

Symantec Financial Analyst Day 2015 – April 17, 2015

John Gannon: Thanks, Michael. Good morning everybody. Matt and I couldn't be more pleased to have the opportunity to present you the Veritas business. I think you're going to discover that this is a very exciting business for now. We're experiencing accelerated growth as we exit the last fiscal year and enter this fiscal year, FY16. We're seeing expanding margins and significant improvement in our execution as well.

We have our presentation broken down into three segments. I'm going to first just talk a little bit about setting the foundation for you, so that you understand where we're coming from, the strength that we have to build upon as we enter into both the current market and expanding markets. Then Matt is going to spend time talking about the dynamics in the marketplace, kind of the steady-as-you-go dynamics as well as some of the new dynamics and expanding opportunities and adjacencies to what have been the typical information management marketplace. Then he'll go through our product strategy, talk to you very specifically about the product portfolio that we have put together; I think the most robust roadmap of products that we have had in many years in Veritas, in the information management business, that's going to help us both continue to meet and satisfy our existing customers and what they expect in our normal product portfolio as well as things they want to expand into and opportunities that they want to bring to them.

So let's talk now first about the foundation. So first of all, we have undoubtedly the most comprehensive information management portfolio of products in the industry today. These products are differentiated by—and have always been differentiated by the heterogeneous approach that we're taking to the marketplace. We play in the areas of information intelligence, information availability, backup and recovery and of course now our integrated backup appliance product. Customers want and appreciate the heterogeneity of our product portfolio, and as Michael talked about, as their infrastructures build out and they have more and more platforms, virtualization, et cetera, that they're trying to deal with.

Now we take that product portfolio and we apply it to what we believe is a very exciting and steadily growing market, growing at 7%, to 2018 reaching about \$18 billion. But in addition to that, we see and analysts see perhaps even larger numbers than we're attributing and the incremental \$6 billion worth of available market in such areas as software—recovery as a service, software data management and copy data management. These are areas that we have new products that we'll be introducing this year which Matt will spend some time talking about.

Then—I'm sorry. Could we back that up one? Thanks.

So with these products, with the marketplace, we also have the exciting position of being in product leadership positions. In each of those four segments that I talked about, we have either number one or number two market share positions. Our appliance product is the fastest growing product in the industry. I'll spend some time and give you just a little more detail on that in just a moment.

We have sustained market leadership positions in Gartner's Magic Quadrant in a number of areas for many years, in the area of archiving, e-Discovery and backup and recovery.

Mike alluded to this but on top of it all, we have the most enviable customer base I think in the industry today. We're pleased to have over 86% of the Fortune 500 companies as our customers. This amounts

to over 50,000 enterprise customers, and as Michael alluded to, not only is this a large and broad customer base but it's a very loyal customer base. We have over 6% retention of these customers for over six years. Likewise, the majority of these customers have been with us for over 10 years; so six years average, 10 years for most of the customers.

Okay, now this brings us into the strong business momentum that we're seeing coming out of FY15 into FY16. First of all, let's talk about growth. We began the year at 0% growth, which was significant improvement coming off of a negative 4% in the quarter before in the previous year. So even 0% was significant improvement, but that momentum now has continued through the year with 3% growth in the second quarter and 5% growth in the third quarter. We believe that this acceleration is going to continue. We can see the way to it, the path to it into FY16 and into FY17.

Now this growth has been aided significantly by the success we've had with our backup appliance product, which once again carries with it our NetBackup software, the industry-leading backup software. We have seen between calendar year '13 and calendar year '14, which is the way the industry analysts look at it, a 20% increase in that product, which is nearly five times the industry growth rate of 4%. Now hidden in these numbers is another very unique number and that is at this point we believe that we are only 10% penetrated into our customer base with these backup appliance products. So we have 90% of our customer base to try to upsell to as we go forward. In addition to that, of that 10%, somewhere between 40 and 50% have made repeat purchases of the appliance. So not only have they bought their first appliance but they have bought multiple appliances. So when you take the 90% upsell opportunity and think about multiple sales into that customer base, we think that really bodes well for the growth of this product line going forward.

Now we have been making significant investments for some time now in our product development process, moving from a waterfall approach to developing products to an agile methodology and we already have seen very significant benefits from that in two areas. The first area is in the velocity with which we're able to bring both new products and proliferation and maintenance releases to the marketplace, and secondly in the area of quality. The code quality of our products that we're bringing to market has significantly enhanced.

Just to talk about the efficiency part of it for one moment, it has in the past typically taken us about 270 days to bring a proliferation release to the market. We have reduced that now to under 70 days. What does this efficiency mean? It means two things really. Number one, it gives us the opportunity to bring more products, more releases to the marketplace in the same time, and secondly it gives us the opportunity to free up resources to apply to some of these expanding market opportunities.

Lastly, while we've been going through the separation process, we've had the opportunity to really focus on our organization, focus on the efficiency of the organization. We've done I think great things with our product organization, adding to that under Matt, Chief Technology Officer, that can be focused on enabling technologies, unique IP and help us ensure that we have that going across each of our products to avoid repetition and to avoid doing duplicative efforts in different areas.

We have a worldwide dedicated sales organization which I'll talk just a little bit about in a second. Likewise, we have moved from a siloed support organization to a worldwide customer support organization and we're seeing benefits from that.

Okay. So the focus for us is driving results. In the first instance, as Mike mentioned, a 20% improvement in the number of quota-carrying sales reps that we have in the organization. Secondly, while doing that, Brett has been able to sign up for a 25% expense to revenue ratio which really is coming down, bringing us back in line with what we perceive as being the industry standards.

I talked about quality. The two pieces that are enhancing our quality really are number one, the agile development process, and number two, the support that we're able to provide our customers with this focused worldwide organization. We now are enjoying over 90% customer satisfaction. In fact, it's my understanding that in this last quarter, our enterprise customer support satisfaction exceeded 95%. We're likewise seeing improvements in our partner customer satisfaction; extremely important to us as over 70% of our business is in some way touched or enabled by our partners. So their satisfaction with us is critical to our success going forward.

Then lastly, we talked about the margin improvement and Thomas will give you a lot more color on this in his presentation. But between Q1 and Q3 of FY15, we've seen 12 percentage points improvements in the margin. We also can see our way very clearly to continued improvements in margin as we enter into FY16.

So that's the foundation. I'd like to take a few minutes now and introduce Matt Cain to do the balance of the presentation. Matt joined Symantec Veritas about three years ago after distinguished contributions at Cisco. Matt had the opportunity to start and launch our integrated backup appliance product, putting together what I think is one of the most competitive business models in the industry for both delivery and support for the product.

So with that, I'd like to introduce Matt.

Matt Cain: Thank you. Well good morning everybody. It's great to be here. As John mentioned, I'm going to cover two primary topics over the course of the next few minutes. The first is about our market and in that I'm going to talk through some of the trends and challenges that our customers are facing and then put some numbers behind it. Then the second part of the presentation is all about our product strategy. I'll start with our philosophy around availability and insight, and build up to our five-quarter roadmap where we get into specific releases and our cadence. So let's jump into it.

As Mike mentioned, data continues to grow at an exceptional rate. As matter of fact, when we sit with our customers around the world, they always try to forecast how much their data is going to grow in the following year and usually they've come in somewhere around 40 to 60%, and every year they're wrong, being on the low side. As a matter of fact, by 2020 it's predicted there's going to be about 44 zettabytes of data around the world. You might ask yourself what does that mean. Well today, there's around 4.5 zettabytes. So based on all the data and explosion we've seen with things like the Internet of Things, new applications, we're going to see an additional 10-fold increase in worldwide data. So what are our customers going to do about that?

The current approach is to throw infrastructure at the problem. This is next generation storage, software defined networking, cloud technologies, virtualization, and companies have the hypothesis that if they continue to invest in bigger, better, faster, they're going to achieve business agility while managing all this data, but we don't think that's going to work.

If you look at the realities within an IT organization, both from a budget and a resource perspective, the growth rates of data are simply bigger than what IT organizations can afford. Sixty-two percent of all IT budgets are spent just on maintaining existing infrastructure. So our CIOs, before they get even out of bed in the morning, two-thirds of their budget is gone with no ability to invest in additional infrastructure, or certainly not to change their approach. So if they don't have money, what about people? Can they throw people at the problem? Well actually IT budgets, according to our information, half of them are going down, not increasing. So what does that mean?

What it means is you need a different approach and that approach is about managing at the information layer. If you look at some of the dynamics that are happening around our customer base. It's predicted by Gartner that 25% of companies are going to have a new C level role just focused on information; they're calling that the Chief Data Officer, and it's one example of organizations trying to get their hands around this concept of managing information.

Now that's not a new perspective for Symantec and Veritas. In fact if you go back to the beginning of our company, we've been focused at the information layer from the outset, and our approach is not just to be at that layer but it's to do it heterogeneously across different storage arrays, across different operating systems; as new applications emerge, ensuring that we are helping our customers so that they can deploy those and remain confident with our underlying software.

Now what about the dynamic of cloud? Our customers certainly want to take advantage of cloud because of the flexibility that it offers. At the same time, they don't want to lose the control that they enjoy around their information. They want to have visibility. They want to be able to manage it. They want to be able to sleep at night knowing that their applications are going to run in these changing environments, as Mike talked to. And just like we've helped companies through the transition from tape to disk, we're well-poised to help customers with the transition from premise to cloud, particularly in a hybrid cloud world, and I'll go through how we're going to do that with our portfolio.

So these are some dynamics around our foundational opportunities. Let's shift and look at what it means going forward.

So with that focus on information—I'm sorry, on infrastructure and the explosion of information with new technologies, clouds, et cetera, we have this concept that we call fragmentation. If you think about all of us in the room, we're sitting here with laptops and mobile devices and tablets, and on each one of those there's different information; different information that we're creating; different information that we're moving; different information that we're drawing upon from different storage repositories. Now imagine how challenging it is for a CIO to have visibility into that information, let alone manage it and provide the level of SLAs that we all demand as business users. When you start to take this to next generation applications and the complexities of our worldwide customers that presents availability challenges that cannot be solved with today's solutions.

So what are companies doing? They're trying to respond to this by coming up with new ways by throwing money at new solutions big data. A hundred and twenty-five billion dollars is going to be spent this year alone on big data projects, and that's all about trying to get a handle on this information; somewhat of a unique approach to understanding information and give some insights into it.

What are those companies really after? They're after the needle in the haystack, as we call it; that is the valuable information that if they had access to it when they needed it they could make better business

decisions. And it's a very small subset of that data when you look at the entirety of it, about 1.5%, that is truly what we call target-rich; if you had it when you needed it you could make business-impacting decisions.

Now, more evidence that companies are trying to throw people at this problem, according to LinkedIn in 2015, the hottest job that got people hired was that of a data scientist. So they're bringing in people and saying, "Look across my information and try to put some sense to this to help us be more competitive. Give us that edge that we need based on the information we have." McKinsey's onto this thread as well, but they predict by 2018 there's not only going to be a shortage of these types of people, there's going to be a shortage of over a quarter of a million of those types of people because, again, the pace of data growth is just faster than we can keep up with.

So what's another way to get at that needle in the haystack? Well, as we analyze the 1.5% that could truly enable better business decisions, it turns out that over half of it exists in what we call general IT metadata, and that's the information that we as Veritas already touch, and we touch it at an exceptional level of granularity. Mike talked about the business that we're in, primarily around backup, so being able to restore a single file at any instant to a user around the world. Imagine how much information you need to collect and catalog and manage to be able to perform that job. Same holds true for archive and storage management and availability, and we have access to all this metadata but we've been primarily putting it to use to do our core job, those core jobs that I mentioned.

So as we go forward, our plan around insight is to continue to amass this data because we have world-class availability solutions, but start to put it together in a way that we can unlock that value, to get at that needle in the haystack. To give you one example, it's widely recognized that today about 70% of the data that's stored in enterprises is completely useless: no business value, no value around compliance; you don't need it for litigation. In fact it can be even more challenging to keep it from that perspective, and yet we keep it forever. If you've been approached by your IT department and they say, "I'd like to delete your email," you say, "No, don't delete my email," even though we never go look at an email that's six months or certainly not seven years old. But companies need the confidence to delete it and imagine how much resource they could free up if we just allowed them to get at that 70%, and that's just one example of the business insight that we're talking about.

So let's put some numbers behind this. John talked about our foundational product total addressable market and in calendar year 2013 that added up to about \$12 billion, and you can see the breakdown by the products that we cover. The growth rate is just over 7% compound annual from 2013 to 2018, so that's going to increase our total addressable market over the foreseeable future to \$18 billion.

Now, when we start to go beyond those foundational products and extend our portfolio, as both Mike and John alluded to. We have next generation opportunities that very conservatively add another \$6 billion to our TAM. Those are in areas around copy data management, recovery as a service, software-defined storage.

When we say conservative, we sit with market analysts a lot, share what we're doing and get input, and when we talked about our roadmap which you're going to see in a moment, they said, "Six billion dollars, that's crazy. That could be five or 10 times the size." So the way I think about this is whether it's \$6 billion or \$60 billion, we are not opportunity-constrained and our ability to execute in this amounts to a doubling of our total addressable market. So while many of you may have walked in here and thought that security was not constrained, to Mike's point, we feel equally strong about the

opportunity in the core markets that we're in as well as these adjacent markets that are very close to the technology that we have, very close to the install basis we have, and we believe we're very well poised to take advantage of this.

So let's shift gears to our strategy. I mentioned that we've been in the information management business for some time and over the last several decades we've learned a lot, and a big part of how we think about our next generation opportunities is by sitting with our customers and saying, "How can we better meet your needs? What challenges are out there that technology doesn't have a solution for?" When we put those two things together, we know for certain that to have a comprehensive information management strategy you need two things. The first is you have to have information availability, having what you need, when you need it, wherever it resides. But the second, based on the trends that I talk about, is you have to have information insight. Knowing what you have, leveraging what you know to make better decisions, and this is really what's driven our philosophy around availability and insight that's going to push us to innovate in these areas and the combination between those as we go forward.

So where does it start? It starts with the foundation, and our foundational products around backup and recovery and storage management and disaster recovery and archiving, these are fundamental solutions for our customers today. They depend on it. John and I have been in New York for the week. We've been going around talking to major customers here and they tell us how critical these solutions are. They ask us to continue to work alongside of them because of how dependent they are on our solutions as they move forward with their infrastructures. So we're going to continue to innovate and build solutions for hybrid cloud deployments across our foundational portfolio.

At the same time, they're foundational for us, certainly from a business model but also as we build out our next generation solutions because none of our next generation solutions are we stepping out and saying, "We're going to go write unique code." We are leveraging our technology. We're taking advantage of the capabilities that we have in our working software as well as the information that we have and the install base that we have. In a lot of cases we're able to come out with next generation solutions without any impact to production environments which other companies that are trying to insert themselves into these areas don't enjoy that advantage and it creates challenges for customers. So the foundation is paramount to how we go forward.

Now let's talk a little bit about some of the next generation solutions and I'm going to give you very high level preview of four, all of which will be out within the next year.

Veritas Velocity is the first one that I'll talk about in the availability side of the business, and that is instant self-service access to secured instances of copy data, again with zero impact to production. So these are all the evolution of how we do backup into next generation data management leveraging data virtualization technologies, streamlining the amount of copy data that's required to open up new use cases and still protect the information that our customers need.

The second one is what we call the Veritas Resiliency platform. This is a business continuity software solution that provides application level recovery. So imagine if an administrator had an application running on a data center in New Jersey with a set of operating systems and infrastructure and he or she wanted to move that application to a data center in Santa Clara. With a simple click and our software, understanding the underlying infrastructure, they could move that very seamlessly for disaster recovery purposes or to update the infrastructure here in New Jersey, and the flexibility that that provides in our

fast-changing environments of our customers is what we're proud to be releasing and what customers are asking for.

As we shift to the information map, this is a simple cloud-based tool that provides end-to-end visibility of a customer's information, and in a minute I'll show you what that looks like and then highlight a few more points.

Then the final one is retention management. As Mike talked about, our next generation solutions is about integrating our capabilities and providing automation and better workflows and easier experiences for our customers and this is one example where we will expand beyond traditional archive and leverage things like file classification to build a more robust product suite.

Now, as we deliver on these, we're very focused on architectural differentiation; architectural differentiation not just to create sustained differentiation for us but to help our customers bring technology together, and we have two distinct architectures: one around the availability suite which we call information orchestration. This is all about how you move data, how do you understand it, how do you do so in and between clouds from private to cloud, and across our solutions we're going to be doing that but we can combine the IP to do it efficiently on behalf of our customers.

The second is a concept, as Mike said, that we've been talking about for some time and that is the information fabric. The information fabric is the architecture where we're going to stitch together all of this metadata, and that's metadata that we're going to pull from our own data repositories like our backup catalog and our archive, but we've also architected this for cloud and an open infrastructure that we can pull in other metadata like Box or SharePoint, things like that so customers can have one coordinated architecture for all of their metadata and true visibility across the entirety of their information landscape.

So what I want to do is show you a quick video, and this video is going to highlight some of the business challenges that I started off with, and it's going to start to translate how we're taking some of those challenges and building them into two of the four next generation solutions that I talked about that are going to be coming out in the next six months. Both of these are in beta with several customers. As a matter of fact we're probably oversubscribed based on the demand, but you can start to see the level that we are going up the value chain and the simplicity that we're building into these technologies. Let's roll.

(Video presentation)

Matt Cain: So hopefully you get a feel for the level of simplicity that we've built into these user experiences, and while that highlights two of the next generation solutions, again keep in mind how dependent those are on our foundational products and our customers continuing to enjoy the benefits of those as we add these layers on top.

Now I'm going to talk through the product roadmap and give you a sense of those 17 products that Mike talked about: 14 foundational and three next generation. Before I do that I want to take a moment to give you my perspective on the Agile transformation.

This is one of the initiatives that we took on as a company and somewhere between 18 and 24 months ago it was a massive overhaul of how we do development. On the Veritas side of the business about 80% of our engineering teams are now fully functioning in Agile methodologies, and this not only adds to the pace at which we bring solutions out but equally if not more importantly, it's the velocity of features that are in each one of those releases, the predictability of the releases themselves and the quality that we're delivering them on.

The roadmap I'm going to show you is the healthiest it's ever been and the confidence that we have in it is the highest we've ever had because of how these releases are tracking and the measurements that we're taking along the way. And in each one of these you'll see that we have major releases across every one of our core products, and while we're excited about the concept of availability and insight in the next generation solutions, each one of these product releases have differentiated features that are well positioned to take advantage of our core markets.

So let's start with the first column, business continuity and storage management. You'll notice the blue releases are all about foundational and that goes after the 12 growing to \$18 billion total addressable market. So within business continuity, some dynamics that are happening in this business are hardware commoditization, next generation storage technologies, the need for disaster recovery and better SLA management, and we want to take advantage of all of those, when we first talk about the storage management part of our business. Software-defined storage is a term that we're all hearing and what does that really mean? Customers want more flexibility in how they're deploying next generation storage technologies, either further commoditizing traditional arrays where they're not deriving the same amount of value, or investing in next generation technologies like solid state arrays, and they want to deploy the right set of infrastructure for the right applications. The more expensive high performing ones they don't need for every application. So where they're using our technology they're saying, "Well you guys have always managed across storage environments. Now I can deploy these storage technologies but still enjoy the benefits of one single management console where I can ensure that I'm deriving the efficiencies that I'm looking for and the benefits of new storage technologies." Making sure that it's still completely up and running to meet their needs.

On the business continuity side, we're overlaying solutions around disaster recovery. This is all about ensuring that we have application level awareness. See, a lot of the infrastructure approach is let me build as many nines of reliability as I can at the infrastructure layer, but CIOs, we actually met with one this week that said, "I want to be able to sleep at night." Where they get that sense of confidence is not just focusing on ensuring that you have your environment and that it's built as it moves, but you have that overlay of insurance looking at the application. So each of these releases are focused on software-defined storage flexibility as well as that business continuity.

Shifting over to backup and recovery. Our philosophy on backup and recovery starts with our software and that is to build one integrated platform that can back up a customer's entire environment with flexibility at the application layer, multiple databases, every operating system, hypervisor and then freedom of choice with secondary storage, and we're going to continue to innovate along that value proposition with a lot of focus on enabling cloud-based targets and self-service access for more cloud-based deployments for both enterprise and our large partners.

Within the appliance form factor, our focus there and our strategy has always been about the customer experience and what's customers asked us to do is they said, "We love your recovery software but I still have to put that on infrastructure and then I have to choose storage. Can you build an integrated

solution for me that helps me deploy and consume your software but does it in the easiest possible way for me?" That's what we did with appliances and that's why we're seeing the growth that we are.

Now that we have the foundation that we've built up over the last few years, it's all about adding capacity and the performance to go with it. So what this represents in the quarter that we are in now, we're now shipping an appliance that's almost 230 terabytes and in the back half of the year, we'll scale that again to over 460 terabytes, and while we'll talk a lot about the capacity, we're equally excited about the performance that goes along with that, being able to get data in and data out to meet customers' backup windows and the demands of their overall environment.

So we shift over to our eDiscovery and archive portfolio. A couple of things we're focused on here; the first is scale. So as data continues to grow, so too do the demands of the archive itself and the eDiscovery technology that sits on top of that, and so we'll continue to build that out for more and more users and more and more data. We also want to focus on other data repositories, things like ensuring that our archive is streamlined to work with Office 365, ensuring that we can provide file classification from repositories like Box and continuing to build up the core technology around insights that will feed the rest of our portfolio.

Then in the next generation solutions which I've covered, you can see how the releases map over the next five quarters. I mentioned that there were three releases next generation this fiscal year. You probably are counting four. This isn't a matter of under-committing and over-delivering; it's actually that our Veritas Resiliency Platform, that business continuity solution, comes in two flavors: one that we will sell directly to customers and one that we have aligned with HP to take advantage of their services and their cloud capability with our software fueling that solution. We've issued a press release on that in the last couple of months that you can take a look at.

Then around insight, it's all about the information map and delivering on that, proving to customers that they do have investment protection, first with NetBackup and then continuing to add new sources of metadata that will only increase our visibility and then help us move to management and control with things like Retention Manager and other applications that will build on top of the information fabric.

So what are our customers telling us about this and what does it mean for growth? Here's two examples of quotes from our CIOs, letting us know that they're aligned to seeing us as an information broker. One customer has talked about, "I've been in this business for two and a half decades. I've been throwing infrastructure problems. I've been spending billions on it, but now I'll finally know if I'm being successful and if I need to do something different." So we think there's exceptional growth with our product portfolio and our strategy going forward.

So John alluded to the focus that we're deriving with breadth and the go-to-market organization and we see additional uplift to our business, leveraging some of the initiatives that Mike and Thomas have alluded to as well, things like how do we change our pricing models to better meet the buying demands of our customers, things like capacity-based pricing models which we have in certain parts of our portfolio but not all of them, getting more diligent and disciplined about how we're managing discounts or monitoring license compliance and focusing on the customer experience. John talked about our customer satisfaction scores. We are very much of the belief that we'll continue to invest in the right levels of support, and we will continue to increase our overall customer experience, which is only going to raise maintenance renewal rates.

So with that, let me close on the slide that Mike started with. We talked about our investment which we are increasing year-over-year from an R&D perspective in Veritas like we are in security. There are three aspects to our investment plan; that of foundational products but also delivering availability and insight and pulling these together with coordinated architectures like we haven't before. We'll continue to be very focused on heterogeneity because that's what our customers are asking for and, ultimately, want to make every byte of data actionable for our customers.

So with that, let me turn it back to John.

John Gannon: Thanks a lot, Matt. If it hasn't come through yet, we're pretty bullish about the Veritas business. Also, if it hasn't come across, we are really all about accelerating growth, about expanding margins and about improving our execution. These are just a few of the bullet points that we've already gone over today. I probably don't need to reiterate them, but thank you very much for the opportunity to present to you, and I think we have a few minutes left for questions.

Helyn Corcos: So we're going to pass mics around. Sean, go ahead and take the first question. Thank you.

Aaron Schwartz: Hi, good morning. Aaron Schwartz with Macquarie.

John Gannon: Morning.

Aaron Schwartz: Thank you very much. I had two quick questions. First on the last chart you had here, the portfolio growth drivers, most of these seem very operational focused, not really on the new product side, so what would the timing be for you to release the incremental growth from all the new products you introduced?

Then secondly, I didn't hear one mention of Backup Exec. I know that's been a problem product for you. Can you just give us the status of the commitment to Backup Exec? I think last time you disclosed, that was about a \$400 million product. Can you just update us on where that is? Thanks.

John Gannon: Okay, so let's take those in parts. So the drivers on the growth beyond the product, those are ongoing and I want to make clear that we're investing in product to enable those. There aren't—those aren't just business models, so making sure we have the telemetry to take advantage of things like capacity upgrades and what customers are using, so we think we'll only continue to benefit from those initiatives. In terms of driving growth from our portfolio, we do have forecasts aligned to our next generation products this fiscal year, so as we release, we're not certainly expecting to derive new business from those.

Your question on Backup Exec, we remain committed to that. We're not expecting to grow that business like we are other parts of our portfolio, but as evidenced by the fact that we just had a major release in the last month, which we call BE2015 which helps customers with hybrid cloud deployments in SMB. On top of that, we're also continuing to invest on the support side. So we're focused on doing right by our partners and customers in that space. It's an important business for us, but it's not one that we're expecting to grow.

Walter Pritchard: Hi. Walter Pritchard at Citi. On the cloud side, you talked about supporting people backing up however they want to back it up, but I think when there were some management changes at

Symantec, one of the product areas that was sort of stepped back from was some of the dot cloud initiatives and I'm wondering what your approach is in the cloud. Is it connecting into third party sort of targets that you could back up to? Is it building your own capacity? How does that look and—because we hear that a lot in terms of SMBs moving to the cloud for backup. It may be inevitable in the enterprise market as well.

Matt Cain: So our approach to cloud somewhat varies by the different business we're in because the dynamics can shift between business continuity, our archiving by cloud product and backup. Specific to backup, we certainly want to enable the flexibility of customers getting their secondary data into cloud storage repositories, and we're investing in both our backup and recovery software on both the enterprise and the SMB, as well as our appliances and making that efficient, but customers want to move it, they also want to keep it in our catalog so they can recover it when they want to. So a lot of that is about enabling the hybrid cloud with respect to backup and our customers are taking advantage of that today. That's not a new thing.

At the same time, we want to help them in how they deploy and manage backup, so this is about backup administrators being able to configure and administrate backup solutions with more flexibility. and that's when we talk about self service and some of the multi-tenancy that we've put in. In other parts of our portfolio, John mentioned the creation of our CTO; we are standing up cloud capabilities, where, if customers want, we will run it and manage it on cloud infrastructure that we would brand as Veritas. Certainly a good example of that would be our cloud-based archiving product, and there are other subtleties across the portfolio. But I think we're where we want to be with respect to cloud, the flexibility and the enablement across our customer base.

And I should mention, all of our next generation solutions are cloud first, so every one of those will be deployed in the cloud and we're not starting from premise and then evolving to that.

Keith Weiss: So Matt, I thank you for the presentation. This is Keith Weiss from Morgan Stanley. A lot of new appliance and a lot more capacity in appliance is in the product roadmap. Can you talk to us a little bit about what kind of uplift you guys see—when you go into a traditional Veritas software, like a NetBackup software customer, then you're able to sell them the underlying infrastructure and underlying storage? Can you help us quantify what kind of uplift you see and maybe how far into the days do you think you are in terms of selling these appliances? What percentage of your customers have taken on the appliance form factor? How much more room do we have to go in that regard?

Matt Cain: So I'll talk about the dynamics and then, John, if you want to pile on. I showed the different capacity points. If you look at the bulk of the success we've had and the numbers that John alluded to and Thomas will show, keep in mind that the majority of that has been delivered at 76 or maybe 140 terabytes of capacity, and with that form factor, we've gone to customers and said, "For these use cases, we have a solution. If you want to scale, we're not the right provider for you." The solutions that we've delivered at this point have been about remote offices and where we're combining software and underlying infrastructure, and with that, we've penetrated around 10% of our customer base. So what that means is a NetBackup customer has bought an appliance. But to John's earlier point, in the last quarter, around 40 to 50% of our business was customers buying new appliances. So the way this typically works is, will I buy off on the value proposition? Let me put one in my lab and let me move one into production and see how it goes, and the fact that that trend has continued to increase proves to us that we've got the value proposition right.

Now as we add the additional capacity points, those conversations of, “Well, we can’t play in this particular,” are over, particularly when we get to the back half of the year, and the customers that we were seeing this week, as you can imagine, have some of the largest infrastructures that we’ve seen. They’re quickly moving past evaluation into production with our appliances and whether they fall on the side of having already purchased one, the forecasts within those are exceptional. So too is the forecast to get after the rest of the 90%. So we think there’s tremendous opportunity to continue to scale our appliances, and we’re very excited about the fact that we have the foundation of customer experience, everything from manufacturing and supply chain and our 24x7 secure operations center that manages that base to alert customers if there’s a problem. So there’s huge upside and it’s driven because we’ve responded with a unique value proposition that no one else in the industry has, where we’re combining that single platform with the underlying infrastructure.

John Gannon: The only thing that I’d add to that is uniquely for ease of integration for the customer, these customers are already NetBackup customers of ours, so they’re now integrating an appliance which is supportive of the environment that they already are very familiar with and well established.

Keith Weiss: Can you (inaudible) sense of just like a percentage uplift you get from a customer?

John Gannon: The percentage uplift from when we add the appliance?

Keith Weiss: Right, and a Veritas customer that is paying you \$100,000 for the software, if they’re not going to be buying the appliance, what type of percentage, although (cross talking)?

John Gannon: Yes, we don’t really evaluate it that way. We track our appliance in a hardware-only perspective, and then we track the software—the NetBackup software that’s integrated with it, we track that in our software numbers, so we don’t differentiate between the two.

Matt Cain: So it is additive. I don’t know that we’re prepared to go to the level of granularity that you may be looking on software attach rates, but I can tell you it’s not cannibalizing. It’s all additive.

John Gannon: Yes.

Matt Cain: Yes.

Keith Weiss: (Inaudible). Trying to figure out what the percentage (inaudible).

Matt Cain: Yes. So I don’t know if we’re going to break that down later.

John Gannon: I don’t think we will be.

Matt Cain: Okay, yes.

Helyn Corcos: We have time for one more question.

Matt Cain: There’s one over here.

John Gannon: One over here.

Male Speaker: Thanks very much for making the effort. However, two (inaudible) fairly small product questions, I guess. One, you mentioned copy data management. Can you drill down a little bit more on that product and the roadmap for it? Also, you didn't talk much about backing up and protecting on arrays; in other words, snapshot-based management, how much you're seeing that as an area that people need—some people need to do and what you're doing there.

Matt Cain: So let me start with the second and then I'll get back to the first part of the question. In terms of array-based managements, snapshots, that's a technology that we've invested in for quite some time. So we have a technology that we call Replication Director, where customers can still enjoy the advantages of snapshots between arrays, but then we then use one of those snapshots to catalog the data, which gives them the next level of protection if they want to recover at an individual file level. Because snapshots work theoretically but if you want to recover to the level of granularity that our customers expect, that's where it breaks down, and we're working with several storage partners on that balanced approach, where customers take advantage of the snapshot but we still build it into our catalog.

As far as our copy data management solution goes, first I would say that we're not approaching this as let's go build a me-too copy data management solution. The way we look at this is an evolution to how we do backup. But what customers are asking for is better orchestration technologies where once they back that up, first of all, can they do that more efficiently where they're not adding to the problem of the 70% of data that's useless, and a lot of that is copy data, so how do we help shrink that down and how we perform backup? But then how do I open up new use cases for customers where I can orchestrate the movement of production level data, having masked it, and send it things like big data repositories where you want to run real time analytics on all the data that we touch? Or let's say that you want to move that over to a test and (inaudible) environment where companies are rolling out new technologies and they want to see how those new technologies would perform on their production level data. So we're taking our approach about orchestration. Implicit in that is better copy data management and data virtualization, but we're going to take a unique approach again that builds on our backup foundation.

Helyn Corcos: Thank you so much, John and Matt.

John Gannon: Thanks.

Helyn Corcos: We are ready for our 10-minute break. Thank you so much.