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SYMANTEC CORPORATION: ACQUIRING ENTREPRENEURIAL COMPANIES

Symantec Corporation is a leading software company that markets development tools, utilities and application products. The company was founded in 1982 by Dr. Gary Hendrix, a leading artificial intelligence expert. Gordon E. Eubanks, Jr., founder of C&E Software, acquired Symantec in 1984, beginning the company's strength in acquisition. Symantec completed its public offering in 1989. Since then, the company has continued to expand by growing their product franchises, acquiring emerging software companies, and establishing overseas offices. Symantec has a strong presence in software retail and distribution and a developing direct sales force. The company sells worldwide and tailors products for European and Asian countries.

The company ended its fiscal year 1996 with revenues of over $445 million compared to $431 million for fiscal 1995. During fiscal 1996, Symantec recorded non-recurring charges totaling $39.2 million principally related to the acquisition of Delrina Corporation. The net loss for the year, after acquisition and other non-recurring expenses was $0.76 per share. Excluding one-time-charges and Delrina pre-acquisition losses, operating profit was $35.3 million for fiscal 1996.

"Symantec continued to build market share and technical leadership in key segments of traditional strength by adding value, safety and productivity to users of desktop software and the networks to which they are connected," said Gordon E. Eubanks, Jr., president and CEO of Symantec Corporation. "Going forward, we will continue our commitment to providing products for high growth markets in advanced communications and computing platforms including Windows 95, NT, NetWare, Macintosh and the Internet." As a market leader in desktop and network utilities (Norton, pcANYWHERE), development tools (C++, Cafe) and productivity applications (ACT, Q&A), Symantec had achieved sufficient scale and product breadth to flourish in a competitive market. (Exhibit 1 lists Symantec's product line).

Symantec competes in a crowded and fragmented market. While Microsoft dominates word processing, spreadsheet, presentation and database software applications, it is Adobe, Borland, Cheyenne, Lotus/IBM, Symantec, and selected others who cover much of the rest of the desktop applications market. Those smaller players offer either products competing against Microsoft or niche products in the software utilities, development tools, productivity and communications areas. In addition, thousands of small, entrepreneurial independent software vendors (ISVs)

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operate across all of these market segments and are often market leaders for specific categories. These companies, full of innovation but dwarfed by the awesome brand, sales, and distribution of a Microsoft, tend to be acquisition targets in this industry.

Symantec Acquisition Strategy

A critical part of Symantec's growth strategy is acquisition as articulated in company literature:

> One cornerstone of Symantec's strategy is the pursuit of acquisitions as a way to supplement its in-house product development in the three major categories of development tools, utilities and productivity applications. Since late 1989, Symantec has acquired more than 14 software companies. Mergers and acquisitions (M&A) is an important business process for the company in moving toward its goals. Symantec combines with other companies that have complementary strengths to our own. By combining, Symantec can do more than either company could do on its own. The combined entity becomes a more attractive long-term partner for our customers.[1]

Small, growing high technology companies almost inevitably face the decision of when and how to ramp up their development, sales and distribution facilities. They are often driven to consolidation in order to gain efficiency and survive increasing competition. More seasoned technology companies, like Symantec, often need to complement internal development programs with selective acquisitions to quickly enter high-growth and visible markets. Their goals are centered around instant acquisition of resources, products, and market presence in growing niches that complement an existing product portfolio.

The intersection of these two forces is where Symantec's M&A organization attempts to create value. Through detailed analysis of prospective partners and integration of acquired assets across a broad and high-performing infrastructure, Symantec has been able to profitably grow its organization through numerous acquisitions. Through its acquisition strategy, the company now offers products that include desktop productivity and communication tools, programming development tools, and utilities such as network managers, virus checkers, and remote management products (i.e., products which allow a company to manage remote computer resources).

Symantec has acquired the companies in Table 1 below:

Breakthrough Software	Productivity applications	1987	NA
Living Videotext	Productivity applications	1987	NA
THINK Technologies	Development tools	1987	NA
Peter Norton Computing, Incorporated	Software utilities	1990	$64 MM

[1] From the Symantec web page *Symantec Backgrounder* in the News & Information section on May 11, 1996.

Dynamic Microprocessor Associates, Inc	Software utilities	1991	$22 MM
Leonard Development Group	Productivity applications	1991	$5 MM
Zortech Ltd.	Development tools	1991	$14 MM
Certus International Corporation	Software utilities	1992	$4 MM
MultiScope, Inc.	Development tools	1992	$4 MM
Symantec (UK), Ltd.	Software utilities	1992	$25 MM
Whitewater Group, Inc.	Development tools	1992	$1 MM
Contact Software International, Inc.	Productivity applications	1993	$42 MM
Distributor Pro and NetDistributor Pro	Software utilities	1993	$0.8 MM
Fifth Generation Systems, Inc.	Utilities software	1993	$54 MM
Rapid Enterprises, Inc.	Development tools	1993	$7.7 MM
Central Point Software, Inc.	Software utilities	1994	$57 MM
Intec Systems Corporation	Productivity applications	1994	$1.8 MM
SLR Systems, Inc.	Development tools	1994	$2.7 MM
Delrina Corporation	Communication utilities	1996	$383 MM
FastTrack, Inc.	Development tools	1996	NA

The Merger & Acquisition Process

Mark Bailey, Symantec's Senior Vice President of Business Development, notes Symantec's rationale for its acquisition philosophy:

> "High technology companies are fairly recent additions to the ranks of active acquirers. In the past, internal development bore the brunt of growth prospects, but de novo innovations are becoming riskier, more expensive, and more time consuming... Hence, high-tech firms are going outside to get companies with talented people, proven products that can meet market demands and generate technological throw-offs for the future."

Along with this strategy comes a myriad of risks to the active acquirer. Selective acquisitions involve delicate timing and integration issues that, if not executed properly, can kill a deal and/or destroy employee morale. The major categories of obstacles Symantec manages in its acquisition program include the following:

- *Market Risk*: In emerging markets with rapidly changing competitive landscapes -- will the customers buy the product?
- *Product Risk*: With increasingly complex development challenges and shortened product life cycles -- will the product work properly?
- *People Risk*: The entrepreneurial challenge is often far different from that of a more mature software company -- will the acquired talent stay on hand, and do they truly understand the market and technology challenges they face?

Managing these risks properly is the essence of a successful M&A program. With 20 acquisitions (Table 1) in the past 10 years of operation, Symantec has proven its ability in this area and built a company around this competence. In doing so, it has developed an overall acquisition philosophy (Exhibit 2) that it takes to every deal under consideration.

Symantec has used its years of experience to refine the deal process into a disciplined, categorized approach. This process has three main phases:

1. **Phase I: Prospecting** -- "deal desirability and feasibility review"
   This phase starts with early exploratory work and culminates in basic deal terms being defined.

2. **Phase II: Scrubbing** -- "detailed due diligence and announcement preparation"
   This phase begins when deal basics are defined and ends with announcement of acquisition.

3. **Phase III: Integration** -- "building of working relationships"
   This phase begins roughly ten days before the announcement date and continues on an intensive basis for approximately two months.

The Prospecting Phase

Symantec's Business Development team looks at approximately 350 potential deals per year, and has two to ten under consideration ("pots on the stove") at any one time. This magnitude of deal prospecting calls for intense strategic discipline. Fit within Symantec's corporate strategy and core software product areas (Exhibit 2) is the first level of scrutiny. From there issues like product growth and momentum, current market/brand strength, and cost synergies are considered. Bailey describes the prospecting phase as continual balancing of planning and opportunism:

> "We use our corporate strategy and visions for our business areas as filters to screen out deal opportunities too far afield from our focus... At the same time, we try to learn something new from each new deal opportunity and reexamine the assumptions used in planning to date... Our business planning process has a symbiotic relationship with our review of new deal opportunities; each helps us do a better job in the other area."

The prospecting process is executed by Symantec's virtual M&A machine. Leads come from a variety of sources, including investment banking and venture capital contacts, but are most frequently generated internally. Anyone on the executive team can advocate a deal. From there, a small ad hoc team of 10-20 employees is formed including members from Business Development, Human Resources, a product group, Finance, and Legal. Generally, non-disclosure agreements are signed from the outset to ensure complete confidentiality. Once the opportunity is sized and deal basics are defined (market, competition, customer references, revenue forecasts, accounting issues, risks), a letter of interest is prepared for the target company

indicating the need for more detailed evaluation. Assuming favorable initial analysis and an understanding between Symantec and the partner of rough deal terms, they move on to the scrubbing phase.

The Scrubbing Phase

As Symantec moves toward this phase, its deal team generally grows from fifty to seventy-five members and includes people from all of its functional areas (i.e., manufacturing, customer support, sales, marketing, MIS, etc.). These employees are drawn in on a temporary basis while still active in their existing positions. The majority of work in this phase involves detailed due diligence of the potential partner's business. Another task is to prepare the announcement, where marketing and public relations groups define their approach for communicating with the external environment (press, analysts, competition, etc.) and where human resources prepares Symantec employees internally. The depth and thoroughness of this process can be seen from the responsibilities of each major functional area:

Human Resources: Establishes new compensation/benefits policies (including the granting of stock options), develops headcount model and prepares severance packages, determines recommendation for geographic location of new partner

Product Group: Identifies key employees and customer relationships, develops product schedule and revenue forecasts, and develops transitional marketing plans

Worldwide Sales: Reviews old and develops new distribution and pricing plans, develops new headcount/support plans, prepares initial revenue forecast

Legal: Reviews intellectual property rights, current contracts/licenses, tax structures, and prepares merger agreement

MIS: Prepares computer, phone, remote IS, E-mail, and equipment needs analysis

Manufacturing: Determines prospective manufacturing and shipping location, understand material planning, purchasing, and quality needs

Finance: Prepares detailed due diligence report regarding historical monthly financials, develops initial P&L forecast for the partner (this becomes budget for the new group), helps with pro forma financial statement preparation and the negotiation process

The Business Development team coordinates this phase of the acquisition process and is also heavily involved in deal negotiation. Bob Dykes, Executive Vice President, CFO and Worldwide Head of Operations and Mark Bailey are the primary personnel involved in negotiating terms with the potential partner. Symantec's decision of whether or not to acquire the company hinges on factors like revenue momentum and market potential, rather than cost synergies. In fact, cost reduction plays a very minor role in the decision to purchase an attractive candidate. Ultimately, if the revenue potential is clear and a deal structure is agreed upon, Symantec will perform a

valuation using income statement forecasts and simple EPS accretion/dilution analysis (Exhibit 3). When and if the deal is agreed upon, the organization moves on to integration.

The Integration Phase

An integration team of 100-150 people will be chosen ten days prior to announcement of the definitive agreement to merge. These employees will become the key liaisons into the larger company. Symantec has also established a central marketing group that helps with the new group's product definition and strategy as well as tactical issues like public relations, launch timetables, product packaging, etc. Enrique Salem, Symantec's Chief Technical Officer, oversees a group that helps integrate and add to the newly acquired technology base. Other groups like the Worldwide Sales team and Customer Service/Technical Support also play large roles in the integration process. Clearly, this is the most intense phase of the acquisition process and it generally covers a period of two months depending on the merger size and scope. For the initial two months, integration meetings are held on a weekly basis.

The announcement of the merger is also a critical part of the process and Symantec does not ignore its importance. It is well understood that first impressions can greatly effect the retention of key talent and the ultimate success of the merger. Knowing this, Symantec has developed transition tactics that help improve post-merger performance; they include some of the following:

- Detailed transition packages given out to new employees at announcement
- Hiring decisions made within two weeks of announcement for those in question
- Integration tasks clearly stated as part of current employee responsibilities
- Simultaneous announcements on all work sites that will be affected by merger
- Weekly integration meetings for new and existing employees together
- Pair up Symantec employees with new partner employees (e.g. SideKicks mentoring program)

Because of the tight relationships formed in the negotiation/due diligence process, the Business Development team normally serves as the advocate for the new company within Symantec. The business development team is a key element of successful integration. Post-merger analysis has shown that the most successful mergers have had a Symantec champion for the acquired company. Without this type of internal promotion, newly merged companies often failed to get mindshare of key management and central Symantec resources that are necessary to drive new revenue growth.

POST-DEAL ANALYSIS

Since acquisitions are the cornerstone of Symantec's growth strategy, their analysis does not stop with the initial deal terms. Following the merger, actual vs. expected revenues are tracked monthly, and results in areas like market penetration, product development, and people development are monitored regularly. Exhaustive post-deal analysis has helped Symantec continually improve the integration of new companies.

Learning to do acquisitions well may seem, by nature, a foreign concept to fast-growing software companies. However, Symantec's disciplined acquisition process is a direct result of experience in merging growing companies into its corporate infrastructure. Warning signs of potentially poor deals become clear to Symantec's experienced deal prospecting teams. Post-deal feedback regarding the do's and don'ts of integration are now embedded into the firm's M&A philosophy. Furthermore, the strategies and tactics behind enhancing revenue and earnings growth of acquired companies have been formalized at Symantec (i.e., distribution channel access, sales force size and scale, international marketing, line extension expertise, etc.).

This is not to say that Symantec's process is infallible. Disastrous acquisitions like those of 5th Generation and Certus show that even a well-oiled M&A machine can make major mistakes. Two brand franchises that Symantec has built with moderate success are pcANYWHERE, a PC communications software, and ACT!, a personal productivity software. These come from the DMA and Contact Software acquisitions, which are typical, albeit quite different, examples of Symantec's experience in acquiring small software companies.

DMA ACQUISITION

Dynamic Microprocessor Associates (DMA) was founded in 1979 by Lee Rautenberg, an MIT graduate and engineer, who saw tremendous opportunity in remote computing. In 1992, propelled by its flagship pcANYWHERE product, DMA had evolved into a successful software company with $12 million in revenues and thirty employees. pcANYWHERE allowed a personal computer to access another PC via a modem and emulate the other PC. In other words, one could access all the applications and files on a remote computer, as if one was actually sitting at that computer.

After ten years of leading the company through both product design and the growth of the business, Mr. Rautenberg realized that he was spending more time running a business and less time devoted to his forte which was creating technical solutions. This led him to the conclusion that he would eventually like to exit the business. In his words, "I did not like running a business. I am an engineer at heart." Additionally, while the company was becoming more and more profitable Mr. Rautenberg believed that the market opportunity that DMA was exploiting had a limited window of opportunity.

In 1991, while attending the Comdex conference in Las Vegas, DMA's Vice President of Sales, witnessed the entrance of a threatening competitor. Central Point, a utilities company, had bundled remote computing technology virtually identical to DMA's into its utilities software product.[2] While DMA had four competitors in 1991, they accounted for less than 30% of the overall market. Bundling was a much larger threat to DMA than it had previously faced, and Mr. Rautenberg reasoned this would have an extremely adverse affect on sales. Remote computing capabilities would now be bundled with generic utilities packages instead of being sold separately. Additionally, Mr. Rautenberg felt that Microsoft would replicate DMA's technology in the near term. Mr. Rautenberg felt that Microsoft's brand, ability to bundle, and its distribution

[2] Note: Symantec acquired Central Point in 1994.

power would effectively squash DMA's future growth potential. Given this back drop, Mr. Rautenberg started postulating on the future of DMA and about potential strategic partnerships or exit.

Prospecting

In evaluating the competitive impacts of the new entrant, Mr. Rautenberg realized that Central Point was also the biggest competitor of another utilities company, Symantec. He reasoned that for Symantec to remain competitive, it would need a similar bundled remote computing offering with its basic utilities package. Having identified a company with a good strategic fit, Mr. Rautenberg decided to test the waters and see if Symantec wanted to license or buy the pcANYWHERE product. In June 1991, he had his Vice President of Sales visit Symantec to discuss bundling or licensing arrangements. Mark Bailey, Vice President of Business Development, was the Symantec person involved in the discussions.

After the initial contact, Mr. Bailey called Mr. Rautenberg directly to discuss a potential deal. While Mr. Rautenberg suggested a licensing or product purchase arrangement, he indicated he was open to any kind of arrangement. Mr. Bailey pushed for an out right purchase and Mr. Rautenberg was taken by what he described as the "excited and positive reaction by Symantec" regarding his product. This helped foster a good working relationship between Mr. Bailey and Mr. Rautenberg. Following a few more discussions in June of 1991, Mr. Rautenberg received a letter of intent from Symantec, one month after the initial conversation. The deal was contingent on further due diligence as only a quick and dirty valuation had been performed.

Scrubbing

The valuation and negotiation process was described as somewhat cumbersome by Mr. Rautenberg. Mr. Rautenberg had previously hired a consultant to help him value the company, so he had an idea of its potential value. To facilitate the process he sent Symantec DMA's past financials, plus the first two months of the current fiscal year. Concurrently, Symantec started performing technical and business due diligence. The technical due diligence involved Symantec software engineers reviewing the product and comparing it to other products on the market. They also looked at the code to determine if it was well written and translatable. The business due diligence was done by Symantec financial and marketing personnel who sized the market and projected revenues. While Symantec was planning to enter the communications market, it was not convinced of the opportunity in remote computing. In the end, Symantec's due diligence led it to believe that telecommuting and mobile computing were booming and that pcANYWHERE was an excellent product. At the conclusion of this process, Mr. Bailey came up with an offer for an "all stock, pooling of interest" deal.

The negotiations became somewhat contentious over the terms of the deal. Mr. Rautenberg describes himself as risk averse, and he did not want to bet his future worth on Symantec's stock. Additionally, the companies could not agree on what to do with the significant amount of excess cash DMA had accumulated. Mr. Rautenberg felt DMA had the cash only because he had chosen not to distribute it; the cash was not related to working capital or necessary investment. Mr. Rautenberg felt, therefore, that he should take out the cash above the operating level. Furthermore, Mr. Rautenberg wanted Symantec to increase the offer if he was going to accept an

all stock deal versus a cash and stock deal. Mr. Bailey felt Mr. Rautenberg should have confidence that Symantec would grow and that he would benefit from holding its stock. Mr. Rautenberg, on the other hand, wanted Mr. Bailey to have confidence in his product and its impact for Symantec. This contention led to a compromise position whereby Symantec agreed to allow Mr. Rautenberg to take out two-thirds of the company's cash as well as slightly upping their all stock offer to $20 million.

At this point in the process, no one at DMA had been informed that a potential acquisition was in the works; the entire process had been negotiated through Mr. Rautenberg and his corporate lawyer. While DMA had four small equity holders, none were venture capitalists or even active investors, and their influence and involvement in the negotiations were minimal. The letter of intent was received on July 5th and was contingent on all information provided by Mr. Rautenberg being accurate. Following the initial agreement, Mr. Rautenberg arranged for a few Symantec employees to come to DMA's office in Long Island, NY, to review the operations and the books. John Surfini, Vice President of Operations and Controller for DMA, was involved with the team, but no other employees were informed. The process went on for seven weeks during which time Symantec looked at manufacturing, financials, as well as human resources issues such as which personnel would be retained and people would be located. The deal was announced to the public on August 23, 1991.

On the morning of the 23rd, new marketing hire Michael Kerman was told that there was a 9:30 a.m. meeting in the corporate conference room. All employees had been told to attend the meeting with seemingly no one knowing the purpose of the meeting. Mr. Rautenberg led off the meeting by announcing the deal and explaining how this promised to help the company prosper in the future through bundling and distribution. He promised the employees that they would be taken care of, but that sales, marketing, and administration were going to be evaluated. Following Mr. Rautenberg, Mr. Bailey described Symantec's motivations for purchasing DMA and generally its plan for integration. In this speech it was made clear that the developers were key to the acquisition, but that administrative, sales, technical support, and marketing may be displaced, as they were redundant with Symantec's personnel.

Integration

Immediately following the acquisition, Symantec installed a transition team that consisted of Mark Bailey's team led by Karen Black and some H.R. personnel. Mr. Bailey and an H.R. person sat down with each employee to provide an informational interview where they discussed the impact on the employee and answered any questions. Karen Black's primary responsibility was to keep the development team intact, but to start making strides toward upgrading the software to Symantec standards. According to Ms. Black, DMA was strong in technical design, but weak on process and quality assurance; Symantec had expertise in both areas.

An employee close to the process described the impact on employees: "There were a variety of reactions, but overall people were pretty down; it felt like things were sold out from under them." DMA was a small, paternal organization, and Symantec did its best to make sure Mr. Rautenberg, the father figure, helped smooth the transition. He was retained as chief of technology and signed a two year contract with Symantec. Mr. Kerman stated, "It was clear that

Symantec was the new law in town, but Lee was still involved. People looked to him as the leader, and as long as he was involved, people had faith." Employee attitude changes were immediate, especially the salespeople who were looking for other jobs within thirty six hours. Within two weeks, technical support was displaced, and a new technical support group was set up at Symantec's central technical support group in Santa Monica. The entire process took over three months. In the end, the only remaining DMA employees were Lee, the developers, and a couple of marketing and administrative people; all sales and technical support staff were replaced. The Symantec transition team was at DMA's Long Island headquarters throughout the process, and Karen Black subsequently stayed on as head of product development.

Evaluation

In summarizing employee impressions of the acquisition process, Michael Kerman, who was Director of Product Development in 1996, stated that Symantec "did a good job in a triage situation." He also felt Symantec did a good job of keeping the development staff together and on-track. They were ensured immediately that their jobs were safe, and they were allowed to focus on the product. The developers were also left with considerable freedom with the product and a general sense of autonomy. To create incentives for them to stay on the developers were given options with a multi-year vesting period. While Karen Black initially became Director of Product Development, her efforts focused primarily on ensuring product quality and helping with the user interface. She did not constrain or change the developers' creativity. According to Ms. Black, "It is critical in an acquisition not to say 'you will do it this way.' This can and will ruin morale and alienate the development team." Finally, Ms. Black felt Symantec did a good job of getting to understand the product and the market quickly, after some problems in the first six months. This understanding was demonstrated by Symantec's success in selling, supporting, and re-designing the product.

While many things were done well, the process was not without its faults. Mr. Kerman stated that "not enough care was paid to the non-developers, and it rubbed off on all employees. A small company is like family." Also, according to Mr. Kerman, "Symantec did not manage the logistical part of the transition very well: no business cards were ordered, there was no explanation of new forms or processes, and no initiation on how to navigate through Symantec to the right people." There was generally a lack of introduction to Symantec. While the purpose of the acquisition was articulated, it was not clear to employees who Symantec was, what their philosophy and strategy was, or even what products they offered. This created anxiety for many employees about the type of company for which they were now working.

The results of the acquisition had been impressive, as of 1996. Sales of the pcANYWHERE product had more than quintupled (Exhibit 4). It was still the market leader and had even gained market share. Microsoft never entered the market. Mr. Rautenberg stated that the product performed well beyond even his best case scenario expectations. On the personnel side, DMA had only lost one developer since the acquisition. While the developers said that certain features must undergo a much more rigorous cost/benefit analysis than before, much of the development effort proceeded the same as before. The product group owned the product and set the strategy. It was not mandated or passed down from corporate. The one thing that was mandated was some shared code and common features that were included in all Symantec applications. Mark Bailey

had also been surprised by the overwhelming success of the acquisition. He attributed it to the strong brand and product team provided by DMA combined with the sales and marketing strength of Symantec. He did, however, note that to gain these synergies the acquisition process must be well planned and executed.

While Mr. Rautenberg admitted that the product had been extremely successful, he was not as bullish on Symantec's process and his personal experience. Lee stayed on at DMA's office in Long Island as chief architect of communication software for a year before moving to Florida where he continued to develop software for Symantec. Three months before its expiration, Lee's two-year contract was canceled. He describes his experience during these two years as frustrating. Though he did not feel he needed or wanted control, but he felt his ideas were rejected without proper consideration. His feeling was that "the inventor gets gobbled up by a monolith and the monolith does not give proper respect to the guy who made it happen. The entrepreneur gets stifled." Lee's experience, and that of fellow entrepreneurs, is that Corporate America does not know how to deal with entrepreneurs: "They try to reinvent the wheel when they should just provide incentives for entrepreneurs to make them continue to develop what made the company worth acquiring." Symantec admited they have difficulty dealing with and figuring out how to use the entrepreneur.

Looking back on the acquisition from the Symantec side, Ms. Black said, "When we did the DMA acquisition we were still foreign to the process. It has become more and more streamlined and organized since then. The acquisition manual has been created and is continuously updated and improved." Overall, however, Ms. Black indicated that DMA was regarded as one of the most successful acquisitions. As part of their institutionalized acquisition process Symantec tracks the performance of an acquisition on four dimensions: market, people, product, and leverage. (See Exhibit 4). The DMA acquisition rated very highly on the market dimension as the market proved to be extremely strong, but the acquisition suffered on the people side as some key DMA personnel did not integrate well into Symantec's environment.

CONTACT SOFTWARE ACQUISITION

Contact Software was founded in 1985 by three sales representatives from 3M and IBM who saw an opportunity to create software for professionals whose job depended on making and managing contacts. Pat Sullivan, Mike Muhney, and Dan Nichter had each been frustrated by the lack of a good solution to managing the customer data that was critical to being a successful sales representative. With no previous entrepreneurial or software experience, they successfully raised private investment capital and formed Contact Software. In 1987, after two years of development, the Dallas-based company began shipping ACT!, the first contact management software application.

Two years later it was clear that Contact Software's development and selling efforts were successful. The company had proven that the people who generated revenues in an organization, the sales representatives, account managers and client finders, were willing to pay $300 for a piece of software that dramatically improved their ability to track customer information. ACT! became the leader in this category, with over 50% market share and $10 Million in sales. While

sales were growing, the company focused on developing new versions of ACT!. One developer described his life during this stage by saying he would "wake up every day knowing I would do everything I could to make the product better. The sense of ownership among employees was very high. There was a lot of momentum in the development team. We concentrated on inventing the next great feature that would make ACT! a winner." Their success had also attracted the attention of other software companies. Pat Sullivan knew they "needed to get real big real fast to fight off expected competition from such giants as Microsoft and Lotus."

The company's development and market success led the board to discuss investment liquidation options. In late 1991, Contact Software had around 30 private investors from several rounds of private financing and one venture capital investor. The management team owned about 20% of the company, and other employees owned 15%. The management team agreed they needed to find a top-notch CFO to help the company choose the best strategy. Should Contact Software go public? Or look for a viable acquisition partner? How could they financially position the company to best compete in a market with large, well-funded competitors? Sterling Wilson joined Contact Software as CFO to help with these financing decisions. The management team began investigating their options and preparing the company for its next stage. They also hired an investment bank, Robertson Stephens, to consult on the IPO or acquisition decision and help implement the decision.

In order to make the company attractive to a potential buyer, or for a public offering, Robertson Stephens felt Contact Software had to reach 12 to 12.5% profit margins. Management had to concentrate on growing sales and cutting costs to meet this target. Shipping product to drive revenues was their first priority. The company had always had trouble recruiting and retaining high caliber sales representatives. It wanted to better motivate the sales force to improve their sales results. At the same time, the management team cut costs by reducing investment in riskier long term R&D projects and by outsourcing technical support.

As the board and management of Contact Software contemplated whether to attempt a public offering or to search for an acquisition partner, they considered four key issues. First, a public offering would probably take a long time. The company would need to reach a critical size to make a credible offering, and the legal process would be lengthy. Investors felt an acquisition would give them liquidity sooner. Second, the financial requirements for profitability and revenues were more stringent for a public offering. Sullivan was not sure how much they could increase profitability without harming the long-term health of the company. In 1991, Wall Street was "not kind" to single product companies because of the perceived volatility of their earnings and revenues. Sullivan felt Contact might have to release a second product to be taken seriously in a public offering. For these reasons, the team felt an acquirer might offer a better price than Contact Software could raise in a public offering. Third, the market conditions were changing dramatically and the company would need stronger distribution to keep up with the new competitors and to take ACT! into international markets. Microsoft was allegedly working on a contact manager application. The new hand-held and pen-based computer companies were expected to bundle contact management software with their devices. Contact Software could benefit from an acquisition partner who had the market strength to orchestrate a successful bundling strategy. Finally, the board felt a public company would require a stronger management

team. Based on these considerations, the management team and the board decided to pursue potential acquirers.

Prospecting

Robertson Stephens' role was to make introductions to potential acquirers and to negotiate a fair deal for Contact Software. Contact Software approached several companies during the search. Management wanted a company that had strength in domestic retail distribution and the ability to make ACT! an international market leader. They also wanted a company that would invest R&D and marketing resources to make ACT! successful. By the end of 1992, the management team was well into negotiations with two major software companies; one of them being Symantec. While Robertson Stephens had placed Symantec on the list of potential acquirers, Symantec had in fact already approached Contact Software before Robertson Stephens had made a proposal. Both parties were thus interested in a potential deal.

Scrubbing

Symantec was interested in Contact Software because ACT! was the leading application in a large and growing software category. The Symantec team was excited about the network version of ACT! that was planned for release within a year. Symantec wanted to "source a brand with market presence." ACT! had large international market potential. Symantec could offer the marketing strength that Contact Software lacked, and the discipline of a well-defined product development process to speed new versions to market.

Contact Software was in serious negotiations with Symantec and another major application software company. Both could offer the marketing, distribution and sales strength that ACT! required to compete with large competitors. However, Symantec had better retail relationships and a larger international presence; nearly 32% of Symantec's sales were international. In addition, Symantec promised the core group would stay together as the ACT! product team. Since Symantec operated their acquired companies as autonomous business divisions, the existing team would still own the product strategy for ACT!. Most importantly, Symantec offered a competitive price for the company.

Symantec planned to use a pooling accounting method and exchange shares of Symantec stock for shares of Contact Software stock based on the valuation of Contact Software. Valuation negotiations centered on the current and future revenues of the ACT! product. Contact Software reported revenues of $20 Million based on their shipments to distributors. Symantec estimated their revenues at $16.9 Million using more conservative "sell-through" numbers (the actual sales distributors make to end users). Because the retailers can return unsold software, the shipment numbers and sell-through revenues are usually not the same. Symantec initially offered $22 Million to purchase Contact. Robertson Stephens played a key role in increasing the valuation to $36 Million by playing off the other potential bidder. During the final negotiations, Symantec's stock price increased so that by the day of the acquisition, the valuation reached $47 Million.

During the negotiations, a team from Symantec conducted due diligence on Contact's business practices, the quality of their computer code, the strength of their order forecasts, and their financial health. The revenue forecasts and product schedules created by Contact during the

negotiations became the operating plans of the new division after the acquisition. In June of 1993, the sale was complete.

Integration

During the integration phase, personnel issues were paramount. Symantec wanted to be sure key development people were able to make the transition and continue to work toward the next release of ACT!. Only 65 of the 103 employees would move to Symantec. Product management, development and quality assurance moved over to Symantec; centralized functions, including accounting, general marketing, and manufacturing, would be eliminated. Individuals in those functions interviewed for Symantec openings, or received a severance package. The Dallas office was closed. The development team and product management team moved to Cupertino to share office space with Symantec's corporate groups. Sullivan described this as a "bittersweet, emotional time. We had been through wars together and now the company was going away." Everyone knew the goal was to go public or be acquired. Employee options were worth nearly $6 million, so some individuals were well rewarded.

The development team now had the technical resources to build the next generation product. The marketing team worked to gain mindshare with the sales force. Compared to their previous closely knit organization, working with the Symantec central marketing and sales team felt like "working with an outside distributor."

Pat Sullivan stayed with the group during the initial transition. Officially head of development, Sullivan felt "out of place and without enough responsibility." Steve Singh was managing the engineering group and Symantec corporate management handled larger business issues. Sullivan "found the corporate lifestyle in contradiction with his entrepreneurial spirit" and left Symantec a few months after the merger.

Steve Singh became the general manager of the ACT! Division, heading up the developers and the product management team. Steve believed that "mindshare with the Symantec central marketing group and the sales force was key to making ACT! successful." Being in Cupertino at Corporate gave the ACT! group easy access to those people and also immersed the group in the culture of the larger corporation. Some employees "felt more appreciated and more involved before the acquisition."

Evaluation

During Symantec's post-mortem on the Contact Software acquisition, the business development team rated the market fit and leverage with the company as quite good. However, they rated the people fit and the product less favorably (see Exhibit 5). Many of the employees left Symantec to seek the risk and excitement of smaller organizations. The network version of ACT! was not released until March of 1994, much later than anticipated. Standard follow-on releases were also late.

ACT! sales the first year were above projections: $24.5 Million versus a projected $22.1 Million. Revenues in fiscal year 1995 reached $34 Million, but fell to $32 Million in fiscal year 1996. The competitive landscape had changed; competitors introduced sophisticated client-

server contact management applications for high end databases that track customer information for an entire sales force rather than a single sales representative.

REFLECTIONS OF SYMANTEC'S IMPLEMENTATION OF ACQUISITIONS

Reflecting on what has made Symantec successful, CEO Gordon Eubanks continues to stress the importance of M&A and the process they have developed:

> "Every major software company that has been successful has used acquisitions to complement its growth development. It is a critical part of this industry. We're not just dealmakers ...we recognized this early on and we've tried to create a core competency in M&A by formalizing the process."

On the issue of integration of acquired companies, Eubanks says formalizing the process has helped Symantec retain better people. But as with DMA and Contact Software, dealing with the founding entrepreneur is a delicate issue. Having had the experience of numerous acquisitions now behind them, Eubanks and Bailey have somewhat begrudgingly taken a realistic perspective on what happens to the acquired company's management:

> "Looking at the history of our acquisitions, changing management is a good value proposition. We have done five major acquisitions that were very traumatic and we changed management within six months on each ... entrepreneurs don't last, end of story. What we have put in place is a means to make sure that these things don't blow up when they leave."

But Symantec's management also recognizes that there have been many missed opportunities. Symantec had successfully used opportunistic acquisitions to grow its product portfolio, but other than the Peter Norton acquisition, it has had very few big wins with M&A. Furthermore, in 1995 Wall Street had a strong interest in the technology sector, with many entrepreneurial companies going public. This made it more difficult for Symantec to pursue its acquisition strategy successfully. Eubanks noted that a hot IPO market could have a variety of consequences for Symantec:

> "In normal market conditions we can target companies that are at a crossroads. In today's market, who knows? We can't buy a company if they can just go public, so it's much harder to acquire companies that have any growth potential. You are never going to get a company that doesn't want to be acquired, and very few technology companies have been able to pay high prices for acquisitions and make them pay off. But the biggest impact of a hot IPO market like today is that we lose people. Many of our employees feel there are better opportunities for them outside the company."

Hopes were high internally and externally regarding the Delrina acquisition, Symantec's largest to date. However, as Eubanks, Dykes and Bailey looked ahead many questions still remained: How could Symantec improve its prospecting of new targets? What are the key factors that seem to be present in all "good" deals? How does Symantec approach acquisitions when the public market alternatives are so attractive? What are ways to improve the integration effort so as to avoid culture clashes, retain talent and ensure a smooth transition financially? Is changing management a "necessary evil" in acquisitions of entrepreneurial companies? What can be done with a founder who wants to stay involved?

Exhibit 1
Symantec Acquisition Philosophy

General Points:

- Partner with companies that are the best in their class
- Remember that this is a selling process from the first conversation with the acquisition prospects through the close of the deal - keep selling!
- Be open and respectful of the ideas and processes developed by our partner
- Manage the people issues in our acquisition aggressively and candidly

Financial Goals:

- Ensure that the financial analysis of the merger becomes the budget for the new group
- Sustain revenue momentum during the integration process

Exhibit 2
Symantec Product Areas

Network Utilities	
Norton Administrator for Networks	Integrated LAN and WAN management from a central console
Norton Utilities Administrator	Centralized diagnostics for workstations with advanced tools for recovery, desktop maintenance and restorations
Norton AntiVirus for NetWare	Advanced virus protection over networks
Norton DiskLock	Centralized access control via passwords and encryption
Norton pcANYWHERE	Remote access and control of office PC's for end users and for network administrators
Norton Desktop Administrator	Network management for controlling and managing end user desktops across the enterprise
Norton Administrator Suite	Hardware and software inventory, software metering and distribution
Desktop Utilities	
Norton Utilities	Troubleshooting and diagnostics for the desktop
Norton AntiVirus	Virus detection and correction
Development Tools	
Symantec Cafe′	Graphical Java development tools
Symantec C++	Development tool for Windows applications
Delrina FormFlow	Tools to help business automate their business processes using electronic forms
Productivity Tools	
ACT!	Contact management for workgroups
ACT! Mobile Link	Remote access to ACT! database
ACT! for Notes	ACT! with groupware functions of Notes
Communication Tools	
Delrina WinFax Pro	Fax software
Delrina Cyberjack	Internet communication tool
WinComm Pro	Communication tool

Exhibit 3
Sample Symantec Forecast and Valuation Analysis

The following is an actual valuation model used during the Contact Software acquisition. It shows both the income statement projections -- quarterly one year forward from the acquisition date -- and the incremental EPS analysis.

Income Statement Projections: The revenue forecast is what drives the valuation. Careful predictions are made for the current quarter (ending March 1993 here) and the following four quarters (June 1993, September 1993, December 1993, and March 1994). High budget and low budget scenarios are shown to reflect potential revenues given varied amounts of spending on the newly acquired products. Symantec then overlays cost of goods sold and a standard operating expense structure with this revenue line to arrive at a quarterly net profit or loss total for business to be acquired.

Incremental EPS Analysis: The model then estimates Symantec's after tax earnings for the same quarters. Pre-deal high range and low range estimates are made. Symantec shares outstanding are estimated and pre-deal EPS forecasts are made (AT Earnings / Shares Pre-Deal). The model then makes three estimates on the number of shares that will be required to purchase the company, Contact Software in this example. This is shown in the shares-minimum, shares-median and shares-maximum lines of the EPS analysis. Using these incremental share levels and the income statement projections, Symantec can calculate what the incremental changes in EPS would be.

To calculate the pro-forma combined company EPS the calculation is:
(Pre-deal Forecasted Symantec Earnings + Acquired Company Forecasted Earnings) / (Pre-Deal Shares Outstanding + Shares used to purchase Acquired Company) = Pro-forma EPS

The calculation for Symantec EPS prior to the acquisition is simply:
(Pre-deal Forecasted Symantec Earnings / Pre-deal Expected Shares Outstanding) = Pre-deal EPS

To calculate the incremental changes in EPS from doing the acquisition:
(Pro-forma EPS - Pre-Deal EPS) = Incremental EPS

The result is high range and low range estimates of incremental EPS given varying amounts of Symantec shares paid for the company. Negative numbers mean the acquisition will decrease Symantec's post-deal EPS. Positive numbers mean the acquisition will increase Symantec's post-deal EPS.

Exhibit 3 (Cont'd.)

Budgeted Income Statement (Page 1 of 3)

	Actual June 92	%	Actual Sep 92	%	Actual Dec 92	%	Forecast Mar 93	%
Revenues								
Distribution	$3,928	100.9	$4,176	94.0	$4,936	90	$5,017	100
International	0	0.0	238	5.4	546	10	0	0.0
Direct	0	0.0	0	0.0	0	0.0	0	0.0
Gross Revenues	$3,928		$4,414		$5,482		$5,017	
Less: SRA/reb/disc	272	6.9	0	0.0	883	16.1	802	16.0
Net Revenue	$3,656		$4,414		$4,599		$4,215	
Cost of Revenues								
Distribution	$868	22.1	$678	16.2	$805	16.3	$823	16.4
International	0	NA	0	0.0	0	0.0	0	NA
Direct	0	NA	0	NA	0	NA	0	NA
COGS Other	0		0		0		0	
Standard Cost of Revenue	$868	23.7	$678	15.4	$805	17.5	$823	19.5
Royalty	$0	0.0	$110	2.5	$111	2.4	$111	2.0
Amortization	0	0.0	0	0.0	0	0.0	0	0.0
Manufacturing on Allocation	0	0.0	292	6.0	263	5.7	263	6.2
Total Period Costs	0	0.0	402	9.1	374	8.1	374	3.9
Cost of Revenues	$868	23.7	$1,080	24.5	$1,179	25.0	$1,197	28.4
Gross Margin	$2,788	76.3	$3,334	75.5	$3,420	74.4	$3,018	71.0
Operating Expenses								
Marketing	$425	11.0	$636	14.4	$430	9.3	$563	13.4
G & A	622	17.0	448	10.1	468	10.2	425	10.1
R & D	336	9.2	500	11.3	561	12.2	608	14.4
Sales	950	26.0	1,063	24.1	1,009	21.9	1,060	25.1
Sales Variable	0	0.0	0	0.0	0	0.0	0	0.0
Technical Support	300	8.2	337	7.0	527	11.5	599	14.2
	0	0.0	0	0.0	0	0.0	0	0.0
Direct Operating Expenses	$2,633	72.0	$2,984	67.0	$2,995	65.1	$3,255	77.2
Operating Profit	$155	4.2	$350	7.9	$425	9.2	($237)	-5.0
Interest Expense / Other	39	1.1	44	1.0	29	0.0	29	0.7
Pretax Profit	116	3.2	306	6.9	396	8.0	(266)	-6.3
Tax	40	34.5	104	34.0	145	36.0	(90)	34.0
Net Profit	$76	2.1	$202	4.0	$251	5.5	($176)	-4.2
AT Earnings Predeal-High Range	$5,165		($5,842)		($2,101)		($740)	
AT Earnings Predeal-Low Range	$5,165		($5,842)		($2,101)		($740)	
Shares Predeal	25,876		23,139		23,590		23,850	
Shares Minimum	2,657		2,657		2,657		2,657	
Shares-Median	3,000		3,000		3,000		3,000	
Shares-Maximum	3,632		3,632		3,632		3,632	
High Range - Predeal								
Incremental EPS-2657 Shares	($0.016)		$0.034		$0.019		($0.004)	
Incremental EPS-3000 Shares	($0.018)		$0.037		$0.019		($0.003)	
Incremental EPS-3632 Shares	($0.022)		$0.042		$0.021		($0.002)	
Low Range - Predeal								
Incremental EPS-2657 Shares	($0.016)		$0.034		$0.019		($0.004)	
Incremental EPS-3000 Shares	($0.018)		$0.037		$0.019		($0.003)	
Incremental EPS-3632 Shares	($0.022)		$0.042		$0.021		($0.002)	

Exhibit 3 (Cont'd.)

Budgeted Income Statement (Page 2 of 3)

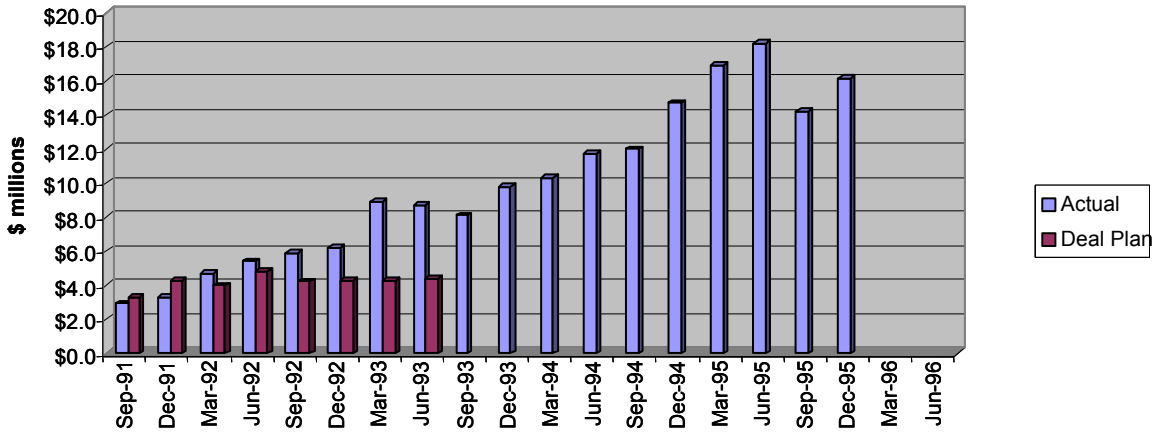
	Low Budget Jun 93	%	High Budget Jun 93	%	Low Budget Sep 93	%	High Budget Sep 93	%
Revenues								
Distribution	$ 2,911	61.9	$3,300	60.6	$3,150	53.4	$3,600	57.1
International	1,072	22.8	1,200	22.0	1,367	23.2	1,550	24.6
Direct	722	15.3	950	17.4	1,380	23.4	1,150	18.3
Gross Revenues	$4,704		$5,450		$5,896		$6,300	
Less: SRA/reb/disc	423	9.0	491	9.0	531	9.0	567	9.0
Net Revenue	$4,281		$4,960		$5,366		$5,733	
Cost of Revenues								
Distribution	$176	6.0	$198	6.0	$191	6.1	$220	6.1
International	59	5.5	66	5.5	72	5.3	82	5.3
Direct	82	11.4	108	11.4	275	19.9	229	19.9
COGS Other	250		250		300		300	
Standard Cost of Revenue	$567	13.2	$622	12.5	$838	15.0	$831	14.5
Royalty	$114	2.7	$124	2.5	$135	2.5	$143	2.5
Amortization	0	0.0	0	0.0	0	0.0	0	0.0
Manufacturing on Allocation	198	4.0	218	4.4	293	5.5	291	5.1
Total Period Costs	312	7.3	342	6.9	428	8.0	434	7.6
Cost of Revenues	$879	20.5	$964	19.4	$1,266	23.0	$1,265	22.1
Gross Margin	$3,402	79.5	$3,995	80.6	$4,099	76.4	$4,468	77.9
Operating Expenses								
Marketing	$986	23.0	$1,086	21.9	$986	18.4	$1,186	20.7
G & A	140	3.3	140	2.8	140	2.0	140	2.4
R & D	960	22.4	960	19.4	962	17.9	962	16.8
Sales	528	12.3	528	10.6	493	9.2	493	8.6
Sales Variable	160	3.7	169	3.4	180	3.4	195	3.4
Technical Support	590	13.8	590	11.9	674	12.0	674	11.8
	0	0.0	0	0.0	0	0.0	0	0.0
Direct Operating Expenses	$3,363	78.0	$3,473	70.0	$3,435	64.0	$3,650	63.7
Operating Profit	$39	0.9	$523	10.5	$665	12.4	$818	14.3
Interest Expense / Other	0	0.0	0	0.0	0	0.0	0	0.0
Pretax Profit	39	0.9	523	10.5	665	12.4	818	14.3
Tax	13	34.0	178	34.0	226	34.0	278	34.0
Net Profit	$26	0.0	$234	7.0	$329	8.2	$540	9.3
AT Earnings Predeal-High Range	$3,036		$3,036		$3,102		$3,102	
AT Earnings Predeal-Low Range	$2,200		$2,200		$2,500		$2,500	
Shares Predeal	27,800		27,800		28,100		28,100	
Shares Minimum	2,657		2,657		2,657		2,657	
Shares-Median	3,000		3,000		3,000		3,000	
Shares-Maximum	3,632		3,632		3,632		3,632	
High Range - Predeal								
Incremental EPS-2657 Shares	($0.010)		$0.001		$0.004		$0.007	
Incremental EPS-3000 Shares	($0.011)		($0.001)		$0.002		$0.006	
Incremental EPS-3632 Shares	($0.013)		($0.003)		$0.000		$0.003	
Low Range - Predeal								
Incremental EPS-2657 Shares	($0.007)		$0.003		$0.006		$0.009	
Incremental EPS-3000 Shares	($0.008)		$0.002		$0.004		$0.008	
Incremental EPS-3632 Shares	($0.010)		$0.001		$0.002		$0.006	

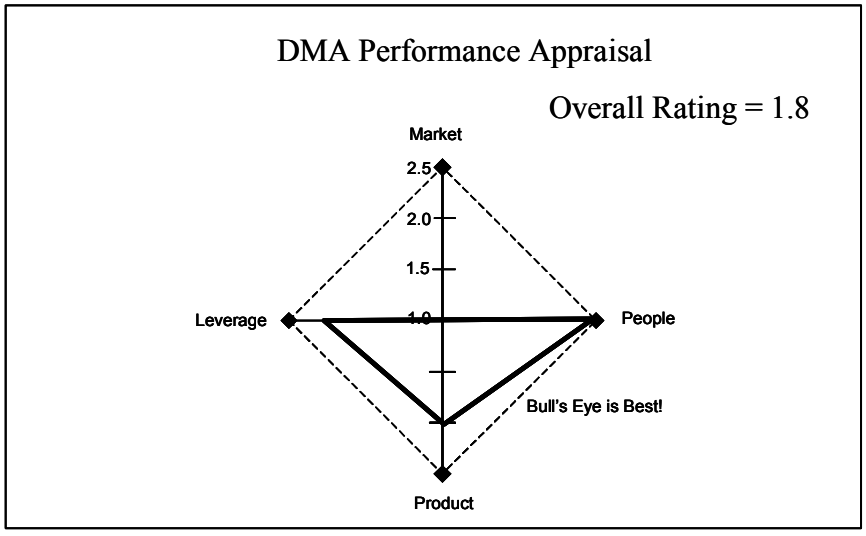
Exhibit 3 (Cont'd.)

Budgeted Income Statement (Page 3 of 3)

	Low Budget Dec 93	%	High Budget Dec 93	%	Low Budget Mar 94	%	High Budget Mar 94	%
Revenues								
Distribution	$3,434	53.0	$3,900	53.4	$3,624	53.0	$4,200	51.9
International	1,801	23.1	1,900	26.0	2,147	31.4	2,300	28.4
Direct	1,169	20.5	1,500	15.5	1,062	15.5	1,600	19.8
Gross Revenues	$6,405		$7,300		$,6834		$8,100	
Less: SRA/reb/disc	576	9.0	657	9.0	615	9.0	729	9.0
Net Revenue	$5,828		$6,643		$6,219		$7,371	
Cost of Revenues								
Distribution	$205	6.0	$234	6.0	$215	5.9	$248	5.9
International	92	5.1	97	5.1	107	5.0	115	5.0
Direct	164	14.0	210	14.0	104	9.8	224	14.0
COGS Other	300		300		375		375	
Standard Cost of Revenue	$761	13.1	$841	12.7	$802	12.9	$962	13.0
Royalty	$145	2.5	$166	2.5	$155	2.5	$184	2.5
Amortization	0	0.0	0	0.0	0	0.0	0	0.0
Manufacturing on Allocation	266	4.0	294	4.4	281	4.5	337	4.6
Total Period Costs	411	7.1	460	6.9	436	7.0	521	7.1
Cost of Revenues	$1,172	20.1	$1,301	19.6	$1,237	19.9	$1,483	20.1
Gross Margin	$4,656	79.9	$5,342	80.4	$4,982	80.1	$5,888	79.9
Operating Expenses								
Marketing	$836	14.3	$1,286	19.4	$836	13.4	$1,286	17.4
G & A	140	2.4	140	2.1	140	2.2	140	1.9
R & D	984	16.9	984	14.8	984	15.8	984	13.3
Sales	493	8.5	493	7.4	493	7.9	493	6.7
Sales Variable	207	3.0	226	3.4	227	3.7	251	3.4
Technical Support	664	11.4	664	10.0	664	10.7	664	9.0
	0	0.0	0	0.0	0	0.0	0	0.0
Direct Operating Expenses	$3,324	57.0	$3,793	57.1	$3,344	53.8	$3,818	51.8
Operating Profit	$1,333	22.9	$1,549	23.3	1,638	26.3	$2,071	28.1
Interest Expense / Other	0	0.0	0	0.0	0	0.0	0	0.0
Pretax Profit	1,333	22.9	1,549	23.3	1,638	26.3	2,071	28.1
Tax	453	34.0	527	34.0	557	34.0	704	34.0
Net Profit	$880	15.1	$1,022	15.4	$1,081	17.4	$1,367	18.5
AT Earnings Predeal-High Range	$4,752		$4,752		$4,818		$4,818	
AT Earnings Predeal-Low Range	$4,500		$4,500		$4,500		$4,500	
Shares Predeal	28,400		28,400		28,600		28,600	
Shares Minimum	2,657		2,657		2,657		2,657	
Shares-Median	3,000		3,000		3,000		3,000	
Shares-Maximum	3,632		3,632		3,632		3,632	
High Range - Predeal								
Incremental EPS-2657 Shares	$0.013		$0.018		$0.019		$0.028	
Incremental EPS-3000 Shares	$0.011		$0.015		$0.017		$0.026	
Incremental EPS-3632 Shares	$0.007		$0.012		$0.013		$0.022	
Low Range - Predeal								
Incremental EPS-2657 Shares	$0.014		$0.018		$0.020		$0.029	
Incremental EPS-3000 Shares	$0.012		$0.016		$0.018		$0.027	
Incremental EPS-3632 Shares	$0.008		$0.013		$0.015		$0.023	

Exhibit 4
Symantec Corporation
Merger Measurement





DMA – Actuals to Plan

Exhibit 4 (Cont'd.)
Symantec Corporation
Merger Measurement

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-02	Dec-92	Jun-93	Sep-93	Dec-93	Mar-94	Jun-94	Sep-94	Dec-94	Mar-95	Jun-95	Sep-95	Dec-95
Actuals	$2.9	$3.3	$4.7	$5.4	$5.9	$6.2	$8.7	$8.1	$9.8	$10.3	$11.7	$12.0	$14.7	$16.9	$18.2	$14.2	$16.2
Deal Plan	$3.3	$4.3	$4.0	$4.8	$4.2	$4.3	$4.4										
Variance	($0.4)	$(1.0)	$0.7	$0.5	$1.7	$1.9	$4.3										

STOCK PRICE CHANGE

	Announce Date				
	8/14/1991	**8/15/1991**	**8/19/1991**	**8/20/1991**	**8/23/1991**
Price	51 ¼	52 ¼	54 ½	53 ¼	54 ½
Change*	2	1	-1 ¼		1 ¼

*Change to Announce Date

DEAL SUMMARY

People	**Products**	**Value ($M)**	**OTC ($M)**
35	1	$20	$2.2

Products: PCA and PCA Lan

DEAL ANALYSIS PERFORMANCE APPRAISAL

Criteria	**Rating**
Market	1.0
Size and growth	1.0
Understanding of needs	1.0
People	2.4
Patent	1.5
Fit with Sym environ	3.3
Product	2.0
Timeliness of shipment	2.7
Win all reviews?	1.2
Symantec leverage	2.1
Fit with infrastructure	2.0
Implementation	2.2
	1.8

Summary	*Average*	*Rating*	*Wght*
Market	2.5	1.0	1.5
People	2.5	2.4	1.0
Product	2.5	2.0	2.0
Leverage	2.5	2.1	1.0
Overall	2.5	2.1	1.0

LESSONS LEARNED

Prospecting/Deal

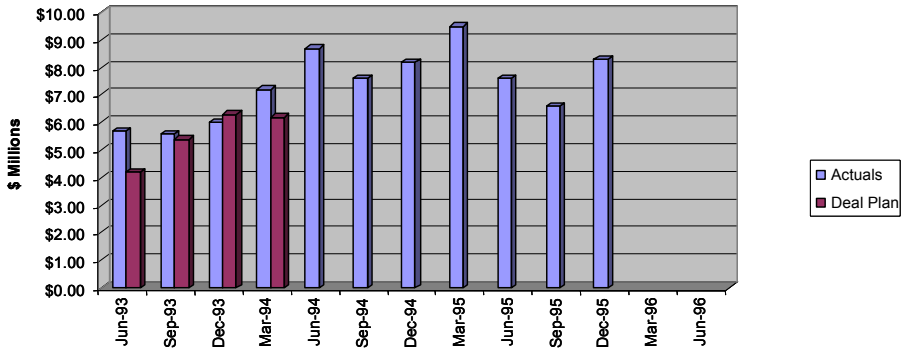
1. PR on direction/product strategy and success in the market generates deal flow.
2. Less risk in accelerating a business that already has a positive trend.

Integration

1. A growing market and a strong product is a great combination!
2. Transition for the entrepreneur is very difficult. How do we make it easier?
3. Ramp up of sales force took longer than usual. Sales force can sell new and complex products but takes time to build confidence and mind share.
4. Pad estimates of ship dates for product in pre-beta development. Windows product much further off than DMA development team believe.

Exhibit 5
Symentec Corporation
Merger Measurement

Contact Revenue – Actual and Plan



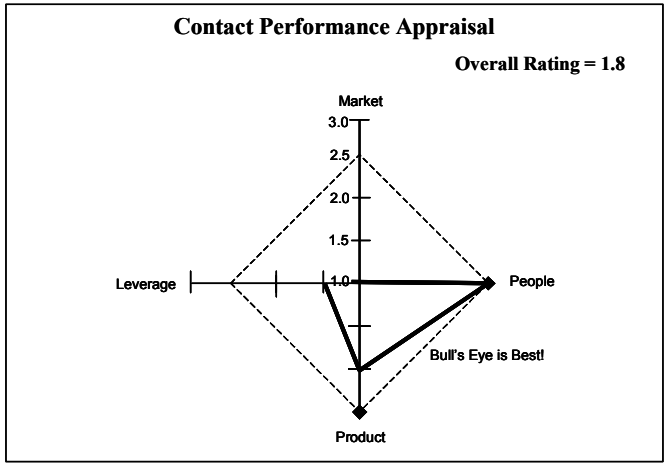


Exhibit 5 (Cont'd.)

CONTACT – Actuals to Plan

	Jun-93	Sep-93	Dec-93	Mar-94	Jun-94	Sep-94	Dec-94	Mar-95	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96
Actuals	$5.7	$5.6	$6.0	$7.2	$8.7	$7.6	$8.2	$9.5	$7.6	$6.6	$8.3		
Deal Plan	$4.2	$5.4	$6.3	$6.2									
Variance	$1.4	$0.2	($0.3)	$1.0									

STOCK PRICE CHANGE

	Announce Date				
	4/28/1993	**4/29/1993**	**5/31/1993**	**5/4/1993**	**5/7/1993**
Price	12 5/8	12 3/4	13 3/4	15	15 3/8
Change*	2 3/8	2 1/4	1 1/4		3/8

*Change to Announce Date

DEAL SUMMARY

People	**Products**	**Value ($M)**	**OTC ($M)**
31	1	$40	$7.4

Products: ACT! (Excluding Mobile Link)

DEAL ANALYSIS PERFORMANCE APPRAISAL

Criteria	**Rating**
Market	1.0
Size and growth	1.0
Understanding of needs	1.0
People	2.8
Patent	2.0
Fit with Sym environ	3.5
Product	2.0
Timeliness of shipment	2.8
Win all reviews?	1.2
Symantec leverage	1.5
Fit with infrastructure	1.2
Implementation	1.8
	1.8

Summary	*Average*	*Rating*	*Wght*
Market	2.5	1.0	1.5
People	2.5	2.8	1.0
Product	2.5	2.0	2.0
Leverage	2.5	1.5	1.0
Overall	2.5	1.8	

LESSONS LEARNED

Prospecting/Deal

1. Persistence pays off!
2. Probe harder for commitment and aspirations of principals in order to minimize changes to the organization during integration.
3. Upfront homework is important part of building credibility with principals.

Integration

1. Transition for entrepreneurs is very difficult.
2. Integration issues with small offices can generate a lot of emotion and disproportionately affect the rest of the integration process.
3. Pad estimates of ship dates for product in pre-beta development. Windows Network product further off than Contact development team believed.