

Symantec to Acquire PGP Corporation and GuardianEdge Technologies April 29, 2010

Helyn Corcos, Vice President Investor Relations, Symantec

Good morning and thank you for joining us on such short notice to discuss Symantec's planned acquisition of PGP Corporation and GuardianEdge Technologies.

With me on today's call are Enrique Salem, President and CEO of Symantec; Phil Dunkelberger, President and CEO of PGP Corporation; Ralph Clark, President and CEO of GuardianEdge Technologies; and James Beer, Executive Vice President and CFO of Symantec.

In a moment, I will turn the call over to Enrique who will discuss the strategic rationale behind the acquisitions and provide an overview of the deals. Then, Phil and Ralph will share their thoughts on the exciting synergies that exist as our companies join together. They will be followed by James who will provide a summary of the financial details and expectations for these transactions.

Today's call is being recorded and will be available for replay on Symantec's website. A presentation outlining the strategic merits of the acquisitions along with the press release and FAQ are currently available on our investor relations website. A copy of today's prepared remarks will be posted shortly after the call is completed.

Before we begin, I would like to remind everyone that the information discussed on this call contains forward-looking statements that involve risks and uncertainty, including expectations regarding the closing of the acquisition and the potential benefits of the combination of Symantec, PGP Corporation, and GuardianEdge Technologies. Such risk factors include, among others, satisfaction of closing conditions to the transaction, our ability to successfully integrate the merged businesses and technologies, and customer demand for the technologies and integrated product offerings.

These statements are based on current expectations and actual results may differ materially from those set forth. Additional information concerning factors that may cause actual results to differ can be found in Symantec's filings with the U.S. Securities and Exchange Commission.

It's now my pleasure to introduce our President and CEO Enrique Salem.

Enrique Salem, President and CEO Symantec

Thank you Helyn and good morning everyone. Today, we announced that we have signed definitive agreements to purchase PGP Corporation and GuardianEdge Technologies, two privately-held leaders in the email and data encryption market, which will extend our ability to help customers secure and manage their most critical information. We are excited to have both teams become a part of Symantec. Their broad set of encryption capabilities will enhance our ability to make data protection more intelligent, policy-driven and easy to manage, ensuring information is protected at rest, in use and in motion.

Together, PGP and GuardianEdge expand the addressable security market we can serve. According to IDC, the encryption market is expected to grow at a compounded annual growth rate of 14% to reach \$1.7 billion in 2013. Growth in the data protection market is being driven by the explosive growth in digital content for businesses and consumers alike. Moreover, encryption technology is an important element of an information-centric security strategy as critical information is increasing on mobile devices and in the cloud. State and national governments are enacting more stringent mandates driving the need to encrypt sensitive information and protect an individual's privacy. Also the increased costs and frequency of data breaches are driving the adoption of encryption as companies strive to mitigate risk and protect their critical information from cybercriminals.

Today's transactions enable us to become a leader in this attractive, yet highly-fragmented market. We expect to grow our share of the data protection market as our newly acquired encryption technologies represent a great cross-sell opportunity for our global customer base and partner network.

With PGP and GuardianEdge's encryption solutions for full-disk, removable media, email, file, folder and smartphones, Symantec will have the broadest set of integrated data protection capabilities and we will be able to address the encryption needs of all customer segments from the largest enterprises and governments to small businesses and individuals. PGP has more than 110,000 enterprise customers and more than 1 million SMB and individual customers worldwide. GuardianEdge has an especially strong U.S. presence in the federal, state, education, healthcare and financial services sectors.

As one of the early pioneers of encryption, the PGP team has achieved tremendous success – building one of the most respected brands for encryption solutions in the U.S. and Europe. The Company developed the PGP Key Management platform, which we will leverage across our product portfolio. PGP's key management platform enables policy and key management across the widest set of use-cases. The Company recently won the SC Magazine Reader Trust Award and was also ranked #1 by InfoPro Vendor Rankings in the data encryption category in 2009. Some of the world's largest, most data-driven organizations, including 87 of the FORTUNE 100 use PGP's solutions. In addition, PGP has a strong channel program and utilizes an eCommerce site for sales to individuals.

Symantec has partnered with GuardianEdge since 2008 as our OEM provider for Symantec Endpoint Encryption. Our teams know each other quite well. They are positioned in the leader's quadrant of the 2009 Magic Quadrant for Mobile Data Protection and is already integrated into many of our products including our Altiris solutions. GuardianEdge has excellent customer relationships, particularly in the U.S. government, healthcare and financial services sectors.

PGP and GuardianEdge's encryption technology will be utilized throughout our market-leading security portfolio. In particular, encryption will be another important element of our endpoint security, data loss prevention, gateway security, backup, archiving and SaaS solutions. We can protect information by using encryption in an intelligent, policy-driven way to give the right users access to the right information. Furthermore, having this technology will strengthen our

focus and offerings in the high-growth areas of mobile and cloud applications. Symantec also intends to integrate PGP's key management platform into the Symantec Protection Center which will further enhance the management of endpoint security, data loss prevention and gateway security products allowing our customers to more seamlessly protect information.

Following the close, Symantec intends to bring together key features and functionality from each company's offerings and standardize on PGP's key management platform to deliver a consolidated, centralized policy and key management offering across the entire suite of encryption solutions. Moreover, we will continue PGP and GuardianEdge's commitment to standards-based technologies, ensuring broad compatibility and simplified management among deployments. Symantec continues to differentiate ourselves by creating heterogeneous solutions that simplify our customers' operations.

PGP and GuardianEdge's solutions are ideal for Symantec's worldwide distribution network. PGP's global customer base spans enterprise, small and medium sized businesses, as well as individuals. GuardianEdge provides strength in the government and healthcare sectors requiring hard disk and removable media encryption.

We see the acquisition of PGP and GuardianEdge as a natural extension of Symantec's strategy to secure and manage information, on any device, across both the enterprise and consumer segments, and in the cloud. We continue to look for solutions that allow customers to trust information – trust that their information will be there when they need it, trust that their critical information is kept safe from others, and trust that outside information is legitimate. Trust is what accelerates the information economy – and so Symantec will always look for ways to protect information enabling the trust that individuals and organizations require to operate confidently in an information-driven world. These encryption capabilities are a natural fit with our strategy.

In closing, we've outlined two very exciting acquisitions that increase our addressable market in a fast-growing and highly fragmented market, complement our existing product lines, enable us to go-to-market with industry-leading policy-driven and easy to manage data protection solutions, and appeal to all of Symantec's customer segments: online, mid-market, enterprise and consumer.

There is exceptional talent throughout PGP and GuardianEdge, and we look forward to working with both teams. With that, I'd like to introduce Phillip Dunkelberger, President and CEO of PGP and Ralph Clark, President and CEO of GuardianEdge, and ask them to provide their perspectives.

Phillip Dunkelberger, President & CEO, PGP

Thank you, Enrique, and good morning. Let me begin by saying how excited we are to be joining the Symantec team. I completely agree with Enrique that we are going to generate tremendous synergies by combining our companies, technologies and solutions in ways that will benefit all our customers, our extended partners, and shareholders.

When we started PGP eight years ago our vision was to make encryption a ubiquitous tool in the battle to secure data. By designing our products to operate within the IT *infrastructure* of the most demanding global enterprises we have demonstrated how to protect the most sensitive information without changing user behavior. The PGP Encryption Platform also allows IT organizations to deploy comprehensive key and policy management tools without changing the way their existing infrastructure operates. The ability to deploy encryption technology in an innovative and non-disruptive way has been key to PGP's ability to serve our thousands of customers globally.

It's clear that Symantec's leadership shares PGP's vision and passion for building world-class security products. As we work together to extend the PGP Encryption Platform management functionality within the context of Symantec's Protection Center, we'll be able to offer our joint customers an unprecedented level of fully integrated data protection solutions and realize our shared vision of information centric security.

Now, I'll turn the call over to Ralph to share his thoughts.

Ralph Clark, President and CEO of GuardianEdge

Thanks Phil. On behalf of GuardianEdge and all of our employees, we are also very excited to be a part of Symantec and having the opportunity to work with PGP. This represents a major evolution in our already successful two-year OEM relationship with Symantec.

GuardianEdge's focus is on protecting sensitive data on all manner of end-user devices from laptops and desktops to removable media like thumb drives, CDs and external hard drives. GuardianEdge's products are distinguished by their strong emphasis on a standards-based approach, which enables our customer to rapidly deploy, easily manage and control the costs of ongoing ownership of their data protection solutions. Our broader encryption solutions are already integrated with Symantec's Altiris Connector which provides management and reporting functionality from a single console.

I am very proud of the technology and strong customer relationships that we have developed at GuardianEdge and the manner in which we have established a leadership position in the data protection sector in the last few years. We bring a strong roster of over 2000 customers and a particularly strong presence in the U.S. Federal government. Together we will be even better able to help our collective customers address the complex challenges of data protection and capture new opportunities in a growing market.

I will now turn the call back to Enrique.

Enrique Salem, President and CEO, Symantec

Thank you Phil and Ralph. Again, welcome to Symantec, we are looking forward to working with you. Now, I will turn the call over to James to discuss the financials.

James Beer, Executive Vice President and CFO, Symantec

Thank you, Enrique.

The total value of today's transactions equates to \$370 million; we will pay \$300 million for PGP Corporation and \$70 million for GuardianEdge Technologies with cash from our balance sheet. The value of the transactions represent trailing revenue multiples of four times and 3.9 times for PGP and GuardianEdge respectively since PGP generated \$75 million in revenue and GuardianEdge produced \$18 million in revenue during the last four quarters.

The transactions are expected to close during this current quarter, subject to regulatory approval.

I would like to note that starting in the June 2010 quarter, we will discontinue reporting Symantec's revenue and deferred revenue on a non-GAAP basis. This change will make our disclosures more consistent with our peer group. We are also taking a new approach to the way in which we discuss the results of our acquisitions. We will provide financial performance metrics based on the type of the acquisition, and provide operational and integration updates on a quarterly basis during the first year post acquisition closing. We will discuss this topic further on our earnings call scheduled for May 5.

We expect to record certain adjustments associated with the PGP and GuardianEdge acquisitions including write-downs of both companies' deferred revenue balances, consistent with purchase accounting rules. We expect these deferred revenue write-downs will reduce aggregate revenue by between \$40 and \$45 million for the ten months remaining in fiscal year 2011 after the transactions' expected closing dates. This adjustment will have no impact on cash flow.

As PGP and GuardianEdge take advantage of Symantec's global sales team and partner network, we believe the acquisitions will provide a catalyst to drive top line growth for Symantec. We expect the acquisitions will contribute approximately \$55 million to \$60 million to GAAP revenue during ten months of operations in fiscal year 2011. We expect revenue to ramp throughout the year with the June quarter accounting for less than \$5 million. This revenue assumption is predicated on maintaining VSOE for PGP.

A significant portion of both companies' revenues are derived from software licenses with the remainder from maintenance and support contracts. Geographically, approximately 50% of PGP's bookings are generated in the US. PGP customers are acquired utilizing a direct enterprise sales force, channel partners, and an eCommerce store. PGP's customer segmentation is 50% enterprise, 35% mid-market and 15% SOHO and individuals. GuardianEdge's business is largely US-based with a direct sales force serving the government, healthcare and financial services verticals.

Both companies' sales teams will be immediately integrated into the worldwide Symantec sales organization. Symantec's R&D team will focus on the opportunity to leverage PGP and GuardianEdge's broad data protection expertise across our portfolio. At the same time, we have identified areas where we will eliminate duplicative resources in both companies' back-offices which will generate aggregate cost savings of approximately \$20 million during the ten months of operations in fiscal year 2011.

We expect the transactions to be accretive to our non-GAAP operating results in the March 2011 quarter after two full quarters of combined operations. However, the transactions are expected to be 2 cents dilutive to fiscal year 2011 non-GAAP earnings per share. We expect one half of a cent of dilution in the June quarter, one cent of dilution in the September quarter and another half cent of dilution in the December quarter.

Our integration planning team has been especially focused on taking steps to ensure a smooth transition for our customers, distributors, partners and employees. Both companies, of course, will continue operating their businesses independently until closing.

Once the acquisitions are finalized, PGP and GuardianEdge will operate as a dedicated team within Symantec's Security and Compliance Group, led by Francis deSouza. We are working to retain key personnel in R&D and sales in order to minimize any disruption to the market momentum that both companies have established. While GuardianEdge has been a long-time OEM partner, both PGP and GuardianEdge have customer acquisition models well aligned with our own. Our OEM relationship with GuardianEdge and current integration between PGP's and our data loss prevention products will also facilitate our plans post closing. As such, we expect Symantec's channel and direct sales organization to quickly benefit from the addition of PGP and GuardianEdge.

Now, I would like to hand the call back to Helyn to open the call for Q&A.

Helyn Corcos, Vice President Investor Relations, Symantec

Thank you James. Operator will you please begin polling for questions. While the operator is polling for questions, I'd like to mention that we have received numerous inquiries concerning the impact of FX on our business and so we'd like to provide you with an update on how to estimate the impact of currency fluctuations on our financial metrics. For FY11 planning purposes, we are assuming an exchange rate of \$1.35 per Euro. This compares to the weighted average exchange rate during FY10 of \$1.42 per Euro. This would generate an approximately 5% currency headwind during FY11 versus FY10. As you know, rates can be volatile from one quarter to the next. We'd like to encourage everyone to apply our "rules of thumb" when estimating the impact of these currency fluctuations on our FY11 financials. Going forward, we will regularly provide a currency update following the end of each quarter. This will be posted on our investor relations website.

Lastly, please note that we are currently in a quiet period until we announce our earnings results on May 5 and thus will not discuss details pertaining to the quarter on this call. Please keep your questions for management today focused on the PGP and GuardianEdge transactions.

Operator, we are ready for the first question.