments on the website that you can also refer to. And I think that's really it for me today so I am going to turn it over to our CFO, Mr. James Beer, and he will kick it off with the earnings.

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### James Beer - *Symantec Corp - CFO*

Thank you very much, Helyn. Good afternoon, everyone. In our December quarter, we were very pleased with the 5% revenue growth rate that we recorded on a constant currency basis and that equates to 4% of organic revenue growth. That's in fact the highest percentage growth rate we've seen organically in over four years now. These results were very much driven by strength in our Europe, Middle East, Africa region as well as our trust services business and our information management business. That's the backup and archiving part of our business, and that area particularly helped us build our license revenue growth at 8% year over year.



Maintenance grew 5% year over year and our enterprise subscriptions business grew 12% year over year. In terms of our beat at the EPS line, it was very much a balance of both revenue, overperformance, and on the expense side, beating there as well so about a two-thirds revenue, one-third expense balance that drove the EPS performance.

Looking at some of the details of the revenue performance across the business units reflecting growth across our portfolio. On the consumer side, continued growth as we upsell our customers to our premium suites as well as continue to grow our emerging businesses including our mobile business there.

In terms of the Security and Compliance business unit, in addition to trust services, we saw nice growth from our managed security services and encryption businesses. And in terms of Storage and Server Management we saw growth on both sides of this business, so first of all, on the back half and archiving side very strong performance, 12% growth driven by our NetBackup products, but also in terms of Storage Management, we saw 1% growth there year over year, so that's the second consecutive quarter of growth for that business as we saw more of our customers continue to convert their mission-critical applications to Linux and virtualized infrastructures using our software. Services grew again driven by our business-critical services unit. That's the high-end support offerings.

In terms of cash, we saw 15% growth in cash flow from operations year over year, and our domestic cash balance represents 26% of the total, after setting to one side \$1 billion to cover the maturity of our convertible debt that comes due in June later this year. We spent \$200 million during the quarter to repurchase shares at an average price of \$17.94.

Moving on now to our guidance. As we'll be discussing this afternoon we're entering a period of some transition so I think it's appropriate for us to be prudent when offering guidance here. We're suggesting revenue and deferred revenue both growing 1% to 3% on a constant currency basis year over year.

73% of our in-period revenue coming from the balance sheet. In terms of earnings per share, we're looking for down just over a point at the mid point of the range. We do expect to record a lower tax rate in the fourth quarter driven by the catch up effects of the recently reinstated research and development credit that got put back into place earlier this month. And in terms of GAAP EPS, that large decline year over year is driven by the fact that this time last year, we booked a one-time credit for the profit associated with the sale of our stake in the Huawei joint venture.

So with that, we are going to shift gears and focus the rest of the afternoon on the 4.0 strategy and operational plan and to introduce that, we are going to show you a short video.

Terrorists aren't just targeting countries anymore, now they're infiltrating the web.

This financial data is stored on this small server taken hostage by cyber criminals.

Hurricane Sandy wipes out 10% of New York's internet. US China Economic and Security Review Commission hacked. Capital One targeted again, cyber attack spree.

A lesson is clear, this cyber threat is one of the most serious economic and national security challenges we face as a nation.

We do not have the proper level of security within a financial sector, the oil and gas sector, any of our critical infrastructures.

A piece of malware called flashback has infected more than 600,000 computers all around the world.

Someone hacked into the State Revenue Department gaining access to 3.6 million social security numbers.

Telstra warned customers about a sophisticated phishing scam. Ransomware targets Aussie downloaders. US Airways warns of e-mail phishing con.

Iran was behind a recent series of attempts to disable the websites of several major US banks.

These kinds of attacks could be a cyber Pearl Harbor.

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**Steve Bennett** - Symantec Corp - President and CEO

Alright, we're stopping at 61%. I'm not quite sure why, but welcome to the unveiling of Symantec 4.0. Before we start today, what I'd like to do is first, personally thank all of our employees for delivering just another very very great quarter. I'd be remiss if I didn't start with that. We produced better-than-expected results in a time where we've been going through quite a bit of transition as a Company and there's lots of uncertainty for our employees.

I'd also like to start before we get into 4.0 by introducing we just announced today the creation of an Office of the CEO at Symantec. You see the other three members with me here today, Stephen Gillett, who joined us recently, Francis deSouza, and you already know or met James Beer.

So let me start by saying when I took this job in July, I said we're going to start with a clean sheet of paper. We were going to evaluate all of the options on the best way to create shareholder value. We commissioned an outside firm to help us, a reputable firm, and we looked at a bunch of different scenarios and I think we have three of our Board members in addition to me are here today and I think we participated in multiple discussions looking at all sorts of different portfolio analysis. And at the same time, we commissioned a separate firm to help us put together a transformation strategy to evaluate at full potential or at a reasonable potential how could we best create shareholder value so we would be able to compare that against all of the other options.

What I would call the 5 and 30 plan because that's what we had been messaging. We had a Board meeting a couple weeks ago in early January, and the Board Management made a proposal to the Board, which the Board concurred for clearly the best way for this team to create shareholder value is the 5 and 30 plan and that's what you're going to hear about. That's what Symantec 4.0 is all about.

So there's a theme that we're using and it's a very simple theme for Symantec 4.0. It's all about organic growth, an organic growth-focused Company that finds, identifies, and solves unmet, underserved customer needs that we can solve better than anybody else, and drive organic growth. Not only solve them better than anybody else, we can do it in a way that builds competitive advantage and creates sustainable financial performance. If we get that, it's also about expanding margins, it's also about increasing cash flows and a disciplined use of capital allocation. We'll talk more about that as we go through but this is the financial theme for Symantec 4.0.

So this is the talk track for today. I'm going to just start with quickly as you know, I said I was going to go on an around the world learning tour. I'm going to share some of the key conclusions and insights from that. Stephen and Francis are going to give you a sense of how we view the market. Francis is going to go through our offering roadmap which is how some of the things we're going to do to solve these unmet or underserved customer needs better than anybody else and create competitive advantage. I'm going to hit a little bit on go-to-market strategy, some of the changes that we're going to make in that area and then I'm also going to lead into our organization structure, both strategy and structure and leadership team. James is going to come back and talk about how we're going to fund these investments in organic growth, kind of a sources and uses of resource. And then finally we're going to give you some forward-looking financial review over the next few years. So that's the talk track for today's program.

I looked at this map when we put it together and I kind of boggled my mind, but this is where I was in the last six months. Every location for Symantec around the world with more than 400 employees and I put on a lot of miles and I will tell you I learned an awful lot. It was -- I talked to customers, partners, government officials, third-party outside analysts, investors, just anybody that I thought could give me insight to help identify two things. What are the strengths that we have at Symantec to build on and what are the areas of opportunity that we could capitalize on to perform as a Company at a higher level. And the thing I would share is the theme no matter who I talk to anywhere in the world, the themes were very consistent, it was very, very clear.

Let's start with what were our assets, and I would like to start by thanking Gordon, John, and Enrique for Version 1, 2, and 3. They built a portfolio of strong assets that we will use as the foundation for us to deliver for customers going forward. We have deep expertise and capability and learned



a lot of things about our security expertise and our information management expertise, and also some things that we can do that really leverage these across the portfolio and drive some synergy in how we solve these customer problems. Francis will give you examples on how we're going to find synergies between the information management side of the house and the security side to solve important customer problems.

Portfolio of leading products. Look, we have great assets that were built by those that came before me. Nine products, nine point solutions in the leadership position in the Gartner Magic Quadrant. We've got positions in 98% of the Fortune 100 companies and 93% of the largest financial institutions. We've got over 175 million Norton users on a global basis, all of which are assets that as the world starts to merge between consumer and business put us in a position that are very difficult for others to match.

But the question you'd have to ask or the question I had to ask, well you've got such great assets, why have you been underperforming over the last period of time. And the simple thing I would tell you is while we had the great assets, we didn't have a strategy or an operational plan to focus on delivering value for customers and that's what Symantec 4.0 is all about.

So here are the themes on the areas of opportunity. One of the things is despite the fact that we have such great point solutions, built mostly from acquisition while those point solutions add a lot of value to our customers, the fact that we own all of them doesn't add much value. We haven't really integrated the value of these different point solutions to solve important customer problems and we compete point solution by point solution and people all over the world told me that that's a great opportunity for you if you could figure out how to break that situation. And everywhere I went, we talked a little bit about this in terms of the additional investment we made in the previous quarter, we weren't delivering technical support experiences for our customers that we were proud of and that's something we have to fix across the world. We've made progress but we still have a lot of work to do.

On our go-to-market strategy what I would say simply, we had talented people everywhere in the world really working hard but that our system doesn't work, or probably better said we don't have a system. Our process, our technology, the tools we have, our knowledge management, our salesforce is not empowered and freed up to sell. They're doing too much administrative stuff, they're doing too much internal negotiation. I ran into a situation where on one multi-product deal, we had six different sets of terms and conditions our sales person had to negotiate with a customer. We had no single set of Symantec terms and conditions. Just a symptom of a bunch of different acquisitions where we didn't have one set of standard terms and conditions.

In terms of our people and our organization we had talented people that had been working hard but felt like they were losing and they had been losing for awhile. We were an exporter of talent and the organization was a bit demoralized.

One of the things I heard when I was in Washington which really struck me is somebody said and they were describing Symantec, we were a Company of promises, and more properly said probably unfilled promise, and that's what we're going to change in Symantec 4.0. So I came off the bench after being on the bench for four years because I thought this Company had great assets, tremendous opportunities, and was underperforming against the opportunity. I can tell you emphatically, the opportunities are bigger than I ever dreamed. There's a lot of work. I would tell you also that there's a lot of hard work to get there. The challenges in what has to be done is more than I would have expected but the opportunities are bigger and the talented people here are way better than I would have expected.

So we have some nice tailwinds, we're in markets, we're fortunate to be in markets that are growing very quickly with a talented and now much more engaged workforce. We're just starting, we're only six months into this and I think that's what it's going to take for us to transform Symantec.

But because of this, the world is changing quickly. We have tough competitors. We'll talk about that. So this won't work to be an evolution. We can't get there through incremental steps to try and move to where we need to be, so no evolution, Symantec 4.0 is all about a revolution, and so we're going to get into the content today. You're going to see that we're going to lead a revolution, to focus on delivering more value for our customers whether they're consumers, whether they're small businesses, large enterprise, or countries all around the world. And doing that we're going to deliver at a much higher level than we have traditionally for customers and partners, for our employees, and for our investors. So with that tee up, let me turn it over for a little market back drop to Stephen Gillett.

**Stephen Gillett** - Symantec Corp - COO

Thank you, Steve. I think it was Confucius that one said may you live in interesting times, and if I put my voice of the customer hat on which is what I'm going to take you on a little bit of a journey with, I would be hard pressed not to say that the information and the security and the data world that we live in today is probably if not the top definitely one of the top three areas to be in and frontiers to be working on over the next decade. And I've seen this for multiple hats, multiple angles, and I want to share with you a little bit of that as a voice of the customer, so a little bit about this presentation I want to make sure we talk about which is what is it like to be on the other side of Symantec. What is it like to have been a customer for 15 plus years of our Company, and on that journey, I want to share with you some of those insights and some of the learnings about what's happening out there in the world.

When you talk to CIOs and you talk to leaders across the industry you find now there's actually a convergence of themes that tend to emerge. You hear about economic uncertainty. You hear about the changes in the EU. You hear about Greece and the financial crisis. You hear about the US and the debt. You hear about all of these different things that are top of mind for business executives across the country and frankly across the world. And it's important to note that as this global concern is emerging with economic uncertainty, coupled closely to that is the concern of information security, with all of the new ways people and organizations and governments are working to protect the information of citizens, of employees, and of individuals, it is a key theme of what it is we see in this new frontier.

When you look at this you see the full emergence of digital and social media. Four or five years ago we were talking about digital as the new frontier and the interesting social graph is going to emerge. When you fast forward to 2013, that era is upon us, right? It is upon us in new and in some ways unexpected ways. You read about things like the Arab Spring and watch that unfold on TV as countries across the near East revolt and change their constituencies which ultimately change their governments. You look at the role Twitter and Facebook and these social medias which governments try to stop with magic red buttons to kill internet access in the country emerge and overthrow regimes that have been in place in some cases for decades.

You see the intellectual property of our Company, everything you do and invest in R&D over decades is just one tweet away from the world to know it. And you say with all this information, all this access, all of the power of what used to be inside data centers, inside server rooms, in the palms of peoples hands, whether they're in the company or individuals, whether they're government or citizens, whether they're friendly or hostile is the era by which we operate and this is part of that frontier.

If you look at the concepts that we're now starting to fully realize with the cloud and emerging analytics, you hear of these eras, what is big data? What does this mean? It's exploding. 60% year-over-year growth in enterprise data today. You hear a lot about that, but what does that actually mean? How do I as a business or an individual or as a government use that data for good? How do I make sure it stays in the right hands of the people that own it or authorize the use of it? You look at the ability for enterprises and organizations using packaged software, using analytics and cloud technology to be able to simulate and maneuver business situations before they ever take place. The ability of the power to do that using big data.

You see the rise of NoSQL and Hadoop clusters, you see the products that companies are using to bring this data to actionable intelligence which is framing that as the new strategic data frontier as part of this. This is all part of the frontier by which we operate as an organization and as I believe one of the most exciting and also is demanding that enterprise IT change and evolve the way they've offered their solutions and services to companies worldwide. And we're going to talk about that, Francis in particular will talk about that to a great detail a bit later.

So as unnerving as some of these technologies and powers can be, the excitement of being able to participate and understand and be stewards of good in this world I think is a huge task for Symantec and something I'm proud to be a part of and I know that many thousands of employees are proud to work here every day supporting.

If you look at the enterprise view of that voice of the customer, you really start to see some additional themes emerge and we'll talk just about a few. This could be a whole presentation in and of itself. You see the hybrid of cloud both personal and enterprise emerge which are redefining the boundaries of what's happening.



Employees are going into a Best Buy on Friday or an Amazon.com, they're buying an iPad, they're going to the Apple Store, they take that iPad into work on Monday, they go to their IT support person and they say I want to get all of my data on this. What's the corporate policy for that and in many cases, the IT department will struggle with what to do. They have security, data retention, what happens when the employee leaves, how do we remotely wipe the device, what about encryption, the list goes on and on about things that enterprise IT has to worry about. So that boundary between what was traditionally sacred ground of the enterprise and the consumer is now very porous and organizations and companies have to adapt very quickly to that.

You see the convergence and adoption of enterprise technologies into the consumer. We've all heard the trend right, we've all heard the buzzwords, the consumerization of IT. Things that you buy in the store or online brought into the workforce but there's another frontier which is what is called the ITization of the consumer.

How many of you as individuals worry about your identity, worry about encryption? How many of you use products to store your information in the cloud? How many of you download content and use iTunes in different frameworks from Amazon all through to access and share your personal information from credit card to content selection to reviews and ratings to medical records, how many of you use services, I'm a big fan of Mint.com which stores all of my financial data and aggregates it all from across the internet. That ITization of the consumer, the fact that you as an individual have to care about encryption and privacy law and what information is being used for what is a part of this new frontier.

Another notion is the sophistication of people that are actually going after this information. One of the most fascinating things that I've had to work with as an IT professional in most of my career is the sophistication of these attacks, how they're trying to get information that want to use it for no good. You see individuals doing it, you see digital arms of the organized crime units doing it, you see governments doing it, and the sophistication and triangulation of how information is being sought after by those that don't want to do well with it is a real and is one of the most talked about discussions in the enterprise world. Francis will talk about how our products can uniquely work to solve and partner with you to fix and protect you against that.

But all of that gets coupled with the other notion of the technology enterprise landscape which is there's a huge transfer and a huge porous of what is traditional to what is new. The consumer world in many ways is defining the future of IT, from the applications to the devices, from the computing architectures, it used to be bring your own device. Now it's bring your own whatever, right? Your application, your cloud, your social graph, your mobile, all of the things that need to go into that are now being defined by the consumer.

And more importantly, that is wrapped in what I'm calling today a dispersion of authority. It used to be just five or six years ago that the IT department was kind of the gatekeepers of everything technology within the enterprise, and over time, as marketing or legal or supply chain or any of the other groups have went out and partnered with non-traditional IT vendors they've brought those technologies into the organization. In fact they've dispersed that IT authority over the last 5 or 6 years to be much more level than it was in the last 30 years.

I was reading the Gartner report, I found it fascinating that by 2017, the CMO in the organization will control more IT spend than the CIO, and if you look at that convergence and that dispersion of authority, it is a key element and tenant of the next frontier that we talked about.

When you go fast forward from enterprise and the voice of the customer, you have to in order to really paint a picture understand that this doesn't stop in the four walls of your company. We all travel, we're global citizens in many cases. We travel the world for business, for pleasure, we bring our devices with us, we switch to international plans on our smartphones, we plug into ethernet ports in foreign countries and hotel rooms that have very American sounding names. All of these things are contributing to the new flat world of business.

When you look at that you have to realize that governments are responsible for protecting their nation's critical infrastructure which includes all of the private assets, in fact in the US, the latest stat is about 80% of the critical infrastructure is owned by private institution. The information we share as governments try to get more efficient here, I am moving to California again for the second time in my life and I have automated drivers license. I'm doing things online to get permits, I'm trying to transfer my medical records and my healthcare coverage, it's automated, decentralized, all of that information about me and my family is stored somewhere. And as governments try to get more efficient by using technology and adopting different IT platforms to make that a more seamless transaction, wrapped around that comes a responsibility and frankly a necessity to protect that information to make sure it doesn't get into the hands of those that would do harm.



You see and it ties back into the economic uncertainty when governments are under pressure to cut non-mission critical activities in government, they actually go after discretionary things like IT, like infrastructure. I remember talking to the CIO of the US government a couple years ago and he was talking about all these multi-billion dollar projects that they had going on in which some were late, some were getting cut, and some he had to figure out how to streamline, and he was reaching out to CIOs in industry to get an understanding of faced with several of these high-priority projects which ones would you sequence and what priority order. So as enterprise deals with the realities of limited resources and limited funding as do governments across the world, I think that's a hugely important element of the frontier.

As the governments seek out this nimble nature to access information it sometimes comes at a cost. You saw the video which stopped about 60% in but if you were to finish that you would actually see some of those elements emerge where in many ways we're playing catch up here, we're going after the bad guys who tend to bring the biggest and most advanced opportunities for us to engage with our products. The attacks on citizens, this isn't about something happens at work, you leave home and now you're an individual again. These attacks, these institutions are seeking you out where you go. The business traveler, at home, online, at work.

It's a very porous as we talked about. You're no longer just an employee of a company or an individual or a citizen. You're going to see that these threats are emerging that span and cross the various frontiers and the various traditional silos. You are an individual now that could be sought after no matter where you are in the world, no matter what company you're in, whether you're an individual, business person, or traveler. We'll talk about that a little bit later.

The last part of this is the fifth frontier, after land, sea, air, and space, cyber is now talked about as kind of the fifth domain of warfare going forward. I've met with several individuals both business leader, local politicians, state politicians, national politicians, and I've been told just anecdotally that the number one issue talked about in DC after the economic situation is the cyber threat that we all face. And governments are increasingly worried and concerned about the ability to engage in this as an equal or a superior against the people that would do harm. And so when you wrap all of this together, the voice of the customer, the enterprise, the consumer, the government, the country, it starts to paint a very different picture than we thought about security over the last decade.

There's a couple concepts I think are important to really lay out as we get into talking about the rest of the Symantec 4.0 strategy. The first one all of you may have heard about is called the Internet of Things. This was a term coined I believe in 1999 and the whole concept was in the late 90s, anything done on in terms of information online was done by a person. You rated a review of a movie. You took a picture. You sent e-mail, the content that was created in the early days of the internet was people created. Everything you did as an individual online.

Now, we have the Internet of Things wherein 2013, in '12 and '13 for the first time there will be more devices connected to the internet than people. And when you have devices talking to the internet and sharing information, your router at home for your cable provider, your cell phone is talking to the internet right now, your tablet, your E-reader, your laptop, those devices now are having a discussion with the internet with sharing information of which you may or may not know about as an individual depending on how much you take the time to understand that.

RFIDs, 2d bar codes. As you know I worked at Starbucks for several years and we did a mobile payment in the store. That is 2d bar code technology that you're using that knows about you, it knows what you do and your preference, your loyalty, it knows your birthday, I had a birthday on Sunday and gave me a free drink. I was really happy with my free drink. The devices are now outnumbering people and I think it's an important thing to notice when you talk about the security nature and security transaction between those devices and the online world.

Mobility. This is another frontier we talked about eight, nine years ago, that is now fully upon us. Mobile devices will pass PCs as the most commonly used device to access the internet this year. Fascinating. One of the stats is by 2015, 80% of handsets in the developed world will be smartphones with more computing power than some PCs had as much as eight years ago. Think about the power of the citizen with this kind of tool in their pocket. It's fascinating.

I remember reading a stat where if you lose your wallet, it takes you about 30 minutes to realize it but if you lose your phone it takes you about three minutes. What's more important to you now and with mobile wallet and all of the things that are happening, it is absolutely the new device of the future.



The personal cloud, I use a cloud technology that backs up all of the data on my computer, puts it up there. I can get devices, I can get the access and the information on my device, my work computer, I can get on my laptop. All of that stuff is now stored in the cloud. I came to Symantec, I said what's our solution for that in the IT department. How can I get off this personal cloud that I have and use the enterprise cloud, and while we had the offering here, my personal cloud was 500 gigabytes and my corporate one was about 5 gigabytes, so I had to figure out how to squeeze, with five young kids, it's hard to get rid of those pictures. So the convergence here between the digital life and what you store online and what you do in your personal world is across the boundary now and is readily used in the enterprise.

And then we talk about these computing ecosystems, right? These are not just I have a PC and I do everything on and I dial into the internet and go online. These are entire ecosystems. IOS is an ecosystem. Android. Windows is now emerging, RIM, they all have an ecosystems with apps, privacy, security, malware and virus issues in some of them, all of those ecosystems now compete for you as the individual.

It's hard to be on one ecosystem with our family, for example, we have Amazon Kindles, we have laptops, Samsung, we have iPhones, I have an Android device, I have a new Windows one I'm testing, I have a Linksys router, I have a Comcast cable, I have a Samsung TV with Smart Apps, I log into my TV now. My four year old walks up to the TV and expects to be able to swipe on it. This is a new world than even a few years ago and all of that has information. My credit card, my purchase history, movies I like, preferences I like as an individual. Those ecosystems are very powerful. The more you participate in them the more they know about you, the more information they have about you.

And so as we bring those themes together into 4.0 for Symantec, you start to piece several things together. One, the porous nature of by which information is flowing across enterprise, individuals, governments, and your personal world. Those boundaries are now taken down. Two, the frontier over the next decade that we participate in is one of the most exciting and thrilling and hugely opportunistic as a company, and individual, as a professional, as an investor. And I think we are sitting in the middle of that. And three, the ability for us to uniquely participate in that offering with our products and services and I think you'll see that later today. It's very exciting.

So on that note I'm going to pass it over to Francis who's going to talk about some of those product offerings and how we can uniquely participate and lead in many of these areas, thank you.

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**Francis deSouza** - *Symantec Corp - Group President, Enterprise Products and Services*

Thank you, Stephen. Thank you. Well, the trends that Stephen talked about are having profound impacts as you can imagine in how we think about protection as an industry. One powerful idea is that the industries we participate in are all interconnected. Recently we were tracking and investigating an incident where a business man had his personal smartphone compromised as he went through the security line in a foreign airport. Now what happened is the attackers then compromised the corporate credentials he stored on his personal smartphone and they used those credentials to compromise his company and from his company, they then staged an attack on a government agency. And so what started out as a consumer hack became a corporate compromise, became a national cyber attack, so it's all interconnected.

Next, as we think about the world today it's very clear that we as an industry need a new model for protection, so as we think about how the protection model evolved, it really started as being very compute centric. What that meant though was that for consumers for example, as an industry we focused on protecting the PC. We focused on securing the PC, on backing up the PC, on performance tuning it, but it was really all about the PC, and in the enterprise similarly it was really about the Big 3. It was about protect the endpoints, protect the data center, and protect the corporate network. That's what we did as an industry.

But as you heard, the digital landscape is changing. With the addition of mobile devices, bring your own devices, web services, the Internet of Things, personal health devices, web platforms, and an emerging software defined data center, you've seen the digital landscape expand enormously, both for consumers and for enterprises. And because in security we're dealing with an active opponent, every time the landscape expands it becomes a battle ground, and so as we think about protection we need to think about where we're putting in the control points to protect this landscape. And what's clear is that what used to be an enterprise world of one control point, the PC, and a corporate world of three control points has now expanded to well over a dozen control points that all need to be protected.



Now as we think about a protection model, it turns out that it's not that the new area, the new control point replaces the old one. It's not like you won't have firewalls anymore because you have BYOD. What happens is this is all additive and so you need a new control point every time your landscape expands.

Now what's happened over the last few years is that there has been growth in security for example, but a lot of that growth has been taken up by start ups that have formed new categories around these new control points. If you look at market share numbers for example, in 2006, the top five security companies we had 60% share of the security market. By 2010, our share had dropped to 44%, all five of us had lost share and all that share growth happened by start ups. So new control points get created, new security categories get created but a lot of that is taken up by start ups.

But start ups aren't the only companies we compete with to protect this new environment. We also face on the other side these stack providers, the providers of the big stacks for enterprises that increasingly are looking to put the various types of protection, whether it's backup or high availability or security into their platforms. That's true if you're building an operating system like Windows or Apple iOS, it's true if you're building a virtual layer like VMware or even a storage stack. And so we face competition from the start ups that are looking to get into the new categories as well as the stack providers.

And then there are other companies like us, we call ourselves specialists, no other name than that's sort of what we do. That focus on a particular area, so there's CommVault and Backup for example, McAfee and security, so as we think about this landscape then, there are a few things that are important to remember. One is across the different areas of protection, this was a growth industry, right? So as the landscape expands there's more you have to backup and you backup your physical environment, you backup your virtual environment. There's more that you need to secure. The challenge is how should you get your share of this pie?

So in thinking about our strategy we spend a lot of time talking to customers, talking to analysts, and putting together our plan around what does it take to win. And what we heard is there are a few things that are essential in the protection industry. The first thing we heard loud and clear is that it's important that you deliver a best-of-need offering, and what does that mean? That's a combination of a best-of-breed technology that does the protection that you're about but that meets the particular need of that customer. That could be tailored for the size of customers so a large enterprise versus a small business, it could be the way they want to consume the offering, so they may want it as a service, appliance or a software. Or it could be they have particular legal requirements they have to meet. They could be in a country for example, where you offer an online backup service but the data has to stay in their country, so they're telling us that best-of-need is important.

Second, we heard loud and clear that scale matters in the industries we're in, and scale matters in a number of different ways. Having a large global intelligence network actually does matter in terms of delivering better security, whether you're a consumer that's buying that security offering or a military that's buying that security offering. So scale matters in terms of delivering quality of protection. It also matters to enterprises in terms of being able to support them as they move globally, so scale is very important in these industries.

Next, they told us, and this is an area I think we have been challenged with historically, that integration matters and will matter even more so going forward. I spoke to the Chief Information Risk Officer at a very large financial services firm who said look, Francis, I have 65 different security products in my environment that I'm responsible for, and he estimates that he spends a full one-third of his \$300 million a year budget deploying and operating those systems. That's an awful lot of money and what frustrates him is not just the amount of money he has to spend for a task that frankly he thinks we should do, but increasingly he's saying it's harder and harder to find security professionals to do the job, even if he had the money. And so more and more, as the threat landscape gets more toxic, people are going to want this integration to be done by the vendors.

And then cross-platform, if you go into a house you've heard Android and the various flavors of Android are still the market share leaders in smartphones, people have iPads in the house, they have Macs and they have PCs, it's a heterogeneous world, and you go into the enterprise and it's clear that not only is it heterogeneous world but it's getting more heterogeneous going forward. And the truth is whether you're a consumer, a small business, a large enterprise, or a government you don't want to run different protection technologies on every flavor of platform that you have in your environment. So we heard very clearly is that to win long term in protection, you need to deliver best-of-need offerings that offer scale, integration, and work cross-platform.



So now we look at this and think about so how does this play out for start ups, for us, for the large stack providers. And the truth is we feel that while start ups will actually do very well in individual categories as the categories emerge and get to scale quickly because in protection, you actually get adoption faster than you would in other IT industries, they will be challenged to be the big providers of protection, right? Because of all of the scale that they will need to deliver to offer the entire offering.

For the stack providers, the big challenge is going to be around being cross-platform, right? It's hard for them to be credible in providing protection in platforms outside their own, and so we feel that there's a real opportunity in front of us if we look at this list and deliver against this list for our customers to really take advantage of the growth that's happening in the various flavors of the protection industries, so what's our plan to do that? What we are doing is really focusing on a plan that helps us to better meet customer needs through internal innovation and driving faster organic growth and I'll talk about some of the highlights of our plan.

The first thing we're doing is really looking at how we're spending our R&D dollars. Overall, we expect our R&D dollars to go up as we do more R&D to drive organic innovation for our customers. We're also going to do a lot of reallocation though. As we look at our best and brightest and make sure that we have them focused on creating intellectual property that solves the problems that matters most to our customers and will drive growth, so there will be a lot of reallocation of our talent against the hard problems. We'll do more advanced research to deliver the protection capabilities that are necessary. And in addition to focused on more innovation, we'll do a lot more around leveraging innovation and that's a change of model for us.

Historically what we've done is we've created intellectual property within a product and we've leveraged that IP for that product. We're changing how we do things and really focusing on a concept around centers of excellence where we create technologies and common components that can be leveraged across products.

Now we have some examples where we've seen some success that we'll build on. For example, the file system technology that came out of our SAMG Group. Tremendous technology and we've seen good success when we took that technology and put it into our DLP, our data loss prevention offering, our security offering. And what that technology allows us to do is actually understand who has been accessing important files in your environment. Again, an SAMG technology in a security context.

We're also looking to deploy that technology in our integrated backup offering and we believe that allows us to set a new bar in the scalability of our integrated backup offering. The idea though is that instead of doing this as one integration between products we'll focus on creating centers of excellence and use those technologies across our portfolio in a lot of cases to solve new unmet customer needs.

And this isn't just an internal concept; we're going to take these centers of technology and look to leverage them through partners, so I'll talk about one example is network security. I know I'll get this question in the Q&A so I'll address it now, we are not getting into the network security business, but you wonder, right? If you look at what's happening in that business, that business is evolving from protecting just the protocols to being more application aware. That's the big move, right? To going into this next-generation network security.

But you ask yourself, we have this tremendous data loss prevention technology that's actually content aware, so more than knowing what application you're using we can tell you what the content is, and it may make sense to leverage that technology through a partner ecosystem to go to the next next generation of network security, so those are things we're thinking through to say, okay we have these tremendous technologies that we can create in centers of excellence and leverage across our portfolio and through a partner ecosystem.

And then finally we're taking a zero-based mind set view of our entire portfolio, so what we've done is we've put all products together for the first time and I'm responsible for that group, and I'm looking across the entire \$1.8 billion spend to understand do we have the right level of investment, the right level of resources focused on our biggest growth opportunities.

Next, we'll also look at improving the customer experience in using our products better and easier. We heard loudly and clearly that there is enormous value for our customers and opportunity for us in improving the customer experience when they're using our products and when they're supporting our products, and we have a number of initiatives under way to improve that. I'll just pick on a couple.



One is for example, we're simplifying the licensing of our products. We have over 41 different meters by which we control the licensing of our products, we don't need that many, we're going to make it simple for people to consume our products, to know how much of our products they've consumed, and to buy more products using things like in-product licensing for example. We also have this great technology that we use in our Norton products which is around self-healing, so it does a proactive diagnosis of issues that your product may be having and then remediates the issues without you ever knowing about it. That's great technology in our Norton products, we'll look to leverage that now across our enterprise portfolio to improve the experience the customer has.

Similarly we're investing as you've heard before in our technical support capabilities to improve the experience there, expanding the channels for example by which our customers can talk to us today, the vast majority over 80% of the support is done over the phone. We think there is an opportunity to actually give customers the level of support they need in their moment of need through their channel of choice.

Next, we're going to focus on right-for-me offerings, so what we've heard from customers is that while they like the core technologies we offer, in a lot of cases they actually need the offerings tailored for them. It could be again I said if you're a small business you may want to consume our products a certain way, maybe in the form of a web service; if you're a consumer you may want it one way. So depending on the size of the customer we'll offer tailored offerings.

But we're also being told that for certain geographies, we need to offer tailored offerings, they talked about the fact that for example, if you're consuming a web service that stores data, you may have in-country residency requirements for that web service. And then we're looking at offering tailored products for specific industries where you need a customization of the product, a more specialized product, for example, telcos are a vertical that we're looking at where we'll offer a more tailored capability for that industry. And then next we're hearing loudly and clearly and we'll offer our customers the ability to consume more and more of our capabilities across deployment options, so software, appliance, software as a service, and increasingly now, a hybrid between those form factors.

Now, in addition to focusing on improving our existing offerings, I'm very excited about the work we've been doing over the last few months by talking to customers and understanding the bigger jobs that they're hiring our customers to solve, and to address those we're going to be launching a set of new offerings that are broader, more integrated, and target higher-value customer needs. Now, the reality is customers will be able to buy our products as they are today and they will be able to do that going forward. They will be able to buy these products, they will be able to upgrade, they will be able to maintain them, but they will also be able to buy our capabilities through these broader offerings. And the idea is it will also allow them to turn on capabilities as they need, so they will be able to step from point products to the broader offerings.

So let me paint that in a little bit more. When we talk to customers about the jobs that they're hiring our products to do, it turns out that they said there are three categories, three areas that they were hiring our products for. The first category was user productivity and protection, and in their words they said make it simple for me to be productive and protected at home and at work. Next, for information security they are saying keep my business safe and compliant. And information management, it was all about keep my business information and applications up and running.

If you look at our existing portfolio, you can see how it maps into those three areas. This is just a sample list, the reality is we have over 150 different products, so I didn't show the entire list but you can see how some of our core offerings mapped those focus areas. And now we're going to continue to develop and make those offerings available to our customers going forward, but in addition, we are going to offer 10 new offerings over the next 6 to 24 months. And the 10 new offerings are going to be an aggregation of capabilities across those customer needs, so I'll give you three examples.

The first one is an offering we're calling mobile workforce productivity, it's our working name. And the idea here is that if you talk to customers about their end point real estate, and I'll give you an example, there was one large pharmaceutical company, and as a CIO was describing his real estate he said look, we have 60,000 PCs, we have about 7,000 Macs, we have 15,000 iPads, and over 10,000 Android smartphones in their environment that he was aware of, right? And he said what he needs is an offering that allows him to let people use those devices but at the same time protect the business, and he had a number of regulations that he has to deal with being in the pharmaceutical industry.

Now, as we talked about what it would take to deliver what he needed, it was a whole set of products that he would have to buy today. Now you can buy those products from us or you could buy from a set of vendors, but you can see it's about a dozen different offerings from the market today



that you would have to buy to enable that CIO or any CIO like him to be able to meet the needs of managing their end point real estate. Or the idea is you can buy a single offering from us that brings all of those capabilities together and gives you a single holistic view around what's happening across all your endpoints, PCs and Macs, but also smartphones and iPads, whether they are owned by you, or owned by the employee but plugging into your network. And here is also the real power of having Norton, because one of the things that we heard from customers was they would love the idea to let people use their own devices but require them to have Norton on it, because if you know that somebody is protected by Norton well then frankly you have a higher level of confidence and may give them privilege in accessing your environment than if you didn't know what they had.

I'm going to give you another example of an offering that we're looking to launch. This is around an information security service. We talked about the environment with the CISO said he had over 65 security products, and one of his challenges was even with those 65 products he said I don't know at any point how secure I am. I don't know what my security posture is. I don't know what my compliance posture is. And so what we're looking to do is to address that problem, so this is a service that actually looks across your environment, takes and feeds from Symantec security products, but partnered security products or other third-party security products and takes in logs from products that aren't security products at all, your server products, your end point logs, and also takes in a feed from our global intelligence network and gives you visibility around what's going on.

In addition to doing the risk analysis and correlation we'll have our own threat analysts that will also look at escalated events and tell you whether you need to wake up at 3 AM in the morning because you're having a real incident or it's something that we could have remediated for you.

This offering also then we believe addresses a very important customer need and builds a strong competitive advantage, because this is hard to replicate. I'll give you one more example of an offering we're looking at, around business continuity. Probably the best way to do this is go through an example, right? So if you look at an enterprise running an application like SAP, now that's a big app, typically runs across multiple tiers. The front-end tier usually runs on Linux, the middle tier is typically run on Windows, and the database tier typically an Oracle data bus will run on Solaris. SAP is a mission critical app for a company and so they want to make sure that it remains highly available and performant.

Now to do that, companies need lots of technologies. They need to make sure that they're backing up the Linux environment, the Windows environment, the Solaris environment. They need to make sure they are backing up any of those layers that have been virtualized. They need clustering, they need replication, they need disaster recovery, and because they have so many pieces they need something to orchestrate it all. For example, if it goes down they need to make sure that the database goes down last and comes up first. That's an awful lot of complexity to manage that SAP implementation and make sure it's running consistently.

To do that they could buy all those offerings or the idea is to buy a single business continuity offering from us that has all those capabilities. This is hard to do. It solves an important customer need, and we believe builds competitive advantage for us going forward.

So, those are examples of the 10 offerings that we're looking at aiming to bring to market in the next 6 to 24 months. What's in it overall for our customers? We'll talk about how we think this really transforms how they think about Symantec, but to do this, we have to enhance the capabilities we have. I talked about the centers of excellence concept that we're building internally. There's work we have to do to expand those centers of excellence.

Today, we have 23 different cloud platforms that run the different cloud services we have. We're changing the model to create a single-cloud platform that can be accessed by the different cloud services. That will provide for a faster delivery of new services and more consistent user experience and frankly eliminate a lot of redundancy. We're looking to expand our hardware supply chain as we sell more of our appliances around the world.

We're also building a capability we're calling the information fabric and what this does is it gives you information about what the data is that you have in your backup, in your archives, on your end points. This is a powerful concept because if you know what the data is across your enterprise you can be more intelligent about what you need to backup and store, how long you need to keep data and you can be better positioned from a security perspective as you know what the information is that's moving around your enterprise and in and out of your enterprise.



We're also looking to expand our global intelligence network from a security perspective and enhance the big data back-end capabilities. Today we believe we have one of the largest big data back ends from a security perspective. We leverage 1.7 trillion pieces of information and manage data on over 100 million URLs to deliver a verdict every six hours. That's good, but the reality is as we look forward and we look at this Internet of Things turning out so much data, we know we'll need to invest to drive that capability forward.

So how does this all benefit customers? We believe this is a big step forward in terms of our ability to meet the things that customers told us were important. We'll solve bigger problems from them, for them, and stop them from being the integration between our products. We'll deliver right-for-me offerings so that they can consume these capabilities in the way they want. We'll improve their customer experience by making it better and easier, and we'll allow them to buy how they want to buy from us, by improving our licensing programs and the way we offer our capabilities.

Now before I turn it back over to Steve I wanted to just say maybe some personal thoughts. Look, it's a real privilege for us to be in a Company that's driven by a mission like we are. The team is incredibly energized by what's been going on here over the last few months, right? The focus on solving the bigger customer problems rather than moving point products over feature by feature. The focus on fueling innovation to drive organic growth, the focus on collaboration whether it's structural or putting all of the products together, whether it's the partner meetings that Steve and I are doing to look for the deep set of partners that we feel by working together we can bring real value to our customers. Those things are incredibly powerful and we think they will make a very big difference. Thank you.

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**Steve Bennett** - *Symantec Corp - President and CEO*

Before we get into the go-to-market, I wanted to just take some thoughts and share how we're thinking about the portfolio. Francis now give you a sense for how we were thinking differently about applying technology to solve our most important customer problems, so as part of our 4.0 strategy process we looked at everything in our portfolio, every product, every technology, and we use the two key criteria that you can see on the slide. As a standalone, or something that we could integrate, like file systems into an offering that would solve new and important customer problems.

We put everything through there and we have nothing to announce today. This process is going to be ongoing and we'll deal with anything that doesn't fit. This is where we are today. It's an ongoing process, but what I really wanted to share and you'd expect this as we continue to look at all of the business and things we've done, but one of the reasons I pick 4.0 is because with a new version sometimes we all have to change our software and think differently than we did in the past. Our leadership team and our employees are going through some of that now as we rollout 4.0 thinking in the Company, I would also say that we're going to have to communicate in different ways with you as we go forward.

For instance we don't have a consumer business anymore at Symantec. And I'd like to thank Janice for all of the things she did over 10 years to build a great solid asset for the Company. As we talked about the new structure and I'll get into this but my need to functionalize the Company so that we could move faster on the things as opposed to through the decentralized silos that we have, we concluded that we didn't have the right role for her, so she's going to leave Symantec and that's a loss for us. But it's logical for her to move on to be a CEO somewhere given her history and track record.

So we're not going to have a consumer business. We're going to have an end point business and we're going to organize our Company around our customer problems, so we're going to have to change segment reporting. So we'll work through all of the ways to do this. We're not going to have this SAMG business anymore. We're looking at SAMG as technology that can solve important customer problems. So I'll share more of the details there but this is a big and exciting change for our Company. We know this will be part of the transition, but the goal is to leverage all of our products, services, technology to solve higher-order customer problems and drive faster organic growth.

So a couple other things. First on a simplified go-to-market strategy this won't take us long. The important thought here is that we're going to add -- Francis referred to this, a new vertical business. There's four verticals that we are going to focus on. The key there is where we need specialized offerings to better meet the needs of customers, where our individual products don't meet the needs and there's four we've identified.



One is national public sectors where you need things like certifications to sell. We've talked to -- Francis mentioned telco. The telco part isn't the sell-to part of telco. It's more the sell-with. I've met with, talked with people at Comcast and Vodafone. They actually want to take, integrate some of our products and services whether it be Norton or some of our small business services into their web service offerings to their small businesses or consumers.

We used to have three different organizations all calling on these big customers and it made them crazy, so we're not going to do that anymore. We're going to have somebody that owns named telcos and the customers are pretty excited that we're going to make this change and focus on them. We'll cover the sell-to, the sell-with, and I think we'll develop much deeper and stronger relationships with those kind of customers. Call it telcos, ISPs, XaaS, call that an example Amazon S3.

There are a lot of new hosting companies as the world moves to the cloud or hybrid clouds that we need to figure out a way to get our technology integrated into their stack so that they can provide a better secure environment for their customers, so we're going to have a specific focus. It's almost like an OEM sale, to get our technology which we think is best-in-breed integrated into their offerings and we're going to invest leadership and focus resource to make that happen. That's the concept on verticals and at the top of the pyramid, enterprise and the verticals, named verticals, named accounts in these vertical industries, we're going to have Symantec resources calling directly on these customers with partners involved on a customer-lead basis.

On commercial, we're basically going to have self-contained teams focused on the channel, dedicated to the channel, self-contained, working with our partners to grow their business and grow our business in collaboration with the philosophy that says we're going to work together to win in the marketplace and we'll split the economics in some way that's fair.

We're also at the bottom of the pyramid, going to make some real progress on consumer and small business, call it SOHO business. We're going to I believe come up with more web services for small businesses and sell them through our eCommerce engine, which is if you understood how we worked in the past, and I'll talk about that, we had a Norton transactional eCommerce engine and small businesses couldn't buy from us through any kind of eCommerce capability. And I think that's one of the root causes why we've not performed well over the last few years in small business, and I'm going to talk about what we're doing to change that.

We have some of our geoleaders here. What I want to say we are not going to use a one size fits all. This is our standard theory the case is going to be applied in a thoughtful manner in every country. So it was very haphazard and decentralized in the past, where frankly it was the wild wild west and everybody did their own thing and that's part of the reason I say our system did not produce -- our marketing sales system was high cost and did not produce high-quality outcomes.

So here is some of the specific changes that we're going to make. First, I think you've learned we're going to move from individual point solutions to have great point solutions plus more integrated offerings that solve higher-level customer problems. It's an and, not an or. And we're going to move from short-term bookings, making the current quarters financial results, which we all want to do to lifetime customer value and make decisions that are going to lead us to more of a longer cycle, but as Jack Welch always said anybody can manage short or long; if you want to be successful at GE, you have to deliver both and that's what we're going to do.

So here is some of the specific things that you've been talking about for awhile. First, new business growth. Over time, not tomorrow, especially for any of our salespeople that are listening, we're going to focus our salesforce on new business only. We're going to create a renewals team. We have the concept, we have a leader, we're going to figure out how to do this in a thoughtful way over time and make a smart transition from the way we've always done it to the future.

I'm quite excited about this because our renewals performance is below industry norms and our costs are way above industry norms, so we're going to get better outcomes, more cost effectively and do a better job for our customers by implementing both of these challenges, and we're going to turn our salesforce into hunters versus farmers. We're also going to make much more use of high-volume, high-quality lower cost sales channels, telesales. eBusiness in the past we had a wonderful, and I give Janice credit for this, she lead this process, eCommerce transactional website for Norton.



So it's logical that somebody would say well why don't you use that for the whole Company. Well that's what we're going to do and it's logical that you would say well customers come to a website to do more these days than buy. They come to get support. They come to do research. They come to do other things, so we need to broaden the scope of our eCommerce capability or eBusiness capability and also take that platform capability built by Janice and the consumer team across the whole Company, and that's what we're going to do.

We've added a new sales global process enablement function which we never had before. Hard to believe, but we didn't never have anybody whose job was to enable our salesforce across the world to be productive with the tools and capabilities that are going to help them sell more, acquire more new business, and be much more productive as we go forward.

We're going to buildout marketing. I would say that we have some great marketing talent but there's a lot of gaps because we've been so sales driven. We want to be still strong in sales but we also want to add resources to help us be more strategic and take on some of the opportunities to be more thoughtful in how we go to market. And we're going to redesign our partner program so that we provide more value to partners that provide value to end customers. So a lot of action here, things that I've heard from some or many of you in the marketplace, these are things that we're going to do in a thoughtful fashion over the next period. We don't want -- we've got to change the tires while the car is running.

So now a couple thoughts. We've alluded to this so I won't take a lot of time on this but I talked about earlier when I took this job we weren't going to stand still while we were making these, while we're building strategy for Symantec. We've made a lot of strategy-independent moves. Some of which we've announced over time. Here is just the level of some of them. You can read through this slide. I don't need to share that. What's new today is now that we have a strategy, we can organize the Company around the new strategy and match the talent to the new structure. Strategy, structure, talent. That's the way we think about it and that's approach we took.

Oh, one other thought I would say, I skipped through that. You saw today and I'm 100% supportive of this that we split the Chairman and the CEO role at Symantec. I'm 100% believer in that. I lived in that environment before at Intuit. I think they are different jobs, they should be different jobs, and we're fortunate to have somebody as strong as Dan Shulman that's willing to step up and be the Chairman of Symantec.

One thing that I didn't say today that I would tell investors that I think is material, I'm also as many of you know the presiding Director at Qualcomm. I'm not standing for re-election. My last Board meeting will be in March. I love Qualcomm and what Paul is doing there is remarkable but I'm stepping down from that Board so I can focus all my energy on Symantec.

In terms of the new organization design objectives, before I get into that, you can see kind of the concept as we put the structure together. This is a very interdependent organization and for the degree of change we have to go through, we need a team starting at the top that's very collaborative whose skills are complementary and work together. So that's why we created the Office of the CEO, and we're going to make a lot of decisions based on ability to collaborate and the people that work here are going to be team players.

We're going to increase our customer focus but not with our traditional structure. We're going to skate to where the puck is going, not to where it used to be, with the world's merging between small business and consumers. I find Francis' story about so interesting on how the world's are emerging. What we want to do is organize around the Company around solving important customer problems.

And to get to the kind of progress we need to make based on the redundancies and the lack of process focus and accountability and execution, it was my judgment the best way to get there with the least amount of risk was to functionalize the Company, and that's what we've done. Francis' zones products and services, technology. Steve and I ham and egg, kind of the marketing and sales and the sales leaders still work for me which we'll get into. But we have a focus on creating the offering and acquiring customers and expanding the relationship.

And I think ultimately, this focus plus our investments in things that drive growth are going to serve us well as we go through a pretty significant transition from the way we were to the way we're going to be, and that's something that I'm very conscience of in terms of minimizing the execution risk.

So we talked about the Office of the CEO, and my peers on the stage that are part of that. I'm going to have 11 direct reports and you can see I highlighted in green kind of major changes or major new roles. While Francis has been here doing the enterprise with the decision to functionalize,



and Janice's decision to leave, we now have full scope, which I think will help us really leverage the capability of the Company to help us be even better on organic growth and product development technology.

If you take a click down one layer this is what Francis' organization looks like. We're going to organize around end points. We put one of our best and brightest, Fran Rosch is over here to the right is going to run our mobile business, one of our best and brightest engineer product management leaders, he's a superstar in the Company.

We also are going to put together, you start to see the power of what Francis talked about, Norton and SEP are going to be lead by the same engineering leader, Jens Meggers, who was the Norton engineering leader. One of the best engineering leaders in the Company, he's now going to have a much bigger domain so that we cannot have two separate everything's and start to get synergy in our development and free up resources to redeploy to invest in things that are going to drive organic growth. And then Norton and SEP product management, Dave Cole is going to take that over, so we're going to have that hybrid. In information security, Neil is going to run that, and CJ is going to run information management. So all of those things organized around the three different higher-order customer groups that Francis talked about.

Stephen's got a lot of green on his slide which talks about how much work and why we need such an experienced and talented person and we're so fortunate to get him to come and help us, but look at the work he has to do. Number one, Alan who runs consumer sales is going to work for Stephen, so Stephen is going to have marketing and consumer sales and I think his innovation and understanding of the market will really help us accelerate innovation. Plus by eliminating some of these redundancies we're going to find enough money to give some to investors and to invest some in solving important customer needs, and I think we can accelerate some of our innovation on the consumer side.

We talked about the new renewals organization. We talked about expanding the eCommerce scope. We have to build this cloud ops, I don't know if you caught the subtlety; James will talk about this a little bit but 23 or 24 different web service platforms, that probably doesn't seem like the right way to run a Company in the current environment, so we have to consolidate that over time. We're going to hire a CMO. We've added the sales process and enablement role already, and so you get a sense for the amount of transition we have to go through as a Company and that's a lot.

So with that, I'm going to turn it over to James to tell you how we're going to both fund this and some of the numbers and then I'll come back after that to close us up.

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**James Beer - Symantec Corp - CFO**

Thank you, Steve. I'll clip along through this session just to make sure we've got time for your questions, but wanted to spend a moment on where we're going to be looking to invest to drive the organic growth that we plan for here. I look at it both from sources, uses perspective, how we are actually going to be able to pay for the investments, how we are going to be able to drive margins up as well.

So when you look at the opportunity side of the equation, I'd say there are three key drivers here. We've grown obviously through acquisition down through the years and we've only partially integrated many of those acquisitions, and so that fact combined with the traditional business unit organizational structure that we have had has really created a lot of silos, and with that comes a lot of redundancy. Add a lot of Management and what we've got is a situation with significant duplication of activity, of structures, of applications, as well as complexity that is frankly getting in the way of building the products and selling the products.

More specifically in the area that Francis will be running, so the product development and support area, as he alluded to it's a larger pool of spending now around \$1.8 billion per year, and with that overall look, we believe in combination with a zero-base budgeting approach we'll be able to make good on the areas of duplication that we have today.

We've just got a couple of examples up here. Steve mentioning the rather large number of cloud services platforms that we have, 54 data center locations. There are other opportunities besides. Francis talked about his centers of excellence that he's going to be putting into place. That's another way in which we'll be able to cut through duplicative activity that's in place today. And then while we'll obviously be focusing on building



out the 10 new product offerings that Francis spoke of, we'll look to realign the R&D and support effort going into our current point product set, realign that activity with the specific market opportunities that each of those point products have today.

In the sales and marketing area, we think that we can make a massive change here in terms of simplifying our pricing and licensing activity. 31 price lists, 41 license meters, just again a couple of examples of the sort of complexity that is really making it more difficult for us to deal well with our customers and our partners.

Steve mentioned the renewals focus. We are not satisfied with our renewal rate performance and so we're very much of the view that a dedicated focused team will be able to operate in a very high-performing manner at a lower cost. We've got a variety of marketing groups that operate around similar missions in parallel business unit structures, so we have an opportunity there. We'll be able to, based on the roots to market structure that Steve talked about, make very significant progress on those 23 distinct sales channels that we note there. And then I think there are other opportunities to realign the field sales real estate footprint that we operate today and also drive out complexity that is embedded in the large number of individualized compensation plans that we operate.

So those are the two big pools of spending, but right across the Company we have a situation where we have expanded over time the number of layers that we operate within the organization. We've narrowed the spans of control that Managers look after, and not only has that created a relatively high-cost environment but also an environment which is conducive to rather slow decision-making, it can be in essence a communications barrier that we put into place here. The decision makings occurring further away from the realities of the front line for us, and so we're going to be addressing that very directly. We're going to be reducing the number of Management layers that we operate from 10 to 6 to 7 and at the same time we'll be approximately doubling the spans of control that we have from the current 4 to of the order of 8. We'll address this work in a thoughtful way through three waves of activity and we would expect to be finished with that by June.

So now moving on to the uses side of the ledger. I'll just touch on this briefly because we have really covered a lot of this already. We see significant opportunities to invest in our future and really the three drivers of organic growth in our view, people, products, and infrastructure. Francis has spoken about the plans around the offering side of the equation as well as the capabilities that we'll build to be able to deliver well on those offerings for our customers, and Steve has talked about the changes we'll be making in both the marketing and the sales area.

Just touch on the G&A side for a moment. IT is very much a part of the organization that we view as a real strategic enabler of change of growth for our future. We'll look to in source some of the high-value roles there in IT, and at the same time going to be looking to invest in our data center and network infrastructure, to be able to offer a common platform versus the parallel platforms that we've taken on from the variety of acquisitions that we've entered into down through the years. We believe very much that that will be important as we look to deliver more service capability to our customers on a worldwide basis.

Investment in IT applications will also support our streamlining of business processes and that work is well under way in a variety of parts of our organization already. And very importantly, in financial-type presentations such as this one we don't tend to talk a lot about HR, but I think it's very important the focus that we'll be having on developing our talent going forward, an essential part of the overall equation.

So, before I hand it back to Steve, just wanted to take a moment really as Francis did, to give you a few of my thoughts as to why I'm excited about this chapter that we're just entering into for Symantec. Clearly, we've heard a lot about the importance of our mission, securing and managing the world's digital information has never been more important, and this really is a mission that has energized our people right across the organization.

This afternoon, we're articulating a very clear strategy and operational plan. It's very much being validated by a variety of customers and partners, it's a plan based on organic growth rather than growth through acquisition. We're very much working as a team to address the really hard issues around reshaping the organization, streamlining it, identifying the areas for opportunity around efficiencies, as well as investments. And we're very much going to invest in the places that make sense for our customers, for our partners into the future. And importantly, we're going to be laser focused on execution from an operational perspective.

When you put all of that together, I think the objectives of the financial elements of this plan that Steve's now going to come up here and take you through, very much achievable and we look forward to working towards that end.



**Steve Bennett** - Symantec Corp - President and CEO

Okay, I didn't mind putting this slide up so you could think about this a little bit when James was talking. Here is directionally where we see the Company going in terms of resource allocation. Over the next few years, we would expect in say fiscal year '17 to be at the upper end of R&D as a percentage of revenue, we would expect marketing and sales to move from where we are today which is in the 41% down to 27%, so pretty significant reallocation, more efficient, more effective. We talked about how we're going to do that. I think we'll be better marketing and selling and we'll also be much more efficient as we fix the system.

G&A will expect to be in the neighborhood of 5% or 6% or 5% and 6%. At the same time, we expect to deliver a bunch of this money we're going to free up to investors, so let me shift gears to talk about our thinking, looking forward here. Look, we're committed to greater than 5% CAGR in the fiscal year '15 through '17 period and 30% plus operating margins. The 5 and 30 plan I committed to the Board and I'll commit to investors. That's what our team is focused on delivering. Got a lot of execution to make that happen but that's what we see happening and frankly, that would still be share loss, so I'm not sure if I'd be happy at this. You might view this as a big lift, so we're going to try and be better than this, but this is what we're committed to the Board and what the Management team is saying to investors.

We have a goal of 30% operating margin in fiscal year '15. That's our goal. So that's two years, but '14 as James said kind of like the fourth quarter if anybody can predict what's going to happen in the fourth quarter, or in fiscal year '14 going through all of this change, we want to be prudent in the way we're thinking about this, and we're thinking it will look like kind of 0% to 2% revenue growth, organic revenue growth, so we still think we can get growth, growing operating margins by a couple hundred basis points from some of our initiatives that we'll start. Because it's going to take us multiple years to go through a lot of the stuff we're talking about, we can't just flip the switch and make this transition. And our free cash flow will be affected by a \$275 million severance charge that we're going to take and some incremental CapEx to fund the investments that we need to make in long-term growth.

So I talk about capital allocation for just a second before we get into the announcements we made in the new news, we just want to talk about a strategy to set the direction that we're heading for as a Company. Basically it starts with the hurdle and discipline around the hurdle on how we invest our shareholders cash, and we'll continue to return excess cash to shareholders. We set a 15% plus risk adjusted IRR, and over time, we target returning 50% of our free cash flow to shareholders and as we drive organic growth increases we would expect cash flows to grow in line with operating profit growth and we think we'll get to about 50% for you, 50% to reinvest. If we can't make internal investments that meet the hurdle, then we'll return more. And over time, we're announcing for the first time, our dividend today, which I'll get to on the next slide, but over time we would expect to return about 50% of the cash flow to you in a dividend and 50% in repurchase.

So we announced today a 2.5% targeted 2.5% dividend, our Board approved it Monday, and an additional \$1 billion share authorization and we'll continue opportunistic buybacks as we have in the past. Next year, we expect to continue to return in the neighborhood of \$800 million which is what we've been doing recently, but I think it's important for investors to realize in addition to the \$800 million, we're also going to put another \$375 million to \$425 million to work next year, we're going to invest it in the one-time charge for severance and some additional CapEx. So in total, we're putting a lot more money back to work reinvesting and keeping our \$800 million share repurchase and dividend combination.

So let me just close with a couple thoughts. We have an operating theme for Symantec 4.0 which is you heard it, better and easier. To make the Company better and we got to be easier. It's really what we do people and partnerships, internal and external, Francis talked about we've been kind of been a lone wolf. There are a lot of people out there that I think we could partner with in a significant way to deliver real value to end customers that would then we could split in some economical term.

How we play, we talked about teamwork, collaboration, and how we think. Innovation everywhere, especially on customer-driven innovation and technology-driven innovation. This is a technology Company.

Global and local. We've been a US Company with global distribution. We need to become a global Company. That's what customers around the world have told me, and big and small. We want to be big, where leverage gives you benefit, every place else we want to be small, nimble, fast, and that's part of why we are announcing this organizational streamlining which we will go through in more detail with our employees after we're done today.



I think the most important thing though that I would say is and James and Francis, Stephen alluded to this kind of our mission for how we think about what we do and it's one of the things that's really struck me coming here and talking to customers. We have a pretty important role in the world, in the global economy, and this may not be the final thing we ended up, but this is how I think about it today. This Company is all about coming to work every day, enabling people, businesses, both small and large, and countries to protect and manage their digital information so they can spend their time and energy achieving their aspirations. That's what Symantec 4.0 is all about. We're going to do it on a global basis and we're going to work as a team to deliver for our customers, for our employees, for our partners, and for our shareholders.

So now, the announcement is over, we've had a six-month build up to the announcement, now the fun starts. Now we've got to move to execution, so you have my -- I'm pleased to have to only focus on one thing, for the first two quarters we had to work like crazy to build a strategy for this Company that we felt would give a great return to our shareholders.

Now we get to shift from wearing two hats and we delivered. I'm proud of our team we delivered two quarters that were better than I expected while we were changing the tires on the car. Now we get to spend 100% of our focus focused on executing this plan. So that's Symantec 4.0. Thanks for -- sorry we took a little longer than we planned but let me open it up now for your questions about whatever is on your mind.

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## QUESTIONS AND ANSWERS

**Helyn Corcos** - *Symantec Corp - VP of IR*

We have mic runners if you could just raise your hands we'll get a mic to you so everyone can hear. We also have Q&A over the phone line, so I'm going to let Gwynn give that instruction so we can also go to the phone line after a few in the room questions. Thank you.

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**Phil Winslow** - *Credit Suisse - Analyst*

Hi. It's Phil Winslow, Credit Suisse. Congrats on the announcement today. I just want to focus on the go-to-market strategy, the two components, first breaking off the renewals team, definitely applaud that decision, but also just wanted to get your thought process on a general salesforce with specialist overlays versus a fully specialized salesforce, and Joe just what was the thought process as you went through these decisions, thanks.

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**Steve Bennett** - *Symantec Corp - President and CEO*

Yes, I think we were very complicated in our go-to-market, both on how we define the market and all of the overlays. And what I would tell you without boring everybody with all the details is we're going to have self-contained teams focused on the strategy now of end point information security, information management, and they're going to be in North America or in the US are going to be -- we're going to have a dedicated commercial team that's self-contained and we're going to have a dedicated enterprise team. And we're going to have leaders that run those self-contained teams.

So I think part of the problem is all these layers in stacking and everything we're confusing to our customers and to our organization and I think we're going to streamline and simplify all of that stuff, so I think it's a major change. I actually took it out of here because I thought it was too hard to explain in a simple way, but we're going to radically change the whole structure of the salesforce. We're going to change the incentives over time, we're going to change the structure, and we're going to focus people on new business as opposed to -- so that's a lot of moving parts over time, and as soon as we're ready to announce that, you can imagine that the salespeople are hearing this for the first time today, so we're going to be thoughtful in the transition and that's where I'd leave it for now. Lots of work to do.



**Brent Thill** - *UBS - Analyst*

Hi, Steve, Brent Thill with UBS. On the margin structure, the most leverage is going to come from the sales and marketing line and I think you talked a little bit about this, but where do you see the biggest cost savings to expand on Phil's question. And I had a question for James just on big deals on the quarter, fell dramatically. Is that just deals that got pushed to Q4 or how should we think about that just tactically? Thanks.

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**James Beer** - *Symantec Corp - CFO*

Let me just address the second part of the question there. Yes, you're right. The big deals were down in the quarter year over year but that wasn't consistent with the overall activity that we were seeing across the business, so quite comfortable with the way our bookings and billings grew to. So no, I wouldn't say that the big deal statistics were illustrative of the overall result.

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**Steve Bennett** - *Symantec Corp - President and CEO*

I think again this is a hard thing to make simple. I think our system is just broken. I think our salespeople spend less than 50% of their time selling. They spend a lot of time internally negotiating. They have all these different products they try to sell and they have different terms and conditions and I just think we have to streamline and simplify and focus the whole thing, get the right incentives and separate the roles to do the renewals thing. I think we can be better at renewals more cost effectively and over time I think we change the mix of our salesforce and we'll have more telesales and eCommerce capability.

One of the things I didn't mention because I was pushing the time a little bit, think about Francis' products that he announced, our products that Francis is going to build and his team are going to build. Think about a day when a customer could buy an integrated solution with 10 different software functionality capabilities, and they only needed 3. Okay, they shipped all 10. They decided they needed to add three more capabilities and how do they do that? Oh, they turn it on in the software. That's the best cross and upsell thing that we could ever do, shipping integrated suites that you could unlock like we've been doing in Norton, like we did in QuickBooks.

And customers like that. You could think about your cross and upsell, what would your cost be for cross-sell and upsell if that was the offering that was compelling where you could just unlock it. So I think there's some big fundamental change in our system in how we do our offerings and how we simplify things, that we could take our talent and field resources and focus them and just produce much more, much better outcomes much more cost effectively. I'm actually very comfortable with the numbers based on what I've learned that we could -- the 41% to 27%. But it will happen over time and we're not going to try and do it all in one month.

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**Adam Holt** - *Morgan Stanley - Analyst*

Steve, it's Adam from Morgan Stanley. Good to see you again. I actually have two questions. One, in the quarter, your Storage and Server Management business had a real acceleration. Could you maybe talk a little bit about what happened there and what the outlook is going forward? And then I have a question on the longer-term model.

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**James Beer** - *Symantec Corp - CFO*

Well, two stories really there. First of all, the greater absolute growth coming from the NetBackup business, we've talked about our appliances business for several quarters now and we're pleased with the traction that that continues to garner in the marketplace. And then secondarily the Storage Management business growing for the second quarter in a row. That was important as well, so you put those two things together and you arrive at the Storage and Server Management growth rate that you saw.

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**Adam Holt** - *Morgan Stanley - Analyst*

And then just to follow-up on the longer-term model you just mentioned you've got comfort with that sales and marketing number getting down to 25%. It kind of looks like if my math is right, you're calling for high 30% margins by fiscal '17 which would actually be an acceleration of margins after fiscal '15. Is that, that's quite a bit of expansion from current levels. Is that an aspirational goal or is that kind of your base case? And maybe walk us through how you think about that.

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**Steve Bennett** - *Symantec Corp - President and CEO*

27% versus 25%, don't give me two extra points. I don't know, James can you help me on that one because look, at the end of the day, I'm not that far out on the model on kind of what the margin could be. I think we said our goal is 30% in two years and I think if we can continue to get momentum on organic growth and I am thrilled with the new thinking on the offering solving higher-level jobs and being more efficient and taking those to market, if we can accelerate market or organic growth more than the 5%, we said greater than 5% CAGR, we'll get volume leverage. And we won't find enough 15% IRR investments that we can execute on, so we'll create more cash that we'll end up returning.

So I haven't thought about an upper limit on that. I'm really focused on organic growth and in the past I found if you delivered that everything else worked out great, so let's stay focused on making the 30% in '15 and then we'll invest wisely to see the balance between reinvest and returning to shareholders.

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**Walter Pritchard** - *Citigroup - Analyst*

Hi, Walter Pritchard from Citi here. James two quick financial questions. I think where Adam was going is if you throw an 85% gross margin into the fiscal '17 numbers you get 37% margin, so maybe just a question on where do you see gross margins trending? And then Steve for you, just on organizational structure, I think just having covered Symantec for a long time the consumer business has been probably the most consistently performing business over the last decade, and part of that's been a tad vertically everything it needed to operate. And I'm just wondering how you thought about the structure you laid out here versus maybe doing something that was consumer SMB and enterprise and following the model that had been successful there.

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**Steve Bennett** - *Symantec Corp - President and CEO*

A couple thoughts. Let me actually take both of those. I think that as the world changes and mixes, customers are buying software now more on appliances, and so the margin profile may change over time from straight license, so I think you've got to be careful to project kind of the mix today based on how people -- and the SaaS margins may be small -- so I think the dynamic as Francis talked about how people want to buy in the next three, four, five years is going to change a lot, so from where we are today. I think that's my view, and so I want to be careful to kind of model based on the as-is versus the to-be. I think that's an important kind of thing we're wrestling with what is it going to be but we see it shifting away. What was your question for me now that I answered James' again?

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**Walter Pritchard** - *Citigroup - Analyst*

(inaudible)

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**Steve Bennett** - *Symantec Corp - President and CEO*

At the risk of being a little bit controversial I think that relative to enterprise our consumer business was well run, but the margins at TurboTax are a hell of a lot better than the margins for Norton, so it just depends on how you define success and I think we can do way better in consumer. I think the new structure we can do a better job in consumer. I think Janice was and the team had performed well but they were constrained by

short-term financial metrics and I'm going to free up money by making hard decisions to invest. I think we can grow consumer by solving new problems faster. I don't think she was ever able to do that because the structure, I don't think it was a structure problem.

I think it's about how we run the Company to maximize how we invest our resources to deliver value for customers. And I think to get to where we need to and execute effectively and minimize risk we had to functionalize the Company. I think we'll have the teamwork and the collaboration that it takes to keep the focus on small businesses and consumers, but that's part of why the whole structure is built around collaboration and teamwork and time will tell if that was the right call. But I'm pretty comfortable we'll be able to make that work and be better. So I think we'll be better for consumers because the other changes we're making even though in theory if you have a self-contained team it sounds like you'd be better. We'll see.

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**Helyn Corcos** - *Symantec Corp - VP of IR*

Steve let's go to the line please and take a couple of calls there.

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**Operator**

We'll take our first question from John DiFucci, with JPMorgan.

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Thank you. My question is for Francis. We've actually heard Symantec talk about integrating products for a few years now and you've been a big part of that, and to Steve's point earlier I believe customers are generally pleased with what you've done. So I guess my question is what are you going to do incrementally here that you haven't really done to come up with these integrated solutions? Is it more about packaging or is there something else going on here?

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**Francis deSouza** - *Symantec Corp - Group President, Enterprise Products and Services*

Sure. Hi, John. Good to hear from you. So the difference is I think historically what we've done is taken one-to-one integrations, so for example, we took the file system and we integrated it with DLP, and that was a one product integrating with another. We're taking a pretty different approach here starting with the big customer job that we're trying to solve and then looking at what would it take to solve that problem, and if you look at the 10 offerings that we're looking at, you'll see that each offering is truly a combination of at least half a dozen capabilities that we offer. And so the scale of what we're doing is frankly quite different from anything that we've undertaken before. Does that make sense?

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Yes, so it's more comprehensive solutions, is that correct?

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**Francis deSouza** - *Symantec Corp - Group President, Enterprise Products and Services*

That's exactly right. Addressing the higher level need that the customer has.

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**Steve Bennett** - *Symantec Corp - President and CEO*

Our customers have been, John, my view on this and I met with a bunch of customers that all said the same thing is they are forced to spend tens depending on their size, millions and millions of dollars doing the integration. They get no scale and leverage from doing that. Over time we should be able to do that for them and we're in position to be able to do that, but it is much broader and deeper and that's why we have to stay and make



our existing offerings better and better and more competitive and then we have to integrate them in ways that deliver more value for customers. So over time, that's the theory of the case and the good news is we'll have some of these come to market in the next six months and some will take a little bit longer, and there's going to be a lot of heavy lifting to make that work. But I think we'll have a big opportunity if we can get it right. And we don't have to get all 10 of them right, sorry, and they don't have to be -- we just have to make progress here.

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Yes you do.

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**Steve Bennett** - *Symantec Corp - President and CEO*

Yup. Thanks, John. If we get all 10 of them right John we'll be a lot faster than 5% growth trust me.

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Okay, great. If I could just a quick follow-up for James. James, you said you're going to return 50% of free cash flow to investors and Steve mentioned that several times. Could you remind us how much of your current cash generation is generated domestically? You told us how much of your current cash is domestic but I know I'm going to get -- we're all going to get to can you do that and that's what I'm just trying to work out here. How much of your generation is domestic?

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**James Beer** - *Symantec Corp - CFO*

Yes, I'd just say that obviously the preponderance of our expenses tend to be in the US and so the proportion of the overall free cash flow that we generate is going to be lesser onshore than it is offshore and you've seen that as the offshore balances continue to rise very steadily over recent years.

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Can you give us a general range of how much is onshore?

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**James Beer** - *Symantec Corp - CFO*

Well, you've got something in the neighborhood of around one-third of the overall equation but obviously, that's going to vary as time goes by as the balance of the business changes both on the revenue side of the equation and on the spending side.

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**John DiFucci** - *JPMorgan Chase & Co. - Analyst*

Okay, great. Nice job today guys, thanks.

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**Helyn Corcos** - *Symantec Corp - VP of IR*

Thank you. We have one more question in the room, please.



**Aaron Schwartz** - *Jefferies & Company - Analyst*

I had a question, Aaron Schwartz from Jefferies. I had a question on the product front. You talk about a lot of innovation happening at start ups and presumably it's a road you don't want to go down in having to acquire these. If we talk to customers sometimes the perception is Symantec is not leading as an innovator. So one, how do you change that perception? And then two, if we look at the product roadmap which you talked about it seems like that first step is a lot of integration of existing products, so maybe that doesn't fall in that innovation bucket, so again how do you communicate that with product to investors to lead that innovation wave?

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**Steve Bennett** - *Symantec Corp - President and CEO*

Yes, I think innovation, I defined innovation differently. I think if we can integrate existing capabilities to solve high- order customer problems, I think that's innovation. I think it's doing new things, or solving existing problems in new ways, so I think a lot of what Francis talked about is solving big customer problems in new ways. To me that's less of a leap of faith than starting brand new things, so we'll see, but I think the focus is not on innovation. It's on solving customers most important problems that we are in position to solve better than anybody else based on our assets and combining these capabilities.

And so I think we've thought big about this and we've thought hard. We've tested. We met with over 50 different customers in the process and frankly the feedback we got is if you could do this, if you can execute on what you're saying, we think that would be outstanding.

So it comes down to focus, functional execution on technology and product development, streamlining the go-to-market but at the end of the day if we have more compelling offerings that are must-have for customers because they solve that problem better than anybody else, our sales and marketing, we'll get much more efficiency because the products will help us a lot. So we'll see, that's the best thought we have and we may do some more R&D. Francis talked about advanced technology so I think we'll do some of both, but in the next window we're talking about it's going to be taking what we have, creating some new stuff, working it together, longer term we'll see how it evolves. Anybody else?

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**Helyn Corcos** - *Symantec Corp - VP of IR*

One last question.

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**Unidentified Participant** - *Analyst*

Hi. Steve [Cash] from Merrill Lynch. Thanks for the outlining of the strategy. I have a question, you've spent the last six months working through the plans, so you've gone public today and I guess the harder part of implementing it is communicating to the employees and how are you going to be managing through what could be short-term disruption? And second for you, James if I could by my rough math maybe I'm off, but I've got about 15% revenue growth between now and fiscal '17 and that would mean that you have to cut sales and marketing by maybe one-third, 30%, 35%. Seems like a pretty tight combination there, just wondering what your thoughts are behind those assumptions, thank you.

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**James Beer** - *Symantec Corp - CFO*

Well, I mean, I wouldn't try to foot the numbers for you precisely, but as we've discussed this afternoon, I mean we feel as though we have plenty of opportunity to rethink the way both the sales and the marketing side of our business operate, the system if you will, that Steve has referred to a couple of times. So if we execute as we will on the organic revenue growth, that will be the engine for us to be able to drive to those types of expense-to-revenue ratios while at the same time we take the right moves to address structural change about both sales and marketing, structural changes that we've talked about in forums like this for some years now, and so I think it's the right time to step up and make these moves.

We will, we have to do it obviously very carefully, very much our customers in the forefront of our minds, but we're very focused, again as I said at the end of my remarks very focused around how we execute on all of these operational changes, and it's going to drive value for the organization overall. So yes there are some important goals here, not straightforward goals but we very much have a plan to do it.



**Steve Bennett** - Symantec Corp - President and CEO

I think the other question is a really thoughtful one about -- and part of the reason I went to every facility in the world with over 400 employees is to talk directly with our frontline employees and that's where I spent most of the time. In the past what we were doing as I mentioned this is we continued when we had reductions, we did peanut butter reductions and we eliminated frontline employees which has left us with a Management structure as a Company, James shared the data, average spans of four. I've never seen anything like that in the history of my career, and so there's all sorts of implications of that but that's why we're taking on this organizational simplification. So I think we're going to have a rigorous process, we're going to go through it in detail with our employees in a half an hour. It's going to be hard. It's going to be the hardest thing I've ever done but we have to do it.

We have to do it because the business consequences for our employees, for our customers, and our investors are bad of not taking this on, and so rather than having continual death by a thousand cuts, let's just do it right. Let's do it strategically, let's take our medicine, get through it quickly and with dignity, treat people fair, which we're going to be more than fair, and from this, let's not think about just the pain side, the gain side how we can make faster decisions. We can promote our best and brightest in the bigger jobs.

If you look at what's happened with the staff, we've had a lot of new people that I think Fran Rosch who's going to run mobile, it's a big new job for him. Most of the people on my staff have bigger new jobs so we're going to have bigger, better jobs for fewer people. And I think that's the positive for our best and brightest, but we're going to have a simplified and streamlined structure and we're going to have to transition to get there, but we'll be way ahead of where we are today after we go through it.

Okay? That's it? That's what that means? I thought that meant circle the wagons. Well thanks for joining us either live or on the web. This is a plan that we are quite confident in but has some execution risk but we didn't go all-in on the numbers we shared with you. That would not be a prudent thing to do. If we can execute and we're going to focus hard on execution this will just be the start of transitioning this Company to make it a very, very exciting and much more relevant Company in 5 or 10 years from now. Thanks for coming and look forward to the quarterly updates as we go forward.

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