



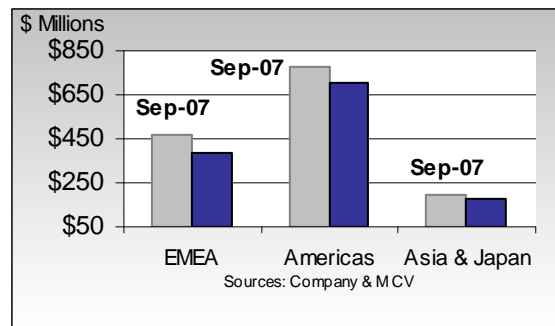
**SYMC** 17,500 Employees Revenue: \$5.2B Operating Inc.: \$520M Op Margin: 5% **IT Software**



John Thompson (58) has had a couple of tough years as the Chairman and CEO of Symantec but he has no one to blame but himself. Thompson over-reached in his 2005 acquisition of Veritas and the Symantec management team has struggled to ingest that acquisition. It has been a humbling experience for John Thompson, and a painful one for shareholders, but we think Symantec's fiscal 2008 will finally be a good one for shareholders. The Veritas integration expenses are finished, product integrations look very viable, and we see meaningful organic growth and improving operating metrics in the coming quarters.

Prior to joining Symantec as CEO in April of 1999, John W. Thompson had spent 28 years at IBM. He was the President and general manager of IBM Americas and held various executive positions there in sales, marketing and product development. Thompson is a charismatic and natural salesman and his IBM pedigree gives him a strong predilection for operational function and structure. John Thompson is a graduate of Florida A&M University and has a master's degree in management science from

**MCV Ranks :**  
**Industry: 1**  
**CEO: 2**  
**Team: 2**



### Material Symantec Filings:

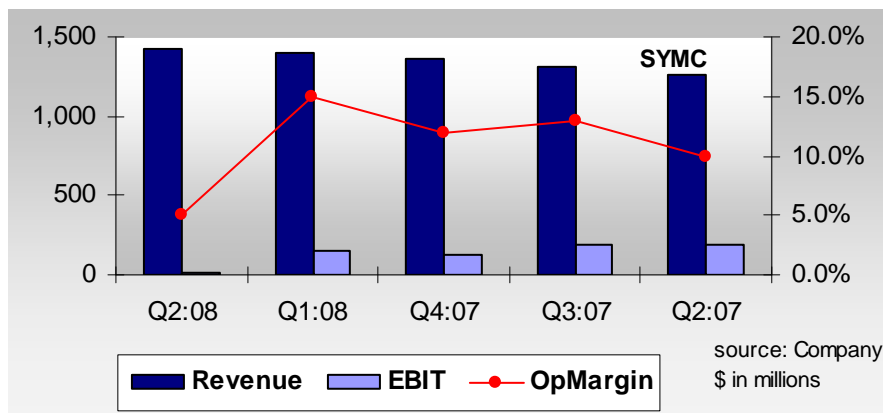
**10/29/07** Geraldine B. Laybourne, Founder, Chairman and Chief Executive Officer of Oxygen Media Corp will join SYMC Board as an independent director effective January 1, 2008.

**10/24/07** SYMC announced financial results for fiscal quarter ended September 28, 2007. GAAP revenue for the quarter was \$1.42 billion and non-GAAP revenue was \$1.44 billion. Non-GAAP revenue, including revenue from the Altiris acquisition, grew 13 percent over the comparable period a year ago.

**7/25/07** Symantec reported the results of its first quarter of fiscal year 2008, ended June 29, 2007. GAAP revenue for the quarter was \$1.40 billion and non-GAAP revenue was \$1.42 billion. Non-GAAP revenue grew 10 percent over the comparable period a year ago. GAAP deferred revenue at the end of the June 2007 quarter was \$2.66 billion, compared to \$2.31 billion at the end of the June 2006 quarter.

**7/05/02** The Company adopted the FY08 Long Term Incentive Plan for its executive officers. Under the terms of this plan, the Participants will be eligible to receive performance-based compensation based upon the level of attainment of target performance metrics through the Company's fiscal year ending March 31, 2008. CEO John Thompson declines to participate in the FY '08 LTIP.

**6/29/07** Symantec's Board adopts amendments to the Executive Retention Plan expanding the Plan to cover a second group of beneficiaries referred to as "Group 2". Group 1 beneficiaries include the CEO, Group Presidents, and other designated officers. Group 2 beneficiaries are recommended by the CEO and approved by the Compen-



MIT. He is currently a member of the board of directors of United Parcel Services, Seagate and Teach for America. Thompson also serves as the chairman of the board for the Cyber Security Industry Alliance

Thompson and the Symantec Board have clearly become impatient with the recent mediocre operating performance of the Company and have taken substantive steps to improve it. We expect shareholders will see the positive effects shortly. Thompson's executive team is structured around a set of Group Presidents that run the key divisions of Symantec. There has been a lot of management churn in the last two years but Thompson has developed great "bench depth" running the firm. In April, at the beginning of the Symantec 2008 fiscal year, Thompson made major changes to his senior team by appointing Thomas Kendra and Enrique Salem as President's of the Security Data Management division and Worldwide Sales, respectively. Additionally, Greg Hughes was promoted to President of the Global Services unit and Janice Chaffin promoted to President of the Consumer Business Unit.

These senior executive team changes coincided with Symantec's Board adding significant cash flow oriented performance incentives (see below)



**SYMC** Market Cap: \$16.6B ROE: 2.77% ROA: 2.20% 94% Institutional Ownership **IT Software**

to its 2008 executive incentive plans. Executives will be eligible to receive additional LTIP compensation based upon the level of attainment of target cash flow through company's March 31, 2008 fiscal year end.

John Thompson and the Symantec executive team are generously compensated. Forbes magazine ranked Thompson as the third highest paid CEO in the Software industry in 2006 with an estimated trailing five year total compensation package of over \$131 million dollars, trailing only Terry Semel of Yahoo! and Larry Ellison of Oracle. Thompson's current salary is \$800,000 annually and he had a total compensation, including options and restricted stock, of \$4,781,715 in fiscal 2007. As of June 30, 2007, John Thompson beneficially owned 9,436,529 SYMC shares and options, or approximately 1.1% of the Company. Importantly, and to his credit, we note that John Thompson declined additional long-term equity incentive grants (totaling 625,000 options and 165,000 RSUs) in both 2007 and for fiscal 2008 saying that he believed previous stock grants were "sufficient to achieve the Committee's objectives of retaining him, aligning his financial interest with those of stockholders, and focusing him on improving the Company's overall financial results".

Officers and Directors of Symantec as a group own approximately 1.7% the Company's stock. Among the division President's, Janice Chaffin

sation Committee. Group 1 and Group 2 beneficiaries vest fully in all equity compensation awards in the event of a change in control.

**6/14/07** Symantec announced that its Board of Directors has approved a \$2 billion share repurchase program. Symantec has completed the \$1 billion share repurchase program announced in January 2007 — repurchasing a total of 54 million shares at an average price \$18.51. During the previous two years, Symantec has repurchased nearly \$7 billion of its shares.

**5/30/07** Correspondence between the Company and the SEC relating to potential tax liabilities related to Transfer Pricing practices.

**5/07/07** The Symantec Board appointed Mr. Frank E. Dangeard as a member of its Nominating and Governance Committee. The Board also adopted the FY08 Executive Annual Incentive Plans for its executive officers. The Plan adds Contribution Margin as a performance metric for the Group Presidents at 50% of total weight. Revenues and EPS are each weighted at 25% of total weight. Other executives continue to have the same Revenue 50%, EPS 50% metrics as the previous year. This Plan supersedes the FY07 Executive Annual Incentive Plan dated April 1, 2006, which is null and void after the adoption of this Plan.

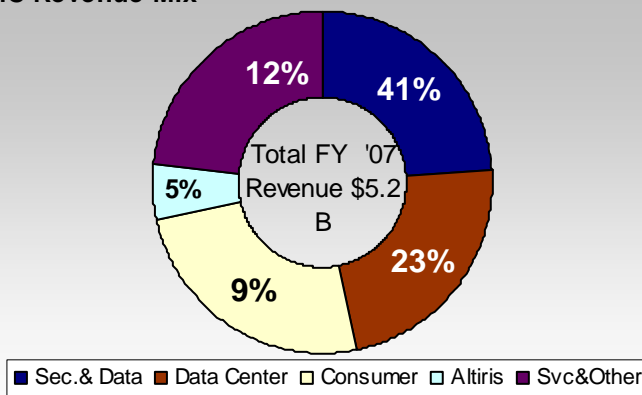
**5/02/07** Symantec announces results for its fiscal fourth quarter and 2007 fiscal year. 2007 GAAP revenue was \$5.2 billion and net income was \$404 million.

**4/02/07** Company announces major promotions and "rotation" in top executives, placing Thomas Kendra and Enrique Salem in the positions of Group President of the Security and Data Management Business Unit and Group President of Worldwide Sales and Marketing, respectively. Mr. Kendra and Mr. Salem previously held the positions of Group President of Worldwide Sales and Services and Group President of the Consumer Business Unit, respectively. Greg Hughes is promoted to the position of Group President of Global Services and Janice Chaffin is promoted to the position of Group President of the Consumer Business Unit.

**2/20/07** Jeremy Burton, group President of the Security and Data Management group submitted his resignation, effective as of March 2, 2007, to become CEO of Serena Software, Inc..

**1/23/07** Symantec announced the appointment of Frank E. Dangeard, chairman and chief executive officer of Thomson S.A, to the Symantec board of directors, bringing the total number of directors on the board to 10.

**SYMC Revenue Mix**



Sources: Company & MCV

had total cash compensation of \$483,000 in fiscal 2007 and beneficially owns 506,801 SYMC shares. Chaffin was Symantec's chief marketing officer for four years prior to her recent appointment. Chaffin's Consumer group contributes about 55% of SYMC's gross margin. Kristof Hagerman came to the Company via the Veritas acquisition and is now the group President for Data Center Management which comprises most of the former Veritas products. His total cash compensation in FY 2007 was \$1,186,534 and he is a beneficial owner of 714,528 shares of SYMC. Thomas Kendra joined Symantec in 2004 and is the group President for Security and Data Management and formerly headed global Sales. Kendra had a total cash compensation of \$1,806,624 in 2007, and is a beneficial owner of 414,521 SYMC shares. James Beer, EVP and CFO, is paid an annual salary of \$650,000 and received a cash bonus of



**SYMC**    LT Debt: \$2.1B    EBITDA: 25%    TTM Sales Growth: 12%    P/B: 1.5    **IT Software**

\$760,000 (\$500k of which was guaranteed under his employment agreement with the Company). Beer is also a beneficial owner of 120,362 shares of SYMC.

Symantec's short-term cash incentives ("SEIP") for its executives in fiscal 2008 are as follows. The target bonus for John Thompson is 125% of his base salary. For James Beer, Kristof Hagerman, and Tom Kendra the bonus opportunity is 80% of their respective base salaries. For Janice Chaffin the bonus opportunity is 60% of her base salary.

We view as very positive the decision by Symantec's Compensation Committee to add the respective business unit "contribution margin" to the fiscal 2008 bonus metrics for each of the group Presidents. The 2008 bonus metrics for each named executive are now based on 25% revenues, 25% EPS, and 50% contribution margin. Specific targets for individuals are not disclosed but we see the addition of contribution margins in the formula as helping to instill prudent discipline and cost efficiency in each of the divisions. The Company intends to reduce operating costs by \$200 million during fiscal 2008 and, as of the Company's fiscal 2<sup>nd</sup> Qtr ended September 30<sup>th</sup> it is substantially on track to meet this goal.

Symantec uses both standard equity options and restricted stock units (RSUs) equity to incent its officers. One cautionary diligence item for investors is that Symantec continues to issue substantial amounts of options and particularly RSUs in the incentive plan. For a company that has not generated a meaningful return for shareholders in the last two years, we particularly don't like the increasing percentage of RSUs used in the Company's incentive plans as we feel RSUs are not only dilutive to equity shareholders, but they also substantially remove downside risk to managers without providing proportionate upside incentive to the recipients. In fiscal 2007 named executives of Symantec received approximately 66% to 73% of the value of their incentive compensation in RSUs. For fiscal 2008 the named executives received approximately 50% of the value of their potential incentive compensation in RSUs. The RSUs vest over a two year period in equal annual installments.

One very positive diligence note is that the Symantec Board requires senior executives to acquire and maintain ownership of SYMC common shares based on their salary grade. Stock options and unvested restricted stock or RSUs do not count toward stock ownership requirements. The minimum stock holdings must be acquired within four years of their appointment. The CEO is required to own at least 150,000 shares, the CFO 85,000 shares, Group Presidents and EVPs 35,000 shares, and the Chief Accounting Officer 20,000 shares. As of June 2007 only John Thompson had achieved the required holdings but the other executives are relatively new to their respective positions. Interestingly, Symantec's Board has an Insider Trading Policy that requires the CEO, CFO, and each of the Directors to conduct their SYMC stock transactions solely through 10b5-1 plans. The Board also actively encourages the use of such plans for all other Company executives. For reasons familiar to our readers, we are not fans of 10b5-1 plans but clear Board policy makes the practice much more transparent to investors and lessens the chance of abuse.    *End*

**1/26/07** Symantec enters into a merger agreement with Altiris, Inc. pursuant to which SYMC will acquire Altiris for a cash purchase \$33.00 per share. After the merger Altiris will function as a wholly-owned subsidiary of Symantec. The aggregate purchase price will be approximately \$830 million.

**1/24/07** Symantec reported results for the third quarter of fiscal year 2007, ended Dec. 29, 2006. GAAP revenue for the quarter was \$1.3 and GAAP net income for the fiscal third quarter was \$114 million. The Company also issued a press release announcing the authorization of a \$1 billion share repurchase program.

**1/22/07** Symantec appoints George W. Harrington as Senior Vice President, Finance, and Chief Accounting Officer of the Company. Mr. Harrington will serve as the Company's principal accounting officer. Stephen C. Markowski, who served as the Company's Chief Accounting Officer until January 18, 2007, will continue in his current position as Vice President of Finance of the Company.

**1/16/07** Symantec pre-announces disappointing preliminary results for the third quarter, 2007. CEO John Thompson says "We experienced weaker than expected performance in our Data Center Management business".

**10/19/06** Symantec and Digital River, Inc. enter into a new Online Store agreement under which Digital River will continue to act as a nonexclusive reseller of Symantec products. Symantec products represent approximately 40% of Digital River's annual sales volume.

**9/13/07** Shareholders approve the amendment and restatement of the Company's Equity Incentive Plan.