Dell Inc.

Credit Suisse 2011 Technology Conference

Steve Felice, President, Global Consumer, Small & Medium Business

November 30, 2011

KULBINDER GARCHA: Okay. I think we'll get started. Good morning, everyone. My name is Kulbinder Garcha. I cover IT hardware for Credit Suisse. We are very pleased to have Dell here this morning. We've got Steve Felice, President of the Consumer and SMB business. Steve, thanks very much for being here with us this morning. I guess, if we start off, how about just some opening comments on the segment that you focus on, both the Consumer and SMB and the trends that you've been seeing recently and then we'll go into some of the questions?

STEVE FELICE: Yes, first of all, good morning, everyone. Let me just make some brief remarks, just about where Dell is at in general, and then I'll get into the SMB and Consumer business. A few years ago, we embarked on a pretty broad transformation of the company. We're now several years into that and I think we call safely say that we're now committed to that strategy. It's working. And that strategy is based on several key underpinnings. One was moving from a hardware-focused company to a solutions-focused company. The second one was to have a mid-market design principle, the mid-market in the commercial space is actually the largest IT buying sector, but also more importantly from a strategic standpoint, I think it represents where technology is headed for all users of technology, which is to be more agile, to be mores standards based, to adopt the cloud and really take advantage of the new emerging technologies.

And the last underpinning is a balance of both organic and inorganic development, which his something that Dell hadn't done in the past, but over the last several years we've made quite a few acquisitions to acquire our own intellectual property, and to broaden the portfolio. So, now we're sitting with three key lines of business. We have an enterprise business that focuses on servers, and storage, and networking. In this past quarter, our server networking business was up 13 percent. The Dell-owned IP storage business was up 23 percent. I separate that out because we're in the process of winding down the EMC relationship, so we strip out the EMC revenues. They're on a substantial decline year-over-year, so what we've acquired and what we've built ourselves is growing at 23 percent.

Our second business is our services business, and this is transactional services, the remedial kinds of things, infrastructure services like cloud and DPO, and apps, and security. That business was up 10 percent this past quarter, and our backlog hit a new high at $15-1/2 billion, which is also up 11 percent. So, that business, which includes the acquisition of Perot, is really starting to take hold and grow now.

Then, of course, we have our end user computing business, which is our business, PC business, our consumer PC business, and our mobility business. This part of our business has gone through a substantial transformation where we've gotten back to world-class supply chain and cost position. And it has fueled a substantial improvement in the profitability of that end of the business.

So, these are the three major lines that we have. The SMB sector that you asked about has been doing quite well over the last eight quarters. It's had reasonable growth around the world, and very strong profitability. The enterprise business here is growing substantially. The server business grew 18 percent this past quarter. Our services business grew 23 percent. So, this whole mid-market design principle around the enterprise, server, storage, networking is really taking hold.

Our consumer business is going through a substantial transformation as well, and that's proving to be quite successful. We've moved this from a high volume oriented business several years ago that really wasn't making any money, to one now that is focused on value based products. We've introduced a new line of very sleek, thin, powerful products called the XPS Z series. They're selling quite well. These products are in the $800 to $1500 price range. So, they're on the upper end of the price range. They complement the belief that we have that there is this consumerization of IT, and the crossover between the consumer and the commercial user is starting to happen. And so, we're building products to meet that need. The end result is that over the last four quarters, we've hit the near term profit targets that we set. And now we see good potential for expanded profitability in this business.

KULBINDER GARCHA: That's very helpful, Steve. Can you speak about how the current market environment is impacting both your businesses. I believe Dell spoke about there being some impact overall on the last set of results, but specifically on the consumer and the SMB side, how would you contrast this to a couple of years ago? How do you think about visibility, those kind of things?

STEVE FELICE: Well, in the very near term, the consumer business had some fundamental issues as an industry in that we had several competitors that had built up substantial inventories in the channel. You saw that really happen in the last couple of quarters in particular, and it was particularly focused on Europe. And you see it in the results of these companies where they've had depressed margins, and they've been basically bleeding out inventories. So, we chose not to participate in that. We focused on emerging countries, we focused on our high end products, our XPS line, for example, grew 280 percent this past quarter. So, overall growth was down because we did not play in the very low price bands where people were moving inventory out, but profitability was solid.

I think that very short-term, we think the channel is a lot healthier now. And I think as evidenced by both the sell-in and sell-out that's been taking place over the last few weeks that the consumer purchasing is a bit healthier going into this holiday season. We're going to continue to stay focused on our strategy of the value-based products, and continuing to increase the profitability.

Our emerging countries are performing extremely well. Our consumer and small and medium business in China, for example, this past quarter grew 30 percent. And so we're seeing where we choose to play very solid growth.

KULBINDER GARCHA: Great. And just finally on, I guess, on Thailand and the HD impacts there, how do you see that playing out over the next six to 12 months?

STEVE FELICE: Well, I don't know that I'll be able to tell you much more than probably anybody else has told you on this, because I think we're all waiting to see how the restoration of all the equipment is, and these facilities, and how fast production gets ramped back up. I do know that from our perspective, our teams have done a fantastic job of securing supply in the near term. We've built very strategic relationships with these key suppliers that goes back several years. So, we did not have to go in there with hat in hand begging for supply. We've had good relationships.

So, I think we're in as good a position as we can be. The big unknown is when will production ramp back up. But so far we feel good about being able to build the products to meet the demand that we have right now. And I think most people would say that the fuzziness begins in January, when you really get through existing inventories, and you start to see the ramp up of product. But so far we're feeling good about where we're at in this process.

KULBINDER GARCHA: Great. On the PC market, Steve, I guess with it having not seen much growth over the last couple of years, can you speak about the growth drivers you think are going forward? And specifically within that, you talked to me a little bit about repositioning Dell, what process are we at in terms of moving towards those higher price tiers?

STEVE FELICE: Well, it's a combination of repositionings. What's really holding back the overall growth rate is the economic conditions in the places where the largest units are sold today, which his in Western Europe and in the U.S. The reason why I still believe there's plenty of growth left in this industry is because the emerging markets continue to ramp up in a pretty substantial way, but they still represent a smaller portion. It's not going to be very long from now where China will be selling more PCs than the U.S., when India will be selling about the same number. Indonesia's economy is looking much better these days. They've had healthy GDP growth. That's a large population of people that are stilly heavily under-penetrated in technology. You see Brazil ramping up. So, there's going to be a crossover point where the emerging countries combined will have a demand for computing that's greater than the developed world. And so, there's a lot of legs left in this industry.

And then, of course, as the economies get better in the developed world, we'll see the demand go up. Technology is still the real underpinning for productivity gains, and we continue to see, even in the commercial business, a pretty healthy demand for technology as a way to make the businesses more efficient, and to help them grow faster. So, I still feel pretty good about the health, longer term, of this industry, and I think we're going to see reasonable growth rates for both consumer and commercial for quite a number of years.

KULBINDER GARCHA: And do you think the lack of growth in the last couple of years has been any impact from tablets? And how do you think that will impact this market going forward?

STEVE FELICE: Well, there has to be some cannibalization, but everything that we see shows that it's quite minimal and that this has been more of a complementary device and a TAM expansion, if you will, for some newer technologies. And the numbers are still quite heavily in favor of traditional computing. There will be over 400 million computers sold this year and there will be quite a few less tablets. The issue is still that for content creation and for speed and power the tablet still doesn't meet the needs of many, many people. So, if you're a casual browser and you're using it for media and entertainment, sure there's a case to be made that you could probably do without your computer. But, we're just not seeing a lot of that, because it's a pretty big trade-off to not have a computer and just rely on a tablet.

On the commercial side, we spend a lot of time with customers, and we ask them a very basic question, will you buy for your people a smart phone, a tablet, and a computer? And we haven't found any company that has said yes to that, other than maybe for their executive teams. And so, I still think there's a lot of fleshing out to do about how these products are supported in the workplace, who is going to pay for them. And so we still see the primary sources of information management being a computer and a smart phone, with a tablet being a complementary device.

KULBINDER GARCHA: Great. Steve, on the repositioning of Dell, in addition to higher price points, what kind of price points should we think about that you want to really operate in, in the PC market? And then also, what is Dell's best thinking on your tablet strategy?

STEVE FELICE: Well, we want to be in the price points that make money. There's quite a lot of activity out there that's not very profitable and I think we've proven over the past couple of years that we can have a healthy consumer business and focus on the product lines that add more value to customers. They're more powerful. They have better features. There is still a very healthy demand for that kind of computing need.

So, when you get into the sub-$500 price band you really see companies that might have -- I'm talking about suppliers might have strong volume gains, but you see no profitability gain. And we've seen several companies over the years push that to the edge and run into substantial problems. And even three years ago we ourselves were embarking down that path. But, it's just not the right way to go. We've made that change two years now. And so we're focusing more on these mid-tier prices, these higher-end products, the XPS series, the Alienware series, it's now 20 percent of our mix. It was half of that a year ago. I can see it getting to be half of our mix. We have some exciting new products coming out early next year.

We introduced this 14z and this 15z product in the consumer line, which are the thinnest notebook PCs in the marketplace but they're very powerful. They have long battery lives; they can carry i7, i5 processors. They have advanced graphics. The 15z has high-resolution screens. So, these are really great products next year we have a much smaller form factor and if you just go out and look at all of the write-ups on these products you'll see these products being favorably compared to anybody, including Apple. So, that's really been the focus on the notebook side.

KULBINDER GARCHA: On consumer margins, obviously there's been some improvement. Can you speak about what's driven that so far, how much more on the cost side is there to do, and then in terms of from here, in terms of achieving, let's say, a mid-single digit margin in the consumer business, what gives you the confidence you can get there in a couple of years?

STEVE FELICE: Well, we've done a lot to improve the profitability. This went from zero profit to a 3 percent OPINC we'll average this year and we did that in one year's time. And we're not finished yet. We have some businesses in our consumer business, in certain geographies that are operating quite a bit above the 3 percent OPINC. So, we know we can move this business further up.

Some example of what we're still working on is we're not completely finished with our cost optimization. I think we're well on our way and Jeff Clarke, who leads that, has done a fantastic job. But, we still have more to do there. We can do more simplification of our platforms. We've already taken the brands from six down to three. That's helped simplify the value proposition to our customers. We have the mainstream brand and the Inspiron. We have a high performance brand in XPS and we have the ultimate gaming in Alienware. It's a much simpler way to talk to our customers about what they can buy. We're continuing to simplify that roadmap, which adds a lot of efficiency to the business.

We also have logistical efficiency. We've gone from zero products ocean shipping two year ago to 6 million this year. And we can do a lot more. That drives a lot more savings. And then there's the bundling of services and software and peripherals, which we have really turned our attention to this past year. We've increased the number of premium services we're offering. They're starting to ramp up an attach rate. We're moving more to a trusted advisor status on our software and peripherals strategy. So, we're seeing the margins of peripherals that we're seeing go up substantially. So, these are all techniques we will use to continue to improve the profitability in consumer.

KULBINDER GARCHA: So, your current thinking is you can get to a mid-single digit margin. Have you ever given a timeframe?

STEVE FELICE: Well, we make it a point of not giving projections, but I don't think it's forever. I mean, I think in the next couple of years we are intending to get there.

KULBINDER GARCHA: Just from before, Steve, on the tablet side the most recent thing from Dell is how are you going to address that market?

STEVE FELICE: Yes, tablets have been a very interesting market over the past year for sure and Dell has been I would say somewhat subdued in this. And that's been intentional and when I look back I'm glad we took that approach. Apple clearly had a first-mover advantage. And they've done a terrific job. But, things are happening, and things are developing and I'm very optimistic about where things are headed.

In this past year Google obviously tried to make a big play in tablets with introducing their OS versions for Tablets. And a lot of companies just jumped on it with high volume commitments only to see themselves have to bleed out substantial amounts of inventory at a loss.

We chose to play in, as I say, a more subdued way. In other words, selling hundreds of thousands of units instead of trying to sell millions and understand the customer buying patterns, behavior, how the software was coming on. And we've done fine in moving what we've sold, but it has been a very small amount of volume in the overall scheme of things. But, the really important aspect of all this is that while two years ago we were all saying, boy, Microsoft really blew it, they didn't have a solution here, and they're going to end up losing. There hasn't been enough movement outside of Apple and now we're only about 10 months away from Windows 8 launching.

We've looked at Windows carefully. It has terrific potential. It's an excellent product. And if you do surveys, independent surveys not our own, you will find that the number one request for an operating system for a tablet continues to be Microsoft. And it's mainly because most people still use other Microsoft products and they would assume that there's some good synergies, for example, being able to use your Microsoft office products on a tablet.

So, we are firmly committed to the tablet strategy. We think that Microsoft is going to help this market quiet a bit. As far as form factors, I'm not concerned about that. We have in our labs products that look beautiful, are thin and powerful, and rival what Apple has. But, this is much more than the hardware. So, that's what's really changed in this industry. This is more than a hardware story. This is an ecosystem story.

The other point that I would make where Dell stands to have tremendous potential is the fact that many of the commercial needs have not really been met. And, again, from our direct relationships with commercial customers and SMB we have 10 million of them.

We get a tremendous amount of feedback that there are unmet needs with respect to mobility computing. And they have to do primarily with security, with device management, and with interoperability with their other software. And so, the existing emphasis in the marketplace right now has been on consumer. Dell has always been one that's embraced more of this crossover between consumer and commercial. And we think we have a customer base that's wanting us to introduce products that will meet the security needs, that will meet the interoperability needs, device management. And so, I think we can create an ecosystem that is more relevant to the employee that wants to use a tablet at home for personal use, but also needs to use it at work.

KULBINDER GARCHA: Steve, moving on to the SMB partner business, you have seen some quite decent success on the storage side. Can you speak about what's been going on there, which products are selling well; and, in addition, what you think your competitive advantage is versus the larger storage vendors in the area?

STEVE FELICE: Well, it has been terrific. EqualLogic has been growing at mid double-digit rates consistently for the last several years. In Compellent, we completely replaced in SMB the lost EMC revenue in one quarter with the Compellent product.

Another interesting fact, just as a tangent to this, is on networking, 70 percent of the EqualLogic storage we sell, we attach PowerConnect switches. So, we're also taking share from Cisco on the switching business when we sell EqualLogic.

Now, why is all this, and what is our competitive advantage? The SMB market is extremely unique for Dell, and I think it's a terrific asset, and it's because of the direct model. We have a real differentiation in the fact that none of our competitors really talk directly to an SMB. They go through the channel. We have a healthy channel partner business, but we still have about 75 percent of our business being direct. We have a trusted advisor status with the small and medium business. The competitors, the trusted advisor status is with the VAR, not with the OEM directly. And so this enables us to present new products and new solutions to SMBs at a much faster rate.

KACE was another great example of a system management tool. We acquired KACE about eight quarters ago now, right around this time, and it's now eight times bigger than when we bought them. And that's because you take the Dell trusted advisor status, and you take a fantastic product like KACE, but now we've put it into our distribution network of our own selling capability, and we can dramatically ramp the sales of these products. So, we can bring these solutions to market very quickly.

It also has to do with this mid market design principle. These products that we've been acquiring and developing really emphasis ease of use, and interoperability, and a more standards-based approach. Medium-sized companies really embrace that. They don't have large IT staffs to deal with the complexity. You take a product like KACE, for example, it literally takes two hours to get up and running. If you wanted to buy the nearest competitor, you would probably go to Altiris, it takes two months and a consulting engagement to get that product up and running, and it costs six times as much as KACE.

So, if you're an IT shop that's pretty limited, and you need a systems management capability to track all your assets, which one are you going to go with? And so that's why I think we see the sales of this product ramping so quickly.

So, Compellent, EqualLogic, KACE, Force10 already is selling pretty well in SMB, all these products are ramping in a pretty rapid fashion.

KULBINDER GARCHA: Maybe one final question from me prior to opening to the audience, just in terms of the pruning the business, both in your segment, and in the overall Dell level, there's been a fair amount of focus on profitability, maybe the expense of revenue growth in recent years at the group level and at your level, are we done with that? How much more do you see? When do we look forward to Dell actually resuming, outside of macro-factors of cost, just like genuine positive revenue growth, do you think?

STEVE FELICE: Yes, I think this does require some explanation, because we constantly get the question about growth. And we estimate that we walked away from about $3 billion worth of business this past year, and I can describe where that is. One is clearly exiting the EMC business; that was a sizeable amount of revenue. A second one is this low price band in consumer, not participating in that. A good example of that is if you go into Best Buy today, it's highly unlikely that you'll see Dell in the sub-$500 price points. But you'll see Dell in the $700-800 price points. So that's, again, a conscious effort of us to mix up.

A third example is our software and peripheral business. We were reselling a lot of software that was getting us what we refer to as empty calorie revenue in the company. It was very low margin. We've been exiting that.

And a fourth one is that our client business offers a very high value to our customers in services. We stopped participating in these auction processes where there is no potential to add to the profitability. So, if you're going to go win a customer by being at a negative 20 percent margin, that's something that Dell used to participate in. Now we don't do much of that anymore.

So, we've moved to this value-oriented strategy. We're well into that. So, you know, we haven't given a projection of an exact time when we're going to be finished pruning, but we're far into that, and I don't expect there to be a substantial amount more. And so, you know, we still have our eyes set on returning to some healthy growth in this business in the near future.

KULBINDER GARCHA: Great. Are there any questions from the audience?

QUESTION: Thank you. You spoke of PC growth coming from India and China. As they ramp, what is Dell's positioning within those markets in terms of distribution? Maybe talk about the competitive landscape in those markets. Thank you.

STEVE FELICE: Sure. Yes, we're number one in India, and we're number two in China. We've put heavy emphasis on these markets over the last few years. Consistent with the strategy, we focused on the brand positioning. Our brand preference in India went form almost number 10 to number one by focusing on more solutions and branding that we've done to get closer to the customers there. We launched products specific to China and India a few years ago. We added a bunch of service points. Six years ago, in share, we were number six. HP was number one. And now we're number one. So, we've had really good success in India.

China, we're a very solid number two. Of course, Lenovo, the Chinese company is number one, and I don't know that we'll -- they have a pretty big advantage in China. I don't know that we'll overtake them. But we've been performing really well in China for a number of years now. And the thing that is really important is, we've been doing it in a profit accretive way. So, our revenue has been growing, but our profits have been growing, and we have a very healthy, profitable business in China.

QUESTION: Hi. Could you talk a little bit about your OPEX investments this year, and maybe your projected increase for 2012?

STEVE FELICE: Sure. In the beginning of this year, we made a conscious effort to dramatically expand the solutions oriented resources in the company, and so you've seen a pretty big increase in operating expense. What these are are storage specialists, solution architects, engineering, this is the kind of thing we've been focusing on to bolster the portfolio that we've acquired, and be able to talk to more customers in a more advanced way, and start meeting at the CEO/CIO level.

I think we're happy with the progress but with the headwinds in the marketplace, the growth overall has been a little bit slower, and so those OPEX expenses look a little bit out of balance. We made a nice correction of that this past quarter. And kept expenses in line with revenue over the past quarter.

We can manage this well, and I don't think you'll see nearly the operating expense growth next year that you'll see this year, because we've made this investment. We feel like we've got the right level of support now to grow the business. And so, you'll see the revenue growth kind of fall into a productivity gain that we've been planning for some time. So, we're not going to continue on that high growth increase in expense.

QUESTION: Thank you, Steve. Two questions. What do you consider the potential for ARM-based PCs to be? I would just like to get your specific point of view. And then, secondly, how does the Kindle Fire just change the computing market from your point of view, as a product being offer that's being subsidized, but also being offered by a different types of vendor, and it seems like it's changing the overall landscape for computing. I would just like to get your point of view.

STEVE FELICE: Okay. What was the first question?

KULBINDER GARCHA: ARM-based PCs.

STEVE FELICE: ARM-based PCs. Well, I think ARM has great potential, and across the entire product line, including servers, but it is still heavily in a development cycle. So, there's a lot of questioning about how fast is it going to come to market, and I still think we don't quite know until we start to see these products, and how they perform, and some of the software is pretty critical to it. I think you'll get a good glimpse of the potential of ARM with Windows 8 coming out. It will provide the potential.

What ARM really provides is the opportunity to have thinner products with more power, and a longer-battery life. I think it has the potential to dramatically change the evolution of where products go. If this comes to pass the appropriate way, you could see products that are as thin as tablets, but with keyboards, which kind of brings into question if you could touch it, and you can use a tablet, you can use a tablet screen for touch, and you can have a keyboard, what happens to the tablet?

So, I think we're going to continue to see these form factors evolve quite a bit, and ARM will enable that. But, I just have to make sure I say that it's still very early going, and these products haven't come to market yet. And so, we still have to be cautious about how we see this play out in terms of timing. But I think the potential is terrific.

And then, Kindle Fire, you know, I think this is another good example of the evolution of all this computing, and what people are going to use these products for. Sure, I think there's going to be continued availability of lower-priced products that have special functions. And I think where it probably provides the most threat are to products like netbooks. And that's why I think you see tablets -- where cannibalization is really taking place for tablets is with netbooks.

The netbook was never really a very good product because it disappointed customers who had an expectation that they were going to get a fully functional computer, and they got something less. I think things like Kindle Fire, and even tablets, it's a much clearer value proposition for the customer, so they understand what they're getting, and what they're not getting. And so, I think there will continue to be a proliferation of these products, and I think the content side will be important, but I still come back and say that doesn't mean that it has to be at the detriment of mainstream computing, because those are still predominantly productivity based tools, and they still serve a purpose in growing economies. That is way beyond what those kind of products can provide.

QUESTION: With Hewlett-Packard keeping their PC in the server division, the hardware, some people are suggesting they're going to get more aggressive on price. Could you kind of focus on your cost differential between Hewlett-Packard and maybe your competitive response if that happened?

STEVE FELICE: I think over the past year we've demonstrated that the profitability of our client business rivals anybody. And that's from our cost position. And so I think we're fully able to compete. I think HP has got a bit of a bind, though, in that they tried that strategy this past quarter and they got reduced profitability and their consumer business went down 9 percent. So, that's not really a strategy that's working. So, we're about value creation and we're not going to follow a strategy that says we're going to grab unit share at the expense of profit. And we think that the areas that we're focused on allow us to grow, but grow in a profitable way. So, it's no longer a concern of ours, and I wouldn't have said this five years ago, but I can clearly say it now. It's no longer a concern or a mission of ours to have the number one market share of units.

Units cost $200 and they cost $2000, so a lot of companies can win the units game, and not make any money and not add value or improve the brand. That's the other key aspect of this. Acer went down this path, sold the largest share of netbooks, I believe they created a pretty substantial problem with their customer base, disenfranchised themselves, and then weren't able to grow on that, and the whole time they're doing that they're not making any money. So, our focus on value-based product, there's plenty of growth to be had there, and do it in a more profitable way.

QUESTION: Hi, it seems like Rackspace and NetSuite are targeting SMB customers with hosting services and cloud applications and that's kind of your traditional segment for in-house applications. Can you discuss how that's affecting your storage and server growth?

STEVE FELICE: Sure, well first of all we're having really healthy server and storage growth, so I can't say that it's hurting us. I do think there are shifts happening in the marketplace that we are preparing for and we're participating in. We launched Dell Cloud business apps over about three months ago, four months ago, which is under the core asset of buying Boomi. I don't know if people are familiar with Boomi, but Boomi is a company we acquired at the beginning of the year that does cloud integration. So, for SMBs one of the key pain points for them is if I use a cloud application how do I connect the data between my other applications. So, if I'm using Salesforce.com and I have some other finance apps, for example, how do I get customer data from Salesforce to that other app? What Boomi does is it's an automated tool that maps that data.

So, we acquired that first, and recently we announced a broad partnership with Salesforce.com to be the first reseller of their software, their cloud software. And what we're doing is we're bundling it with a suite of offerings that allow it to connect to other applications and also provide several other features like single sign on. So, if you're using five different cloud applications you only have to sign in once, and also more advanced reporting, so people can take data from multiple applications and see KPIs and charts on how their sales are by product line and by geography, and things like that, and margins.

So, we're adding value to the small-medium business and how they use the cloud. The hosting piece in and of itself is the least interesting. It's the lowest margin aspect of the whole cloud set of offerings out there. We will provide that capability, but our focus is more on architecting the solutions, selling the apps to the SMBs, being more involved in the higher value side of it.

KULBINDER GARCHA: Maybe one final question from me, just on the whole areas of M&A, clearly it has been effective for you in your segment, especially in the SMB side and the storage side. When you look at the IP that you'd like to fill out, what are the areas that you think that would help, would it be services more, would it be more storage, or how do you think about that?

STEVE FELICE: Well, there's quite a few areas that still present great opportunities for us. We have a great storage portfolio now and we're now adding to that from other acquisitions we've made, like we bought a company called Ocarina that will add de-dupe capability to our storage line. So, we're in the throes of implementing that. There are several spaces that are still very interesting to us, in data backup and recovery, in additional storage lines, security is another area. There are a host of services that are still interesting. There are a number of application areas that are particularly interesting to the mid-market that we're focused on. So, I think you will see Dell continue to make a broader move into software. So, there's still quite a few opportunities out there for us.

KULBINDER GARCHA: Great, thanks for the time, Steve.

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