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Symantec Corp. Q4 2009 (Qtr End 04/03/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Sarah Friar - Goldman Sachs.

Sarah Friar - Goldman Sachs

If I could turn to the security and compliance division, clearly that looks a little weaker than the rest. Enrique, aside from mid-market weakness, what else might be going on in there and is there any concern on headcount reductions actually starting to weigh on things like end points, pricing, etc?

Enrique Salem

I think when I look at that segment I would say there's a couple of things going there. One, you mentioned mid-market, and we just shipped the new products on Monday, which I think will help us there.

I think the second area is we do have the currency headwind that Helyn outlined in the beginning but in the high end of the market, we are continuing to see the same close rate that we had seen in previous quarters and I do believe that the demand for DLP, which is continuing to show double-digit growth over the last five quarters, I expect that to continue because that's a product that our customers will continue to say is very important to what they're doing, even in this tougher economic environment.

But I would highlight the currency headwinds and the mid-market as the two areas that I think have weighed on that segment.

Sarah Friar - Goldman Sachs

And James, just a follow-up on the margin side. Your guidance looks like you're assuming margins will contract sequentially and even year-over-year. What would be the key driver of that? Are there any incremental costs that happen in June that we should be thinking about or is that just trying to allow for currency and some conservatism?

James Beer

Obviously, year-over-year the cost base now includes the companies that we have acquired within the back half of the year, so Message Labs and PC Tools being the primary items there.

So sequentially for June versus March we go back to our full accrual, if you will, on commissions so there's an implied increase in the forecast for that line versus what we experienced in the March quarter, in which we came in lighter than we had expected.

So those are the primary drivers year-over-year and quarter-over-quarter.

Sarah Friar - Goldman Sachs

So you're still thinking about a cost base that is being kept a tight rein on, given the headcount reduction and . . .

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