

Date: March 8th, 2013

Analyst Name: Austin Frazier

CIF Stock Recommendation Report (Fall 2012)

Company Name and Ticker: Symantec Corporation (SYMC)

Section (A) Summary

Recommendation Buy: No		Target Price:	Stop-Loss Price:
Sector: Technology	Industry: Software - Application	Market Cap (in Billions): \$16.678 Billion	# of Shrs. O/S (in Millions): 689.19
Current Price: \$24.52	52 WK Hi: \$24.57	52 WK Low: \$13.06	EBO Valuation: \$21.28
Morningstar (MS) Fair Value Est.: \$23.00	MS FV Uncertainty: Average	MS Consider Buying: \$16.10	MS Consider Selling: \$31.05
EPS (TTM): 1.57	EPS (FY1): 1.71	EPS (FY2): 1.92	MS Star Rating: 3 Stars
Next Fiscal Yr. End "Year": 2013 "Month": March	Last Fiscal Qtr. End: Less Than 8 WK: Yes	If Less Than 8 WK, next Earnings Ann. Date: 3/29/13	Analyst Consensus Recommendation: Hold
Forward P/E: 12.33	Mean LT Growth: 8.15%	PEG: 1.51	Beta: 0.96
% Inst. Ownership: 92.09%	Inst. Ownership- Net Buy: Yes	Short Interest Ratio: 1.20	Short as % of Float: 1.60%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	15.05	29.93	22.90
P/S (TTM)	2.39	3.43	3.13
P/B (MRQ)	3.17	4.61	3.77
P/CF (TTM)	9.14	19.45	16.28
Dividend Yield	0.00	1.86	1.63
Total Debt/Equity (MRQ)	56.66	14.38	19.80
Net Profit Margin (TTM)	16.61	14.29	13.76
ROA (TTM)	8.69	12.09	14.20
ROE (TTM)	23.17	21.89	19.43

<p><u>Investment Thesis</u></p> <ul style="list-style-type: none"> • Norton security products “used by 100% of Fortune 500 companies” (Morningstar). • Wide international presence. • The CEO has indicated the company is going through a restructuring process. • Previous managements “operational inefficiency and lack of direction” made it difficult for potential synergies in the company. • Layoffs of middle and executive management will lead to “severance payments of 245 million” (Morningstar) which will affect cash flow. • The company has been breaching its 52 week high in the past week and might not have much more room to grow. • Symantec’s “lack of a network security offering” (Morningstar) could drive business to seek a more enterprise friendly solutions. • Analysts recommend a hold until they see some results from new management. • Overall, I think this is a good company in the near future but we missed the boat, by about a week or two. 	<p><u>Summary</u> Provide brief summary of your analysis in each section that follows</p> <p><u>Company Profile:</u> One of the leading providers in information technology security, storage and systems management. SYMC is currently going through a restructuring phase.</p> <p><u>Fundamental Valuation:</u> Although the implied prices of the stock seemed a bit overvalued. The CEO’s desire to establish long term growth through its new key solutions is evident in this valuation.</p> <p><u>Relative Valuation:</u> Symantec had the lowest long term growth rate, but is much cheaper than its competitors. One of the lowest P/S ratio’s is a not a great sign for this technology stock.</p> <p><u>Revenue and Earnings Estimates:</u> Symantec has a good history of surprising the market. Its high percentage (85%) of returning customers is fundamental to their approach. Because only about 10 analysts estimate the long term growth estimation, the difficulty in this approximation is evident.</p> <p><u>Analyst Recommendations:</u> Overall, analysts have been fairly consistent with their reports and appear to be bearish on the stock with a mean rating of 2.26. A majority of the estimates indicated the stock as a hold.</p> <p><u>Institutional Ownership:</u> There is significant intuitional support of 92.09%. Although small, the decrease in net buyers (90) is not a good sign for the company. This is most likely due to the company’s inability to provide operational improvement.</p> <p><u>Short Interest:</u> Symantec’s short ratio, at 1.20, is more attractive than its competitors MSFT and CHKP. Most recent month’s data indicate a bearish sentiment for the company.</p> <p><u>Stock Price Chart:</u> EMC’s three months and one year price chart show it is outperforming its competitors. Its five year chart indicates the operational troubles of previous management. Based on the RSI of 70, indicated by the two technical analysis charts, this stock is currently overbought.</p>
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Section (B) Company Profile (two pages maximum)

Company Summary

Symantec Corporation is one of the leading providers in information technology security, storage and systems management. This company is largely known for its Norton consumer security products. These Norton products give customers antivirus and identity protection as well as backup of files online. SYMC operates in the Software and Application industry and currently accounts for a 0.48% of the XLK sector. In its third quarter Symantec generated revenues in five segments which include: Consumer segment (30%), Security and Compliance segment (29%), Storage and Server Management segment (37%), Services segment (4%) and Other segment (0%). Its other segment includes products nearing the end of their life cycle as well as indirect costs for example interest income and expenses. Symantec operates in over 48 countries and is “used by 100% of fortune 500 companies” (MorningStar). SYMC’s operates both internationally and domestically, separating its revenues into three regions which include: EMEA region (Europe, Middle East, and Africa) at 28%, Asia Pacific region (Japan) at 19%, and Americas region (United States, Canada and Latin America) at 53%.

Business Model, Competition, Environment and Strategy

“Symantec is a global provider of security, storage, and systems management solutions that help organizations and consumers secure and manage their information-driven world. Our software and services protect against advanced threats enabling confidence wherever information is used or stored.” (10k).

Some of Symantec’s major competitors include: Microsoft Corp. (MSFT), Check Point Software Technologies Ltd (CHKP), EMC Corp. (EMC), and Oracle Corp (ORCL). Microsoft (Security Essentials) and Check Point’s (ZoneAlarm) compete directly with Symantec’s security and compliance segments. Oracle and Microsoft compete directly with their SYMC’s storage and server management segment. Symantec differentiates itself between its competitors by honing its segments on “solving key customer needs” (MorningStar). Symantec behaves cyclically and performs well in the very beginning of the year in last quarter of their fiscal year which is between the months of January to March.

There is restructuring period occurring within the company. Former President and CEO Enrique Salam resigned last July and was replaced with former Chairman of the Board Stephen M. Bennett. Since then Daniel H. Schulman was elected Chairmen of the Board. Mr. Bennett focus is on a new strategy to “focus on future offerings, and improving our operations and organizational structure” (10k).

Seeing as Symantec is in a heavily competitive market they have some risks as stated in their 10k report. One such risk is a large fluctuation in demand for security products. Symantec's revenues could be effected if they are unable to make new, enhanced, enticing products. Due to the highly competitive nature in the industry Symantec's ability to keep up with peers rapid technology changes and development is essential for their market share. A breach in their security network could essentially damage their brand or worse, their reputation. Another significant risk is the companies' ability to integrate its new personal into their business model. Currency fluctuation is always a risk considering the company operates in over 200 countries.

"Software makers Microsoft Corp and Symantec Corp said they disrupted a global cybercrime operation by shutting down servers that controlled hundreds of thousands of PCs without the knowledge of their users." (Reuters). The infected PC's were changing businesses for "online advertisement clicks [...] generated at least \$1 million a year in profits for the organizers of the operation" (Reuters). Both companies had their technicians offer free tools to the data centers and computers in question. They even sent out an automatic message to indicating their device had been hacked. This cyber (Bamital botnet) operation "had the ability to take control of infected PCs, installing other types of computer viruses that could engage in identity theft, recruit PCs into networks that attack websites and conduct other types of computer crimes" (Reuters).

Revenue and Earnings History

This information is available in *Reuters.com*, "*Financials*" tab. Copy/paste the quarterly revenue and earnings per share numbers for the most recent three years. Add the numbers over four fiscal quarters to get annual revenue and earnings. For the current fiscal year, go ahead add up as many quarters as are available. **NOTE:** revenue numbers are "*in millions*".

Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)

REVENUE				EARNINGS PER SHARE			
Periods	2011	2012	2013	Periods	2011	2012	2013
July	1433.0	1653.0	1668.0	July	0.2	0.24967	0.23889
October	1480.0	1681.0	1699.0	October	0.17303	0.24234	0.2726
December	1604.0	1715.0	1791.0	December	0.16967	0.32432	0.30199
April	1673.0	1681.0		April	0.21734	0.75951	

Note: Units in Millions of U.S. Dollars

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Symantec's revenues were consistently increasing in 2011 then slightly decreased in their first quarter of the 2012 fiscal year. Revenues increased for the next two fiscal quarters then fell in their quarter four of the 2012 fiscal year as well as the first quarter in their 2013 fiscal year. Since then, revenues have been increasing. Symantec finishes their Q4 on the last day of March. Management attributes this most recent decrease to its "integration and execution issues" (MorningStar) which were a ramification of the then CEO and president Enrique Salam resigning. EPS decreased in the first three quarters of SYMC's 2011 fiscal year. Then saw an increase in their Q4 for 2011 and Q1 for 2012. Then after another slightly disappointing Q2 in their 2012 fiscal year, SYMC experienced an increase in their EPS in both the Q3 and Q4 of their 2012 fiscal year. After a decrease in their Q1 of their 2013 fiscal year, SYMC has seen increases in their Q2 and Q3 for their current 2013 fiscal year. Since the transition of management last July, consumer sentiment on SYMC is rising.

Section (C) Fundamental Valuation (EBO)

Include the following here:

Copy/paste completed Fundamental Valuation (EBO) Spreadsheet

SYMC	PARAMETERS	FY1	FY2	Ltg									
	EPS Fore casts	1.71	1.92	8.15%	Model 1: 12-year forecasting horizon (T=12). and a 7-year growth period.								
	Book value/share (last fye)	7.04											
	Discount Rate	8.74%			Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines_for_FundamentalValuation_ProfLee_Spreadsheet" file care fully								
	Dividend Payout Ratio (POR)	0.00%											
	Next Fsc Year end	2013											
	Current Fsc Mth (1 to 12)	12											
	Target ROE (industry avg.)	18.62%											
	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Long-term EPS Growth Rate (Ltg)			0.0815	0.0815	0.0815	0.0815	0.0815					
	Forecasted EPS	1.71	1.92	2.08	2.25	2.43	2.63	2.84					
	Beg. of year BV/Shr	7.036	8.746	10.666	12.742	14.988	17.417	20.044					
	Implied ROE		0.220	0.195	0.176	0.162	0.151	0.142					
ROE	(Beg. ROE, from EPS forecasts)	0.243	0.220	0.195	0.176	0.162	0.151	0.142	0.151	0.160	0.168	0.177	0.186
Abnormal ROE	(ROE-k)	0.156	0.132	0.107	0.089	0.075	0.063	0.054	0.063	0.072	0.081	0.090	0.099
growth rate for B	(1-POR)*(ROE-1)	0.000	0.243	0.220	0.195	0.176	0.162	0.151	0.142	0.151	0.160	0.168	0.177
Compounded growth		1.000	1.243	1.516	1.811	2.130	2.475	2.849	3.252	3.742	4.339	5.070	5.969
growth* AROE		0.156	0.164	0.163	0.161	0.159	0.157	0.155	0.206	0.270	0.352	0.456	0.590
required rate (k)		0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087
Compound discount rate		1.087	1.182	1.286	1.398	1.520	1.653	1.798	1.955	2.126	2.311	2.514	2.733
div. payout rate (k)		0.000											
Add to P/B	PV(growth* AROE)	0.14	0.14	0.13	0.12	0.10	0.09	0.09	0.11	0.13	0.15	0.18	0.22
Cum P/B		1.14	1.28	1.41	1.52	1.63	1.72	1.81	1.91	2.04	2.19	2.37	2.59
Add: Perpetuity													
beyond current yr	(Assume this yr's AROE forever)	1.64	1.59	1.45	1.32	1.20	1.09	0.99	1.20	1.45	1.74	2.07	2.47
Total P/B	(P/B if we stop est. this period)	2.78	2.87	2.86	2.84	2.82	2.81	2.79	3.12	3.49	3.93	4.45	5.06
Implied price		21.28	21.97	21.85	21.73	21.61	21.50	21.38	23.86	26.73	30.10	34.04	38.71

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): FY1 = 1.71 FY2 = 1.92

Long-term growth rate: 8.15%

Book value /share (along with book value and number of shares outstanding):

Book value: \$5,094.00 Million

of shares outstanding: 724.00 Million

Book value / share: \$7.036

Dividend payout ratio: 0.00

Next fiscal year end: 2013

Current fiscal month: 12

Target ROE: 18.618%

To calculate the ROE I took the 5 year industry averages from Symantec as well as the 5 year industry averages from its top competitors. With Symantec's five year average of 19.52% averaged with: Check Points 19.53%, Microsoft's 19.52%, EMC's 14.99% and Oracles 19.53%. I arrived at a value of 20.858% for a more accurate average for the company. In addition, inputs for my discount rate included: the risk free rate of 2.69%, beta of 0.96, and a market risk premium of 6.31% which was derived from a 9% expected return on the market.

Output

Above normal growth period chosen: 3 Years

EBO valuation (Implied price from the spreadsheet): \$21.73

I chose a three year abnormal growth period because as many reports indicate the company is going through a restructuring period with the transition of new management and CEO, Steve Bennett. Bennett's plan, which involves "simplifying and streamlining the business"(MorningStar), is still in effect and will take at least a year's time to fully develop. In this time Symantec will "concentrate on 10 key solutions" (MorningStar) that will align with Bennett's new strategic direction for the company. This will result in imminent increases in research and development costs. Currently the stock is priced at \$24.52 with a 52 week high of \$24.57 and a 52 week low of \$13.06. My EBO valuation priced the stock at \$21.28 which implies a slight overvaluation for the company. I think it is important to note the Symantec does not pay dividends and is still going through this transition phase, which is a bearish indicator for the company. According to various reports this is because even though management is taking steps in the right direction, investors want to see results from this change before they take immediate action.

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

\$26.73 if changing above normal growth period to 8 Years

\$21.28 if changing growth rate from mean (consensus) to the highest estimate of 10.50%

\$21.28 if changing growth rate from mean (consensus) to the lowest estimate of 3.00%

\$19.32 if changing discount rate to 9.71% (10% expected return on market)

\$21.28 if changing target ROE to 19.52 (SYMC 5 year industry average)

As the implied prices indicate, there is not much variation in the stock's price over the next few years ranging from \$21.97 next year to \$21.38 six years from now. This is a direct indicator of the company's desire to establish long term growth through its new key solutions, which it has yet to fully develop. An above normal growth period of 8 years would give Symantec ample time to invest in its key solutions and gain a larger share of its main revenue segments. The new discount rate of 9.71% was derived from a 10% expected return on the market, as compared to the 9% expected return I used in the base case. The implied price of

\$21.28 was given if I changed the target ROE to Symantec's five year industry average. As stated earlier, I believe the value I used in my base case is a better indicator of the target ROE because it represents a better average for Symantec's revenue generating segments such as its consumer segment, security and compliance segment, storage and server management segment and its services segment.

Section (D) Relative Valuation

SYMC												
Mean FY2												
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
MSFT	Microsoft Corp.	\$ 234,166.00	\$ 27.95	\$ 3.15	8.87	8.38%	1.06	3.22	40.00%	0.08	3.21	12.49
CHPK	Check Point Software T	\$ 10,696.16	\$ 51.75	\$ 3.76	13.76	10.83%	1.27	3.17	18.05%	0.18	7.97	16.85
EMC	EMC Corp.	\$ 48,928.00	\$ 23.22	\$ 2.07	11.22	13.23%	0.85	2.19	11.39%	0.19	2.25	11.09
ORCL	Oracle Corp.	\$ 163,948.70	\$ 34.63	\$ 2.96	11.70	11.96%	0.98	3.83	24.01%	0.16	4.40	12.11
SYMC	Symantec Corp.	\$ 16,319.99	\$ 23.68	\$ 1.92	12.33	8.15%	1.51	3.17	-11.96%	(0.27)	2.39	9.14
Implied Price based on:					P/E		PEG	P/B		Value	P/S	P/CF
MSFT	Microsoft Corp.				\$17.04		\$16.57	\$24.05		-\$7.19	\$31.80	\$32.36
CHPK	Check Point Software Technologies Ltd.				\$26.43		\$19.89	\$23.68		-\$15.69	\$78.97	\$43.66
EMC	EMC Corp.				\$21.54		\$13.27	\$16.36		-\$17.18	\$22.29	\$28.73
ORCL	Oracle Corp.				\$22.46		\$15.31	\$28.61		-\$14.25	\$43.59	\$31.37
	High				\$26.43		\$19.89	\$28.61		-\$7.19	\$78.97	\$43.66
	Low				\$17.04		\$13.27	\$16.36		-\$17.18	\$22.29	\$28.73
	Median				\$22.00		\$15.94	\$23.87		-\$14.97	\$37.70	\$31.87

From the top panel

Discuss whether your stock and its competitors have very different multiples. Point out if any of the five stocks have multiple that is far off from the others. Make an attempt to explain why (you would want to read analyst research report in *Morningstar Direct*; you should also look for comments from other financial sites). **The discussions should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM).**

Compare the implied prices derived from various valuation metrics. Also compare those implied price to the stock's current price, and 52-week high and low.

Each of these competitors competes with Symantec in at least one of its market segments. Microsoft creates licenses and supports a variety of software applications, products and services. It's Security Essentials program is a major competitor in Symantec's consumer segment as well as their security and compliance segments. EMC is known for its data storage network, which is one of the direct competitors for Symantec's storage and service segment. Although EMC has many other market segments, EMC's RSA program competes directly with Symantec's main security and compliance segments. Oracle provides system software, hardware, and services. Oracle competes directly with SYMC's storage and server management segment as well as their consumer and services segment. An important note, previously Symantec used to send its "software to Sun for its mission critical storage management solutions" (Morningstar). Since Sun Microsystems was acquisitioned by Oracle, "ninety-five percent of Symantec's storage management revenues had been related to this partnership, but now only 45% to 50% of revenues are related" (Morningstar). Check Point is known largely as a security software company and competes directly with Symantec's security and compliance management segment and services segment.

Overall, most of the competitor multiples are similar to that of Symantec. Also, I think it is important to note CHKP's earnings estimate for next year is at 3.76, which is much higher than any of the other estimates. In addition, Oracle has the highest P/B at 3.83 compared to these competitors. Also, Microsoft has the highest five year average of 40.00% which is much higher than its next closest multiple of 24.01%. In fact, Symantec, due to its operational inefficiencies, is the only company in this list with a negative five year average ROE, which has a direct impact on its implied value ratio. Symantec has the second highest forward P/E of 12.33 and highest PEG ratio of 1.51 which indicates a growth stock and its expectation for earning growth in the future. With Symantec providing a value of 2.39 the competitors price to sales ratio's range from EMC's ratio of 2.25 to Check Points's ratio of 7.97. This gives us an indication of how investors value the company based each dollar of Symantec's sales. I think it is important to note that although Symantec's P/S ratio is lower than that of Oracle, Check Point and Microsoft, it could indicate a good value due to the recent change the company has chosen to undertake. Symantec's P/CF ratio stands at 9.14, the lowest of its competitors which says it's much cheaper than competitors like Check Point (16.85). This gives us an idea that Check Point is not generating as much cash flow per share as its competitors and that Symantec's consistent cash flows from recurring revenues are one of the main reason's the company has been able to maintain its market share. Currently the stock is priced at \$24.52 with a 52 week high of \$24.57 and a 52 week low of \$13.06. Implied prices from the forward P/E and PEG fit within this range. The implied prices derived from the competitors P/B appear fairly consistent. The implied prices based on the P/S and P/CF ratios are a little inflated as compared to its Symantec's range, although this could be a good indicator price once the company finishes its transition phase.

From the bottom panel

Discuss the various implied prices of your stock derived from competitors' ("comparables") multiples. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain why (**HINT**: is that because that particular valuation metrics is not very relevant for the industry? Do you best to provide convincing arguments).

For each valuation metrics, Compare the current price and 52-week high /low of your stock to the High-low range derived from multiples of its competitors.

Among the valuation metrics analyzed, **which ones do you think are most relevant as a valuation tool for your stock?**

With Symantec is priced at \$24.52 with a 52 week low of \$13.06 and 52 week high of \$24.57. The implied prices based on the forward P/E ratio seem consistent ranging from \$17.04 to \$26.43 and are just outside the stocks 52 week range. The implied prices based on the PEG ratio range from \$13.27 to \$19.89 which also are within the stock 52 week range. When we value the implied prices based on the P/B ratio we get a range of \$16.36 to \$28.61 which could be a good indicator this value isn't as important for this industry. Certainly, the P/S value of \$78.97 is an outlier, most likely due to CHKP's high P/S ratio. Excluding this outlier and deriving the implied prices from the P/S ratio calculates a range of \$19.32 to \$43.59, which can indicate significant value in this stock, after they finish their new plan to improve operational efficiency. The implied prices from the P/CF ratio range from \$28.73 to \$43.66 which is significantly over our 52 week range. I believe the PEG and P/S ratio are the most relevant in valuing this stock because of their low fluctuation in prices as well as the significance toward future growth. Even though the P/S ratio varies a little bit, I think it is largely due to the restructuring process proceeding within the company.

Section (E) Revenue and Earnings Estimates

Copy/Paste the “Historical Surprises” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings; make note that revenues might be in “millions”)

Review recent trends in company’s reported revenue and earnings, and discuss whether (1) the company has a pattern of “surprising” the market with numbers different from analysts’ estimates; (2) Were they positive(actual greater than estimate) or negative (actual less than estimate) surprises? (3) Were surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the “surprises. **NOTE:** Reuters does not put the sign on the surprise. **You need to put a “negative” sign when it is a negative surprise.**

HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	1,735.49	1,791.00	55.51	3.20
Quarter Ending Sep-12	1,655.29	1,699.00	43.71	2.64
Quarter Ending Jun-12	1,647.07	1,668.00	20.93	1.27
Quarter Ending Mar-12	1,682.54	1,681.00	— 1.54	— 0.09
Quarter Ending Dec-11	1,711.06	1,715.00	3.94	0.23
Earnings (per share)				
Quarter Ending Dec-12	0.38	0.45	0.07	19.14
Quarter Ending Sep-12	0.38	0.45	0.07	20.00
Quarter Ending Jun-12	0.38	0.43	0.05	14.54
Quarter Ending Mar-12	0.38	0.38	0.00	0.42
Quarter Ending Dec-11	0.41	0.42	0.01	2.66

In terms of revenue, Symantec certainly has a pattern of surprising the market after each quarter. Symantec beat analysts’ estimates in almost all of its quarters except for a slight miss in their 2012 Q4 revenues. This was the only time that their surprise % was negative. In terms of earning per share SYMC has beat analyst estimates in its last five fiscal quarters. However, in the 2012 Q4, estimated EPS matched actual EPS. It is a strong sign that SYMC was able to beat estimates by \$0.01 in the quarter ending in December 2011, \$0.05 in the quarter ending in June 2012, \$0.07 in the quarter ending in September 2012, and \$0.07 in the quarter ending in December 2012. Surprises were more notable for earnings because even if the actual

earnings are only one cent above the estimates, EMC's plethora of shares heavily influences that one cent and thus consensus on the stock will change. We can identify this consensus change in Symantec's stock chart. After their Q3 2012 revenue and earnings were announced there is a dramatic increase in the price of the stock to from about \$18.16 to \$19.50. Concurrently, we can see a decline in the stock's price after their Q1 2012 revenue and EPS results were announced.

Copy/paste the "Consensus Estimates Analysis" Table from Reuters.com, "Analysts" tab (include both revenue and earnings)

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out-quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	28	1,727.32	1,740.83	1,715.00	1,810.08
Quarter Ending Jun-13	25	1,699.21	1,726.00	1,650.00	1,751.17
Year Ending Mar-13	31	6,884.22	6,898.83	6,862.00	7,020.02
Year Ending Mar-14	31	6,999.08	7,130.74	6,900.00	7,031.57
Earnings (per share)					
Quarter Ending Mar-13	31	0.38	0.40	0.37	0.47
Quarter Ending Jun-13	28	0.44	0.48	0.41	0.47
Year Ending Mar-13	33	1.71	1.74	1.70	1.79
Year Ending Mar-14	33	1.92	2.06	1.83	1.93
LT Growth Rate (%)	10	8.15	10.50	3.00	10.14

Sales (in millions)	% Difference in High vs Mean
Quarter Ending Mar-13	0.78%
Quarter Ending Jun-13	1.58%
Year Ending Mar-13	0.21%
Year Ending Mar-14	1.88%
Earnings (per share)	
Quarter Ending Mar-13	5.26%
Quarter Ending Jun-13	9.09%
Year Ending Mar-13	1.75%
Year Ending Mar-14	7.29%
LT Growth Rate (%)	28.83%

Sales (in millions)	% Difference in Low vs Mean
Quarter Ending Mar-13	-0.71%
Quarter Ending Jun-13	-2.89%
Year Ending Mar-13	-0.32%
Year Ending Mar-14	-1.42%
Earnings (per share)	
Quarter Ending Mar-13	-2.63%
Quarter Ending Jun-13	-6.82%
Year Ending Mar-13	-0.58%
Year Ending Mar-14	-4.69%
LT Growth Rate (%)	-63.19%

There is more divergence the farther away the anticipated quarter is as opposed to our current quarter, as well as in FY2 rather than FY1. We can use the EPS estimates percentage differential to conclude this hypothesis. In the year ending March 2013, the difference ranged from -0.58% to 1.75% while the year ending March 2014 difference range is much greater from -4.69% to 7.29%. There is also more divergence in the earning per share as opposed to revenues because the EPS estimates operate in a much smaller scale which makes each cent much more significant. It is also important to note the difference in the number of analysts' estimates for revenue and earnings ranging from 28 to 33, as opposed to the number of analysts estimating the long term growth, which is only a 10. This signifies the difficulty in estimating long term growth for a company.

Copy/paste the "Consensus Estimates Trend" Table from *Reuters.com*, "Analysts" tab (include both revenue and earnings)

Review recent trend of analysts' consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	1,727.32	1,727.19	1,726.91	1,733.50	1,810.08
Quarter Ending Jun-13	1,699.21	1,698.78	1,697.69	1,713.05	1,751.17
Year Ending Mar-13	6,884.22	6,884.04	6,883.76	6,838.01	7,020.02
Year Ending Mar-14	6,999.08	6,999.38	7,001.13	7,056.58	7,031.57
Earnings (per share)					
Quarter Ending Mar-13	0.38	0.38	0.38	0.39	0.47
Quarter Ending Jun-13	0.44	0.44	0.44	0.43	0.47
Quarter Ending Mar-13	1.71	1.71	1.71	1.66	1.79
Quarter Ending Mar-14	1.92	1.92	1.92	1.82	1.93

According to this table, consensus estimates appear to trend down from their estimates a year ago. A year ago, the quarter ending in March 2013 was predicted to earn close to \$1810.08 million in revenue but now revisions have decreased that estimate to \$1727.32, which is a decreased value of -4.57%. If we compare this percentage to the decrease in estimates for the quarter ending June 2013, we see a decrease of -2.97%. This indicates the trend is slightly more notable to the near quarter because more time has been spent on these revenue estimates. If we compare the changes analysts estimated from a year ago to today for the year ending March 2013 and March 2014, we calculate a change of -1.93% and -0.46% respectively. This indicates the trend is more notable for the FY1 as opposed to FY2. As stated earlier, EPS estimates are more notable than revenue estimates because the change in EPS estimates has a greater impact on a smaller scale. Although EPS estimates are slightly more consistent than revenue estimates, a change of only one cent in EPS has a substantial impact on the company.

Copy/paste the “Estimates Revisions Summary” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)

Review the number of analysts revising up or down their estimates (both revenue and earnings) **in the last and last four weeks.** (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	0	0	0
Quarter Ending Jun-13	0	0	0	0
Year Ending Mar-13	0	0	0	0
Year Ending Mar-14	0	0	0	0
Earnings				
Quarter Ending Mar-13	0	0	0	0
Quarter Ending Jun-13	0	0	0	0
Year Ending Mar-13	0	0	0	0
Year Ending Mar-14	0	0	0	0

There does not seem to be any differences between expectations of revenue and earnings over the last week as compared to the last four weeks. Over the last four weeks there have been no up or down revisions made to Symantec. Symantec’s does not finish its Q4 until the end of March, so it looks likely analysts are waiting until they have more clarity on how the quarter will perform.

You will need to incorporate what you see here with Morningstar's analyst research report (you can access ***Morningstar Direct at the Financial Markets Lab.***) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

I think there is a good chance for Symantec to make or beat analyst consensus estimates. Analysts like the direction the new CEO Steve Bennett is taking the company. Bennett plans to "concentrate on 10 key solutions that will be high value offerings" (MorningStar). This will help establish better organic growth for SYMC. However, since Bennett said his plan would take somewhere from "six to 24 months" (MorningStar) analysts want to see some physical evidence of their new operational structure before they can fully support SYMC. This is because SYMC has had a bad history with "operational inefficiency and a lack of direction" (MorningStar). Based on how the stock has been trading lately it appears there is anticipation for a strong financial outlook for the company. Over the past month the stock price has risen from \$22.12 to its current price of \$23.68. This change, incorporated with the new direction management is aiming towards will result in increased R&D costs and will help continue to establish Symantec's market share for IT security, storage and management tools. Another important factor to consider is the large percentage of revenue SYMC receives from recurring customers, about 85%. This is due to high switching costs and a hefty install base. These advantages enable SYMC to stay in business's they are already a part of because it is expensive to switch platforms and retrain staff as well as providing them with substantial free cash flows which should be used to fund their increase in their R&D department.

Section (F) Analysts' Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from *Reuters.com*, "Analysts" tab. NOTE: Make sure you copy the entire table including the "Mean Rating" at the bottom of the table.

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	8	8	9	9
(2) OUTPERFORM	8	9	8	8
(3) HOLD	14	14	14	14
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.26	2.25	2.22	2.22

Over the past three months, analyst recommendations have remained fairly consistent with a majority of analysts recommending a hold. In this time the mean rating has risen from a value 2.22 to 2.26 which is a slightly bearish indicator. Three months ago, analysts' recommendations consisted of nine buys, eight outperforms, 14 holds and one underperform. Analysts did not change their recommendations from three to two months ago. However, one months ago one analysts did change their recommendation from a buy to an outperform. Since then, analysts opinion have changed very slightly with the removal of one of the outperform recommendations. Currently recommendations remain at a total of eight buys, eight outperforms, 14 holds and one underperform. The majority of recommendations are to hold the stock which makes sense due to the company's new strategic plan. These finding are consistent with reports that indicate analysts want evidence of their new operational efficiencies, before they can fully stand behind Symantec. Symantec's strengths can be found in its large market presence and marginal switching costs associated with its applications.

Revision Date	Upgrade or Downgrade	Current Recommendation	Previous Recommendation	Firm	Last Revision
None	NA	NA	NA	NA	NA

There were no changes to upgrade or downgrade the stock in the past two months on cnbc.

Section (G) Institutional Ownership

Copy/paste the completed *"CIF Institutional Ownership" spreadsheet* here.

SYMC				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			689,173,185	100.00%
# of Holders/Tot Shares Held	690	100.44%	634,659,586	92.09%
# New Positions	65	9.46%		
# Closed Positions	62	9.02%		
# Increased Positions	250	36.39%		
# Decreased Positions	340	49.49%		
Beg. Total Inst. Positions	687	100.00%	624,488,853	90.61%
# Net Buyers/3 Mo. Net Chg	-90	42.37%	10,170,733	1.48%
Ownership Information	% Outstanding			
Top 10 Institutions % Ownership	40.00%			
Mutual Fund % Ownership	1.50%			
Float %	99.51%			
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Dodge & Cox	8.5	12/31/2012		
State Street Global Advisors (US)	5.1	12/31/2012		

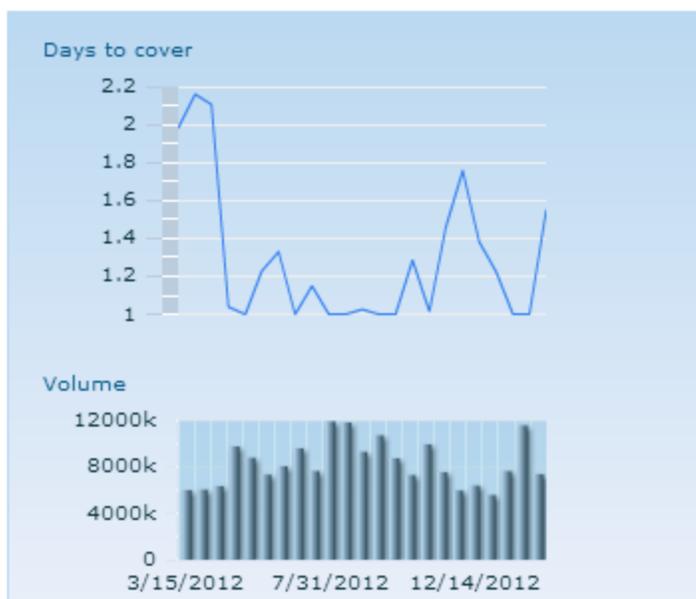
According to this data, institutions on a net basis have been decreasing their ownership of Symantec. This change is significant seeing as it reached a total of 90 decreased net buyers. This is a bearish indicator for the company because investors are looking elsewhere as Symantec looks to increase its operational efficiencies. Judging by its 92.09% institutional ownership, I would argue this there is a sizable portion of interest and support for SYMC. Also, its large float percentage indicates much of the stock is accessible for trade and owned by the public, which can be an indicator of residual interest in the stock. There are currently two firms with above a five percent ownership in SYMC, Dodge & Cox and State Street Global Advisors. Dodge & Cox, a corporate outsider, provides investment management through a mutual fund. State Street Global Advisors another outsider, is index fund centered on research, collaboration, accountability and innovation.

Section (H) Short Interest (two pages)

From <http://www.nasdaq.com/> (NASDAQ's website)

NOTE: You are encouraged to look at the short interest information for two of the companies' closest competitors. This will help gauge whether the sentiment indicated in the short interest statistics is company specific or industry-wide.

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/15/2013	11,448,891	7,368,897	1.553678
1/31/2013	9,509,605	11,561,865	1.000000
1/15/2013	6,560,481	7,641,477	1.000000
12/31/2012	6,848,784	5,585,138	1.226252
12/14/2012	8,845,128	6,393,979	1.383353
11/30/2012	10,466,912	5,954,002	1.757962
11/15/2012	10,999,640	7,527,267	1.461306
10/31/2012	10,117,706	9,951,195	1.016733
10/15/2012	9,352,176	7,270,509	1.286317
9/28/2012	7,438,653	8,717,790	1.000000
9/14/2012	10,664,257	10,696,837	1.000000
8/31/2012	9,524,110	9,290,060	1.025194
8/15/2012	10,288,512	11,824,862	1.000000
7/31/2012	8,475,092	11,908,155	1.000000
7/13/2012	8,755,302	7,621,898	1.148704
6/29/2012	8,829,398	9,600,152	1.000000
6/15/2012	10,740,393	8,068,408	1.331166
5/31/2012	8,993,647	7,322,683	1.228190
5/15/2012	8,315,530	8,762,821	1.000000
4/30/2012	10,123,071	9,748,914	1.038379
4/13/2012	13,333,480	6,331,814	2.105791
3/30/2012	13,080,535	6,053,655	2.160767
3/15/2012	11,877,563	5,993,286	1.981811



From <http://finance.yahoo.com/>

Complete the following table with information from the *"share statistics" table*.

SYMC

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
8,336,770	9,839,970	689.19 Million	686.99 Million
Shares Short (2/15/13)	Short Ratio (2/15/13)	Short % of Float (2/15/13)	Shares Short (2 weeks prior)
11.45 Million	1.20	1.60%	9.51 Million

MSFT

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
46,935,900	40,658,500	8.38 Billion	7.62 Billion
Shares Short (2/15/13)	Short Ratio (2/15/13)	Short % of Float (2/15/13)	Shares Short (2 weeks prior)
83.58 Million	1.70	1.10%	80.09 Million

CHKP

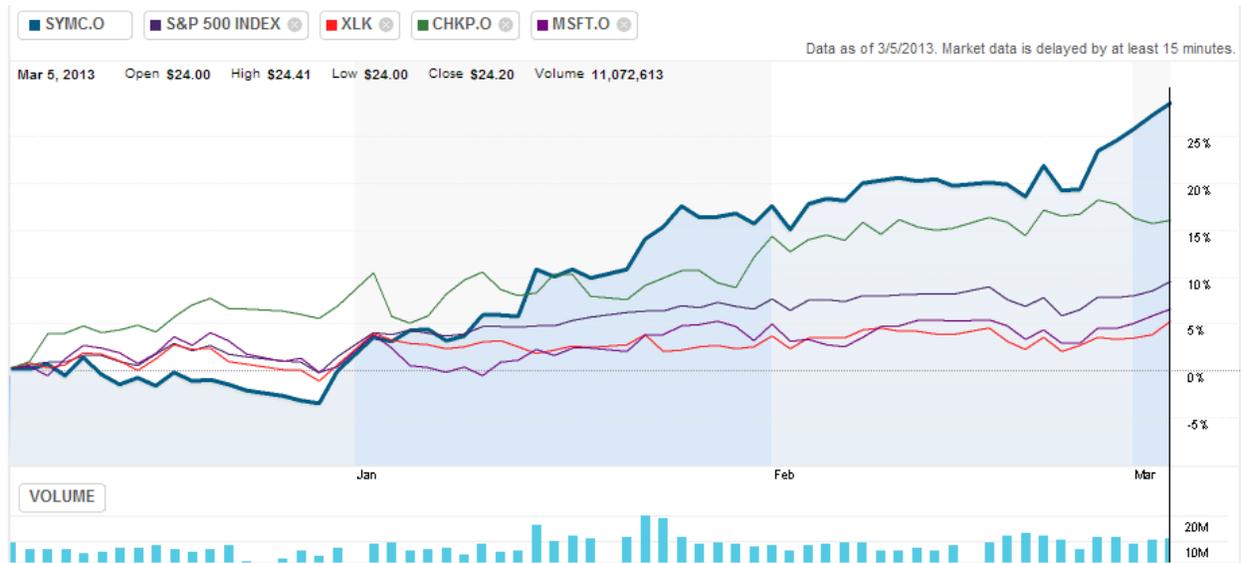
Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
1,932,470	1,797,000	200.23 Million	154.94 Million
Shares Short (2/15/13)	Short Ratio (2/15/13)	Short % of Float (2/15/13)	Shares Short (2 weeks prior)
5.90 Million	2.70	N/A	4.54 Million

Based on the short interest statistics, the market sentiment on the stock appears bullish. However, it looks to be turning more bearish recently. Over the last year, Symantec has decreased its days to cover from just above 2 to just less than 1.6. Symantec has the lowest short ratio of 1.20 compared to competitors Microsoft and CHKP which have respective ratios of 1.70 and 2.70. This low ratio is attractive because it shows how much less time Symantec takes to cover the company's shares. Although, seeing as Microsoft has much larger diversified business and has a higher volume of shares traded, I think the significance of Symantec's low short ratio is not as prominent of a value because it is being traded much less frequently, even though it is still a bullish indicator. In the most recent months, the market sentiment on the stock has turned slightly more bearish than bullish due to the most recent increase in short interest since 1/15/13.

Section (I) Stock Charts

A three months price chart

Copy/paste the "3 Mos." stock chart here



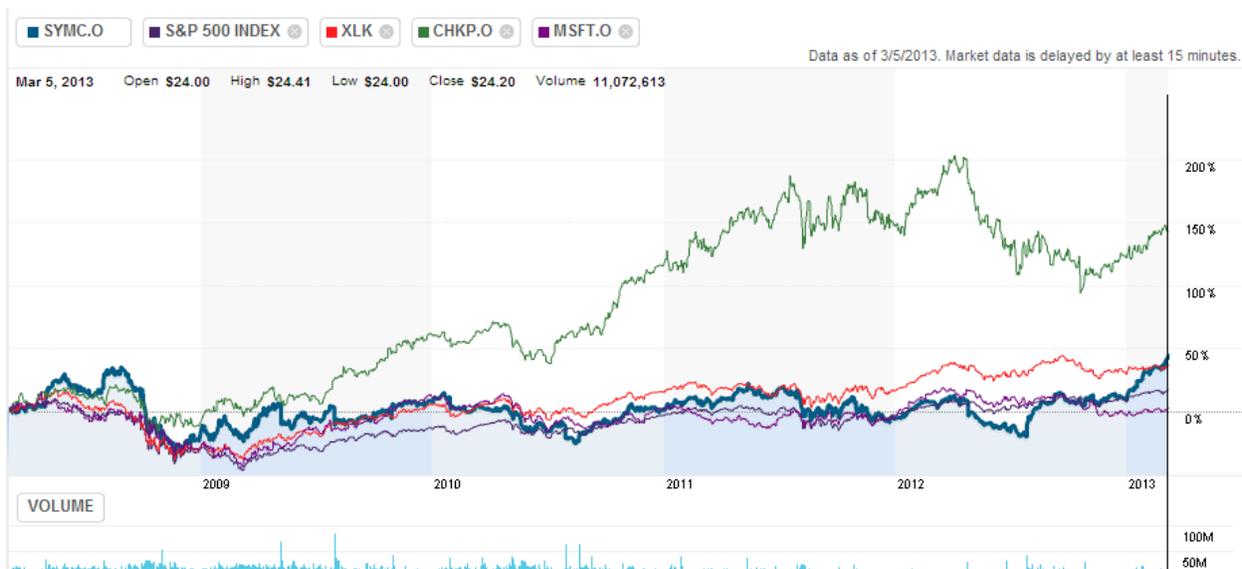
A one year price chart

Copy/paste the "1 Yr" stock chart here



A five year price chart

Copy/paste the "5 Yrs." stock chart here



In the 3 months stock chart, we can see that Symantec is clearly outperforming its competitors, the XLK and the S&P 500 Index. When we increase our scope to the one year stock chart we see that again, Symantec is earning the highest returns between its competitors, the XLK and the S&P 500 Index. I think it is also interesting too note the increase since the beginning of the year, which could be due to many factors but I attribute it to Symantec splitting its CEO and Chairman of the board of directors positions. This split should help the company in their quest to conquer what analysts are referring to as a “lack of direction” (MorningStar). In the five year price chart, we note two important pieces of information. First, in this time span Check point has clearly performed the best. Second, and more importantly, it is important to see the low volatility Symantec displays over this period. This volatility is an indicator of the low potential risk involved with owning Symantec.

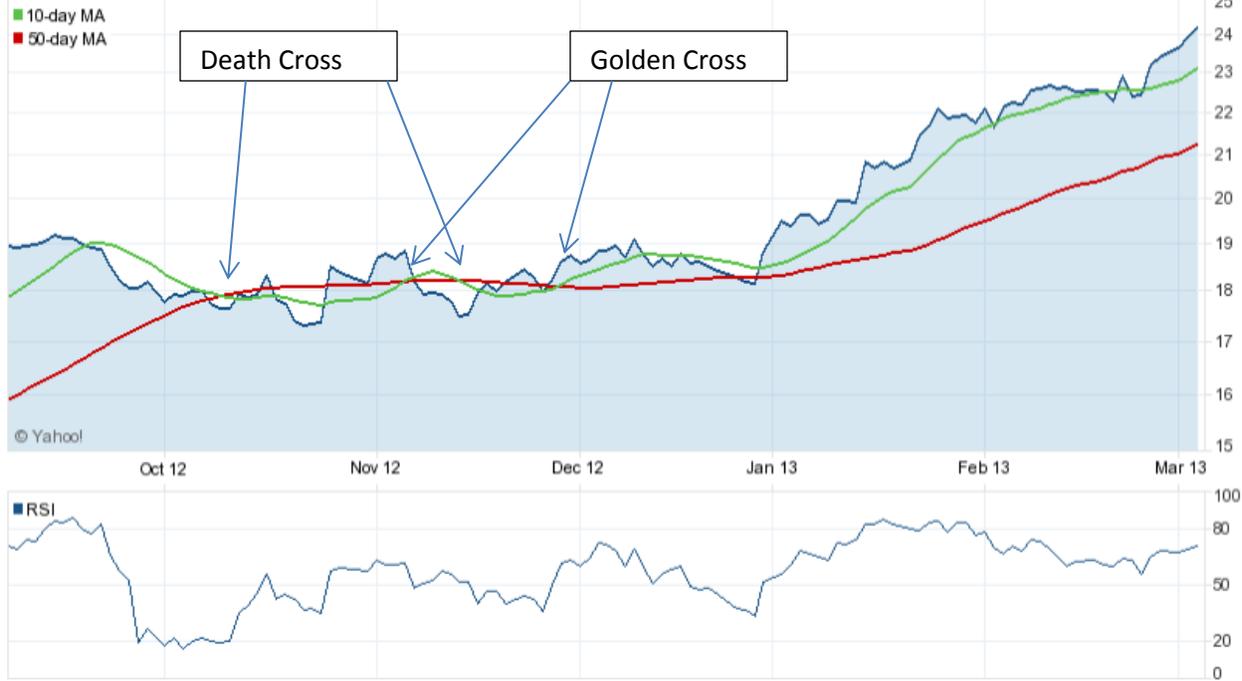
Additional price chart (Tech. Analysis)

If you have other stock charts, feel free to copy/paste here

Symantec Corporation

■ SYMC

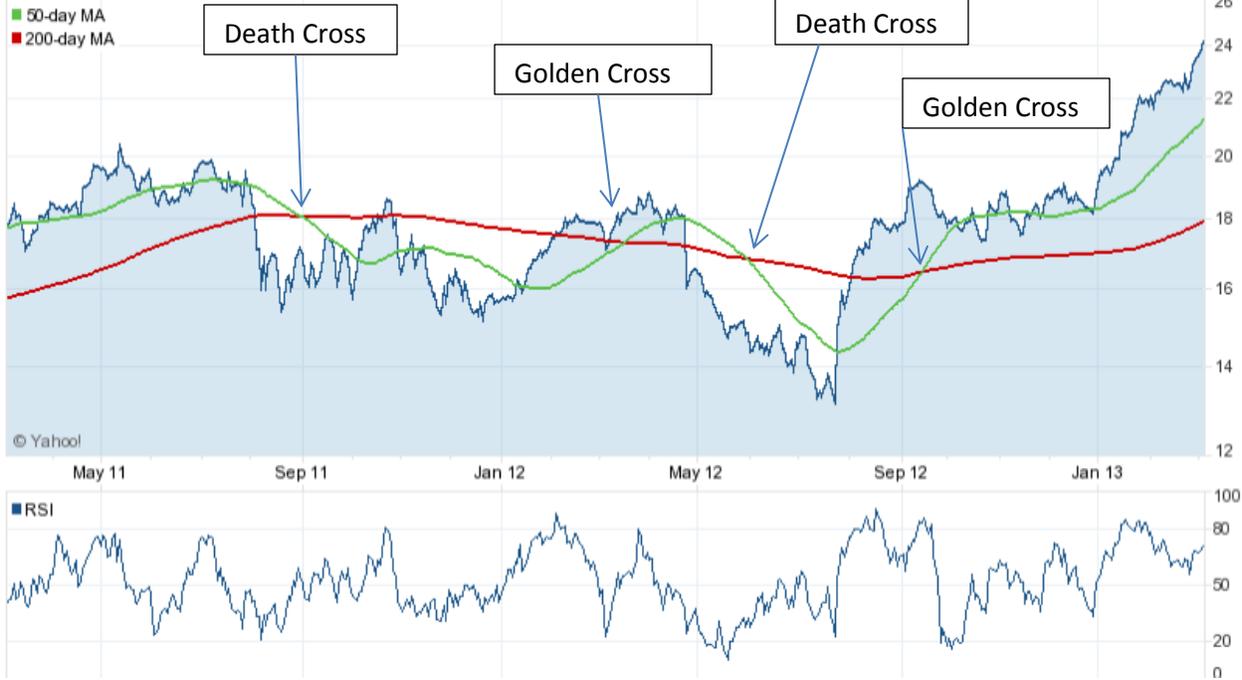
Mar 05, 2013



Symantec Corporation

■ SYMC

Mar 05, 2013



These two technical analysis charts provide information on the market timing and trend of the stock in the time span provided. In the ten to fifty day moving average chart there are two instances when the ten day moving average dives below the fifty day moving average which indicates a bearish market sentiment for the stock also known as “death cross”. However, there are also two instances when the ten day moving average rises above the fifty day moving average which would point to signs of a bullish sentiment also known as a “golden cross”. In the fifty to two hundred day moving average, we can see a total of two death crosses, and two golden crosses which indicates a bullish trend in the market because of the most frequent intersection. I think it is important to note both short term moving averages (i.e. the ten day moving average in the first chart and fifty day moving average in the second chart) are currently above their respective longer moving averages which I see as a good sign for the stock. Another point to pay attention to is the relative strength index of these charts. Based on this data we conclude that Symantec’s RSI for both the ten to fifty day moving average and fifty to two hundred day moving average fluctuates between an index of just below 20 and an index of just above 80, which averages around 50. While the current RSI appears to be close to 70, I think this is a sign the stock is slightly overbought at the moment. This is because the company finishes their fourth quarter at the end of March, and investors are buying in the assumption that Symantec will beat its low earnings estimates.

Works Cited

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