



Symantec Corporation

Nasdaq: SYMC | Jeff Galak & Mark Branden | Stern - IAG

The Industry

- Computer Software & Services
 - Security Software & Services
- Provide security solutions for both consumer and corporate needs
- The Security Services industry is expected to grow from a \$3.6 Billion industry in 2000 to a \$11.2 Billion industry in 2005
 - That's **262%** in 5 years or **29.4%** annually



Source: IDC

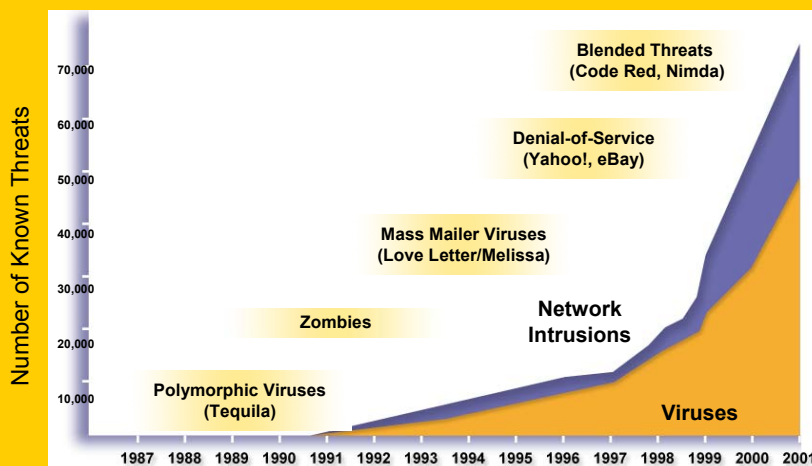


What does the industry do?

- Consumer products for personal computer security
 - Antivirus software
 - Personal Firewalls
- Enterprise Security
 - Large scale virus protection and filtering
 - Corporate Firewalls/VPNs
 - Vulnerability management






Threat Evolution



Source: Symantec



Key Competitors

			
Pros	<ul style="list-style-type: none"> •By focusing on a small number of products, quality increases 	<ul style="list-style-type: none"> •HUGE assortment of products to supply customers with 	<ul style="list-style-type: none"> •Name recognition. <ul style="list-style-type: none"> –RSA Algorithm
Cons	<ul style="list-style-type: none"> •Consist of only 3 products <ul style="list-style-type: none"> –McAfee –Sniffer –Magic •Minimal market penetration 	<ul style="list-style-type: none"> •Size does not always win <ul style="list-style-type: none"> –Lack of personalized service –Low customer retention rate •12-Month Revenue Growth has decreased 40.6% 	<ul style="list-style-type: none"> •Limited product selection <ul style="list-style-type: none"> –Only have security software •Minimal market penetration



Goldilocks

- Like with the three bears, sometimes you just have to get the right fit.



...this security solution is too big



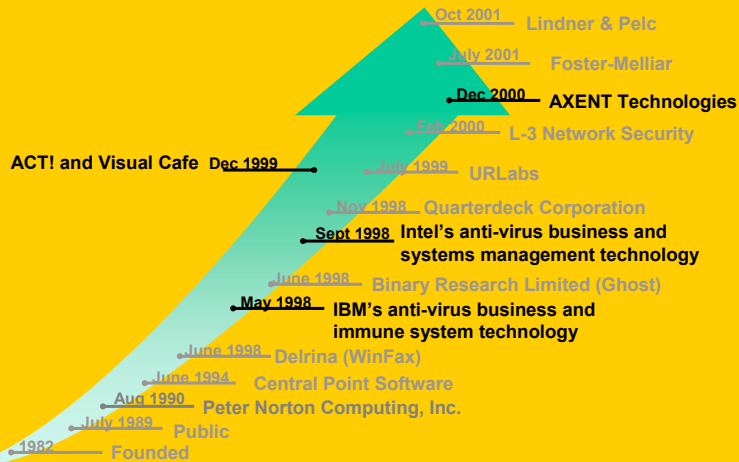
...this security solution is too small



...this security solution is just right



Symantec's History



Source: Symantec



Solutions. Services. Response.

- Symantec provides best-of-breed security solutions for all tiers of a network
 - gateways between the network and the outside world
 - servers that act as the network's vital organs
 - end-user devices including desktop PCs, laptops and handhelds.



Solutions. Services. Response.

- Symantec Security Response delivers knowledgeable proactive security protection through product security policies and best practice guidelines that can be updated and distributed through automated processes, like LiveUpdate.
- Symantec has response centers strategically located around the world
 - Santa Monica, Calif.
 - San Antonio, Texas
 - American Fork, Utah
 - Sydney, Australia
 - Tokyo, Japan
 - Leiden, The Netherlands



Solutions. Services. Response.

- Symantec Security Services provides information security solutions that incorporate security expertise and global resources to help enable e-business success.
 - **Consulting Services** provides professional security assessments and planning to help organizations protect business-critical assets.
 - **Implementation Services** delivers effective deployments of advanced security technologies.
 - **Managed Security Services** provides outsourced solutions for the management and monitoring of security systems.
 - **Education Services** offers the knowledge to develop internal security skills and resources.



Consumer Products



Enterprise Security Solutions '02

Gateway Security Solutions

- Symantec NetProwler
- Symantec Enterprise Firewall
- Symantec Firewall/VPN
- Symantec Web/SMTP Security
- Symantec NetRecon **New**
- Symantec Gateway Security
- "Network IDS Sensor" **New**

Server Security Solutions

- Symantec ESM
- Symantec Intruder Alert
- Symantec AntiVirus CE
- Symantec AntiVirus/Filtering for Exchange and Domino
- "Integrated IDS" **New**

Client Security Solutions

- Symantec AntiVirus CE
- Symantec Client Firewall **New**
- Symantec Client Security

Security Management Solutions

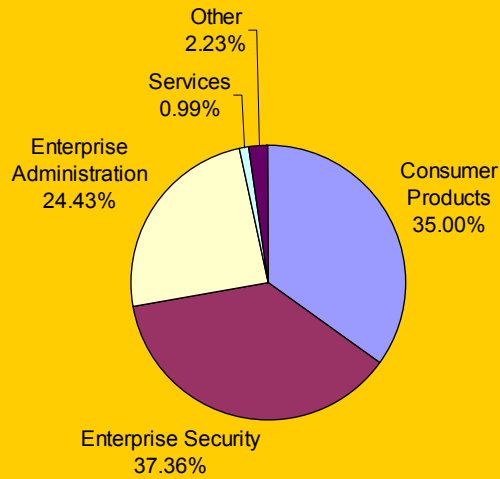
- Symantec Security Management System **New**



Source: Symantec



Net Revenue By Sector

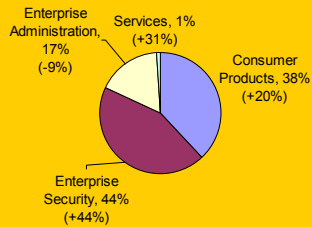


Fiscal Year 2001



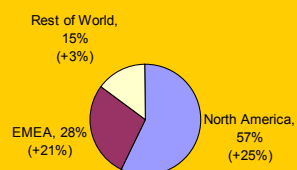
Forecasted Revenue Growth

Revenue By Mix (Growth)



December Quarter 2002

Revenue By Region (Growth)



December Quarter 2002



Partners and Alliances



COMPAQ



YAHOO!



U.S.Robotics



BELLSOUTH



TOSHIBA



Competitive Advantage

- One-Stop-Shop
 - Virus Protection and Filtering
 - Vulnerability Management
 - Intrusion Detection
 - Firewalls/VPNs
 - Software and Hardware
 - Enterprise Administration
- Name recognition
 - Antivirus...oh you mean Norton?
- Partnerships



Risks

- Interest rate sensitivity
- Exchange rate sensitivity
 - ~ 40% of business is international
- Integration of acquisitions could adversely affect operations
- Intentional disruption of software and website (hackers)
- New OSs could reduce profit margin
- R&D risk
- Consolidation in software industry could impede ability to compete effectively
- High turnover rate in IT sector



Financials

Income Statement						
	Mar 01	Mar 00	Mar 99	Mar 98	Mar 97	
Revenue	853.6	745.7	633.9	578.4	472.2	
Cost of Goods Sold	75.8	89.3	66.8	60.7	60.3	
Gross Profit	777.8	656.4	567.1	517.7	411.9	
Gross Profit Margin	91.1%	88.0%	89.5%	89.5%	87.2%	
SG&A Expense	521.4	457.3	423.4	390.6	343.7	
Depreciation & Amortization	120.8	50.6	36.2	26.7	33.2	
Operating Income	135.6	148.5	107.5	100.4	35.0	
Operating Margin	15.9%	19.9%	17.0%	17.4%	7.4%	
Nonoperating Income	31.2	122.1	16.1	13.0	5.5	
Nonoperating Expenses	0.0	0.0	1.8	1.2	1.4	
Income Before Taxes	140.8	257.3	83.4	112.2	30.5	
Income Taxes	76.8	87.1	33.0	27.0	4.3	
Total Net Income	63.9	170.1	50.2	85.1	26.0	
Net Profit Margin	7.5%	22.8%	7.9%	14.7%	5.5%	



Financials

Balance Sheet					
	Mar 01	Mar 00	Mar 99	Mar 98	Mar 97
Cash	557.0	431.6	153.9	139.0	95.8
Net Receivables	116.7	47.3	76.4	65.2	47.7
Inventories	5.9	5.7	6.4	3.2	4.5
Other Current Assets	102.3	61.0	79.9	121.2	90.3
Total Current Assets	781.9	545.5	316.5	328.5	238.2
Net Fixed Assets	93.2	51.9	52.9	50.0	51.6
Other Noncurrent Assets	916.5	248.5	194.1	97.9	51.9
Total Assets	1791.6	846.0	563.5	476.5	341.7
Accounts Payable	66.1	43.0	45.9	34.2	30.3
Short-Term Debt	0.0	0.0	0.0	8.3	0.0
Other Current Liabilities	346.6	183.5	171.0	110.5	78.3
Total Current Liabilities	412.7	226.5	216.9	153.0	108.6
Long-Term Debt	2.4	1.6	1.5	6.0	15.1
Other Noncurrent Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	415.1	228.1	218.4	159.0	123.7
	369.2	319.0	99.6	175.5	129.6
	50.2	219.4	(75.9)	45.9	
Preferred Stock Equity	0.0	0.0	0.0	0.0	0.0
Common Stock Equity	1376.5	618.0	345.1	317.5	218.0
Total Equity	1376.5	618.0	345.1	317.5	218.0
Shares Outstanding (mil.)	144.0	120.6	113.7	114.2	110.9



Financials

Cash Flow Statement					
	Mar 01	Mar 00	Mar 99	Mar 98	Mar 97
Net Operating Cash Flow	324.5	224.2	123.5	130.9	94.4
Net Investing Cash Flow	24.2	(330.5)	(39.6)	(96.0)	(52.2)
Net Financing Cash Flow	(198.3)	51.5	(62.0)	11.8	11.7
Net Change in Cash	140.0	(55.9)	14.9	43.3	54.0
Depreciation & Amortization	120.9	50.6	36.2	26.7	33.2
Capital Expenditures	(23.8)	(70.6)	(105.4)	(27.3)	(27.9)
Cash Dividends Paid	0.0	0.0	0.0	0.0	0.0



Financial Model

- FCFE 3-Stage Growth Model
- Why?
 - Predicted sales increase through 2005
 - Market saturation to follow
 - Stable to forever



Financial Model

FCFE	
Net Income	63.9
+ Depreciation/Amortization	120.9
- Capital Spending	23.8
- Change in Net Working Capital	50.2
= FCFE	110.8
Risk Free	5.40%
Market Premium	4.00%
SYMC Beta	1.25
Cost of Equity	10.40%
Cost of Equity @ Stable Phase	9.40%
Stable Growth Rate	5%
High-Growth Rate (5 years)	20%
Transition Growth (3 Years)	15%

PV of years 1-10	1563.934
Terminal Value	13233.41
PV of terminal Value	4925.851
Shares Outstanding	142
Intrinsic Value of Equity	6489.785
Intrinsic Value per share	45.70271
Current Value per share	41.76



Sensitivity Analysis

		Transition						
		9%	10%	11%	12%	13%	14%	15%
High Growth	18%	\$33.86	\$35.09	\$36.42	\$37.77	\$29.19	\$40.65	\$42.16
	19%	\$35.21	\$36.53	\$37.91	\$39.33	\$40.80	\$42.33	\$43.90
	20%	\$36.63	\$38.01	\$39.45	\$40.96	\$42.47	\$44.06	\$45.70
	21%	\$38.11	\$39.55	\$41.05	\$42.59	\$44.19	\$45.85	\$47.46
	22%	\$39.63	\$41.17	\$42.69	\$44.30	\$45.97	\$47.69	\$49.48
	23%	\$41.20	\$42.77	\$44.39	\$46.07	\$47.80	\$49.60	\$51.46
	24%	\$42.83	\$44.45	\$46.14	\$47.89	\$49.70	\$51.57	\$53.51
	25%	\$45.40	\$46.20	\$47.95	\$49.77	\$51.66	\$53.60	\$55.62



Questions Anyone?