Raymond James IT Supply Chain Conference

Tom Sweet, VP Finance & Controller
Rob Williams, VP Investor Relations
December 11, 2012

BRIAN ALEXANDER, Raymond James: I'm Brian Alexander, analyst at Raymond James covering technology hardware and supply chain. I think most of you know Rob Williams, head of Investor Relations, and Tom Sweet is new to the stage, so I'll turn it over to Tom for some introductory comments.

TOM SWEET, Dell: It's great to be here. I'm Tom Sweet. I've been in the job for the last 15 years. The last five of those being a chief accounting officer, and then I just recently moved into the comtroller job. Before that numerous jobs in the sales organization, leading sales and CFO of various business units. So, it's a pleasure to be here.

ROB WILLIAMS, Dell: Before we get started, I'll do my obligatory reading of the Safe Harbor here, so we'll make it official.

I would just like to remind everyone that all statements that are made during this meeting that relate to future results and events are forward-looking statements that are based on current expectations. Actual results and events could differ materially from those projected in the forward-looking statements because of a number of risks and uncertainties, which are discussed in our annual and quarterly SEC filings and in the cautionary statements in our press release and in our web deck associated with our earnings call. We assume no obligation to update our forward-looking statements.

I would also remind you today we'll be referring to non-GAAP financial measures, including gross margin, operating expenses, operating income, net income and earnings per share. Historical non-GAAP measures are reconciled to the most directly comparable GAAP measures in the web deck that we post in the Investor Relations section of Dell.com, and in our press releases and 8K filings. So, I encourage you to review those.

And with that, we can get started.

BRIAN ALEXANDER: That covers all my questions. (Laughter.)

Let's just kick it off with your thoughts on Windows 8. What do you hear from customers? Press has been relatively negative. Just any feedback that you have on your overall experience so far with Windows 8, your expectations, and tie that into the Windows 7 commercial upgrade cycle as well.

TOM SWEET: I think it's clearly early yet in the Win8 rollouts. I would want to remind everybody that I think we're fairly focused on commercial versus consumer, so we're like an 80/20 mix. So, from our perspective, we've heard reasonable feedback on the touch-enablement. We're excited about the touch-enablement as that builds out our portfolio. But it is early yet. Good interest from the commercial side with the CIOs around the Latitude 10 tablet, for instance, as we introduce that tablet into the commercial space, and we're excited about the full security capability of that. But it's early.

I mean, from our perspective, it's not a big demand catalyst in the short-term. And if you think about our commercial business, they're still halfway through their Windows 7 rollout, and so there's a lot of room to grow there and go there as Win7 continues to rollout in the commercial space. So, we'll see how it develops over the next six to nine months. But to date, reasonable feedback, but no big catalyst in the short-term.

ROB WILLIAMS: Yes, I would just jump in, we've obviously been showing the products to commercial customers pretty regularly here, and with increasing frequency the feedback from the CIO community has been pretty positive. This is not the type of product that's going to immediately go in and people are going to start talking about going from Win7 to Win8. But as an alternative operating system for mobility, both in tablets and convertible devices and also in smart phones to a lesser extent, CIOs like the fact that you've got full connectivity to all of your productivity applications, to Outlook, and you've got backward compatibility to all of your applications that you commonly use in conjunction with Windows.

And personally I can tell you that I've been really pleased with the product. I've got a Windows 8 tablet that I have connected to a touch monitor at the office. I'm using Windows Phone, and a number of other folks that I've talked to in the community that have used it have been pretty pleased.

But, again, I think this is going to be a typical type of commercial process where you get a lot of evaluation work that will take place over six to nine months, and as we move into the middle of next year and the back half of next year, I think you'll see that continue to build.

BRIAN ALEXANDER: Just sticking with the PC business, I think some investors believe Dell should focus on profitability or 5 percent operating margin in PCs, and not necessarily market share, and not getting too aggressive against the Lenovos of the world who are gaining share. I guess talk about how important it is for Dell to stay in the PC business and compete and continue to gain share? How much of your overall company profitability would you say is ultimately tied to that unit?

TOM SWEET: Well, look, I mean if you look at our legacy, we're clearly a -- we started in the PC business. We've grown through the PC business. From a portfolio perspective, it's important to us. Many of our conversations, particularly in the emerging markets, start with a PC or a user computing conversation. We clearly like the scale that it gives us in the cost effectiveness in our supply chain.

So, we're building out our enterprise solutions, but it's an important part of our business. We're trying to be practical about where we invest in that business, and the types of business streams that we're driving out of that. But I think we're going to continue to view this as an important part of our portfolio, and one that we're going to continue to balance the growth and profitability.

BRIAN ALEXANDER: Your revenue right now is down in the teens, I think, in the client business. Is there a certain unit or revenue decline where you draw a line in the sand and you say this is unacceptable, we have to get more aggressive, and perhaps sacrifice the 5 percent margin that we talked about, and really preserve that install base, because it's such a big driver for the rest of the business?

TOM SWEET: Well, look, I mean if you think about the PC environment, it's clearly been an interesting environment the last two or three quarters with a number of sort of factors out there, whether it's the macroeconomics, whether it's the Win7 to Win8 conversion, it's the slowdown in the emerging markets, it's the channel inventory that had to get worked through in various sort of marketplaces.

Look, I mean, we think about scale a lot. The value of our buy with our supply base gives us some advantage there. So, we're not, per se, focused on share and how much share we have. We are focused more on revenue and profit -- the profitable growth there. We are at times going to protect our installed base, and there are certain strategic customer sets that it's important for us to make sure that we have a strong user computing platform and environment, and there's others where perhaps a less strategic customer sets that we've chosen not to participate in.

So, I think you'll see us continue to be thoughtful and be thoughtful about the profit pools there and making sure that we're not doing anything that damages the overall profit pool profile. The pull through on parts of our business with desktops and notebooks on the commercial side is pretty strong. So, when you sell factory integration services, deployment and asset management services, help desk services, asset disposal services on the back end, pro support, it's a nice portfolio and it's a solution that your commercial customers truly need and look for from their hardware vendor. So, it's an important product and service for us to continue to provide for commercial customers.

BRIAN ALEXANDER: Can you guys maybe just drill down on the strategic customer comment and exactly what do you mean? Is that certain regions, or certain customer types and then what are you guys doing to be more competitive, to preserve the relationships with those customers and be competitive?

TOM SWEET: I would offer this as sort of a way to think about that. There are, particularly in our commercial customer base, there are clearly customers that we have a large presence in, whether that's in user computing, or enterprise platforms, and look there are certain customers there that it's important for us to maintain our presence in the user computing space, and there are pricing pressures out there from time to time and if we think that the lifecycle value of that customer set is interesting to us, we're willing to sort of protect our share there. Thoughtfully, we want to make sure that we're a balance in what we do, because we do like the value chain. Rob just mentioned it, the service attach, the software and peripherals sell-through that comes with that.

We've expanded the conversation to talk about, as you know, Brian, our recent acquisition of Wyse and the virtual capability that brings to us. So, it's important to us and, again, we're trying to make sure that we balance the growth and profitability profile such that we deliver and keep our commitments and think about that profit profile.

BRIAN ALEXANDER: Can you maybe just talk about what happened in the consumer business this past quarter? I think you had a loss of $65 million, which might have been the greatest loss of any particular quarter, not to rub salt into the wound. But, maybe just remind investors, was that mostly pricing, was it inventory clearance going on in the channel ahead of Win8? How unusual, how much of an aberration was that, and should we expect that to bounce back to breakeven or better here in the near future?

TOM SWEET: You know, I think you have to think about our consumer business in a couple of different buckets. One is, we have a direct business in a number of countries that generally has pretty decent -- that we'd like to grow and expand, because with that you get the attach and all the services with the attach, our financing. You get the attach of S&P. As we think about this, last quarter what we really saw was the slow down in some of the emerging markets, and then trying to clear out Win7 inventory ahead of Win8. So, with that slow down and with that channel inventory billed ahead to get cleared, there were some pricing pressures on those emerging markets and we think in the long-run emerging markets will bounce back. We're still committed to those. And we still think the consumer business is a good business to be in.

From a "bring your own device perspective," as we think about our commercial space, we've got to get to scale for the cloud-based side. Over the long run we still think 2 percent sort of opting from the consumer space has been sort of the right part to think about, but clearly we're in a down cycle right now. And we'll work our way through that as we go forward.

BRIAN ALEXANDER: I was going to switch over to the enterprise side of the business. But, before I did I just wanted to see if anyone in the audience has any questions as it relates to the PC business, any industry questions?

Okay. Let's switch over to enterprise. Your servers were up 4 percent year-over-year in a down market. You've been doing well for the last couple of quarters. Talk about what's driving the strength in the server business, why Dell is gaining share, and how much of that relates to your DCS business, which is playing more into Web 2.0s, and what's kind of the margin tradeoff, if that is, in fact, gaining share within your server portfolio.

ROB WILLIAMS: Look, I think we've been real happy with the performance of our server platforms over the last number of months. We were sort of first out in the spring with the platform, the new technology, and the performance of that, and the customer side has been pretty interesting and pretty helpful from our perspective. If you're thinking about our server business you've got to think about it in sort of two buckets. One is our DCS business, or hyper-scale server business as well as standard 12G platform business. Our hyper-scale has clearly been growing for us. It's a nice growth area for us. What's interesting there is that over time we have seen ASPs and margins in that piece of the business sort of trend upward as the workloads have increased, and richer configs are getting purchased. We've also seen clearly well there's the big Web 2.0 type build outs are happening. We are selling that server line to a number of smaller customers and mid-market type customers, where the profile of the services that we attach is pretty interesting.

So, there are some margin dynamics and ASP dynamics that between the DCS business, hyper-scale business, and the regular 12G server business. But, overall I think it's a nice balance and we're excited with the product and I think we're looking forward to continue to grow that space.

TOM SWEET: Yes, I think the results are at least in part a function of the work that our R&D teams have done in the server space. I think in, arguably, a business where there is kind of equal access to technology amongst the different vendors, I think Dell has continually come forward with a pretty interesting set of intellectual property advantages, whether it's some of the things that are available to everyone are things like increased performance power and cooling, but we've been able to add tier zero storage on the front of the server in a swappable drive.

We've significantly increased the capacity of some of our servers to where you now have servers that are capable and you can take a server and put 26 terabytes of storage into that server, 768 gigabytes of memory, and then that server becomes effectively a pretty neat appliance, where you can run a big data application, or a SharePoint application, and you've got the storage very near the server, and you've got tier zero storage there. So, there's very low latency between the server and the storage.

Some of these things have some unique advantages that I think our R&D teams have brought forward that our base has found very, very interesting. The same goes with the hyper-scale side. We were the first company really to embrace hyper-scale as an opportunity. We've been at hyper-scale for the better part of four years now and I've had a dedicated R&D team.

And so the same work that we've done for the biggest of the big, and you can know all those names, the Googles and the Baidus, and the Tencents, and the Twitters, and on down the list, Facebook, we also take that and we've taken that technology and put it into a product called PowerEdge C, and we're able to provide that same technology to a broader base of kind of mid-market customers. And we bring -- when we typically go to those customer we're selling more services. There's more that we bring to the table with that customers. We're a trusted advisor. And the margins are better in that business.

So, you've got the hyper-scale business, which is these are big customers with sophisticated purchasing departments and procurement departments and then we've got a mid-market opportunity that's pretty substantial that balances that all out and provides and pretty good profit profile for the overall business.

BRIAN ALEXANDER: So, when you look at DCS, any sense for sharing how much of the server business that represents today and is there significant margin disparity, where you sort of layer in the big customers and the smaller service provider customers. Is there still a pretty significant margin disparity between DCS and your traditional server business, or does it start to blur a little bit?

TOM SWEET: I'm not going to get into specifics about that, but I would tell you that there is some margin disparity there, though I think the distinction is blurring. And given the -- particularly as you think about the attach of service, and the attach of the other offerings that we have, there's some margin differences, but shrinking over time.

BRIAN ALEXANDER: You talked a few times today about attaching services. And your support business continues to grow despite the fact that your PC units have been declining. So, you're doing a much better job attaching. Can you maybe just go into more detail about why you've been successful, and how sustainable that is if we continue to see units decline? And what's sort of a longer-term outlook of that part of our services portfolio, because I think it is your highest margin business?

TOM SWEET: I think the sales organizations and the services teams have done a nice job over the last 18 months of developing offerings, whether that's core support for the data center, to sort of broaden out our capabilities. But the team has done a good of executing basically to sell Pro Support attach Pro Support to the units. We've seen attach rates rise, and the service revenue per unit has also risen. And so it's been a good story for us.

Ultimately, you've got to sell PCs, and you've got to sell units to attach, and so we are cognizant of that. But, the good execution by the sales organization, broader set of offerings by the services organization as we've rolled out different types of offerings to our customer sets, so pretty happy with that performance. It's been a good story for us.

BRIAN ALEXANDER: And just on the outsourcing side, how should we think about growth going forward there? I think you guys are doing a little bit more pruning on the customer side, but you're also growing in strategic areas, security and application modernization as you talked about. So, when you kind of balance those together, what kind of growth are we looking for going forward?

TOM SWEET: I think you guys need to think about our service capabilities or our service business in sort of three buckets. We've got our support services, which we just talked about which had performed nicely and a good margin profile there. We've got our infrastructure and cloud business which, as well as our BPO and apps business, and in both of those spaces we've been in a transition over the last few years as we have gradually pruned some contracts and some relationships where it just really wasn't the right kind of business model for us to be in as we try to drive more to the cloud, and we think more around consulting, and application modernization.

And so you've seen margins rise six quarters in a row now in the services business as we have continued to -- the team has done a nice job on cost out. And we're now to the point where we've got a bit more pruning to do, but we think over the next six to nine months as the business begins to grow, and good contracts signing backlog. We signed $1.8 billion of contracts over the last 12 months. And so some of those businesses will start kicking in, some of those new contract signings start kicking in. And the margin profile on those new signings looks promising. So, I'm pretty happy with that.

ROB WILLIAMS: I think it's important to think about how the services business, particularly the IT outsourcing services business, has changed over the last five years and will continue to change over the next five to ten years. And the days of big, long-term, your mess for less contracts are over. We just don't see those types of opportunities, and we're not interested in those types of opportunities. What we have structured our services organization to do is to more directly go after the shorter-term contracts that are more specific in nature with specific SLAs on specific types of activities.

And then obviously opportunities in the cloud and security. Our security as a service business is doing very, very well. Our SecureWorks business is doing very well. And our cloud businesses are businesses that have been growing in the teens up into the 20 and 30 percent range, and they reside within the IT outsourcing part of our business. And so, again, it's been a conscious decision on behalf of the management team that's really been executed over the last two years, and not necessarily a reaction to a change, more a conscious decision to structure services to where we think the business is going over the next five to ten years, and not where it's been historically.

BRIAN ALEXANDER: Can you maybe talk about how the average duration has changed from what to what, how much has been shortened?

TOM SWEET: Again, I think as we think about it, the average duration probably in the business that had three or four years ago is probably up to five-plus years. I think as we think about it now, it's probably more in the three to four range as we think about our contract duration as we've continued to modify and change out those contracts.

BRIAN ALEXANDER: And we saw HP announce recently that they're pruning their portfolio as well, and it's actually decimating their profitability in their services business. It sounds like your pruning is much more careful and manageable. And I just wanted, I guess, to ask the question should investors be concerned that we could step back before continuing to expand margins as you prune the portfolio, perhaps have some utilization issues in the short-run, or is your dynamic much different than that?

TOM SWEET: That I can't comment on, specifically the HP situation. I think the team has done a nice job for us in terms of calibrating the cost structure and the utilization of the resources to ensure that we've got the right profile going forward, and we've got the right skill sets going forward. It's a constant monitoring in terms of we're always looking at our cost profile and the skill sets that we need to position the business properly. But I'm not terrible concerned that we've got a resource utilization issue at this point.

BRIAN ALEXANDER: Okay. A question back here?

QUESTION: (Off mike.)

TOM SWEET: Sure, I'll take a crack at that. If you think about our strategy in the storage business, it's really focused on the mid-range. And so the set of solutions that we've developed and are continuing to develop are based on iSCSI storage area network and fiber channel storage area network, and we've also added next generation data protection and backup capabilities in the pats year with the acquisition and now the integration of AppAssure.

We also acquired a company about two years ago called Ocarina, and Ocarina brings a really fantastic algorithm for data duplication, compression and rehydration. And that is a product you're now seeing. We've now got a stand-alone appliance, and you'll see that technology integrated across our entire storage portfolio and into our servers over the course of the next 12 to 18 months.

In addition to that, we acquired a company called RNA Networks, which is a tier zero storage company that will allow us to do some pretty interesting things with tier zero storage.

So, I think what I hope you see is that we now have a pretty broad base of intellectual property and capabilities in storage that we continue to integrate and bring together. I think more broadly the storage business for the industry has slowed over the last several quarters. If you go to Gartner data, for example, from September of this year, they would tell you that the storage business overall should grow about 9 percent through calendar '16. And if you look at the storage business in our third quarter, IDC is just recently out with that data, it's about flat to up 2. And so you can see that the storage business has pulled back. I think it's a direct result of the fact that the CFOs have told the CIOs on some of these bigger discretionary decisions, let's utilize what we have. Let's work on productivity in the current environment.

But I don't think that that's a longer-term trend. I think the need for storage is going to continue to expand, and I think Flash plays an important role in terms of for specific applications and types of usage models where you want to really reduce latency and get the storage as close as possible to the microprocessor. The key there is really understanding what you want to get close to the microprocessor, because there's a lot of data out there.

And, you know, Flash is very, very expensive, and so the real secret sauce, if you will, is understanding how to tier that data and make sure that you put the most important data on the Flash, and then you take the next most important data and put it on that next tiering of storage on down the line until you're backup and archiving. And so, I think that's the interesting play over the next several years.

QUESTION: When you look at your particular roadmap, how do you view -- (off mike) --

TOM SWEET: Everyone may know that we've recently hired Marius Hass. Marius comes from HP through private equity and into Dell. Marius has assembled a team, and we've actually got a new team that we've assembled that's solely focused on converged infrastructure. That business is going to be run by a gentlemen by the name of Dario Zamarian, who is running our networking business. He's a former Cisco guy.

And so the goal there is just as you described, for customers that are interested, unify the networking, the server, the storage, the software, the hyper-visor, and all the software layer to unify that into a single solution. And we've introduced two converged solutions based on Active. The brand that we talk about is called Active. So, it's definitely something that we're very, very focused on. We've got a blade that's basically everything in the blade enclosure. And from Force 10 not working through the storage, through the server, and so I think you're going to see us doing more and more with convergence. Converged infrastructure I think is something that the customers are looking for as a way to simplify. And they also want to make sure that they can integrate it into the cloud environment, as well. So, it's an area where I would say more to come, but definitely a big focus of Dell going forward.

BRIAN ALEXANDER: In the back?

QUESTION: (Off mike.)

BRIAN ALEXANDER: Yes, so the question is about channel expansion. You guys have done a great job with that over the last four or five years, with Greg Davis. Just talk about the growth there and whether that I still pretty robust, and is there a margin tradeoff as you go more through the channel?

TOM SWEET: I'll start and Rob can jump in. I think Greg and his team have done a tremendous job over the last few year of building our their channel capability, and channel partners and programs. I'm pretty happy with the channel growth in general globally. It's an important avenue for us and we really haven't seen from a margin differential perspective, it hasn't been a huge sort of compression for us up to this point.

So, I think we'll continue to grow the channel. We're committed to it. And it's important. And if you think about some of the acquisitions we've done recently, which have places like SonicWALL, or Wyse, which were primarily channel driven, and so if you think about footprint in the channel, it's actually growing. And we'll obviously balance that channel growth with our direct sales organization. But, he's done a nice job of balancing that. We don't see huge amounts of channel conflict. And so far they've been able to manage it. We've been able to grow it. And been pretty happy with it.

BRIAN ALEXANDER: Can you guys just talk about M&A? I think you've spent $11 billion over the last four years, Quest being the latest large acquisition, platform acquisition. I guess what's your appetite near-term for more M&A, both large and small, and how do you think you've done over the years, and what are some of the things you've learned, what are some of the deals you look at and say, this was really successful, and what are some of the one or two deals maybe that haven't been as successful and why you think that's the case?

TOM SWEET: Rob and I, we were talking about this last night. I think since 2008 we've done something like 20 deals and I think the value of those are roughly $15 billion, right. And clearly it's been a learning process for us. Obviously, this year has been very active with six acquisitions and close to $5 billion of acquisitions done, the largest being Quest, which we closed a couple of months ago. So, I think the answer to the first part of that question, which is we're pretty happy with the foundational assets we have at this point in time. I think what you'll see from here is there might be sort of full-time acquisitions as we sort of build very specific areas of IP, or technology that we need. But, thinking about our foundational assets around services EqualLogic and Compellent as foundational assets around storage, now with Quest foundational assets around software. We've got a fair amount of integration to do and to digest what we've done.

We've got John Swainson now in the Quest software team and that's proceeding pretty well. So, I'm very happy at that looks out of the gate. So, we're not -- I think our profile will be we'll continue to do small acquisitions from time to time, but we're going to be pretty thoughtful about what we do in that space. We hear lots of comments around we're worried that you guys are going to go do some big large-screen transform of the M&A deal, and deplete your cash. That really hasn't been our strategy. That's not what we're actually getting to. And you'll continue to see more of the same in terms of small technology build outs.

ROB WILLIAMS: And I would just add that the big focus is on integration, as well. There is a large integration team that includes both a core team within our business development function, but also kind of a hub and spoke model where you've got a much broader team that focuses on integration. There's regular review all the way to board level, to the board plans for all the acquisitions that we've made. We're not going to talk about the specifics on a particular acquisition that maybe you would have done well versus not. But, we're running at 95 percent of board plan overall in the portfolio and feel pretty good about that. There's clearly going to be some that don't do as well and some that do -- that exceed board plan over time. But, the way you've got to think about these acquisitions is, you're running a five-year model on this. And you've got to continue to focus on executing to that board plan that you signed up to over a five-year time period, and so it's not about a quarter or two, or even a year or two. It's about five years.

BRIAN ALEXANDER: One of the issues that you guys talked about, just a quick follow up and we'll go to the audience. You hired a lot of specialists, thousands of specialists, and you've inherited a lot of sales people through these acquisitions. I think you guys talked a couple of quarters ago pretty candidly on your call about some of the challenges and integrating the sales force, and the generalist-specialist model. Just maybe update investors on where you are in that process and how much more heavy lifting, for lack of a better term, there is to kind of get that right?

TOM SWEET: I think we have been fairly direct in terms of how we talked about that. We've hired something like 5,000 specialists over the last 18 months in a variety of disciplines. And I think a balance we're still working our way through is the role of those sales specialists versus the role of our role of our generalist sales organization? What's the right sales model to go to market with? What's the role of those specialists? Are they out doing acquisition type sales activity or are they waiting to be called by the generalist? And so we've had to work our way through that sales model design. I think we've made really good progress there. There's a little bit more work to do. But it's clearly been a longer road than what we've thought it was going to be in terms of the complexity of balancing and getting that sales model right. But I think we're on the right track. But there's some more work to do in that area.

QUESTION: (Off mike.)

TOM SWEET: Well, you know, what I would tell you is, and I think we've said this before that we had seen some hesitancy in some of the commercial customers around big projects, and some disciplined sort of delays in terms of thinking through what they want to start and what they want to do right now. So, it's a wide spread. We hear about it from time to time. Clearly EMEA is struggling in terms of the whole macroeconomic environment. So, there's clearly headwinds out there, and we're working our way through there. But we're focused on executing the strategy and controlling what we can control.

BRIAN ALEXANDER: Do you get the sense that there's a fair amount of pent up demand out there that if and when the cliff gets resolved, and we don't go over the cliff that perhaps there could be sort of a short-term surge in spending, or you don't think it's that materially to what you're seeing?

TOM SWEET: Let me talk about it from an end user compute standpoint and work up. Somewhere in the neighborhood of 40 percent of commercial customers are on a global basis, 45 percent of commercial customers have not transitioned to Windows 7. So, they've all made a decision to transition to Windows 7, meaning probably the vast, vast majority of the instances. They've picked the vendor that they're working with. And in many instances started the process. But when things are tighter and you've got concerns at a macro level on a global basis, but also here in the United States with fiscal policy, the discretionary IT gets pushed.

And so were not hearing from customers we're not going to do a Win7 transition, we're hearing we're pushing, we're being cautious, we're being very conscious with our discretionary spend. And I think you saw that in the IDC data. The IDC data for the commercial business in Q3 was down 9 percent units. And that's unusual in an environment like this. And I think that speaks to the hesitancy in commercial right now to spend.

On the commercial side -- I'm sorry, on the enterprise side, so enterprise products, services and storage, I think very similar. What we're hearing from our sales teams is that projects are not being canceled; they're being pushed. And the pipelines look pretty good, but the close rates have slowed, and the view is that, again, discretionary IT spend, bigger budget items, some are getting approved, some are not getting approved. And the approval process has gone from kind of like a typical in department approval to potentially all the way up to the CFO in many instances.

BRIAN ALEXANDER: Any other questions in the audience? I think we maybe have one minute left.

Any wrap-up comments?

TOM SWEET: No. I think we're excited with the strategy that we're executing to. We have clearly more work to do as we think about the enterprise space, and building up infrastructure solutions over the next few years, end use computing continues to be an area focus for us. I think we're excited about our opportunities. We'll see how Win8 adoption rolls through the industry. But, again, I think that the strategy is on track, and we're going to continue to execute the strategy.

BRIAN ALEXANDER: Thank you. Thank you very much. Thanks, Tom. Thanks, Rob.

END