DELL ANALYST MEETING 2011

Austin, Texas

June 29, 2011

7:00 am – 2:00 pm CT

EXECUTING OUR GROWTH STRATEGY
Michael Dell - Chairman and CEO
7:00 – 7:15 AM

MICHAEL DELL: Alright, thank you, Rob, and welcome everyone. It's great to be with you all today. We appreciate you coming to Austin. I hope you had a chance last night during our Solution Expos to get a better sense for the things that we're doing at Dell, and meet some more of our leadership team. We're going to talk more about our Enterprise Solutions today over the course of most of the day here.

It's been a great year for Dell this past year, and we've made very significant progress during the last 18 months. We had the right strategy, whose outcome is allowing us to grow our income, our cash flow consistently over time.

Last year was really about growing our services and solutions portfolio, and you've been able to see some of that this last evening, and you'll hear more about it during the course of the day.

We also spent a lot of time optimizing our supply chain, and that has made Dell much healthier and much more competitive, as we'll explain later on.

Our focus is now on enterprise solutions that provide efficiency and flexibility. We have very much this idea of open, capable, and affordable solutions, which will resonate throughout the entire day, with a design focus where we start with the mid-market in mind, and I'll explain some more of that.

We're focused on three key solution domain areas: Next Generation Computing and Information Data Management; Services, Security and Cloud; and End User Computing. And each of those will be sort of elaborated on over the course of the day.

We're selling productivity. The business of productivity is a good business. And we're creating solutions that our customers value.

Now, last year at this meeting, we committed four things to you. We said we were going to develop and acquire key intellectual property and build our sales capability.

We said we were going to deliver solutions that customer value. We said we were going to capture a growing share of the IT profit pool, and we would grow our operating income and our cash flow.

The results, first of all, I think we have changed the conversation with our customers to be one around solutions. We've changed the compensation of our sales teams to be based around margin. This last year, we did eight acquisitions, adding key intellectual property, and committed a billion dollars to organic investment and innovation inside our existing business. Our solution and services revenues are up 27 percent over the course of the last year to $18 billion, and we've made significant -- and I think you'll see from Jeff Clarke's presentation sustainable improvements in our supply chain, and our profits are up across all of our product lines.

And we are now systematically identifying the key inflection points in our industry, allocating capital in a disciplined way, while building our portfolio and our capabilities, which we think positions us very well for continued strong profit growth.

Now, a big part of Dell's competitive differentiation is the connection that we have with our customers, and you'll notice on this chart, which kind of outlines the entire IT industry $2.7 trillion, that the largest part of the industry is right in the middle, right in the middle where you have the large business, small and medium, public, education, and health care.

And Dell, like no other company, has the brand permission and the focus and understands those customers and the needs of those customers. Our teams are aligned to serve our customers in that way.

Now, later today, Steve Felice is going to talk about the consumer portion of this chart, but this morning I'm going to focus the bulk of my comments on the commercial and public sector, because that is where Dell derives 80 percent of its revenues, and a little more than 90 percent of its profits.

Now, I'd like to clarify that while we sell to the largest and the smallest customers, we sell to all customers in the entire market, there's a reason why we start with the mid-market. First of all, it is the largest and fastest growing portion of the industry. Think about emerging markets and all the new companies that are being created in the world. They do not start out as large global enterprises, they start out as small, medium, and endeavor to be large or global enterprises at some point in the future.

The needs of companies in the middle of this chart are often less complicated in many respects, and they are often the early adopters of new technology.

This is also an historical and structural strength for Dell, and a place where we have done well for quite a long time.

Conversely, our competitors do not or have really been unable to focus successfully on this mid-market. And if you think about the history of our industry, new solutions start in this part of the market, and then migrate up. Think about the x86 server, for example. I remember in the mid-1990s going to see some of the world's largest corporations over in the global enterprise, and telling them about x86 servers, and their reaction was something like, "Well, you know, when I retire, why don't you come talk to the person who replaces me about that," because they weren't ready to move off the mainframe. So, x86 servers, which are obviously now a huge business, did not start in global enterprise, it started in small, medium, migrated its way into large.

Think about iSCSI, think about virtualization, think about cloud, think about social technologies that are emerging today, social commerce; they start in small and medium and they migrate to large, and eventually to global.

Now take a look at the investments that Dell is making in our acquisitions, in our open, capable, affordable approach. All these align to this strategy.

Now, it's also important that Dell build deep domain expertise and the required intellectual property to drive strong profit growth within our business.

And so what do we mean by that? We really see three broad solution domains, and I've described what those are. The chart shows the profit pools of the industry. The horizontal axis shows the revenue of the industry, and the vertical axis shows the margin of the industry.

And the blue areas are areas where Dell is strong today, and where we have a significant business and source of operating income today, and the orange are adjacent opportunities. You'll notice that each of them have higher margins than the blue areas where we're in today.

Across both of those Dell has a differentiated understanding of mid-market customer needs, and that gives us, we think, proprietary insights into the kinds of solutions that need to be built for those customers, and also informs the acquisition strategy as we go and add inorganically to accelerate our progress.

Now, FY '11 was really about improving our execution, getting operationally fit and strong. FY '12 was about leveraging that position of strength to aggressively accelerate our efficient IT solutions, and align against the profit pools that I described, which we think are significant and very measurable opportunities.

Each of these solution domains are the areas where Dell is focused and will win. We're focused and locked on our strategy. It's working well. During the last 12 months, our earnings per share have grown by 68 percent on a non-GAAP basis, and we believe we'll continue to be able to grow our revenues, operating income and cash flow steadily over time.

Now, let's get ready to talk more about our strategy. Brian is going to be up next. He's going to talk about value creation and give you a better sense for our financial model.

Dave will then be up to give you additional insights on our strategy and our investments, both organically and inorganically in building these solutions.

I'm going to be back up to host a Founders Panel, with a number of the founders and key executives of some of the acquired companies.

Jeff, Brad, and Steve Schuckenbrock will be up to talk about the progress inside the key solution domains.

Karen is going to host a customer panel where we'll have some customers here to give you a sense for the relationships we have with customers, and how we're delivering our solutions and how our competitive advantage really comes to life there.

Paul and Steve Felice will then give you a sense for our go-to-market approach and how we're integrating and delivering those solutions.

We're going to have lunch, and then we'll wrap up with a question and answer with myself and Brian.

So, thank you all very much for taking the time to be here, and I'll turn it over to Brian now, and we look forward to the rest of the session. (Applause.)

FINANCIAL MODEL
Brian Gladden - SVP, Chief Financial Officer
7:15 – 7:40 AM

BRIAN GLADDEN: Thanks, Michael.

You know, I just wanted to thank so many of you for spending so much quality time with me last night. It was a great discussion. I wanted to thank you all for being here and look forward to a great session. We've got a lot to share. What I would like to do is focus on really two things that I think are important areas of interest for the investor base, and we'll get into it.

First, we'll talk about progress towards our long-term value creation framework, and some of the things that we've done over the last two years that really drive us towards that, and why we think we've made some great progress there. I'll also try and give you a fairly transparent view on what's driving our performance, and what we think will drive our performance financially going forward as we think about the transformation that Michael just laid out for the company. So, with that, let's get started.

The key messages for the company really are focused on executing our long-term strategy, and what I would say is that we've had great success as we think about the progress that we've made. I'll show you some of the financial results that we have as those results lay out. They've been good over the past several quarters. I'll show you that we're generally approaching that long-term financial framework that we laid out two years ago. Obviously lots more to do here, but we've made good progress.

I'll also show you the client business is doing well, and we've made some fundamental changes in this business, and we're extremely competitive in this business now. And I believe we now are in a spot where we have good sustainability on that profitability, and we can grow from here, and Jeff Clarke will take you into some more detail on that.

We are also changing the shape of the company, and it really starts with how we allocate the resources in the company, and how we're executing on those investments. We've taken significant costs out of parts of our business, including G&A, we've taken costs out of our client R&D. We've taken costs out of some of the COGS areas of the business in a big way. This really enables us to fund some of the strategic resources that we're putting in enterprise R&D, and we're putting in sales specialists across the business.

The enterprise services and solutions offerings that we have are growing quickly, and have basically doubled over the past five years. So, good progress there. We have a great storage business. I'll talk about it. We also have a great services platform that we think are both well positioned to grow much faster than the market.

And, finally, we're not updating the long-term value creation framework today. But, as I said, we're clearly approaching the targets that we gave you in FY '10 with our recent performance. We would like to be able to deliver on that framework on a sustainable basis, and the FY '12 outlook that we provided in our May earnings call really will put us very close to that framework for the year. So, that's what we look forward to.

So, as I said, we laid out these targets in FY '10, and we've been driving our execution against this long-term value creation framework really ever since. In short, we've really grown the revenue of the business through organic and inorganic means by acquiring and adding to our services portfolio, by investing in server and storage capabilities, and the product portfolio, by growing aggressively, and growing growth markets like China, India, and Brazil, where we've done very well. And by taking full advantage of a broad commercial corporate refresh on both the server and the client.

We've executed well in the client business with improved consumer profitability, which you've seen. We've made dramatic improvements in the supply chain. We've had a big focus on moving to higher value products and services really across the portfolio. We've shifted the enterprise mix to more Dell intellectual property, and we've pruned significant low margin business, which we continue to do, driving great financial leverage in the business over the last couple of years.

At the same time, we've also managed our working capital very efficiently, and the model continues to hold up. We've generated $4.2 billion in trailing 12-month cash flow from operations, which is solid. And it contributes to a great balance sheet, and we still have over $15 billion of cash and investments.

For the full year, our GAAP operating income was 5.6 percent, which is up from 4.1 percent the year before. And on a trailing 12-month basis, you can see we're at 6.7, which is approaching our 7 percent target on a GAAP basis. On a non-GAAP basis, the trailing 12-months on operating income is now 7.6.

So, we feel very good about the progress that we've made as we stand here today. But, again, we still think we have a lot to do.

So, let's talk a little bit about the client business. It's healthy, and it's growing, and it continues to be an important strategic asset in the portfolio. You know, this business is contributing strong margins to the company. It is funding a lot of the growth investments that we're making to drive the enterprise business. And it really is a cash generation machine that's an important element in the overall model of the company.

Last year, we grew the business 14 percent, and we drove margins up 20 percent. As you know, it's primarily a commercial business. And as you think about the commercial side of the business, it grew last year at 18 percent in a market that was growing at about 10 percent. So, we saw nice progress as it relates to growth last year.

And I would say we're well positioned with solid share in the key markets that we -- (webcast audio/video break) -- hardware side of our enterprise business, given that purchasing scale.

And I would also say that the business drives a key element in our Dell Financial Services business, and is critical to the success there. The DFS business today is generating returns on equity of over 30 percent, and obviously the client business is a big part of that.

We also see that it's important, the client business is an important element to our enterprise strategy. And as you think about Michael's comments on the mid-market as a priority, as many of these relationships with small and medium businesses in emerging countries in many cases are client-based as they begin. And as these companies expand and grow, we're there as a priority partner and we have an edge, because we have the client business. So, that's an important element in our growth.

Again, we've benefited from a strong commercial refresh. We've benefited from a favorable pricing environment here and the component cost environment, as well, has been good, for the last several quarters. We expect to see continued solid demand from our commercial customers in the client business, and it's our job to optimize pricing, margin and growth as we move forward, independent of what the marketing conditions are.

So, as you think about sustainability of margins, in this business we clearly have closed the gap with competitors as it relates to profitability and client. And as Jeff will detail in more detail in a moment, we've made progress as it relates to our supply chain, to our product portfolio, and to the sales execution that we've seen across the portfolio and across the business. We think this is all very sustainable change. We've been discussing many of the activities and initiatives that we've been focused on over the last three years, and they don't end, they continue. They're ongoing.

It's now nice to see that the performance in this business is actually reflecting the benefits of these initiatives, and we're more confident now in our ability to sustain a significant portion of these margins, and the benefits that we've seen. Overall, on this chart you can see that the transformation cost, which is basically our manufacturing, labor, overhead, logistics, and the obsolescence cost we have for the business, has declined by over 30 percent over the last two years. Again, we believe this is fully sustainable and Jeff will talk about it. But, we clearly see opportunities to continue to drive that down.

I'd also highlight that we have a strategic focus on driving the higher value of products across the portfolio. This has been a drive for the last two years. And we've moved our teams to more value-based pricing versus cost-plus pricing, as a process in our business. This is having a big impact on our margins and, again, we believe that this is fully sustainable.

So, we're executing on this broad transformation of the company and it really starts with a pretty dramatic way in how we think about resource allocation, especially in terms of long-term investments. As I said, we've cut G&A. We've reduced our client R&D spend. We've restructured our consumer cost structure across the business, and we've done that over the last few years. You would have seen from Fiscal Year '08 to Fiscal Year '10 our OPEX reduced by over a billion dollars.

We've also significantly reduced the CAPEX that we require in the business around our supply chain, as we've moved to a more contract manufacturing-based model. And beginning last year we began in a very focused way to invest significantly in enterprise R&D, and also in driving a significant increase in sales specialists around our enterprise products and solutions.

On the upper right hand side of this chart you can begin to see the dramatic shift that we've made in R&D spend and for this year, and in the first quarter, we would have seen over 70 percent of our R&D spend is now focused on the enterprise. The chart also shows the sales headcount changes we're making to align with this strategy as we think about sales specialists, and even generalists. Last year alone we added almost 5,000 sales people, enterprise R&D, and focused growth resources across the company.

At the bottom of the chart you'll also get a sense for the differentiated levels of investment that we're making in R&D spending, specifically on those higher-margin, higher-growth areas of the business in enterprise. And while we do have great scale in our core client and server businesses that allows us to leverage the R&D spend and become very efficient, you can see that we're clearly spending significantly higher levels in critical places like storage, where we're very focused on building our own intellectual property and driving that business more to Dell IP. You could also see over time, as our presence in the mobility space increases, an increase in the R&D spend than we have in the client business. And we'll watch that over time.

So, we've been talking a while about the shape of the P&L and how that's changing. And we've been telling you that we expect to see higher gross margins as this strategy plays out. And with that strategy we expect to see higher OPEX specifically driven by selling and R&D costs. And what we're seeing is that play out, those investments are playing out. And we expect to continue to make these investments as we move forward, and as we make progress with growth and profitability.

Enterprise services and solutions now represent for us an $18 billion business. This is up 27 percent last year. And it's basically, as I said, doubled since Fiscal Year '05. It now represents about 30 percent of the revenues of the company. If you recall, at last year's meeting we shared what was an aspirational framework that this was going to be a $30 billion business by FY '14. We believe we can grow this portion of the business at solid double-digit rates. And despite the short-term headwinds that we see from our EMC reseller relationship, we believe we're in good shape here.

We've focused on growing this business in a disciplined way, and driving much stronger profitability, really, along the way. Today we have a great server franchise. As you look at that business with a number two global share position, and a number one share position in the U.S., this is an $8 billion business that we grew at 26 percent last year, and we grew margins last year at 28 percent, the server business.

I'll talk a little bit more about storage and services in a moment. But, I would highlight the dramatic shift that we've seen in the gross margin mix of the company over time. With client moving from over 50 percent of our gross margin in FY '05 to today 36 percent, and this is a trend that you can expect to see continue as we drive faster growth on the enterprise side of our business.

On storage, this business has now become a critical asset in the portfolio. And what we started as a low margin storage reseller business about 13 years ago has now become a core Dell business where our intellectual property is differentiated and the margin rates that we see are exceptional within the portfolio.

Now that we have a full portfolio of technologies, of Dell-owned IP between PowerVault, EqualLogic, and Compellent, our total gross margins in this business in the first quarter were over 40 percent on a combined basis. And that's up from less than 20 percent two years ago. You can see in this chart the dramatic reduction that we've seen in EMC revenue over the past two years, and our EMC revenue, again, in the first quarter was down 40 percent. And we expect to see that continue to accelerate down over the course of the year.

But, despite this dynamic, you can also see that we expect to see strong year-over-year increases in gross margins, and we can see last year we grew Dell IP-related storage gross margins by over 50 percent, and this is prior to any impact from the Compellent acquisition.

We continue to make additional investments here in storage, especially around R&D, more storage specialists, and we continue to acquire great technology that we can bring into this portfolio. Our Compellent pipeline growth, as well as the orders that we're seeing, are both ahead of the business case and we expect to see great results from Compellent as we move forward.

So, we believe we can grow the storage business overall between 15 and 20 percent a year. The Dell IP-based portion of that business should grow somewhere between 30 and 40 percent over the next three years. And we think by FY 15 this will be a $4 to $5 billion business with great profitability for us.

On services, this is now an $8 billion business and it represents about 12 percent of our total revenue. We have a very diverse platform now with strong capabilities across the spectrum of service offerings, including support services, cloud managed services, and application development, and BPO.

Steven Schuckenbrock will give you much more detail as it relates to services, but it's clearly safe to say that this is a critical pillar for us and a place that you will see us make investments to expand our capabilities both horizontally, vertically, in places like healthcare and education, as well as others. We also have, in this space, great opportunities to globalize the franchise and do that both organically and inorganically, and we see a path to make this a $10 to $11 billion business in the next three years.

As you guys know, we run the business day-to-day based on customer-oriented P&Ls. That's the way we talk about our results and generally share progress with you.

Last year at the analyst meeting we provided some insight into our product line mix and profitability. And what I'd like to do here is lay out a little bit more detail and a different perspective, probably more consistent with how you think about our business by products. And it will also help you understand, I think, some of the relative strengths and opportunities for us that span the customer segments that we talk about day-to-day.

The revenue you see in the upper chart is FY '11 revenue. And the operating income levels that are noted approximate our first quarter actual results. I'd also like to note, there is some double counting here. The way we're looking at these product-based P&Ls includes attached services. That's the way we think about it day to day, and I think a more relevant way to look at the businesses.

So, we've clearly made progress in the past year in improving margins in each of these product lines, and in many cases we're now showing profit levels that we showed last year as aspirational targets in the meeting. So, we're pleased with the operating income levels in all these businesses now.

We do believe that storage is an opportunity to continue to move up as that business mixes to more Dell IP. And I would also highlight on this chart the $10 billion software distribution and peripherals business that has just a great market position, great purchasing scale, delivers solid margins for us, and over the course of the last couple years, we've been working to prune the offerings here, which has dampened revenue growth a bit, but improved profit significantly. So, we believe this profit is very sustainable, and actually presents an opportunity for us to continue to grow that business and leverage our broad direct footprint, which is a real asset for that business.

So, we expect our overall revenue mix will continue to shift as we move more to enterprise solutions and services, and you'll see that play out in the overall mix of the company.

Cash flow generation continues to be a real strength for the company. We continue to be pleased with our level of cash flow generation, and cash flow from operations, the good news is, continues to be primarily generated based on cash earnings. And our working capital model for the company, which is a real legacy of the company, continues to hold up well.

As we've mentioned, we have a cash conversion cycle in the negative mid-30s. And we expect we've seen that for the last several quarters consecutively, and we would expect this will continue.

On the right side of the page, you'll see a bit of a different look that we've made a pretty significant change in our capital allocation as you think about how we're running the company, and where we're investing for the future.

If you look from FY '02 to FY '06 in the business, we had minimal capital that was allocated to R&D, CAPEX, and M&A. And that would average about 31 percent during that period of time. This would have been well below what our peer technology companies would have been investing in these areas. Over the past five years, you can see we've more than doubled the percentage of capital that's allocated to these important strategic areas, and at the same time still completed a reasonable buyback program during that period.

So, M&A will continue to be an important priority. You'll hear from Dave in a moment. And we feel that we can execute on strategic transactions that are executable for us, that accelerate our strategy around the things we've been talking about, but that also drive very strong returns for the investors on those individual transactions.

We'll continue to target between 10 and 30 percent of our free cash flow for share repurchase activities, although, as you've seen over the last five months, we actually have the flexibility to increase this amount opportunistically, and we expect to be back within our targeted range for the buyback in the second half of the year.

So, in summary, we remain committed to the long-term value creation framework that we shared two years ago, and we're increasingly optimistic about the progress that we've made in building and acquiring new capabilities for the company, and delivering on new solutions for our customers, and in the financial results that we're seeing. We're shifting the mix of the company to higher margin, and higher growth products and solutions, and we believe that we'll see more consistent and recurring revenues as a result of that. We're allocating resources in a disciplined way, and we're being selective and patient as we think about our acquisition strategy, and we think we can deliver strong returns on the deals that we do.

Our execution in the core of the company has really improved, and we're confident in our ability to sustain improved margins as a key enabler to drive the investments we need to make for the future. So, during today's meeting, you'll have a chance to hear from several of our leaders around the key strategies and priorities that will be critical for our continued success in this transformation. You'll hear about their focus on solutions, and how we believe we've differentiated capabilities that will lead in the mid-market. You'll consistently hear that we are focused on winning the profit share game. And I think you'll hear as well that we think we can grow faster than the market in key areas like storage and services.

So, we think it's a solid plan for building the contemporary IT solutions company of the future, and for delivering results today.

So, with that, I'm going to turn it over to Dave Johnson, Senior Vice President, Strategy.

STRATEGY TO WIN IN THE VIRTUAL ERA
Dave Johnson - SVP, Corporate Strategy
7:40 – 7:55 AM

DAVE JOHNSON: Good morning and welcome to Austin.

I'm going to share with you over the next few minutes more details, and expound on what Michael shared with you relative to Dell's strategy, and it's a strategy to win in the virtual era.

Every decade or so in our industry we go through a major transformation, whether that's for mainframes, moving to client-server, moving to a network era, and now to the virtual era. And with each one of these shifts there's lots of opportunity to provide our customers with their new requirements.

And Dell is really well positioned to do that. We have this unifying, open, affordable, and capable philosophy that permeates across all of our strategies. We intend to in our investing in differentiating IP, we're focused on the mid-market, not only that customer base but a design point that allows customers to really implement the solutions quicker. It's really time to deployment. Just like in many industries, time to market is very critical. Many IT CIOs make their decisions based on time to deployment. So, simplicity and ease of use that's focused at the mid-market is very expandable across all the customer segments.

And we're making, as Brian articulated, investments, not only non-organic investments around IP, but a lot of organic investments in our sales capability and our research and development capability, in our core infrastructure in IT, in business processes in order to be flexible and responsive to our customers' needs.

And we're doing this in a very targeted way in three solution domains: Next Generation Computing and Solutions and Intelligent Data Management, Services, Security and Cloud, and lastly, End User Computing.

The virtual era really represents an awful lot of challenges to our IT customers. There's just many, many changes, and all of these represent both an opportunity, as well as an increased level of complexity.

Some of these changes include professional consumers who want to bring their devices into the corporate world. How do corporations manage those devices? How do they deal with the security, how do they deal with the data and the content?

There's just an explosion happening in data, driven by social media and rich formats. How do customers absorb, store, manage, and actually leverage the huge amount of information that's coming into them?

New business models such as the cloud that allow customers to really start to think about their various workloads and applications, and which of those should remain on-premise versus off-premise, another huge change in the whole thinking pattern that's happening in our customers.

And then the hybrid environment, once you've thought through these applications, which ones should remain on-premise, which ones should go to a private cloud environment, which ones should go to a public cloud environment, and exactly how do you manage that virtual information that's partly on-premise and partly off-premise presents not only complexities but new challenges and opportunities to help our customers do that.

We are making these investments to try to help our customers deal with this complexity, and there are a lot of changes, as I've been articulating, that are happening, and these changes can be disruptive not only to our customer but also to many of the storage providers, because they have a lot of existing profit pools in those legacy businesses.

So, for example, when you think about applications, traditional onsite licensed applications, they may see SaaS as a very competitive threat. In the infrastructure of software, when you think about the middleware, well, new cloud platforms provide a lot of the middleware for development of applications that historically have been the realm of middleware providers. And then if you think in services, all the consulting capability that went around helping customers deploy these very complicated, online service, premise applications can be displaced by much more simple SaaS implementations.

So, there's tremendous change that's happening, and again in this virtual era I believe the confluence of both the business process innovations, combined with the continuation of technology innovation, will allow us as IT providers to provide our customers a level of IT productivity that exceeds those of all the prior eras.

Michael talked about our three solution domains. I'll expound a little bit on that now, and my colleagues will go into much more detail over the course of the day. But the Next Generation Computing Solutions really leverage our open standards to protect our customers' IT investments, and they're focused on again simplicity and timed to execution and deployment for our customers.

Intelligent Data Management is to help our customers deal with complex IT and data explosion, and I'll expand on that in a moment in the subsequent chart.

Service, Security and Cloud: We have consulting practices and workshops to help our customers determine which of their applications should remain on and off-premise. We've developed integrated hardware solutions that have networking, storage, and server capability, all in a rack, with system management capability, to provide on-premise simplicity similar to what they would receive in a cloud environment.

And we're also helping customers deploy their own Open Source clouds in a matter of hours versus in a matter of days.

And from an End User Computing point in time, we recognize that employees and individuals and consumers need to connect anytime, anyplace, anywhere, and we also understand that the devices are all intercommunicating, creating even more data for customers to deal with.

These are the three solution areas that we're focused on, but again the unifying themes on all of these is we're open, capable, and affordable. We're leveraging our core capabilities of brand, distribution, customers, and a strong leadership. And we're designing for the mid-market, again this mid-market customer set that represents almost 40 percent of the IT industry and is growing at the fastest rate. But it's not just that customer set, it's the design point that facilitates rapid deployment and great value for customers of any size.

So, let me expound a little bit more down into the Information Data Management space, and talk about some of the investments that we have made.

You know, we believe we have a unifying architecture to efficiently store data, which leverages customer's existing investments. That's this Fluid Data architecture which allows people to manage their information independent of the hardware.

And we've been making lots of investments over time. From an inorganic point of view there's a lot of visibility to the acquisitions. I've listed them on this chart. We've gotten SAN and iSCSI capability through the EqualLogic, we got file capability and NAS through the Exanet acquisition, we got compression and deduplication to help more efficiently store data through Ocarina, and then from a fiber perspective the most recent acquisition of Compellent.

What may be less visible is the complementary investments we've been making across the storage space to provide the level of storage specialists required to go help customers deal with this complex, exploding data information, so we'll have a thousand dedicated storage specialists by the end of this year.

And from a development point of view, as Brian articulated, 10 to 12 percent of revenue has led to us having 800 again dedicated developers just focused on storage, and these are distributed across five research and development locations.

And then moving back more holistically across these three solution domains, you can see that similarly we've been adding to our IP capability non-organically and expanding our capability organically at the same time. So, again across next generation computing platforms, inclusive of data management, you can see we now have 1,600 storage specialists, 2,400 engineers by the end of this year, and eight research locations.

In services, security in the cloud we have many solutions. We've got 400 dedicated engineers to support those solutions. We have just in security alone now a thousand specialists to help our customers in this very key area, and we have 22 solution centers where we work with our customers to design solutions to their problems, combined with many data centers.

In this space we're all familiar with the Perot acquisition, but we also acquired SecureWorks, which helps us with network management from a remote location, Boomi, which is a middleware that helps connectivity of applications that are in the cloud with legacy applications that are on-premise to allow customers to leverage their existing infrastructure and data; and then, of course, InSite One, which is a cloud-based storage management, dedicated really towards the health care and health care records management.

And then lastly, in End User Computing we have acquired KACE from a software system management perspective, but we're also building our specialists there to help with VDI implementations and more complex solutions that customers need in the End User Compute area.

The strategy is all supported, of course, by a very disciplined approach. And if you look at it from an acquisition perspective or from an organic perspective, we've got a very strong strategic process that really allows us to focus on both the current core business, as well as the future business. And as we make acquisitions, we ensure that they align and reinforce our core strategy.

We also have very disciplined financial metrics that we must achieve in all of these acquisitions, and we've got a very robust diligence process to minimize the risk. And this is built on both our capabilities and specialists, as well as third parties who come in, whether those be accounting firms, consulting firms or software specialists that support this very robust process where we evaluate companies to minimize the risk.

We also understand the importance of culture and people and leadership, and place a high priority on that as we evaluate companies.

And we have a discipline around recognizing the rational for the acquisition, recognizing that unique value that they bring to the company, and ensuring that our integration plans not only preserve that capability but expand on it.

So, as we look at the eight acquisitions that Michael referenced, and look at the level of investment we've made in them -- (Webcast audio/video break).

(In progress) -- we're focused on three solution domains: Next Generation Computing, Intelligent Data Management, Service, Security and Cloud, End User Computing. We have a strong leadership team assembled by Michael that's incredibly focused on execution.

And with that, I'd like to actually ask Michael to come back up, and he'll bring with him several of the founders of some of our acquired companies to go through a panel discussion.

Thank you. (Applause.)

FOUNDERS PANEL HOSTED BY MICHAEL DELL:

Bob Moul -	**General Manager, Dell Boomi**
Rob Meinhardt -	**General Manager, Dell KACE**
Phil Soran -	**Vice President, Dell Compellent**
Mike Cote -	**Vice President, Dell SecureWorks**

7:55 – 8:30 AM

MICHAEL DELL: Okay, thank you all very much. Now we have our Founders Panel. We're going to have a little chit-chat here. These folks are founders or key executives of some of these companies that Dave has been telling you about. You know, I think there are a couple of key things here. We really sought out to make Dell a great home for these companies, right, and make Dell an attractive acquirer from kind of several perspectives.

I think the success we're enjoying with these acquisitions is a big part of the overall success of the company. So we'll go ahead and get started.

Phil, why don't we start with you? You're the newest member of the club here.

PHIL SORAN: I'm the puppy here. Right? (Laughter.)

MICHAEL DELL: And we had the petting zoo outside with all your products and I think some folks got a chance to see that last night. Tell us about the overall Dell storage portfolio now, how do you size it up and what do you see?

PHIL SORAN: So I've been in the storage business for a little over 25 years and obviously we started Compellent in 2002, so very focused on the network storage landscape for the last ten years. It's impressive I think the lineup you've got here.

If I honestly evaluate all my peer companies during that last decade here, you've got the two best storage assets, I think, in EqualLogic and Compellent, and I'm not just saying that because I'm up here with you, I really do believe that.

And then if you look at all the innovation that happened the last decade, it really didn't come from the large incumbent vendors, it came from young companies like Compellent, you know, designing new technologies like thin provisioning, automated tiered storage, live volume, replay architectures, iSCSI development, and I think you got the leaders in those areas.

And then as I look at kind of the integration within the other acquisitions you've done with Ocarina and Exanet, they actually really fit nicely into our product plan, so that's going to accelerate that.

So I kind of look at it, you know, you've gone from three years ago from a reseller to an IP leader, and that's a pretty dramatic change, and with that comes a lot of margin benefit and excitement with the customer base and we've been doing a lot of interviewing and recruiting people, and they kind of view Dell as kind of now the new hot storage startup, so that's kind of an exciting position to be in.

MICHAEL DELL: And from my perspective, just looking at the results and progress, it looks like the Compellent business this quarter is going to be double what it was the quarter before we bought it. So how does the integration look like it's going to you so far? What are you hearing from channel partners and customers and what's kind of the overall state of affairs?

PHIL SORAN: So kind of looking at the integration, it's gone really well. So it's been four months. If I describe the integration it's kind of growth and investment and really tied right into what you've heard so far in the presentations. You know, we've added over 250 sales, support, engineering resources just on the Compellent line there. New facilities, a lot of growth in the pipeline, real significant growth in the pipeline, revenue growth, new customer acquisition is up big time. ASPs are up. I mean, you kind of look across the board, it's just a big growth story. Probably one of the things I'm really excited about, actually, customer satisfaction is actually growing in a positive way too. So that's impressive.

The customer reaction and the channel partners have been overall very, very positive. You know, I was on a customer call a couple weeks ago and one customer said, "I wanted to buy your stuff two years ago, but I just didn't know what was going to happen with you. Now that you're with Dell, we're going with you." So it was kind of a much more solidified sales process as we went through that.

So that makes it exciting for us. You know, probably the only thing -- I think you heard it at the Dell storage forum, they want to know what we're going to do with our Copilot support, and once we reinforced that we're invested in that, people felt really good about it and both the channel and the end users are exciting.

MICHAEL DELL: Yeah, why don't you just describe a little bit about what Copilot is and why customers love that so much and why we love it so much.

PHIL SORAN: Yeah, so Copilot, it's kind of an interesting thing. We're really known, our support is branded, kind of reminds me of IBM back in the '70s and '80s, that kind of branding level. But it's a combination of software, process, and the bottom line is its people. So, you know, we don't outsource it, they're very technical when people talk to them, we do answer how-to questions. We kind of tell them what's going to happen to their system before they know what's going to happen. You know, our customer sat. rates are just significantly higher than anyone else in the industry. So it's really good to get your awareness of that. You heard it over and over and over I think and the customers are excited that Dell's going to invest in Copilot, not just in Compellent, but across the whole product line.

MICHAEL DELL: Great. Rob, tell us about KACE. What does the KACE solution deliver, and why do customers love it so much?

ROB MEINHARDT: Sure, well, I run KACE. It's a systems management appliance company. And that basically means that if you have a bunch of computers, hundreds, thousands, tens of thousands, we help customers understand what they have, how those machines are configured, how to deploy new software assets to those machines, enforce security policies, re-image those machines, all those sorts of things that are kind of nuts and bolts kind of IT operations in the back office.

You know, it's really interesting to kind of hear the discussion up here, the presentations that you all made earlier around midmarket design focus because I think KACE, you know, in a very strong way epitomizes that from a founding principles perspective. We looked at systems management, it had been around as long as people tried to string two computers together. Quite frankly, we think all those players had missed the mark. In fact, when we started the company, the magic quadrant with Gartner had exactly zero plays in the upper-right-hand of that quadrant, even though the industry had been around for a very long time.

So we looked at the market and said, well, this midmarket piece has been vastly underserved, it's too hard for people to use, it's too complex, too much training, too much integration, et cetera. So we focused everything that we did around -- we called it easy, complete, affordable at the time. You guys call it open, capable, and affordable. But it's basically the same concept. It really distills down into customer value for us around this simple phrase: We save you time and your company money. And the personalization of the time-saving and benefit has been really powerful for our customers. You know, they realize that value in terms of deploying in days instead of weeks, training in hours, not weeks, doing things like patch operations and systems deployments much more quickly.

So it's been a huge benefit for our customers. You have great examples like DeKalb County School District down in the Atlanta area. Great quote on Twitter, which was, you know, I'm sitting at home drinking a beer and watching television while 8,000 teacher work stations are being updated. So you talk about the value proposition being work less and drink more beer, you can't lose with that, right? (Laughter.)

MICHAEL DELL: And I think what we've seen with this is that customers really love -- you know, you kind of install the thing and it immediately starts delivering value. You know, rapid adoption, but we've also seen the ability to extend that into some very large customers. Tell us what you've seen there and kind of how a solution that started in the midmarket has kind of extended up into large customers with Dell's reach and access to those.

ROB MEINHARDT: This is a really important point, and there has been a lot of commentary around this midmarket design focus. I talked to some people outside, well, does that mean we don't sell to big companies or we can't sell these products to smaller companies? That's not the point. I think the midmarket design focus is a philosophy that drives new innovation in IT, it makes solutions more accessible to companies through the technology and through the pricing and the ROI position that these products bring.

In our situation, we were maniacally focused on midmarket not just from a design philosophy but also a go-to-market just so that we could get, you know, as much marketing bang for the buck in one segment. But that didn't mean our products, you know, wouldn't resonate or couldn't work for bigger customers, just meant we were focused on the midmarket.

Inside of Dell with bigger resources, broader resources, more broadly dispersed resources, we've seen the ability to drive these products up stream as well as downstream. When we were acquired about a year and a half ago, we had, I think, zero customers over 10,000 employees, now we have, you know, dozens of those, if not 100 of those plus, including customers as large as 100,000 employees. Companies and organizations like NASA, Suzuki, Toyota, Starwood, the U.S. Army -- all of these organizations, I think for the same reason that Phil described, they didn't necessarily have the confidence in buying from a startup, but now that we're part of Dell, they've got the confidence to move forward with our products.

MICHAEL DELL: Great. Bob, tell us about Boomi and the cloud. The cloud is sort of filled with excitement and hope and maybe a little confusion as well. What's really going on there and what kind of solutions is Dell Boomi delivering?

BOB MOUL: Yeah. So Boomi solves, arguably, one of the I think top barriers to SaaS and cloud adoption, which is integration. As you look at the trends in the industry, businesses are now adopting SaaS at probably five or six times the pace of traditional enterprise software. In addition to that, people are now beginning to move applications to private clouds, they're wanting to consume applications from the public cloud in the form of SaaS. They might be applications that were built on a PaaS platform like Google App Engine, or Force.com. And what Boomi does is make all of that work and play very seamlessly together for the end customer.

But the really unique thing about Boomi is that we built our entire integration platform in the cloud as SaaS. So there's no software that's installed, users literally log onto a Web browser and by using a mouse and pointing and clicking can connect any combination of SaaS to SaaS applications, SaaS to on-premises applications, even on-prem. to on-prem.

So typical use case that you'll hear about often, I'm using Salesforce and I closed an opportunity as a one opportunity and I wanted to create a customer record in my finance system automatically. That's the kind of thing that Boomi does in terms of real-time integration.

Just to pick up on the theme here, I mean, Boomi also was, in its early days, very much focused on the SMB space. We designed our solutions around the SMB consumers and then as SaaS and cloud has made its way up into the large enterprise and departments of larger enterprises, you know, our solution has scaled up to be able to support those kinds of customers as well. So we now have a broad range of customers from a mom and pop shop on Main Street to some of the largest banks in the world, and we're probably in just about every vertical that you can think of.

MICHAEL DELL: As we go into more verticals and take on more apps, we sort of get some network effects in terms of the economic model.

BOB MOUL: Yeah, the really powerful thing about Boomi, and you sort of need to change the way you think about integration. In the old days, you installed sort of these integration stacks for customers. And every customer was on its own island. Boomi is a network; it's a cloud. And once you plug into that network and it's a global network, you can immediately communicate with every other application and every developer, every ISV partner, system integration partner that we have around the world, and it's a much more powerful way to do integration, much more real time.

I'll give you one quick example that I think always epitomizes. We have a systems integration partner in Australia who is doing projects for us for customers in the U.S. and they're integration applications that might be delivered out of the U.S. or Europe, and they're doing it with a resource group in Kuala Lumpur. And they're doing that, no money is leaving home. They're all doing that from where they're at and they're using the Boomi network to make all of that happen.

MICHAEL DELL: Fantastic. So kind of a next-generation cloud, middleware --

BOB MOUL: Yeah, absolutely. This is integration in the cloud and it solved one of the really big issues was people were trying to integrate SaaS with legacy integration software and it was just adding time and complexity and really it was kind of blowing the value proposition of SaaS out of the water, right? You could buy Salesforce for $65 a month per user and get up and running very quickly, but then it was going to cost tens and tens of thousands of dollars to integrate it with anything. It became, very quickly, the lowest common denominator for SaaS.

Boomi was the first time come along and really build a SaaS integration platform and be able to deliver integration at the price points that were commensurate with SaaS and keep up with the rapid innovation cycles that the applications demand.

MICHAEL DELL: So when you think about cloud, after you kind of -- you're excitement wears down a little bit, you sort of go over to the security topic. Is that right, Mike? I mean, security seems to be top of mind for most CIOs and companies that have information to protect. It seems like it's a very, very high topic on the agenda these days.

MIKE COTE: Absolutely agree and I was going to give just for the last six months some examples of things that have happened, companies that have come forward with regard to them being hacked: MasterCard, PayPal, Visa, RSA through their two-factor authentication tokens, Sony, Fox Networks, Citibank, Lockheed -- who was attacked through the RSA tokens -- PBS, Google, the Turkish Government, IMF, the Spanish National Police, the Bethesda Game Studio, part of the U.S. Senate, and there was an interesting court case recently --

MICHAEL DELL: Just a few issues going on there. (Laughter.)

MIKE COTE: Well, it was an interesting court case, too, for small businesses in particular. It was PATCO Construction Company in Maine, somebody hacked into the construction company, stole half a million dollars, and the bank was able to recover $150,000 roughly, so they sued the bank over the other $350,000 and lost in court. And the court deemed that they didn't have reasonable and proper security measures at the construction company to effectively protect themselves. One of the first times that it's sort of fallen in the other direction where people can't just look and say the bank will always refund the money relating to it.

But what we do is, effectively, protect our customers from the bad guys on the Internet, the adversaries that are trying to attack and steal money or data. Our customers range from small to medium-sized businesses, which represent about 75 percent of our customer base, and then we go all the way up through the Fortune 500. We do about half of the Fortune 10, and about 20 percent of the Fortune 500 are customers of SecureWorks.

Our employees are structured -- or have come as a group of people to band together to protect the customer from the bad guys. It's a tremendously good outsourcing model because it's a great career path for people who want to be in this business.

MICHAEL DELL: And a couple things we noticed about the business, I mean, first of all, it has a very high recurring revenue characteristic and a very high renewal of existing customers. Why is that? Why is it so sticky?

MIKE COTE: So Dell SecureWorks takes a different approach. Instead of focusing on selling a product or a software system, we actually partner with our customers for what we hope to be the life of the existence of the company or the organization. And in that process, we have trusted advisor programs, we are in the trenches with them whenever they are attacked in some way, shape, or form.

Across our customer base today, we'll see about 15 billion security events a day, and our systems will narrow that down to sort of 30-40,000 and then we'll make about 600-800 outbound phone calls to partner with the customer, to be with them when something happens. Inevitably, something will happen with somebody trying to attack them.

We also have a ten-touch program, an executive sponsor program, and really focus on the relationship aspect of it, the process aspect of protecting them. Our revenue retention rate for each of the last eight years has been north of 100 percent. Customers retention rate slightly less than that because we lose some customers, but those that stay with us end up buying more services for us to continue to protect them against the bad guys on the Internet.

MICHAEL DELL: Fantastic. Phil, let's go back to storage for a second. When you think about the storage opportunity and Compellent, you sort of reimagine it in the context of Dell now with a big server business and broad, global footprint. You know, how do you reimagine the business?

PHIL SORAN: You know, that's probably been the most exciting part for me is just the distribution reach that Dell has and I joked with Michael once that I thought I had built a pretty good sales force, and the first event I went to at Dell was their FRS, which is kind of their sales kickoff meeting there. They had it in a convention center --

MICHAEL DELL: I told Phil, "This is your new sales force." (Laughter.)

PHIL SORAN: They were in a basketball arena and it was full. My sales meeting would have been in a room like this, right? So it was pretty exciting to see that.

The other thing that was really impressive was just the reach globally. So we're in countries that we didn't have anybody even talking to anybody in that whole country. You've got the sales force out there. So that's been exciting.

Another thing that I kind of looked at it was really positive surprise for me was -- I looked at -- I've done a lot of customer calls and I can't tell you how many of those calls where the customer put his arm around the Dell rep and said, "This is the guy I trusted, this is why I bought EMC storage." And you have a trusted relationship, much deeper than I thought with a lot of these accounts. So that's been a real positive.

Compellent's goal was to be the next billion-dollar storage company, I think we put a little accelerant by teaming up with the Dell team, and it's exciting. I think those numbers they talk about on the charts are very achievable, it will be a challenge to do it, and we'll enjoy doing it.

MICHAEL DELL: Great. Rob, how do we continue to grow the KACE offering? What do you have in mind in the future? And might also be good to give the folks here a sense for who we're replacing or competing with when we sell a KACE solution?

ROB MEINHARDT: Right. Well, just starting out to provide a little bit of context, we've been on board for about 18 months. And we are approaching about a 5X increase in our run rate on revenue with about a doubling of employees. So there's been tremendous leverage in the model so far.

When you look at the opportunities going forward, I think there are basically three different opportunities, two or three opportunities. One is we continue to make significant investments in R&D to bring new product to market on our KACE appliance platform. And that's enabled not only through the high retention rate that we've enjoyed, I think we're at 96 percent retention of our employees at this point, but you've allowed us to basically double down in almost every area, if not triple down on the engineering side in particular. We have a vastly larger engineering organization, so you'll start to see new appliances similar to our K1 and K2 products focused on things like security and mobile management and end user backup and things of that nature.

Another big opportunity for growth is just new market reach. Similar to what Phil was describing, we were predominately focused on North America. We were predominately focused in North America on SMB, now we're doing 50 percent of our business in public. We've got a growing business in large enterprise. And when you look internationally, we're launching in local language this year in French, German, Japanese, Chinese, and Brazilian Portuguese. So just right there doing nothing else from a product perspective, you can see the market expand dramatically.

And then the last area of growth, I would argue, would be a new opportunity that we enjoy is the possibility of endeavoring into some inorganic growth opportunities, picking up some assets that could augment what we're doing on the systems management side. So those are all very exciting.

From a substitution standpoint, one of the reasons why our product fits so nicely into your portfolio is that this huge Dell sales force was already selling systems management products. They just happened to be selling them at a few points of margin and sending most of the money over to Symantec, Microsoft, LANDesk and other competitors of ours.

So that's largely gone away, and now we're selling those same products, same revenue instead of that single point of margin, at 80-percent gross margin. So that's why it's worked out so well in large part.

MICHAEL DELL: Yeah, and a number of you will recall that in our quarterly calls, we've been talking about this kind of pruning and eliminating of business. This is actually a perfect example of that where we are pruning and eliminating business that occurred at very, very low margin and replacing it with business at very, very high margin, software-like margin.

So I think one of the other really interesting things I'm starting to see is our sales teams are figuring out that when they combine systems management and products together, the moat around the business gets much, much wider. You know, we've seen some great examples of that and kind of specific wins. But that seems to be a very ripe field for us because of the incredible client footprint, for example. I mean, what do you see there?

ROB MEINHARDT: Well, I think, you know, one of the things, if you're an observer of the tech industry that's compelling about some of these companies, like I'll point out Microsoft. They've got a tremendous ability through their portfolio to bundle products together and offer even more value to customers.

For me personally, from a marketing perspective, I see that opportunity very clearly for KACE and we're starting to see organizations -- just really simple things. Every time we go out and sell 500 laptops or 200 servers, let's bring up the systems management conversation and offer the customer a more complete, higher-margin offering.

There's an example recently -- I hate to steal Jeff's thunder, but I wasn't anticipating this question. We're sharing a customer story. But we just closed a deal last week in Europe with SWISSRAIL. And it's a really interesting opportunity because it as a 3,000-seat client opportunity competing with Acer, which is one of the low-cost providers in endpoint computing.

And we were going in there -- the account team was going in with an endpoint computer that was actually more expensive than the competition, and yet because they bundled the solution together with a KACE appliance that offered easier management, more security, and some other benefits, they were actually able to not only win that 3,000-unit client opportunity, but they were also able to take it down at a higher profit margin by bundling in the software piece.

So those are the types of deals that we think will create tremendous leverage in our business going forward.

MICHAEL DELL: Well, that's changing the conversation and solving a more valuable problem because the thing I've been really impressed with about KACE is how quickly the customer gets an ROI. I think we heard from customers that two-thirds of customers got their money back in a very short period of time.

ROB MEINHARDT: I think it's 62 percent in three months or less, so it's an immediate ROI, even if the project is not budgeted --

MICHAEL DELL: Does that mean we should be charging more for it? (Laughter.)

ROB MEINHARDT: You know, some people might argue that. Yeah, we should look into that. (Laughter.)

MICHAEL DELL: Okay. So more margin expansion opportunity.

Bob, as you think about sort of reimagining Boomi and sort of being able to integrate across other newly acquired assets and capabilities that Dell has, what are you seeing? You're a relatively new member of the team as well.

BOB MOUL: Yeah. Six or seven months now I know our journey into Dell, so a little bit earlier than Rob. But I've said multiple times I feel like a kid in a candy store. I mean, I just see so many opportunities to use the Boomi technology to embed and broaden Dell solutions as an enabler and taking those to market.

I think one of the greatest proof points is how aggressively Dell's used Boomi internally. You know, we have quite a few what we call Dell-on-Dell use cases of using Boomi internally for integration projects. One of the most exciting ones is our ability to very quickly connect acquired companies, particularly at the sales management level, integrating sales leads and being able to pass leads back and forth from the acquired company to the Dell mother ship, as I call it, and vice versa. And that's a great story that we can now take out to the market. Clearly, a Fortune 35 company using Boomi in a very big way, so that's a great story that we can take to market.

You know, for me, it's been the best of all worlds. Our mission is to continue to really integrate the application space and Dell's investing, we will double the size of the group in our first year in the company, so growing very quickly and for us entrepreneurs, I mean, I think the not having to take the viability phone calls anymore is awesome. I used to take probably three or four of those every month, and frankly, not waking up every morning having to worry about raising the next round of cash is kind of nice too.

So incredible investment by Dell. We're staying very focused on being the leaders in our space and continuing to innovate and the opportunities I think now to begin to combine our technology with other offerings within Dell, very exciting.

Also the geographic opportunities. I just came back from a week over in the U.K., cloud and SaaS is taking off in the U.K. as well, and the Dell teams were very, very excited about taking Boomi to market. I had a couple of customer meetings while I was there and I was very excited about how interested people were in using the technology.

MICHAEL DELL: Great. Mike, why don't you close us out with a little more detail on some of the things that are happening in security. You know, you hear about these botnets and you mentioned a long list of sort of publicly known incidents, we know of some others that weren't so publicly known. You know, this cat and mouse game has been going on for a long time, but it kind of seems to be escalating. You know, where do you think all this goes? And as you rethink about the security opportunity in the broader context of Dell, what do you see there?

MIKE COTE: I guess I'd start to answer that question from the perspective of if you looked across our client base, our customer base for the last five years, we've grown the number of customers by about 25 to 30 percent a year. If you look at the attacks that we're seeing across that customer base, it's doubled every ten months. So it give you some idea of the ferociousness, if you will, at which the adversaries are continuing to attack, particularly U.S.-based companies, but multinationals and the customers we have around the globe.

I think that's for a couple different reasons: Financially, clearly, they can get money or they can get data which they can use to sell or there's clearly cyber espionage where they're going in purely to get data, whether it's nation or state-sponsored companies doing that.

From a SecureWorks perspective, I think it gives us the opportunity to continue -- particularly to reiterate what's been said -- the investment in what we call our counter-threat unit, which is sort of our elite group of researchers, and we've continued to invest and hire more of those individuals who will look at the data, the 18,000; 15,000 security events and what's happening each day, who will monitor 60 botnets pretty regularly, who will put computers out on the Internet and watch what the hackers will be doing, who will infiltrate some of the underground places where the hackers will operate to see what's happening, what they're using, and then effectively try to write countermeasures to protect our customer base.

If I gave you an example I mentioned earlier, the RSA 2 factor authentication token, you can go out to our website and see some of the white papers that we've written related to that. And then we rolled countermeasures out and through our proprietary technology we were able to roll protections to our customers within a two-hour period of time sort of in dealing with that.

As far as the broader Dell, I'm in a little bit of the same position that my colleagues here are. I think we're like kids in a candy store. We have more capital than we thought we'd have. I don't mean it that way. (Laughter.) We don't have the board of directors we were reporting to before, and we have an opportunity I think to work together, quite frankly, I think KACE and SecureWorks are in the early stages, but need to figure a way that we can complement what we're doing and help from a protection of the customer perspective.

But if I think of storage, there's very little done around security in the storage area, and putting some people on that, I think we have a unique opportunity within Dell to bring to market a secure storage where you can use sort of the co-pilot and also look for the same thing we look for across customers, which is potential attacks or people trying to get into the data. And that same issue would exist within mobile, for example, in the cloud where we're already working in those areas.

MICHAEL DELL: Fantastic. Well, I think you get a sense for what's going on with our inorganic strategy here. These are all great leaders in their own right and built fantastic organizations that are now kind of accelerating dramatically within Dell.

We're going to take a break now and come back in about 15 minutes and resume the sessions, so thank you. (Applause.)

END-USER COMPUTING SOLUTIONS
Jeff Clarke - Vice Chairman, Global Operations & End-User Computing Solutions
8:45 – 9:00 AM

JEFF CLARKE: Good morning, everyone. I was listening to Michael, Brian, Dave, this morning, and just taking note of all the change that's underway at the company. It's tremendous. And probably nowhere is it more apparent that the change is going on in the company is in our End-User Solutions organization, and the reason I say that is, two reasons. One, we've had a significant turnaround underway for the last 18 months to improve our overall competitiveness in the marketplace while continuing to drive and derive customer value out of that; and at the same time, the flow that you heard all morning about Enterprise Solutions beginning to build the enterprise solution network, if you will, out of our client business. How do we transform from being a hardware client business into a solutions provider linked to our brand, and Steve will talk about later.

And I think that really is sort of the punchline today, the real change underway that Dell is moving from its historical heritage of being a hardware player into the solutions that we've heard about for the past two years.

So, with that, what I thought would be productive to start with is a view of what we call end-user computing. End-user computing is a very large market you see in front of you. It's a market that's nearly $1 trillion in size. That's going to grow 11 percent over the next four years.

What's interesting about it, and the way that we define it, to size the opportunity for us is the components of hardware, which are notebooks, desktops, all-in-one products, workstations, smart phones, tablets, software on the box, software sold after point of sale, software as a service, and then all of the support services and solutions that are captured around these end-user devices.

It's a tremendously large marketplace. In fact, if you look at it, I think one of the observations that I make from the chart, I hope you will see it as well, is this notion of the end of the PC era is way over hyped. It's only a $265 billion market that grows to a $320 billion market over the next several years. At the same time, you see a tremendous adjacency business around peripherals. It's a $200 billion market that grows to $216 billion over the same timeframe.

And I think it's important to note that that core business is still in the essence of what we call our End-User Computing Business. And then it's the services and solutions integration of peripheral software and services to solve customer problems that's really the opportunity. And then you also see in front of you the huge growth opportunity that exists for us, white space, if you will, in the tablet, smart phone, and the mobile services that sit around those types of devices.

A tremendous amount of opportunity in front of us when I look at the growth opportunity, again, in smart phones going from $123 billion to $180 billion, and tablets going from $32 billion to $54 billion over the same timeframe. And then, again, look at the services that sit around that. And this is all driven from what we see as an increased usage model of multiple devices. We see people buying smart phones, tablets, and notebooks. We're not seeing people stop buying a smart phone or a PC, they buying both, and the increasing notion of buying an additional device of a tablet. So, those markets continue to grow.

And, as Dave mentioned earlier, the data explosion is incredible. Five exabytes every two days are generated by these end-user devices. We're on the verge of having 10 billion devices hooked up to the Internet. And if you look at it over the next five years that nearly doubles in size, creating data, consuming data, and what it really begs is the notion of solutions. We have to provide solutions that give customers kind of anywhere, anytime access to their data and content on any type of format, from a four-inch format to a 30-inch format. So, think about the solution opportunity that exists around that, and that really drives the direction that we're taking out end-user computing business.

I want to elaborate on that a bit. It really is framed in three different areas, and these components that we're building out for our end-user computing solutions, domain is built on one primary core strength, and that's the strength of our PC business today. We've spent the better part of the last 18 months, as I mentioned, really overhauling and reengineering that business for us. In fact, so much today where Gartner actually identifies us as the number two supply chain out of their top 25, and specifically goes out of the way to call out about how we've radically transformed our supply chain specifically around driving a segment and supply chain methodology. It's that notion that's really begun to strengthen our business end-to-end. We've really overhauled the notion from engineering to go to market to the supply chain to how we deliver and support products in the field.

Building off this foundation, we really are going to take that strong opportunity out of our core and maximize the potential that it has. And that potential extends into the adjacent categories, and that potential really goes into the solution opportunity that exists with anytime, anywhere need for data, multiple devices used in the marketplace, our strategy is changing from a PC-centric hardware organization into a solutions organization that's multi-device-based, solution-based, solving these types of problems long-term.

In fact, one of the things that's really changed in my mind, and I'm sure Paul and Steve will talk about it in their sections, is our conversations that you got a little bit from Rob earlier, and the Founders Panel with our customers has really changed. It's less of a conversation of, how much is that going to cost, and how many do you want, and it turns into a conversation today, how can we help you solve your customer pain points of security, systems management, app deployment, or whatever the pain point may be in the enterprise, and how do we work with you through our service organization, our client organization, to solve that customer problem. That's the dialogue that happens more and more every day with Dell and our client business as we link that up with what Brad and Steve are doing as well.

The other opportunity that we have is to really expand -- pardon me, can we go back one slide, I hit the clicker too quick -- the other part of the component of the strategy that I'm pleased to talk about today is the expansion of our end-user computing definition from notebooks, desktops and workstations to being inclusive of smart phones and tablets. Not smart phones and tablets as you've seen in the industry today, but smart phones and tablets that are specifically designed for our target customers where we have the greatest set of differentiated skills and capabilities, which will be around the prosumer and the commercial side. So, when we talk about this in a few slides, I'm going to really expand, we're going to build smart phones and tables that are targeted for the commercial business, and build a tightly coupled set of solutions around them that will differentiate us from the rest of the marketplace today.

So, those three components really frame out the strategy that we're driving in our End-User Computing Solutions organization, strengthening the core, maximizing the value, and driving into solutions, and really expanding the portfolio into those other high growth categories of the marketplace.

And it's built on something that I'm sure Karen will explore with our customers in a bit is this notion that we know our customers very, very well. Our inherent knowledge of two billion customer contacts, our ability to translate that and turn that into specific needs, and then turn that into the solutions that meet those needs is a differentiated advantage with our direct selling relationships that we have over any of our competitors. And this notion that I'll talk about in a few moments about a repeatable operational model where we're standardizing, simplifying, and scaling our business has really been the source of competitiveness in our supply chain in our client business.

So, with that, I was in front of you a year ago, and I had a chance to share with you several of the aspects of the turnaround that needed to happen. In fact, I think I was up in front of you and said we had become very uncompetitive. We had become most uncompetitive in the consumer retail side of the marketplace, but the competitiveness or lack of competitiveness in our client business was really throughout. And we spent the better part of the last year-and-a-half, really, again, retooling this organization, retooling the organization in an end-to-end manner. This wasn't an engineering activity, it wasn't a supply chain activity, it really started with the products themselves. It started with how we're going to offer those products and the marketing. The go to market capabilities, the supply chain, the procurement of that, the service and support, really the end-to-end comprehensive nature of how we deliver a solution or a product to our customer set.

And what we've been able to do is, I think, pretty remarkable. I'm pleased, but not satisfied. We still have more to do here, but very pleased that what I said we would do last year, we are either at that plan or ahead of that plan across the board.

I have a couple of examples that I'll walk you through. One of the things that we really did is spend a lot of time simplifying the offer, which is in the bottom left-hand side of the graph in front of you.

And one of the sources of our un-competitiveness is we were still being an intensely CTO organization in front of a changing consumer, who wanted simplicity. And we spent the better part of this last year and a half reducing that. I'll cover it in a little more detail in a moment. But, now 43 percent of all of our client business is sold in a pre-selected manner.

What it's enabled us to do is increase our forecast accuracy. We reengineered our forecast and planning processes, we've been able to double our forecast accuracy to industry-best levels, which has allowed us to plan our business in advance, to be able to drive an ocean ship performance that we've never seen before. In fact, this quarter we will ship more units via the ocean than we did in all of FY '10 in the first half of last year.

So, this notion of making substantial structural change is really taking its way through the company, in an end-to-end manner, and we've also done that by changing the composition of our manufacturing. We're really built a customer-driven manufacturing, or a customer-driven manufacturing supply organization, that really has changed this notion of how we orchestrate or coordinate. We don't do all the work. We do it through a network of ODM partners. And we've been able to deliver unprecedented levels of cycle-time performance through our facilities, and our ship commitments to our customers have never been better than they are today.

I think what's really interesting is you take some of those core building blocks that we've built, and I'd put a finer lens on it, and I made a number of commitments in front of you. In fact, Steve and I, and several others as we talked about our client business last year, we said we would go do a series of activities that would change the operational performance of our client business over that past year.

I'm pleased to tell you a year later; we've made a tremendous set of progress against all of those. In fact, as I said, we've knocked the cover off the ball with all of our commitments, and have accelerated the timeline. The first one around the simplified offering, as I mentioned, 43 percent of all of our units now are pre-selected configurations, 95 percent of CSNB notebooks are that way.

We've eliminated 137 million configurations our of our CSNB notebook business. We've actually applied that learning to our commercial business, with business ready configurations that we can take to our largest commercial customers, in a pre-selected manner, to minimize the sell of the hardware time, and we can spend more time selling solutions around that.

Next the online experience, Ron Rose and his team have done a tremendous job improving the pathing and the performance of the site. We've won a number of recent rewards, but the one that I will leave you with to think about in the online experience is, you now can buy a Dell computer with three clicks on our website. Two years ago that was 40. You had to wade through 137 million configurations, figure out what you wanted. It's three clicks today. The team has done a tremendous job.

This notion of 98 percent next day ship, we built a fast ship capability, the ability to take an order today, if it's in the system by 5:00 it ships tomorrow, you have it the very next day. That business has doubled in size, year-over-year. We have that capability in nine of the ten largest countries in the world. And what we find in terms of customer satisfaction, customers who buy through that path have an industry class, or industry best in class customer experience with us through our ships fast capability.

We haven't lost anything along the way, in terms of CTO. So, anything you want, any way you want it, so custom image, custom hardware, custom delivery, the notion of our CFI and CFS capabilities still exist. They've gotten better. We've actually been able to do that and approve their cycle time and delivery time performance, as well, through the same sort of capabilities.

Brian showed earlier, I won't elaborate a lot, but we've improved our manufacturing cost infrastructure by over 30 percent over the past two years. There is still opportunity to improve that on a go-forward basis. We committed that we would take an additional 2 percent of our COGS out by leveraging our designs, and reusing and sharing the components across different products.

We've actually, across the top 14 components, at a minimum have taken 25 percent of the part types out, in many cases 50 to 60 percent of the complexity are part types out of our purchase, which has allowed us to aggregate, and allowed us to get lower cost, better continuity of supply, and higher quality components, which has really improved our notion of the quality and warrantee through our pipeline, as well.

Then lastly, Brian talked about we outgrew the market in clients last year, which we said we would do. And we clearly achieved our 5 percent opt-in target for our client business. And in fact, Steve will show you we've had three consecutive quarters in a row now that our consumer business has improved its profitability of 4.5 percent last quarter.

As I think about the future, and tying to the second notion of where we're going, it really is about taking care of our core business, and then expanding it and realizing the full potential, the full value of that business. It really is about new market segments that we have a great strength in today. So, 75 percent of the unit growth, 85 percent of the revenue growth, and the future in the client business is in emerging markets. We have a tremendously strong brand. We have a great distribution reach in those countries, particularly if you look at India, China, and Brazil. We grew 48 percent last year. We have a huge basis to grow our business on a go-forward basis there.

The notion of high-price bands, those customers, prosumers, particularly who use products for both work and home, who tend to buy in the higher price bands, value the latest technologies, you've seen us really focus on that. That business has doubled for us in size over the last two years. In that business also, we took three points of incremental market share, which is essentially all of the market growth in the high price band performance in Q1. So, we're really targeting where we create value and the types of customers that we are attracted to and that are really mapping to our model in how we're positioning our solutions and experiences towards them.

The other opportunity, you've heard it all morning, I'll just hit on it briefly, is around the middle market. A big opportunity there, we're a trusted brand, we continue to be a trusted advisor there, we continue to have direct relationships there which differentiate us over all of our other competitors. This notion of really driving towards end-user solutions, you heard it from the panel discussion a little bit earlier, our opportunity to really drive solutions is right in front of us. We see it every day.

Rob mentioned this example about the Swiss railway. If you go into the details of that, we were substantially at a cost position on the hardware level, $100. We were able to sell a KACE 1200 appliance with associated services and capabilities around it to actually be able to deploy our notebooks in train systems around Switzerland to do app deployment, to do patching, and to do security policy updates and image management. We were able to do that through a 3G connection, which no one else could, and we were able to drive greater value around that.

The same thing can be said about a small school system in Richmond, Virginia, where they have 26,000 users today in the 6th through 12th grade using Dell Latitudes. We sold them complete care. We sold them our Dell learning service, our Connected Classroom Solution capabilities. We improved the one-to-one relationship learning capability between the teacher and the student, and what they saw was a 7 percent improvement in student enhancement, or improvement in their test scores, and we took out $1 million of their cost infrastructure. So, our ability to drive incremental solutions and really use that as the opportunity to grow our business and improve the margin structure is right in front of us.

And the last one is around technology leadership. The new product, like the 15z, which has a leading form factor, leading battery life, leading screen resolution, driving thin and light in our notebook family. It is the type of product we will be building on a go-forward basis. Introducing new technologies like Stage, which is a user experience where we allow you to access information in a very transparent company across your multiple devices. We enable you to sync and share that across multiple Dell devices. We've been able to increase the stickiness of our products by adding more and more IP, and more and more differentiation in our products.

And then lastly, when I think about the last component of our strategy it really is this notion about participating in the growth markets. And it's about participating in those growth markets in the mobile space in a very, very different way. This isn't about being another consumer player in smart phones and in tablets. It's about taking our company's core strength in the middle market with the prosumer.

It's about targeting our tablets and smart phones for those usage models. And it's about really building a set of solutions and services around that, that allow us to do device management, security management, allows us to do data security, allows us to think about how to build a Dell smart phone, with a smart tablet, with a Dell Latitude, with a Dell OptiPlex, with a PowerEdge PowerVault, with Dell services, and interconnect those things in a very differentiated way, which we don't think anybody is doing today.

Our ability to link our assets together in an end-to-end manner in the mobile business, not just putting another thin and light, big battery life device in your hand, but really driving a Dell experience towards that prosumer and commercial marketplace that really values management, security, cross-platform interoperability is the point of differentiation that we will drive into our mobile platforms going forward.

Additionally, the opportunity for us is to really participate and be on the leading edge of new computing paradigms. Virtualization is in its infancy, lots of questions yesterday with Steve and Sam about how virtualization is taking on, how it's building momentum, too early to call. But, what we do know is virtualization technology in the data center, virtualization on the client really begins to abstract you physically from your device, allows you to carry your digital identity with you on whatever format that you want to operate on that day and have access to your information, have access to your application set is the real requirement on a go-forward basis.

Our ability to work with Steve and Brad to bring new compute paradigms, or compute as a service to our customers is really the evolution where we see the marketplace going. And when I think about that, and I think about the market opportunities, so to close, big market, growing, the death of the PC is, again, over-hyped. It's still a very tangible part of our marketplace. I think about the opportunities that exist, because multiple devices and many more devices are going to be bought, be used, consuming and creating data on an ongoing basis. The opportunity to manage that, to secure that, to provide solutions is immense.

We continue to strengthen the core part of our business. There is still more opportunity in front of us, despite all of the accomplishments we've made to date. I'm very optimistic that the structural changes we've put in place we can build on. We can build on that by maximizing and scaling the potential of our core hardware, or PC business into the adjacent categories of services, peripherals, software, and the solutions that go along with it.

And then lastly, the opportunity really in here is around the new categories, the smart phones, tablets, and the solutions to go with them, which we essentially have no share in today. All white space for us, all big opportunity, going after that market in a very differentiated way, not like all the others that entered the tablet marketplace, or the smart phone marketplace today, but very aligned to who our customers are, and their needs, I think gives us an opportunity to continue to see this business grow.

So, with that I'd like to introduce my colleague Brian Anderson, who leads our enterprise solutions group. Thanks for your time this morning.

SUCCESS IN THE ENTERPRISE
Brad Anderson - SVP, Enterprise Solutions Group
9:00 – 9:15 AM

BRAD ANDERSON: Thank you, Jeff. And welcome.

As you heard from Michael and Brian, we've been very busy on the enterprise side, and hopefully you all got a chance to go to the Solution Expo last night and see the intelligent data management and next generation solutions. And, if you did that, you saw that we're not only busy, but we're really executing. Our strategy is on track. And we have spent an enormous amount of time reshaping our product portfolio, our solutions, but also our capabilities, and our core processes. And it's really something an engineering team really rallies around when you start delivering value, and delivering value at the highest level, and you're beginning to see that in products.

And so, it's great. And hopefully as you were in that expo, some things that you don't typically hear from Dell came out. You heard mostly about solutions. Well, we're really focused on having the best products in each of those categories, we are so much more about putting them better together, but do them in a way very different than our competition, where it doesn't require that you have to go buy the entire Dell stack to capture value. But when you buy multiple components, you have a much better experience.

You also heard this notion that we also embrace third party, because we absolutely recognize not all innovation is happening here. The fact that we had this panel up here just before us indicates there's just tons of innovation, and we are absolutely committed to have an open architecture where we're able to continue to snap in that kind of innovation.

And so, we're making this progress. And when you look at like the IDM, you're seeing just a different level of execution. You're already seeing where taking the investments we've made organically, but very rapidly taking the inorganic investments, and start bringing it into a much more comprehensive, consistent portfolio end-to-end. You heard from Phil Soren here, we're already being quite aggressive in taking Ocarina technology, Exanet technology, and bringing it into our next generation platforms.

When you're in the next gen compute, you know, intelligent platforms is important, but hopefully you got a sense where system management, and how you deploy that, and how those platforms interface, compute, with storage, with networking, and to begin to bring a toolset allows you to manage and deploy all that much more simply than the way it's done today. So, we're on track. We're making progress. And we're really excited.

Now, everything we do is really kind of focused on driving towards what we think are the two most pressing needs of customers as they move more in this highly virtualized era. One is, they need much more simple, and sophisticated architectures that really get at the IT efficiencies. Capital costs will always remain important, but increasingly the operating costs, and driving that down, and making that a much easier, simpler experience is paramount.

The second thing is just there is an absolute explosion in the data, and now customers are actually spending more on managing their data than simply storing their data. And so, we are lined up on these two key initiatives, next generation architectures to drive step level improvements in IT efficiency, and driving data management to the next level.

And to do that, we are lined up on five very key initiatives, and hopefully you saw the oak of that yesterday.

One, much more intelligent infrastructure and infrastructure that is managed by the same kind of toolsets across our compute devices, our storage devices, and our networking devices.

Secondly, we recognize that customers are deploying new computing models. They have on premise, off premise, they're increasingly more virtual than physical. And when you look at the toolsets that customers are using to manage those environments, those are largely out of the legacy environment. So, we're working very closely with Steve in the services organization such that customers who are in these mixed environments, and customers will be in all of them, they're going to have the same toolsets for physical, for virtual, for on prem, for off prem, for public, for private. And you've heard in our next gen compute, there are some really evolutionary and there are some revolutionary methodologies where you're restructuring applications, and more evolutionary. We believe those also have to be seamless, and be able to manage and bridge between those, and not just create a new set of silos.

The customer requirements are very much shaping our strategy. But we really are lining up our strategy where it plays to our strengths. And you heard earlier about the mid-market. When you look at the competitive landscape, everybody wants to go get that large of the large opportunity. As we talk to customers, even the large of the large, much of their needs are no different than what are being articulated by the customers in the mid-market. In fact, we feel very strongly that the customers in the mid-market, solutions that hit their sweet spot are much more easy to scale up than taking the large and trying to scale down.

In fact, you heard that mid-market is the largest market, but frankly it's probably the most underserved market, and we have a great right to play in that market based on our heritage. We are also quite advantaged here. A lot of people kind of say, hey, Dell, aren't you behind? Well, I think with all the inflections going on in the industry, I think this is absolutely playing to our strengths. There are so many inflections happening on how we're going from physical to virtual, and when we think about all those legacy environments, which were basically designed on physical, they're not real quick to go cannibalize this. And so, you're seeing a different Dell.

We're seeing a Dell that's no longer waiting for somebody to make the market, and try to do it more efficiently. You're seeing a company that wants to lead the market. You saw it in iSCSI, and you're going to see it again. With these inflections, we're going to play where the market is going, not where it's at. We do not have any legacy to protect. As a result, we're being quite aggressive in acquiring IP. And we're acquiring IP in areas where the next generation of technologies, and the next generation of what data centers are going to look like are going to require. And so we're not investing our efforts to try to kind of catch up and replace all what's been done in the physical environment, we are aggressively looking at where the market is going, and building those next generation platforms.

It's much more than a strategy. What you saw yesterday, we're shipping much of that. And the plans that you hear are the plans that will be our next releases. And so, we are already delivering highly integrated solutions. We have solutions, and shipping today. Let me just give you a couple of examples. Biz, the ability to start managing different elements with tools like Advance Infrastructure Manager, where also you now can deploy servers, storage, and networking resources to a workload with a common tool. And unlike our competitors who provide these kind of capabilities, our tools will also accommodate the heterogeneity that's inherent in our customers' environments. So, they have standardized on another flavor of servers, or another flavor of switches, we accommodate that, because we recognize about 99.9 percent of our customers has a heterogeneous environment. And so we do not require customers to do that full stack. So, we have very much organized our processes to do two things, one is to have our teams work very collaboratively together across the server, storage, compute, system management paradigm, including with our services for on and off prem, and then to always be open. And that when you buy a Dell element, we're really targeting best of class, and when you combine two Dell elements, it's even a better experience.

But, because our customers have already made choices, if they made a non-Dell choice, they can still capture value in the combination of those elements. And, in fact, many of our things, like Vstart, where we are providing pre-packaged, pre-tested, optimized solutions for our customers, either based on workloads, or an increment of virtual machines, we even incorporate third party equipment, because those are the choices our customers made. And so, the onus on us is to continue to provide even better Dell choices, but never to proclude choices by forcing people down a vertical integrated stack.

We're also doing things what we think are incredibly important about the next generation data centers. And, in fact, I firmly believe the next generation data centers exist today when you look at many of the hyperscales, where they're hitting breakthrough economics, but not only on capital, but probably more importantly on the operating costs, and many of those are led by Dell. If you had a chance to see the next gen computing in the modular data center, you begin to get the sense it's much more complicated than just white boxes, and I know there's a lot of discussion out there. But when you look at that next gen data center, that is a data center with a power efficiency of about 1.05. That's pretty unprecedented in the industry. That's the kind of savings those companies are looking for to really address their total cost of ownership.

And then, lastly, you're increasingly seeing many more application, vertical specific solutions. And you're going to see that. And so, our early on leverage, our expertise on healthcare, both on the services side, and on the sales side, and bringing together clinical applications, taking our leading edge storage things, helping them provide better PAC solutions, vendor neutral archiving solutions to address some of the most difficult problems the healthcare industry is facing. And you're going to see continued development of those.

So, we are really evolving. We're evolving on the product side. We are evolving on the ecosystem side, our relationships with our partners, it's not -- I want to make clear, it's not just product, because to have some of these fantastic products it requires to have the services, and you heard earlier about the sales investment. And so we are increasingly making the investments downstream to go support and advise, and consult, and implement these very solutions within our customers.

It's pretty gratifying, because customers are responding. If you look at last year, our enterprise business is up by over 20 percent in revenue growth year-over-year, and gross margin is 32. You heard the story about storage. Storage is a fantastic story. While we're working through the EMC wind down, we have not been penalized. In fact, we've been rewarded with Dell IP on the margin side.

And the same thing with servers, servers grew 26 percent last year. It's a margin expansion of 28. We're increasingly seeing us move more and more into information-centric workloads, we're pushing ourselves deeper and deeper into the data center. And so we think there's a fantastic opportunity there. We're seeing the results. When we look at the opportunity in front of us, we have a fantastic footprint in servers, but we know we can do more, we know we can push more, deeper and deeper in the data center. We're seeing success as we move into workload centric solutions. We have a huge opportunity in Europe. So, we know there's opportunity there. Storage, we're very early in storage. When we look at our server footprint, at around 20 percent worldwide, 22 percent worldwide, 38 percent in the U.S., and our storage footprint at 9, there's no reason why we can't growth that tremendously, and grow that tremendously with Dell IP products at an extremely attractive margin.

And then lastly, networking, networking is a space that we have just started investing in. And we've made a number of investments with our partners, where we have retooled our networking portfolio around PowerConnect, and while it's a small business, it's a rapidly growing business within Dell, and it's an extremely profitable business. And the networking area is one area where it really hasn't caught up with the changes that are going to come with virtualization. The networking technologies out there largely were designed for a world that was largely physical, and one server per app, and the notion of a virtual workload moving around and having to then be able to connect back to one's data, it hasn't caught up.

So, we think the inflection in networking is going to be significant. We have about a 2 percent share, and when you look at kind of Layer 2 and 3, kind of the edge where we think much of this change is going to occur, but we're finding courage, because over the past year we've hired a lot of networking specialists. And we've found that with better products, better partner relationships, better networking specialty people selling value, and not on cost, we've already seen significant results on our networking business, even though it's small, and we see this gigantic opportunity in front of us.

And so I guess what I'd like to leave you is that, we're on track with our strategy. It's more than a strategy. We have retooled our engineering teams, our capabilities, our services, and our go to market. It's end-to-end. Our strategy is very differentiated. While others kind of want to go back to the mainframe era, we are hanging on and really driving this openness. The notion that one company can generate all the technology and innovation that you're going to utilize is not very realistic. A customer standardizing on the entire stack on one company, when they don't let alone standardize even on an element is not -- we're not getting that feedback. Customers are resonating.

We've got a lot to do. We've got a lot of opportunity. But, the results today are quite encouraging and we're just continuing and executing, and hopefully this will give you a little bit of flavor of our priorities, and with that I'd like to invite Steve Schuckenbrock up. Thank you.

DELL SERVICES
Steve Schuckenbrock - President, Dell Services
9:15 – 9:30 AM

STEVE SCHUCKENBROCK: Good morning. It's a pleasure to be with everybody. It's actually an even greater pleasure to represent services to this audience, especially given the fact that we introduced to you last year this notion of the virtual era, and this idea of open, capable, and affordable, and all of the opportunities that we saw that came from those things. Well, in this virtual era we think Dell is uniquely positioned in the sense that we can really innovate into the virtual era with very little legacy baggage, or assets that constrain that innovation, or constrain our desire to disrupt the status quo. And I think Brad and Jeff have covered that exceptionally well.

One of the things that I think is really important about this is that Jeff and Brad and I are colleagues in arms. You don't see us go to market independently, with independent strategies, that serve siloed operations in very different ways. We're extremely connected, in terms of bringing all of the capability from hardware, data center and end-user computing, software, services, and the fantastic sales force that we have together as one operating mechanism that can serve our customers effectively, and I think that's uniquely Dell, and something that I think will continue to serve us exceptionally well. As you see, consolidation of those technologies to serve customers' needs for both efficiency and flexibility in this era.

I'm also quite proud to represent the services business, because we've been quite active. The acquisition of Perot Systems I think was a terrific acquisition and continues to serve us exceptionally well. When I look at the amount of talent that we've amassed, and the capability that we've brought to bear, that allow us to innovate in the virtual era, and the fact that bringing that company on board brought very little legacy baggage with it, that has to be modified or disrupted, it's the perfect combination with the strategy that we are deploying as an organization.

So, with that said, I'd like to dive in and talk a little bit about customers. The customers are in a very, very intense period right now. If you run an IT organization you have insatiable demand for efficiency. When you think of that insatiable demand it was sort of sparked with the economic environment of the last several years, but it's been accelerated and, in fact, I would say it will considerably outstripped by the technology innovation that's enabling that efficiency that Brad and Jeff had both referenced.

But, at the same time there's this enormous demand for new, faster, quicker applications that serve the end users, this prosumer concept. I mean I know, and I've referenced this before, my kids sit at the table, unfortunately, and have absolute expectation that anything they want is available any time they want it, no matter where they are in the world, and it doesn't matter where the source is. It's a pretty phenomenal expectation.

Well, those same expectations drive the need for applications in the work environment. And it's critical that CIOs not only drive against this enormous, insatiable notion of efficiency, but also starting building speed, flexibility, responsiveness to serve the real expectations of the new user community. Therein lies a great opportunity for Dell, and a fantastic opportunity for Dell Services.

If you look there are some pretty good solutions to those issues that are emerging in the marketplace, cloud services, we've heard a lot about cloud. I think it is the most talked about, most often defined. I can't say that all the definitions are the same that exist relative to the cloud, but there's no doubt that it drives to this need for efficiency. Now, we don't have to go through the whole list of things, but this dynamic allocation of resource, et cetera, are great examples.

It also drives to this notion of flexibility, speed, access, information available anywhere, anytime, to all sorts of devices, as Jeff just referenced. Next-gen infrastructure is what Brad just referenced, so I won't go through that, just in the interest of time, but you get a pretty good notion of how that next generation infrastructure not only serves efficiency, hyper-scale data centers, et cetera, but also speed and flexibility with mobility and all of the end-user end points that customers and end users use to access this information.

And then finally, it's going to take an enormous amount of talent. Customers of all sizes have existing applications and an existing infrastructure. They need help in being able to migrate that capability to the platforms of choice, whether it's in the private cloud, or in the public sphere, whether it's SaaS-based applications, or their modernizing their existing application load to take advantage of those infrastructures, and take advantage of cloud-based architectures. So, we see great opportunity in helping customers on both of these two dimensions.

And to do that, to take advantage of that, we're mobilizing our entire services organization around this portfolio. First, it will be very vertically aligned, especially in the applications and BPO space. You've heard a lot about what we do in healthcare, but there's no question we'll expand that out through government, banking, financial, security, insurance, out through transportation, retail, manufacturing. And you'll see us mobilize whole teams in that direction to serve those needs exceptionally well.

But, starting over on the left hand side of the chart, we shouldn't leave out our support business. We have a fantastic support business that's growing faster than our unit growth. It has the ability to not only encompass Dell, but also multi-vendor platforms now. We've put new solutions in place to support entire X86 data centers, Dell and non-Dell, in a very dynamic way, and we think that this whole capability continue to move as Phil referenced earlier, from reactive to proactive, and we have embraced not only all of what we do with Copilot, but looked at how we can extend Copilot-type capability across the platform.

From an infrastructure standpoint, we're making significant investments in data centers. We're expanding on that footprint globally. I have a very high confidence in our ability to grow modern infrastructure, services on a global basis organically. I think there's no question we can make the capital investments. There's no question that we can source the growth. Our data centers will have a small, traditional data center footprint so that we can take on our customers' workloads as they need us to do, but then quickly help them migrate those workloads over to modern, hyper-scale architectures as we've discussed.

From an applications standpoint, both verticalization, but also taking those vertical skills to help customers drive to an optimized application portfolio, and that optimization is not only around eliminating redundancy and inefficiencies within the application code base, but also in modernizing those applications to take advantage of new architectures. And, in fact, not only leveraging IP that we can create, but integrating IP from ISVs and through acquisitions, like the acquisition of InSite One, and leveraging the Boomi platform to tie all of that together, we have the ability to enable the SAS execution for our customers, as well.

And then, finally, in the BPO space, we already do a significant amount of BPO work in insurance and in healthcare. We see this as an opportunity to bring all of the left-hand side of this chart to bear in order to automate, and further modernize these capabilities on behalf of our customers. This whole strategy is underpinned by security, as my colleagues spoke about earlier today, it's absolutely critical that we bring security to bear across the entire portfolio.

Speaking of security, I won't spend too much time on this chart, because I think Mike absolutely blew this away earlier, but there's no question that we bought the best asset in the industry at the best time to buy it. The acceleration of these events is just staggering. And the impact of each of these events is staggering. And I can tell you that SecureWorks sits right at the forefront of protecting customers from all of these intrusions. And I've seen these guys in action in ways that literally take it down to exactly where the hacker sits, which computer they used, and even in some cases capturing the picture in order to help us catch the bad guys and keep them away from the activities that have been well-noted to this point.

I would like to talk about growth a little bit. Last year we did a fantastic job of integration. We pulled the two teams together. We consolidated the talent base.

We've added some additional talent here recently to help bolster our capabilities in the marketplace. We're making significant investment. And that investment is no longer at an account by account or a geography by geography basis, but a consolidated investment portfolio to drive the solutions across end user computing, data centers, and services that we've referenced, and it's working. We're getting great resonance with our customers. We've signed about 60 percent more new deals this year in terms of total dollar value than we had to this point last year. In fact, we put this chart together Saturday at about $800 million. We signed another $100 million of business this week. And I'm really delighted to tell you that that activity is broad-based. We were known to be a healthcare business, and while we continue to sign a lot of great healthcare accounts, and I'll reference a particular cloud offering that we have where we now have put MEDITECH in the cloud, and we have the ability to bring that to bear on behalf of hospitals, and we've signed 32 hospitals to that infrastructure since we announced that offering and, in fact, are signing them at a rate of about five month over the course of the last couple of months. It's been a terrific, terrific platform, and it's a great example of taking IP, and bringing it to bear in a very standardized way.

But, these signings have been across public, they've been across LE. We've signed 22 in the Americas, five in EMEA, one in Latin America. They range from infrastructure to apps, to BPO. We've signed very large deals with the government, like the Nuclear Regulatory Commission deal. We've signed very strategic deals with customers where we've taken on the entire end-to-end process.

Let me reference a couple. If I look at Hyatt, yesterday we announced that we signed Hyatt Hotels, a fantastic deal to modernize their entire infrastructure in the service of their customers at the hotel, not only from an end user computing standpoint, but all the way back in to the modernization and standardization of their data centers.

Come down a couple. If you look, well, actually just take the next one, complete modernization and competitive win back of a professional services firm based here in the U.S. We will build private cloud architecture to support that professional services firm here in the U.S., a deal just announced this morning.

If you look at the bank, the largest privately held bank in Argentina, it's all of the infrastructure, plus all of the applications support and management. And we have the ability now to start doing the new application development, and the modernization of those applications on behalf of customers.

So, we're pretty excited to see not only the number of wins, the kind of volume picking up, but also the breadth of the wins, and the fact that they are playing right into the strategy that Brad, Jeff and I are trying to articulate to you along with Dave, Michael, and Brian this morning.

So, good momentum, feel good about the growth, and feel very good about the fact that that's going to drive significant new opportunity as we continue to expand this business. I should mention that in SecureWorks, we've signed more than 200 customers just since the acquisition in February.

Again, as I started this presentation, I think we are uniquely positioned to take advantage of the virtual era. I think the fact that Brad, Jeff and I can lock arms with our colleagues, Steve, and Paul, in PLE and the SMB arena, CSMB arena, is a competitive strength. I think the fact that we work together across those teams to build singular solutions for our customers, and that we are uniquely focused on the mid-market in a way which is a market that prepackaged simple to implement, easy to manage and maintain in a cost effective way resonates exceptionally well.

I believe that we have the best technology to build it from. And when you look at what we're doing in the infrastructure space, we're building that on Dell's world-class hyper scale-out architectures, something that is really important to us, and gives us an advantage.

And, third is, I believe that as we look at what Dell services can do, it is kind of riding the nose of the bullet of the transformation as a solutions company with our customers, bringing consultative capabilities to bear, helping customers rationalize their own portfolios, helping them determine which workloads work in each of the environments that are appropriate for their business, and then helping them with a migration, simplification of those environments, and I believe that in all cases the results will be significant response to this insatiable demand for efficiency, mostly driven by technology, as well as the enablement of flexibility, and driving application usage to the end points as Jeff had referred to before, in a way that services the prosumer market unbelievably well.

So, with that said, I really appreciate your attention this morning. I would like to invite my colleagues back up on stage, Jeff, Brad, and Rob. (Applause.)

Q&A SESSION
Jeff Clarke, Brad Anderson, Steve Schuckenbrock
9:30 – 10:00 AM

STEVE SCHUCKENBROCK: So, with that said, I really appreciate your attention this morning. I'd like to invite my colleagues back up onstage: Jeff, Brad, and Rob. (Applause.) I think Rob is going to lead us through a Q&A here.

ROB WILLIAMS: I am. I suspect you guys are ready to get straight to Q&A, so we're not going to belabor it too much. Let's just go ahead and get started.

Mark? Mark Moskowitz?

MARK MOSKOWITZ, JP MORGAN: Yes, thank you, and good morning, everyone.

Two questions really quickly here, one for Brad and one for Steve. Brad, could you talk a little more about the moat that's around your server profit profile? And I ask this just given the context of the white box server market. We keep hearing about some of these examples of Facebook and Google now using these white box makers versus the traditional server vendors. Is this really a threat that we need to worry about?

And then the question for Steve, can you talk a little about the composition of your services engagements in terms of how much of the profile is revenue-generating for the customer, either aiding in the revenue generation or aiding in the cost efficiencies, and where do you see that profile going? Thanks.

ROB WILLIAMS: Great.

BRAD ANDERSON: Yeah, let me take the white box question. So, you're kind of referring to our hyperscale DCS business. So, when we entered that business about three and a half years ago, we entered in kind of like it was a white box business, that our objective was to kind of design a more cost-effective 1U server. And we did that, but we realized quite early on that that's not where the bigger opportunity was. That was not the value that many of these next generation data center customers were looking at, because they were looking at much greater operational efficiencies than just pure capital efficiencies.

So, that business has greatly evolved where we -- and if you had a chance to see the data center where we are very much focused on solving a much bigger, more holistic problem for that set of customers, and so we've moved quite a bit up the food chain in terms of data center design services, comprehensive solutions to address power consumption, cooling, you know, driving breakthrough PUE efficiencies, novel service models. Those are all things that white box vendors do not do.

And so, in fact, we're seeing that business of ours continues to grow, despite all the rhetoric in the market around white box vendors, and we're continuing to see those customers ask for value.

Where they ask for value, there's a large moat, because there's very few people doing it at the scale and with the expertise and leadership that Dell is doing it. If somebody is just purely on price, that's not a very profitable segment, and that may be where these people are playing. We're looking at a much more full set of solutions and services.

STEVE SCHUCKENBROCK: I'm not sure I have specific percentages to give you in terms of revenue generating versus cost, but I would tell you that the chart that I put up just at the beginning of my presentation that had this efficiency and flexibility, you know, a year, certainly two years ago, I'd have just had the left column, because everything was efficiency focused, and it was all about -- actually, you know, I think last year we had the discussion about invest to save, buying new servers, consolidating, virtualizing, all of the things that customers were doing, and we've certainly got a disproportionate amount of our services revenue from that.

Now I see this demand for any information, anywhere, anytime creating enormous unrest with our customers on how do they restructure their data, how do they restructure their applications, how do they modernize the applications to serve this new prosumer world.

And so we're seeing a shift. And again I don't have the specific percentages, but our projects' business, as an example, is growing at a significant premium to the rest of our business, and generally a good portion of that projects' business is in the apps and the sort of revenue generating side, if you will.

ROB WILLIAMS: Thanks, Steve.

Let's go right over here to this side for a second. Kulbinder.

KULBINDER GARCHA, CREDIT SUISSE: Thanks. This is Kulbinder from Credit Suisse.

A question for Jeff on the consumer business. On the margin improvement you've seen, can you in any way quantify how much of it has been helped by beneficial pricing environment or an easier cost environment you may have thought than a year ago versus the efficiency you've put through?

And then on the Smart Phone and tablet strategy you're alluding to, can you be a bit more clear what's going to differentiate you in the enterprise versus anyone else? And just one thing I want to touch upon is that I would have thought having carrier distribution is still quite important even for those enterprise customers and working with them on the plans on the Smart Phone side, and maybe even on tablets, and what work are you doing there? Thanks.

JEFF CLARKE: So, let me address the notion of consumer profitability structure. A couple things have happened, and Steve will I'm sure talk about it later in his section, but we've made structural improvement in every element of that business, whether it's the go-to-market efficiencies, whether it's the reduction of complexity in the offer so we can actually be more efficient in going to market. We've been more targeted as we go to market. We also, in fact, said last year at this time that we were not going to be in the unit game and the unit share game, and we were going to focus on the more valuable segments in the consumer segment, the midrange price bands and the high-end price bands, and you've seen us take unit share and revenue share in those categories.

And as you also have seen, the lower priced band consumer products are probably the most under siege, netbooks and those 299, 399 notebooks are most under siege by tablets.

So, you look at where we've actually moved the profitability of our consumer business, and we sell the experience around it, a rich basket of peripherals, services, and our direct business, what we're positioning on the shelf in retail, it continues to be midrange and higher price band products, with structural cost changes that have had a material impact on our business. The notion of being able to put a retail notebook on the water and save $20 a unit is a huge structural difference than we had a year ago, and certainly than we had three years ago when we first entered that business.

So, those types of changes are a lot of the type of fuel that has been leading to the increased profitability of that business.

Then you have the financial services that are tied to that business that we're selling with it, you have the attached services that go with that business, again on our direct side, the improvements we've made on the web side as I mentioned earlier that have seen our click rates and the ease to do business with us improve.

That combination of things operationally, as well as the structural changes in costs and how we've really changed the competitive nature of our consumer business, has led to the profitability.

Did that help?

And then I think your question on tablets and Smart Phones. What is different -- and this is my view, so we can see if you agree or you want to ask another question around it -- is most every attempt in tablet today has been directed straight at the consumer. In fact, CIOs on our largest customers, Steve's and Paul's business that Steve Schuckenbrock has to deal with from a service side, are left with this onslaught of product coming into the enterprise without solutions to manage them, without solutions to secure them, without great ways to access the data and protect the data that are on those devices.

And what will differentiate our solution and approach in tablets and Smart Phones than our competitors to date is really knowing those requirements from our client business, from Brad's enterprise business, the service business that Steve runs, and actually bringing differentiated solutions to the marketplace around Smart Phones and around tablets.

What it means is our Smart Phones and tablets need to be competitive, which we've changed the development model on our Smart Phone and tablet organization. It is really about integrating technology that is leading. We need to have a leadership device that's thin and light, that has great battery life, has great screen resolution, that's attractive, that you want it, because there's this notion of bring your own device, this prosumer who actually uses it in both the work and the personal sort of environment. It makes its way into the workplace; you have to want to have a Dell. Our ability now to understand how it's going to be used in the workplace, and to build services with what Steve is doing is a differentiating factor.

Then our ability to actually make it work with a Dell printer, a Dell projector, a Dell Latitude, an OptiPlex, a Dell server, into the storage array with the services that Steve will build, I'm not aware of anybody doing anything like that.

And then I think when we do that, there will be an opportunity to partner with the carriers, particularly North America. The carrier positions in other markets like in Asia are very, very different where the brand of the device itself is very important like in India and China, where the carriers do play a role, but it's a much different role, and the vast majority of those products are bought through retail channels which we have 10,000 storefronts to sell our Smart Phones and tablets in China.

So, I think it's a combination of reach into geographies, partnering with the carriers, but the carriers are only going to partner with us who have relatively little share if we have a differentiated answer to the marketplace. It really is around mobile solutions and this notion of managing the device, managing the data.

And then we talked about it all morning, our access to the middle markets, our direct sales force to the middle markets, the carriers to this day still struggle reaching that market effectively, and we have a direct sales force to do so.

ROB WILLIAMS: Thanks, Jeff.

Head over to this side of the room. Toni?

TONI SACCONAGHI, SANFORD BERNSTEIN: Yes, thank you. Toni Sacconaghi from Bernstein.

I have one for Brad and one for Steve. Brad, you spoke with particular ebullience about the networking opportunity. You commented that you really were kind of at the edge, that there was tremendous opportunity here, the discontinuities around virtualization would create opportunity.

Can you get that organically? HP had arguably a bigger presence at the edge, and acquired someone to try and move beyond that. Can you talk about how you intend to address that opportunity going forward, and whether it's really realistic for you to do that organically?

And I'll hold the second one for Steve.

BRAD ANDERSON: Yeah, the -- so that inflection hasn't happened, but the inflection is going to happen, because the existing networks are not kind of serving a mobile workload data movement environment.

So, how are we participating? So, we are extremely aggressive in all the standards, because every inflection we are still attacking it through a standard base. So, when you think about TRILL and DCB and in DCE and the things driving it, we're very active. We're very active in OpenFlow, because we think the OpenFlow technology is particularly attractive, because it takes kind of virtualization and a central plain management system, which allows you to manage all those nodes at the edge. And so we're very active with the ecosystem around that.

We've already taken some initial steps organically, and it was pretty striking where we had a set of products, we were making some investments in our own PowerConnect, and we found that when we hired network specialists who really knew the product, we had a much better product than we even realized, because we were kind of -- we didn't appreciate the intelligence and the expertise you needed to have to go make the network well.

So, we were selling our existing PowerConnect products for much lower margins than we needed to. And when we brought -- as we brought more fabric and networking specialists, we saw an uplift. And then we all of a sudden started partnering with Juniper and Brocade, people -- partnering with folks that are kind of forward-looking, recognizing that the network is going to collapse, we continue to see expansion, and so that's particularly attractive.

At some point, just like our storage business, when we get our sea legs at some point, it may be important, the right opportunity, the right technology to take that next step, but, you know, we're making lots of investments around the networking to drive this, to enhance our current position, and we just think when the time is right, when the right technology out there is right, that this is a pretty attractive space to take yet another step.

TONI SACCONAGHI, SANFORD BERNSTEIN: Steve, if I may, you mentioned that signings were up 60 percent year to date relative to last year. It actually sounds like it's higher than that if you throw in the other hundred million this week.

That's striking on several fronts to me. One, you know, my sense is actually Perot modestly decelerated in revenue growth after you acquired it in its first fully year prior to being acquired, and we probably saw about mid or low single digit growth last year. So, to have 60 percent signings feels like a change in that trend.

Secondly, you know, the outsourcing market among major traditional outsourcing vendors is decimated. Signings have been brutal at CSC, IBM, we don't really know at HP, but clearly that hasn't been a big success story.

So, your 60 percent number seems like an outlier on both of those. Perhaps you can talk about it. Is there a humongous deal in there that characterizes that? Can you talk about the duration of those deals? Because clearly if that's at all directionally consistent, we should see -- and it can persist to any degree going forward, we should see a significant acceleration in revenues going forward. So, I'd like to make sure we're not reading too much into one data point.

STEVE SCHUCKENBROCK: Yeah, appreciate the question.

First, I think our opportunity for growth is a bit different than some of the other guys, and certainly on a relative basis when you look at a year on year kind of compare. They built their lives on big mega deals, huge signings, you know, really big contracts that lasted five, six, seven years, whatever the case might be, and we didn't. And so we actually have always been pretty focused on midsized deals. Even Perot was very focused on midsized deals. And our ability to accelerate -- I'd rather sign 10 $50 million deals than one $500 million deal any day, just because of the profitability profile with that targeted size versus the others.

And I think what you're seeing is the strategy for why we bought Perot was big enough to give us capability and credibility where we needed it, but small enough to allow us to drive our strategy of innovation and really solution orientation, without having to sort of be accountable to an old dinosaur model. And I think they were the perfect acquisition to fit that bill, and I think you're seeing evidence of that begin to play out on the growth rate.

ROB WILLIAMS: Thanks, Steve.

Shannon?

SHANNON CROSS, CROSS RESEARCH: Thanks. I have a question for Jeff, and then a follow-up for Steve.

The first question is just with regard to ARM technology within the client business. I'm curious as to your thoughts on where that can go, are clients and customers asking for it, how far do you think we are from deployment, any color you can provide there.

And then I'll just let Steve know that the question I have is sort of how do you balance from a cloud perspective the fact that you're a major supplier from an infrastructure perspective, but you're clearly moving more and more to providing services, so to some extent competing with the customers that you have? So, how are you sort of balancing that relationship?

JEFF CLARKE: So, let me answer the ARM question. I assume by client business, specifically what I would call our classic PC business for the industry, for ARM, because ARM today is used in Smart Phones and tablets pervasively.

I think the opportunity, what we're learning from tablets and this notion of small mobile computers, whether they're 4-inch format, 7, 9, 10 or whatever it might be, is always on, always connected, the notion of long battery life, all day compute use, and this notion of thin and light, which are byproducts of ARM architecture that we see in Smart Phones and we see in tablets today, will live and they're going to migrate, no doubt, to notebooks.

And, in fact, you're seeing the large x86 provider in the marketplace talk about thin and light and their response to be able to drive thinner and lighter, more always on, always connected notebooks.

In fact, one could argue that one of the best alternatives to the tablet is a thin and light notebook that lasts all day, and is the two pound to three pound range, and it still has all the capabilities that a notebook today has.

So, it is clearly a trend that thin and light, always on, always connected mobile devices are going to continue, no doubt about it. We're going to see it in the commercial side, we're going to see it in the consumer side today.

And that's my longwinded way of saying we're going to see ARM microprocessors in laptops, notebooks or clamshells, whatever you prefer to call them, and the largest operating system company in the world that we do business with is going to support ARM microprocessors on the Windows platform, which we're excited about.

So, the notion of being able to build tablet products and notebook products with ARM, and we'll continue to obviously do it with thin and light x86-based products, I think is good for the industry, and I think continued fuel of why we see the market growing and why we're bullish on the market, and why I was pretty adamant that the death of the PC is way over-hyped. It will continue to grow. We're going to make them more useful. The experience that you enjoy with your Smart Phone, that experience is going to be on a notebook. You're going to be always on, always connected, it's going to be thin and light, it's going to last all day, you're going to have -- you won't have to find an AC adaptor every two or four hours; you'll be able to have the experience that you see on a 3 or a 4-inch format on a 13 or a 15-inch format.

STEVE SCHUCKENBROCK: Thanks for the question. First, you know, just to repeat it for everybody, the question was, how do I rationalize this notion of we provide infrastructure to a lot of hosting and cloud services companies, while at the same time have a cloud services offering we're putting in the marketplace.

Two things. The first is Brad will continue to drive the very, very best technology, and that technology will be the primary motivator for our customers to buy from Dell, and I don't want to discount that at all.

The second is I think we're going to target or at least currently would be targeting very different models. I don't really presume going after the masses with a public cloud that just come get it anytime, anyplace, anyway. I'm really interested in bringing solutions through the cloud, and you heard about a couple of those things today, things like the most secured cloud, things like the most easily integrated cloud capability through Boomi type offerings, surrounding our cloud with other services to help customers migrate existing applications or integrate their applications with SaaS applications through the Boomi platform.

I think it's those customers who really are looking to modernize in a fairly broad-based way versus just land a GUI for a Web 2.0 type app are very, very different markets, and I think we're clearly going after the former, there's thousands of customers going after the latter, and we are thrilled to have great relationships with them.

ROB WILLIAMS: Thanks. John, let's come up here to the front for Ben.

BEN REITZES, BARCLAYS CAPITAL: Hi. It's Ben Reitzes with Barclays Capital.

Steve, I just wanted to ask you a question about services margins. According to my math, it might have been down a little sequentially last quarter, and I'm wondering as it grows to 18 to 20 percent of revenue by 2015 or FY '15, what the margin trend is near term and then long term. Are margins expanding as you make these investments?

STEVE SCHUCKENBROCK: Yeah, I can summarize. I expect that all lines of business within services -- BPO, apps, infrastructure, and support -- will be significantly accretive to our core business, and that implies margin expansion in some of those isolated areas, that will come through a combination of significant growth where growing against an existing cost structure is the right answer, and some modifications to our cost structure that we'll obviously continue to make as we optimize the business. And so I feel pretty good about the trajectory of where those margins can go.

BEN REITZES, BARCLAYS CAPITAL: So, in summary, better than the company average over the timeframe that Brian laid out, the services in total? Okay.

And I guess the other thing is in order to accomplish everything you guys are talking about, what is the services portion of cap-ex, and how does that grow as well to accomplish your goals?

STEVE SCHUCKENBROCK: I don't have the specific numbers on the cap-ex for you, but there's no question as we build out infrastructure, there's some intensity to the cap -- some capital intensity to that business model, and obviously that's contemplated in the numbers that Brian's provided to you.

BEN REITZES, BARCLAYS CAPITAL: Okay, thanks a lot.

ROB WILLIAMS: Yeah, and you see that in the data center build-out, the solution center build-out as well. I mean, that billion dollars of investment this year, a big portion of that is directly related to cap-ex that will eventually provide kind of the growth engines around the solutions business I think.

Let's go over here. Katy?

KATY HUBERTY, MORGAN STANLEY: Katy Huberty, Morgan Stanley.

A question for Jeff. When do you expect Windows 8 to become available on PCs, and do you think that's a catalyst to extend the growth you've seen recently in the PC business, even if the quote/unquote commercial refresh starts to slow down next year?

JEFF CLARKE: Well, I'd encourage you to ask Microsoft when they're going to launch Windows 8 publicly.   So, I'll pass on that question.

What I think is the opportunity is today Windows 7, we only have about a third of the install base converted to Windows 7. So, when I look at the opportunities as we get up to Windows 8, we still have a huge opportunity in the business area to convert the last two-thirds, 60 percent to Windows 7. There will be an opportunity with Windows 8.

What I'm excited about with Windows 8 is the native touch experience. And as you think about tablet formats and what's happening in the tablet world, the Windows operating environment and version 8 as it comes out will be a very formidable operating system in that format.

And what it also does is it brings the legacy applications along with it, particularly in the commercial side where there's huge investments in the likes of your companies and others around the world in legacy applications, Windows 8 is going to a very good alternative to run a tablet in, and we'll have the SOC versions for x86, SOC versions for ARM, we'll have the standard x86 platform. So, there will be a plethora of devices built around x86 around Windows 8, around SOC.

In fact, I'd argue, back to the earlier question, what's fascinating and what is a growth driver in my mind about devices and this notion of multiple devices going forward, we're on the brink of one of the -- at least in my time in this industry, 24 years at this company -- of huge breakthroughs in innovation where there's always been a standard, at least on the PC side, of an x86 processor and a Windows operating system. When you think about the next two or three years, thin and light, ARM, SOC, Android, Windows 8, the number of devices or the device proliferation is going to be at a level that we certainly haven't seen in the last five years.

By the way, they're all going to be generating gobs of data that we'll need to put in Brad's storage, and they're all going to be demanding tons of services into the cloud to be able to reach into the application base, and to be able to have this digital experience or what I call a digital identity to be able to move across those different formats. So, I'm real excited about the opportunities, the innovation, and new device categories being created, and Windows 8 is clearly going to be in the front of that.

ROB WILLIAMS: Thanks, Jeff.

Brian?

QUESTION: Yeah. Brad, there's been a significant increase in sales specialists, I think up 53 percent. I think it's 2,500 people in the last 12 months. So, what inning are we in on the specialist hiring front, and how specifically are the generalists being incentivized to use the specialists? Has that been an issue at all for you guys?

BRAD ANDERSON: Well, I mean, let me get some comments, and then you may want to ask Steve and Paul this a little bit later. I mean, we're just kind of early on in the hiring. So, we have aggressively hired particularly like storage specialists, given that we're expanding our portfolio. And given our aspirations, we're continuing to hire more and more storage specialists globally. And so we're still in the very early innings of the storage growth plan. To Toni's earlier question, we're in the first innings of networking and others. And so I think we're really committed to this model.

And it's not just hiring the specialists, it's putting the right compensation systems in, and creating the right incentives so that account executives manage the total potential of account and bring all those specialists in, so we really maximize the opportunity in those deals. And we're seeing the specialists, the advanced training that we're providing them, the deeper interaction between that specialist community and the product groups, and so that the amount of knowledge is not only of the industry and technology. And it goes both ways; it has us developing better products, and then the right compensation systems so that we really kind of get full potential of account rather than we kind of get kind of siloed. I think we're really early in it but committed to it very long term.

QUESTION: Maybe just a follow-up. How do you align the two groups? Is it by region, is it by vertical? I'm just trying to understand how you collectively go to market with the two sales groups.

BRAD ANDERSON: The two sales groups. I don't understand the question.

QUESTION: The generalists and the specialists. How do they team on specific engagements?

BRAD ANDERSON: So, again the account executive owns the account, and so the AE owns the account. And then there is a number of more generalists who are assisting the account executive to do the broader opportunity on demand.

But for the solution areas we're targeting, storage, even on the next generation compute, and networking, we have a set of specialists. We have a set of sales specialists that are hunters, and we've got a set of technical specialists that can come in and help close the deal.

And so we ask the AE to orchestrate that, and with the combination of the hunters' understanding, the AE understands there's an opportunity here bringing the sales specialists in, again aligned on these technology areas to advance it, and then he or she has the ability to pull in yet a more seasoned technical expert to help them platform, think through deployment, size and config. It's pretty well orchestrated.

STEVE SCHUCKENBROCK: Yeah, I would just kind of net it out and tell you that the generalists are customer driven and quota'd and the specialists are deal driven and quota'd. And so it's really a good kind of dynamic that can exist between them, because a lot of times, if you will, the specialists are pushing for get me in, get me in, get me in, for an AE who's not quite opening the door often enough, and by the same token the AEs, who are running their accounts and planning their accounts and looking at how the various different customer workloads are being managed and where the opportunities are, are dragging specialists in as often as they possibly can. And you can see a huge dynamic happening where the AEs are just pulling more and more and more, because of the breadth of solutions that they have to bring to customers now.

ROB WILLIAMS: And we'll go over to Lou and then back over to Richard in a second, but I think whether it was Phil that talked about it earlier on the founders' panel, you'll hear it from Paul, I think you'll hear it consistently across the board, the amount of training that the generalists have gone through over the course of the last couple of years, and their ability to kind of be a trusted advisor, and really a partner in understanding our customers' IT needs, then bringing in the specialist is a pretty unique kind of differentiation in the sense that that's been Dell's focus all along is kind of having that customer view first, and then bringing the products and the solutions to bear against that.

Lou?

LOU MISCIOSCIA, COLLINS STEWART: Okay, thanks Rob. Lou Miscioscia, Collins Stewart.

Steve, if I could ask you about global delivery centers, you know, if you look at IBM, Accenture, Infosys, Wipro, obviously it's a huge competitive advantage for them. Where are all you in your services trajectory in the sense of where does it exist now for you, how important is it right now, and is this something that you're growing and focusing on?

STEVE SCHUCKENBROCK: Thanks for the question. Yeah, it's very important to us. We are not only focused on that in the normal applications and BPO spaces where there's terrific precedent for those models working exceptionally well, but also taking advantage of those locations for remote infrastructure management, and making sure that we're optimizing labor and automation in those global delivery centers. I think you'll see significant growth of our footprint in those cost-optimized or value-focused centers.

I think it's important to note that we're not thinking about those centers as pure labor arbitrage, we're thinking about those centers as really deep R&D, project management, program leadership skills, because the talent that is available and by putting the right incentives and the right structures and the right opportunities in front of that talent, we're seeing just phenomenal productivity and throughput from those teams, and we intend to continue that.

We just hired Suresh Vaswani. Many of you met Suresh yesterday. He's based in Bangalore, will be based in Bangalore, and is certainly heading up a very, very critical element of our business in the apps and BPO space, which will certainly take on all those things that I just mentioned.

LOU MISCIOSCIA, COLLINS STEWART: Maybe could you share with us maybe the size of the headcount there, and maybe the hiring plans, if you could? Thank you.

STEVE SCHUCKENBROCK: I don't want to misquote the total number of headcount in India, and so I'll reserve and come back to you. It is roughly I think it's 26 percent of our total workforce, something like that, so it gives you a pretty good idea of the footprint. We've got about 103,000 people in the company. So, I think that's right. I'll get back to you if it's wrong. But it's a -- it will be a growing footprint in India for sure, but also leveraging China, Malaysia, Brazil, some of the other great geographies that can advantage us in this area.

ROB WILLIAMS: Actually let's come back over to Richard.

RICHARD GARDNER, CITI: Rich Gardner from Citi.

Sorry to end on a PC question, and, Jeff, sorry to raise the bar on you already after you've done such a great job during the past year.

JEFF CLARKE: I can always get one more enterprise question in.

RICHARD GARDNER, CITI: But it seems like with a best in class supply chain you should be able to generate margins, operating margins that are better than the competition, given that you've got a direct sales model and you've got more of a corporate and government focus in your business. And I noticed that on the slide you put greater than 5 percent up there. How much potential is there for those operating margins to go substantially above 5 percent, do you think, or do you think that it makes sense to try to run the business at 5 percent and drive market share gains and volume?

JEFF CLARKE: Well, we run the consumer, as you saw last quarter, at 4.5 percent, so the commercial is at least a little better than that, that drives it up to greater than 5.

We see a mix of different -- whether it's different categories of customers, whether it's the consumer business or the large enterprise business, our small and medium sized business or the public client business all have a variety of margins. I'm not going to disclose the specific margins, but our commercial business does run greater at 5.

I'm not convinced we're not at some of the best margins in some of those categories and some of those regions in the client business today. What I think is important is there's still tremendous opportunity for us.

As I mentioned, I think there is still scale to be driven into our supply chain and transformation costs. There is still an opportunity around our core PC business to what I call realize the maximum potential of that business or optimize that business around service attach, peripheral attach, selling a richer mix of product to prosumer type customers, our commercial type customers, winning in the medium price bands and the high price bands.

And when I look at that combination of opportunities in front of us I tried to convey earlier this morning, I think the opportunity for our client business or what we now drive as an end user computing solutions business with Smart Phones, tablets, the services that sit on top of that, there's an opportunity to grow. And the expectation is we have to map into what Brian showed earlier, and with our size of business have to have a meaningful contribution on the operating returns.

ROB WILLIAMS: And, Brad, maybe you could address when we talk about our end user computing business and its ability to give us a footprint and to key customer accounts and key growth countries really around the world, you know, from an enterprise perspective how do you see that connectivity and that pull through as you're able to grow the enterprise business, particularly in this case in growth markets?

BRAD ANDERSON: Yeah, the -- I mean, the fact that we have a huge end user or client footprint has been extremely important for us to expand from, particularly in the emerging growth geographies. I think you've seen over the last year and quarter here recently that we have had significantly above market returns in the emerging growth and much broader than the BRIC. And typically our initial footprint in all those geographies has been to our client business. And so we obviously take advantage of the scale that the client does on the procurement side, but it tends to be in many times our first footprint, and so it's important.

But, you know, that said, it's really also important that we recognize that with these new models there are so many things that Jeff and we can go do to really optimize the experience between the client model and the storage and the security and other things they want to do with their data, and we're beginning to do those in a VDI model. But we're also recognizing in our enterprise transformation that we, again under the theme of openness, we've got to connect regardless of what client is out there. So, we are doing -- you're going to see some pretty exciting things between Jeff's and my team, but we're going to go drive winning model changes independent of the client device.

ROB WILLIAMS: Steve?

STEVE SCHUCKENBROCK: If I could just comment or add to that, if you consider the size of our direct sales force and the size of our channel force now, and a lot of the direct sales force was initially established selling PCs and clients, and it got us to all the far reaches of the world.

And as Jeff has modernized his supply chain and simplified and standardized products and gone to more fixed configuration kinds of footprints, not only has our supply chain gotten more efficient, but the sales process has gotten more efficient as well, and we have that talent base with customer relationships and a much broader portfolio of not just servers but all the other solutions we reference, with more time on their hands to go sell the other stuff, because they're not selling the complexity of a CTO model in all cases anymore. And I think that's a huge enabler to our ability to shift and flex our existing footprint to serve the expansion in the enterprise space.

ROB WILLIAMS: Absolutely, great.

We're going to take a quick break, and we'll be back in about just a few minutes, maybe about 10 minutes, and thanks to Steve, Jeff, and Brad. (Applause.)

CUSTOMER PANEL HOSTED BY KAREN QUINTOS- CHIEF MARKETING OFFICER

Brad Thompson - Director, IT Infrastructure Engineering, Target
Becky Sykes - SVP, Chief Information Officer, Catholic Health Partners
Aaron Beasecker - VP, Information Technology, Lopez Foods
Claus Moldt - Global CIO and SVP, Service Delivery, Salesforce.com
10:25 – 11:00 AM

ANNOUNCER: Ladies and gentlemen, please welcome, Senior Vice President, Chief Marketing Officer, Karen Quintos. (Applause.)

KAREN QUINTOS: Good morning and thank you again for being here. I have the distinct pleasure this morning to facilitate a panel discussion with four of our key longstanding, loyal Dell customers where Dell is playing a significant role in helping them manage, support, and operate their data centers.

I think you'll get the opportunity after the next 30 minutes to hear from these customers a wide variety of customers across public, across medium business, across large global. You'll hear about the depths of solutions that we are providing in the enterprise space, and you will also get a perspective from them on how Dell is different.

So, without further ado, let me ask the panelists to please come up. (Applause.)

Okay, let me do some brief introductions, and then we'll turn it over to questions.

So, Claus Moldt, Claus is the CIO from Salesforce.com. We have Brad Thompson, who runs a lot of the information and infrastructure for Target; Becky Sykes, who is here from Catholic Health Partners, a large healthcare hospital provider in the Midwest; and Aaron Beasecker, who runs a lot of the IT technology for Lopez Foods. Thank you again for being here and let's get started.

So, Aaron, let me start with you. You run a highly complex, highly regulated operation called Lopez Foods. Give the audience a view of what your company does, the scale of it, and then how has Dell helped you in solving a lot of the challenges that you have in the IT area?

AARON BEASECKER: Sure. Lopez Foods is a manufacturer of further-processed proteins. Our largest customers are McDonalds, Sonic, all the Wal-Mart supercenters. In terms of scale, our largest manufacturing operation in located in Oklahoma City. That facility produces 1.1 to 1.2 million pounds of protein products a day, divided up between sausage, hamburger, and Canadian bacon.

We operate three manufacturing facilities, a couple of distribution centers, some things like that.

It is a highly regulated environment. As you can imagine in the food industry, traceability of that product, food safety is always top of mind. So, the data that we have flying around the represents that is phenomenally large. So, every piece of raw material, every pound that comes through our facility gets a unique tracking number. Those tracking numbers are followed completely through the process all the way to when we actually produce finished goods. And that finished goods is then tracked at the same level so that I can tell you on a case-by-case basis where our product goes to what customers. So, the infrastructure that's required to do that and the technology around that is pretty phenomenal.

So, in addition to those types of food safety things, we also have a large rollout of SPC-type initiatives where we're actually managing the quality of the products that are out on the floor and how that -- so we have a pretty wide footprint throughout the organization from an IT standpoint.

What we do with Dell is we use almost an entirely Dell infrastructure. So, servers, storage, we use EqualLogic storage. We switched from EMC storage about two and a half years ago. We are a somewhat small IT shop, so nine guys that manage a large volume of data. So, IT specialist is not something that we can afford to keep on staff.

So, the EqualLogic devices with their ease and manageability compared to where we were with the EMC fiber channel SANs that we were in before is night and day difference.

We've started to use Dell in places where we never would have looked to Dell before just purely based on service of how they've handled us and what products we've used. When we rolled out the last set of SPC things, something I would have never thought of using Dell in before is the touch screen monitors that are out on the production floor. But because of warranty and support, we've actually switched to use Dell monitors out on the floor. So, it's that part of relationship has been very benefit for us.

KAREN QUINTOS: Aaron, so we talked a little bit earlier about how customers like you are really on the leading edge of adopting kind of new technologies. You certainly have done that in your environment through virtualization, Hyper-V. Talk a little bit about the role that Dell played in helping you figure out how to get to the right solution.

AARON BEASECKER: We had, you know, it's interesting. I mentioned before we don't have a lot -- you know, we have a lot of really good IT generalists, and we hire really bright guys.

That being said, the depth of knowledge where we can say, all right, I'm trying to maximize my investment and I need some fast answers, the support team at Dell has been large enough where I can contact them and say, "You know what, guys? Run with this for a couple days, tell me what you find. Let me know what solution you think I should buy." And then it actually narrows what I actually have time to focus on so that I can actually focus my attention back to where it should be and say, okay, here's two possible solutions and know enough to know if I'm being lied to or not. Which I haven't been, but that's the key, to help narrow that solution down.

We run an entirely virtualized infrastructure. So, I think we have one physical server left and it's all running on Hyper-V and it's actually been a phenomenal cost savings for us as well.

KAREN QUINTOS: Okay. Thank you. Becky, Catholic Healthcare Partners, can you give the audience a flavor for your operation and some of the challenges and opportunities you face?

BECKY SYKES: Sure. First of all, I will say Aaron's company is probably what keeps us in business in the Midwest in Healthcare. (Laughter.)

KAREN QUINTOS: Thank you.

BECKY SYKES: We're a large healthcare provider, predominately in the State of Ohio. We have 31 hospitals, we have every facility across the continuum of care. We have long-term care, we have home health. And we're organized into eight geographic locations. We're about a $4-billion company.

KAREN QUINTOS: Okay. And being in the healthcare area, highly regulated --

BECKY SYKES: Highly regulated.

KAREN QUINTOS: -- lots of data. What are some of the challenges that you have faced and how has Dell helped you in what you want to achieve as the CIO of a huge healthcare system?

BECKY SYKES: Well, if anyone is watching the news these days, you know we have this huge incentive in healthcare to roll out the electronic health record. We have a huge disincentive if we don't get it rolled out by the year 2014, and that's debatable.

And so we started our journey with -- it was Perot at the time, now Dell, in 2006 by consolidating data centers. And I wanted my team to spend their time and effort on the strategic rollout of the electronic health record. Very important to healthcare, very important to raising the quality of care that we provide. And so I outsourced the data centers to Perot, now Dell, so that my staff would not have to worry about working on the back end. So, simultaneously as we're rolling out this large electronic health record, Dell has been able to standardize the back end and the infrastructure. So, they took two data centers, merged them into one data center, it's a tier-3 data center. At the same time, we're standardizing the desktop and the network and all of the components that need to be standardized before we roll out this very complex electronic health record.

So, they've been at the table with us from a strategy perspective, they've been at the table from a support perspective, and in addition, have helped us do some transformation work as we prepare our very disparate and different healthcare facilities for standards.

KAREN QUINTOS: And how long has Catholic Health Partners and Dell been in a relationship together?

BECKY SYKES: September of 2006.

KAREN QUINTOS: Wow, you remember the specific date?

BECKY SYKES: I do. I do.

KAREN QUINTOS: That's great, that's good.

So, one of the questions we actually got yesterday in the healthcare breakout was a question from one of the analysts about the role that process plays in being able to get the full effectiveness out of these new technologies.

BECKY SYKES: Sure.

KAREN QUINTOS: You talked a little bit about that in terms of the transformation efforts. Can you add some more color?

BECKY SYKES: Sure. It's a huge effort. So, we have a logistical issue in healthcare. We have to move that patient, probably not dissimilar to what my colleagues from Target and the food company have to do as well. But when you move a patient from the room to radiology to the operating room, there's a lot of white space. And we have to get that white space out of that whole process. And so we've used Sally Akers and her group from Dell to help us in the OR specifically to get that white space out so that we can be more efficient, and more effectively move that patient through the healthcare experience.

KAREN QUINTOS: And as you look to the ongoing proliferation of data and digital patient records and everything, where do you see some of the -- what keeps you up at night, and where do you see Dell helping to --

BECKY SYKES: Two places where I have concerns, one is security. You know, as we digitize more and more of this healthcare information, and we have whole companies over in Eastern Europe trying to hack in, security becomes ever important. In fact, I had to leverage SecureWorks, one of the companies you most recently purchased, to resolve a most recent issue with hacking. No data loss, don't put that in writing, there was no data loss, but very helpful to have these third parties who can come in and do this e-discovery for us.

The other area that keeps me up at night is the exponential growth of storage. As we digitize more and more of the record, we have what are called cardiac PAC systems, radiology PAC systems, huge images that we now have to store forever, essentially. We'll look to Dell to help us really craft a storage strategy that will save us money over time because it's just a huge growing area of concern. We track the storage and it's trending up at a very high trajectory.

KAREN QUINTOS: Okay. Very good, thank you, Becky. It's good to know that Aaron is helping to keep your business in operation.

AARON BEASECKER: She's not keeping my health costs any lower, though. (Laughter.)

KAREN QUINTOS: That will be a dialogue for a different discussion. (Laughter.)

Brad, you run a big technology organization at Target. My 12-year-old daughter last night when I told her you were going to be on the panel was absolutely thrilled because she is a very, very loyal "Tar-jay" customer, is what she has redefined your brand to be called. Give the audience a feel for kind of the complexities of your operation and some of the emerging trends that you see going forward.

BRAD THOMPSON: At Target, we have about 1800 stores across the U.S., so we end up with a very distributed IT footprint. Not a lot of people probably know just how much technology gets packed into a Target store. So, one of the big issues that we face is what we call the multiplier effect, which is when we make a decision back in corporate IT to add something into the store, it costs something times 1800. The number gets very big very fast. And that's just the acquisition cost, not to mention then the ongoing run and support cost of that IT footprint. So, we deal with the multiplier effect, so we think about cost a lot.

The fortunate thing is that it works in reverse. When you're able to take things out of the store through virtualization or consolidation, the savings and the impact on the P&L gets to be pretty big pretty quick.

So, one of the key goals that we look at in my team, which has responsibility for designing the infrastructure that runs the stores, we are constantly trying to drive down the total cost of ownership for the infrastructure footprint to open a Target store. And we've been really successfully in partnership with Dell in taking a hard look at the server and storage footprint in the stores.

In 2007, it cost us for servers and storage in every store, about $68,000 per store to open a store. And then in 2009, that came down to $37,000 and this year it's $21,000. So, that has happened as a result of storage and server virtualization in our stores.

Dell has been really instrumental, along with Microsoft, in helping us get to that point, not only obviously as a hardware provider, but also as a professional services provider. So, providing professional services and engineering resources to help us analyze how utilization is happening on the servers, how we're utilizing the storage footprint, et cetera, and making recommendations for consolidating and collapse that down from eight servers to two servers in every store.

KAREN QUINTOS: Great. And what keeps you up at night in terms of the future opportunities that you see across Target and where you would think about Dell helping you to solve some of your future challenges?

BRAD THOMPSON: There are a couple of things. The first is data center growth, so we have two very large data centers and we don't want to ever build a third. So, we're constantly looking for how to get more out of the existing raised-floor resources that we have in our data centers. So, that would be everything from just run-of-the-mill virtualization to taking virtualization farther in employing private cloud technologies. We've been working a lot with Dell on thinking through what a private cloud implementation would look like inside of our data centers.

I would also say security as well. Not a lot of people know that in addition to being a retailer, Target is also a bank. And because we run pharmacies, we're also beholden to HIPAA requirements. And, obviously, we're a publicly traded company, so you've got GOBA, you've got PCI, you've got SOX, and you've got HIPAA. The only thing we are not is a defense manufacturer, so we pretty much have to answer to all the audits. So, keeping track of where our data sits, network segmentation, who can get access to the data, and then just keeping it secure is really important.

And then along those lines, I'd say the last thing is probably mobility, which as end users is a good thing. We all now have just an unbelievable amount of power in our hands to do our jobs. But for most IT organizations, that creates a lot of potential headaches as well because we are required to keep close track of our data, we have to provide some parameters or guardrails around what our very creative end user community would like to do with their handheld devices. So, just corralling that keeps me up at night.

Dell has helped us a lot in that area as well. Just recently, we had a fabulous meeting with a partner of Dell's, Antenna, to help us think about the way we should be building and developing our mobile applications with security in mind. So, I'd say that just getting access to not only Dell professional services, but where they have partnerships as well has been great for Target.

KAREN QUINTOS: We actually spent some time this morning, Jeff Clarke who runs our end user computing business was talking about the future of the integration of all these devices in a secure, managed way, and how to help customers like you deal with the proliferation of devices and address a lot of your security type of concerns.

You and I had an opportunity yesterday to quickly talk about this partnership program that you are -- it's a pretty unique opportunity where Dell is helping you there. Can you share some of those insights with the audience?

BRAD THOMPSON: Sure, about a year ago our CEO challenged the other executive committee members at Target who run various business pyramids to really start to build stronger partnerships with key vendors.

So, on the merchandising side at Target, obviously we have very strong and long-established partnerships with companies like Procter & Gamble or Johnson & Johnson, pick your vendor that has a large presence of products in our stores. And really challenged the other pyramids to come up with a similar model.

So, over the last year, we've put in place a model where we've begun to really stratify our IT vendors, which number in the hundreds. And we decided on three levels, the top level of which is strategic partner, and we only have three IT vendors that fall into that category, and Dell is one of those vendors.

And we used a criteria, you know, it's a little subjective, but essentially we wanted to pick just a handful of companies that have shown to have really deep technical expertise that help us solve business problems, that provide just outstanding account executive that tends to place Target's interests first and foremost. And then also companies that have consistently shown that they know how to work with companies that have the scale of infrastructure and problems that we have, which we don't find to be consistent among a lot of our other IT partners.

KAREN QUINTOS: Good. Good. Fantastic. Claus. So, you clearly have a huge job with what you all are doing in leading in the cloud area. Give us a feel for just the size and magnitude of your responsibilities.

CLAUS MOLDT: Yeah, we offer obviously our software as a service provider, platform as a service provider, primarily known for our customer relationship management products. We do have service and support. But we also have a pretty significant business in the platform itself where developers can develop infrastructure and applications on our infrastructure that we run wholly within Salesforce.com all our own resources.

We have, today, around between 10- and 12,000 devices totally within our infrastructure. Out of these 10- to 12,000 devices, approximately 6- to 7,000 is servers. And we run our primary set of applications on around 2500 servers. Out of these 2500 servers, probably 90 percent of those are Dell and they have to be up and running 24 by 7, 365, we can never go down.

We run globally. We have five production data centers, four in the U.S., one in Singapore, just about to go live with one in Japan as well and we keep expanding the footprint as we keep signing up more and more customers. Today, we're looking at around 100,000 organizations that are running on our infrastructure.

Just to give you an idea of scale, we on a daily basis have around half a billion page views that runs in our infrastructure. Half of those is integrations with other systems, so integration with the cloud and the growth of integration in the cloud is definitely picking up. So, a pretty significant amount of infrastructure that we have in place.

In working with Dell, I should say, when I arrived around five years ago at Salesforce, we were running a large proprietary set of servers. We had some issues in terms of availability, and at that point in time, we actually started working with Dell to figure out how could we move to a more commodity hardware infrastructure.

We were not sure if Dell could really step up to being an enterprise provider, and boy were we wrong. We actually worked with them over a year and swapped out all of our database infrastructure to run on commodity hardware, and that has been a huge success to the point where we are now where we basically have put things in place where we can roll in what we call pods, which is basically just units of application servers and database servers into our data centers as we continue to grow.

The challenge that we are facing recently was how do we keep up with growth? How can we build out fast enough? How do we ensure that we still can keep the market demand and keep up with that in our data centers? Here, again, we started working with Dell to figure out what can we take out from our responsibility, give to Dell, so we can focus on running the service, and deliver the service? We don't want to spend a significant amount of time in terms of racking and stacking and cabling, et cetera. We would like to understand what the next generation of technology is but, again, here we're working with Dell in a lab environment to figure out what does the next general of technology look like, and what are the performance benefit that we can get out of it?

Although today we have a relatively small scale, 2500 server that run the primary. 2500 is DR. So, when I see new technology, I'm looking at it the same way that Brad is. We have to continue to keep abreast with the technology, get the next generation performance which is really cost beneficial to us. And when we do that, we have to do that in a really expedient way.

So, we've been working with Dell. They are now building out full racks for us in terms of the pod concept, basically being able to shrink wrap it and ship it to the data center locations. So, I basically can plug and play and then stand up a whole infrastructure in our new data center. And that has pretty much gone from a three-month exercise now to around three weeks to a month exercise. So, just a fantastic amount of collaboration that's been going on between the teams at Salesforce and Dell.

KAREN QUINTOS: Claus, you know, you mentioned four or five years ago this kind of a major shift in how you were thinking about architecting your business. What role did Dell help you play there? And how do they continue to help you going forward as your business continues to grow with mass amounts of compute?

CLAUS MOLDT: For me, and I would echo what Brad said as well, it's truly looking at the vendors that we believe that can support an enterprise and truly support an enterprise. That means for us that we have Dell employees in meetings every single week, they're sitting in our facilities, they're understanding how we move forward, what our plans are for the next quarter, for the next six months, for the next year. And we understand what the roadmap is for Dell, where they're going, what is the technology.

We work with the labs to understand the next set of technologies, and we also figure out what do we need to use, because it's almost certain what we're using, somebody else is going to need in the next two or three years. So, the collaboration in terms of the technology, the integration points, it's just been tremendous. We're getting to all the right sources and the development organizations in the lab environments in terms of how you procure, in terms of how you deliver the service, how you repair, and how you have on-site spares, et cetera.

KAREN QUINTOS: It's been a terrific partnership, I mean, from both sides. You talk about the early learnings we get from you, how we can help you in the area of innovation and new technology, it's been a real, true partnership.

CLAUS MOLDT: Absolutely. Absolutely true, yeah. Something we hope will continue for a long time.

Again, we're in it -- we invest in vendor and a vendor invests in us, we know that this is for years to come, right? It's not just a one month in-and-out sale. It has to be a strategic partnership, that's how we look at it.

KAREN QUINTOS: Okay. So, one final question for you all and it's in the area of kind of differentiation. So, Aaron, you know, you're a big user of EqualLogic arrays and you talked a lot about some of the harsh kind of operating environments. What was different in your mind when you went out and looked at the technology that landed you on EqualLogic, the Dell storage solution versus the competition?

AARON BEASECKER: Simplicity of implementation and management. That was really -- and ease at which should I have that moment that we'll all have where my internal resources can't handle the problem that just happened. How quickly can I get a resource that knows that? So whether that be from Dell, which I know they can be there for me, and what's known in the marketplace.

As the market leader, when I bring in someone else, the odds of them being familiar with that piece of infrastructure is already pretty high. So, if I bring in someone and I'm using what is already a market leader in that place, it's less training that I have to worry about from my side.

Those are really the biggest reasons, and the speed to implementation, how quickly can I get it done and make it work?

KAREN QUINTOS: Great. True brand tenets of our EqualLogic solution, right? Simplicity of use and ease of use and kind of mind-free worries, right, when it comes to managing your data.

AARON BEASECKER: It is, with our prior SANs that run, every minute of down time equates to thousands of dollars for my organization. We're integrated that tightly with operations that if our infrastructure goes down, we stop making product. So, in the manufacturing world, every time we stop making product, that's our employees standing around doing nothing, that's loss in product, so every minute of that has a financial impact to the organization. So, to minimize that financial impact is huge.

Previously, one of the things that kept me awake at night was my prior SAN. If something happened with that, the level at which it could break and not be recoverable is pretty high. So, that thing kept me awake at night. Thankfully, it doesn't anymore. Absolutely.

KAREN QUINTOS: And Aaron, notwithstanding what Becky says, my 12-year-old daughter was absolutely thrilled to know that I was going to be meeting the individual that supplied all of McDonalds and Sonic and Sam's Club and Costco.

AARON BEASECKER: Protein is completely healthy. (Laughter.) Protein is really good for you.

KAREN QUINTOS: And trackable and everything, right?

AARON BEASECKER: Absolutely. And a hundred percent safe.

KAREN QUINTOS: Yes, thank you. Becky, what about you? I mean, you've been a longstanding Dell customer, services, what, in your mind, makes Dell different from the competition?

BECKY SYKES: You know, when we went to the market to look for a data center service provider, we wanted someone that had healthcare experience, and there really was no one else out there. So, it was a very easy choice for us to make because we wanted -- healthcare is different, healthcare technology is different, we wanted someone that had that experience and it was Perot at the time, and then Dell acquired Perot.

KAREN QUINTOS: Okay. Brad?

BRAD THOMPSON: I was thinking about how to answer your question, and I think I'll answer it in two facets. The first is on the professional services side, the differentiation for us really is technical competence. I have the opposite problem in that we have a very large IT staff very large, and our engineering staff is large. And so we can afford to have some very, very deep domain experts on particular technologies in house. So, whenever consultants come in, they are oftentimes very challenged to keep up, and that rarely happens with Dell. So, we find they're often able to teach us something about their technology or sometimes even other vendors' technology.

On the hardware side, I guess the point of differentiation for me is I'm cheap, so I want the technology to be good, but at a very reasonable price, or a declining price over time. And that's something that Dell has been able to deliver for us.

When I put a server in the store, we don’t have any IT staff in the store, and so when I put a server in that store, I don't want to touch it again for five to six years if possible because it's very expensive to dispatch somebody to the stores to service the technology. So, I need it to be reasonably priced, I need it to last a long time to keep my costs down.

KAREN QUINTOS: Okay, Claus, how about you?

CLAUS MOLDT: Yeah, for me, the key is the innovation. When we talk about the technology and the technology changing really rapidly, it's truly Moore's Law that sets in where we actually look from a financial standpoint as well, how often do we really refresh our infrastructure and what are the technologies that we're looking at?

We see a tremendous benefit because the price points, again, is about remaining the same, but the performance of the infrastructure is probably increasing by 50 percent over a two-year period. So, working together as a team and understanding what that truly means and model it and figure out what it means to our infrastructure as it grows, that's really the key partnership. And we have, in Dell, a company that's listening to what our needs are and not just proposing solutions for the sake of selling and hard selling, but really help us innovate in the same fashion that Dell is looking at innovation internally as well. And it's just a good lockstep situation.

KAREN QUINTOS: Yeah, that's great. It's just a great affirmation to even what we heard earlier today about this combination of leading technology with a set of sales and account and services individuals that know your environment, whether it's healthcare, whether it's manufacturing, whether it's in the cloud space that can bring innovative solutions to help you is what gets us waking up every morning and continuing to do business with you.

BRAD THOMPSON: And I would say an account team that’s also willing to work with other technology providers that we do business with. Very rarely will you buy an entire solution from one vendor. Oftentimes, you know, they'll be part of the stack of the solution. And we found Dell to be extremely accommodating in terms of their willingness to work with other partners that we have to deliver the entire solution. So, that's another point of differentiation, I guess.

KAREN QUINTOS: Thank you. Thank you very much. (Applause.)

PUBLIC & LARGE ENTERPRISE REVIEW
Paul Bell - President, Public and Large Enterprise
11:00 – 11:15 AM

KAREN QUINTOS: Let me introduce Paul Bell. He's the president of our Public and Large Enterprise Business. (Applause.)

PAUL BELL: Well, good morning. You've heard a lot so far today about the dramatic transformation that's going on in Dell around the breadth of the solutions we have, the amount of IP we're bringing into the company, and how we're making this available for our customers to take advantage of. The transformation in our go to market capability is no less dramatic. It's absolutely fundamental. And I think we're making great strides, which I'll describe to you this morning. But we can continue to develop and create, I think, a lot more value for our customers and our shareholders for years to come as we continue to develop in this trajectory.

Our focus is always the same. It really is the power to do more, giving that power to customers in support of whatever their mission is. I have to admit, I had never heard before this morning Rob Meinhardt's formation about the power to drink more, and work a little bit less. What I tend to hear from customers is the power to either do more with less, because many of our customers are dealing with severe budget constraints, especially some of our public sector customers, or you have customers of all types telling us that the IT component of what they offer as a service, what their product is, keeps going up. The IT intensity of anything about cloud, somebody was just up here talking about Salesforce.com, their product is IT. And that's more and more true in various sectors. So, it's understanding that mission, and specializing within our sales force around understanding their business model that can be a continuing point of differentiation for us.

I'll mention also, just quickly, about how we are treating the combination that we did earlier this year of the public and large enterprise teams. What we did not do was change the relationships with customers, or de-specialize our sales reps. In fact, we're going farther in that direction. So, we have within the large enterprise side specialists in banking, specialists in manufacturing, all the relevant sectors. We have had healthcare, and education, and government specialists for a long time. That is absolutely a continued area of focus.

What we did do was say that with all of the right kind of complexity that we're bringing into the business, and it is more complex to deliver complete solutions rather than just hardware units, it is more complex to understand all of these different verticals, and have solutions for them. To do that, we wanted to have as standard as possible a platform to plug new acquisitions into, to push new solutions through. So, we now globally, for that basketball arena full of sales reps that Phil mentioned have one compensation plan around the world. For a given specialization, we have Salesforce.com is our standard CRM now around the world that everybody is using. That level of standardization is a very important enabler as we keep adding the capabilities.

Now, we'll continue to report the aggregation of these verticals into large enterprise and public so that you can see those businesses. They've gone through slightly different trajectories and market demand over the last few years, how they went into or came out of the recession. But what's been common in those businesses is the remixing, the increased value add of the work that we're doing. On the large enterprise side, the team's results in driving profit improvement was phenomenal. You can see lows of just under 6 percent at the worst year they felt in the recession up to over 11 percent now. The public team has been in that kind of 8 to 9 percent operating range for most of that period, and it's continuing to grow operating earnings even in the face of some pretty significant demand headwinds in, say, state governments, or national governments in many parts of the world.

We focus on differentiating our approach to the market, and how we leverage the mid-market opportunity, the intellectual property, the open, capable, affordable technologies you've heard about on a number of dimensions. One, this mid-market focus really starts from the fact that we really have invested for a couple of decades now in direct relationships, and sales people, account managers, who take a 500-person organization, or a 1,000-person organization, and treat them as a very large direct relationship with Dell.

Many of our competitors do not do that except at the very largest global accounts. We have invested in that overage directly all the way down into the small business space as well that you'll hear Steve talk about.

Another difference that they really appreciate is that we have not, as one of the broadest portfolio companies in IT now, gone the route some of our competitors did, and divide up the sales force into different groups, meaning that you might have four different sales forces with four different agendas in your organization. Our customers routinely tell us, don't do that. We like the fact that we have one account executive whose job is to understand our business in-depth, and martial all these great resources of Dell and have them make sense for me, have them add value for me, which you can't do if you have separate sales forces that are only thinking about a piece of the technology agenda not the whole enterprise agenda.

There are basically four main kinds of work streams or priority areas that we focus on to drive this transformation of our sales force. It will continue to for years. I would say in my 15 years at Dell, we've driven more change in the last three years than probably the preceding decade. But, it is a very positive, and self-reinforcing cycle that we think will continue to play out for a long time.

Why do I say that? Well, when you were going through the migration, you heard my colleagues talk about an historical high volume, and relatively lower margin set of activities to where the differential investment in the new growth, and the new things you can talk to your customer about helping them with consistently have higher margin profile, that is a very attractive kind of aspirational change for our people in the field.

You also see the career aspiration and career growth around the fact that, well, maybe I was selling more into one piece of IT and procurement. Now, I am getting the skills and the offers to be relevant, to be aspiring to that role of trusted advisor, and trusted partner to the CIO.

We have many of our account teams today that are achieving that position and we have many more to go. I heard two I'll call them fallacies last night, just in conversation in the cocktail hour about Dell and where we are in this transformation in the field, that I thought I'd just address right here. The first one is the fallacy around you always have to get in there with a client system and then sell up. That hasn't been true for a long time.

We consistently now are finding that we're getting an account for the first time, or for significant business with the account, maybe on the back of SecureWorks, because it's a really differentiated and very powerful offering, maybe with Compellent, maybe with EqualLogic or some of the other organically built solutions within the company. We don't think about it as it always starts and kind of moves up there. You can lead with the higher value solutions.

The second fallacy was that Dell was not in the core mission critical infrastructure of the company. Claus, I think, just gave you one good example from Salesforce.com, but there are many more and I'll give you more. Now, the opportunity, though, is still that we have a lot of long relationships with customers who value Dell. They like our culture. They love their account team. They're giving us permission to move more into the mission critical space if we have not been there yet. And that's what we're working on.

So, let's look at these four kinds of work streams and the way we think about it. One is really building that deeper relationship. An obvious tactical thing is don't churn the sales force. People like their account rep, they like the fact that they've invested in understanding their business. So, we worked very, very hard to keep the relationships in place.

Second is the know my business side of it, we have done a lot of training, probably the biggest change in training in the last few years has been about the skills to be that trusted advisor, how you have to understand the CIO's job, and really at the level at which they're thinking about the enterprise, and also vertical training. We've done a tremendous amount of work in helping our people understand the fundamental IT issues within the vertical organization and marry those up with the vertical solutions we've created.

The second is customer experience. We're using what we think is the best in class standard in the industry for understanding loyalty, the Net Promoter score approach. That's a good rallying and focus point for our folks in the field to understand it's about the overall relationship, and whether a customer is truly loyal and would recommend you to others, and we've seen very nice progression there in those scores, as we've continued to improve that overall account relationship.

The improving business online is something where there's a lot of misconceptions, too. I routinely have people say they think what that probably means is the transactional side, which has been true for years, that you can buy Dell products, you can transact with us through your Premier page, which is of great value to customers. Increasingly, the customer experience benefit that we're seeing is how we can leverage social networking, and the communities we manage to help train and develop and inform the customer's own IT organizations. Trusted advisor is for the whole company to play, not just for one account executive who is physically on site.

So, it might surprise you, our tech center community, where people go and they share information with each other, and we curate information, put Dell white papers out there to help answer the questions that people are most interested in, can have 400 or 500 active members from one company. We have thousands and thousands of people in that community now, and we have other communities that are specialized in other verticals, in public.

And that's a big part of driving the customer experience benefit, how you get that mid-market customer, like you heard on the last panel, who doesn't have a huge IT staff, as well as those really big ones, and get the right information, figure out the right solution, whether you buy from Dell or not, that's increasingly how the value in social networking is coming, but we know that at the center of that community we're driving a great customer experience.

The vertically relevant solutions are critically important. We're now into the beginning of our third year of having solution centers to put together Connected Classroom for education, or hospital solutions, or risk management machine designs for the large banks, and that's a critically important part of our evolution.

And finally the sales force itself, the previous Q&A session talked about how we are adding a lot of specialists. They are fundamentally transforming what's going on in the field. But, how we train and operationalize, and have all those people working together is where I think you're going to see some of the biggest change that a customer will feel in the marketplace.

I wanted to just leave you with a few other examples, because we had a great panel there. But, these are examples where people ask me, is Dell really at the core, are you actually doing mission critical stuff? Menzies Aviation, a UK-based company, but it operates in 27 countries, does all the services for airlines and airports, like ticketing and all the services to get people on and off the airplanes. Absolutely mission critical is how their IT systems are working. Getting the ticketing done, getting the food service onto the right plane, and all that sort of stuff.

They came to us a number of years ago and said we're not getting the reliability out of our system, and this is absolutely mission critical. This is in the early days of virtualization, about three to four years ago, and we took them to our innovation center in Limerick Ireland, and developed together a solution that's still operating in its second or third generation at this point, and helped them consolidate down to two mirrored data centers to support that whole global operation. It's absolutely running the core mission of that organization.

NASA, we deployed in 2009 what's called the Nebula Cloud Modular Data Center, and the mission there, of course, is science in NASA, and they were telling us that their scientists were spending too much time having to develop applications, think about the infrastructure, and what they had to put together to achieve their scientific goals, and we were able to architect off of our modular data center technologies, effectively what is a research cloud that is now being opened up to more and more scientists that are funded by the federal government.

Then finally I'll just mention Towers Watson, if you don't know that company it's the merger of Towers Perrin and Watson Wyatt. So, a very large change management process when two big companies come together, and they asked us to lead a big chunk of that transformation, where they're rationalizing applications, and then what we're going to be doing for them is, and are already doing for them, is going from nine data centers to two for the combined entity. And then, again, running those mission critical applications that are their product, because they sell a lot of online services for HR management to their corporate customers.

So, in closing, I'd just say the old Dell that I still hear some fallacies about out there, what are we actually doing in the marketplace today, clearly, in our early days it was really focused on being a great, differentiated value-added provider in hardware, which we're still proud to do, as one of our many services. But, the role of our folks in the field really is to aspire to be that strategic advisor for the mission-critical IT. If you can achieve that goal, and drive business benefit for our customers, that's where we're accessing the higher margin businesses, and that's where we're creating value both for our customers and our shareholders.

Thank you very much. And with that I'll invite Steve Felice. (Applause.)

CONSUMER, SMALL & MEDIUM BUSINESS REVIEW
Steve Felice - President, Consumer, Small & Medium Business
11:15 – 11:30 AM

STEVE FELICE: Good morning, everyone. I'm going to bring this all home, and talk about how all this has related to the consumer, and small and medium business. You haven't heard a lot about consumer, so I'll give you an update on that. Just as a point of context, about a year ago, I talked about how we had just consolidated consumer and the small and medium business. So, we're a little over a year into that. But, the most of last year was focused on the cost synergies. We started out by generating about $200 million of cost synergies by combining the businesses. But I had also talked about last year the real complementary benefit that we saw coming of seeing these go to market models combine, where we saw a lot of opportunities to better approach our customer, and take advantage of the complementary products and channels that we had.

We completed that in Q4, so what you're seeing now when we start to talk about the results is the fully integrated benefit of the business, and I think that's one o the contributing factors when we start to talk about some of the great improvement in results. So, let's talk about these two businesses.

These two businesses are in different stages of their evolution. For the SMB business, this is really an execution of a strategy that was designed several years ago. A few years ago, we did a lot of research, we talked to customers, and we came up with these pain points. And I've talked about these before, but we talked about the need for small and medium businesses to get help with information management, with systems management, and with security. And in the past year we've also added cloud to those needs as we interviewed them again.

We went through a number of build outs in infrastructure. At the end of last year, we had completed the addition of 200 storage specialists, for example. We acquired KACE, we acquired Boomi, and what you're seeing here is a nice trend of sequential growth in the business, but at increasing profitability, and it's really because of this addition to this intellectual property and the solutions. And we'll talk a little bit more about that, but it's been a very good trend in the performance of the SMB business.

The SMBs really are the bedrock of the global economy. I see great potential here, because while they're incredibly resilient right now, in our travels and our discussions, they still lack access to credit. They're still really impeded by a lot of the economic issues around the world. And as credit becomes freer to them, and they're able to invest in their innovation, I believe that his market will only get better over time.

Now, the consumer business is in a totally different stage of its evolution. It's really in the first full year of a number of changes that we announced last year. We said we were going to shift the strategy pretty significantly. We were going to really focus on the brand. We were going to accelerate the supply chain efficiencies that Jeff Clarke had been working on. We were going to go back to a higher end product mix, and we were going to focus a lot on the customer experience, and get customers delighted with Dell as they had been in the past.

We've really made great progress there, and you can see that in the results. And I'll show you some proof points a little bit later about how we are seeing customer loyalty improve, how we are moving the mix of the products to the higher price bands, and we've also done a lot of cleaning up in the channel, and the channel is a good aid for us, but we've really shifted our focus in the channel, again, to match the overall brand strategy of the consumer business.

Now, we're in a position where we can start to focus on more strategic areas of growth, particularly in services and in other kinds of solutions that helped optimize the experience in the home. So, we have more work to do here, but we are really stabilizing the profitability, and able to focus on more strategic areas.

The markets we participate in continue to have great growth potential. There are a few areas where there are slowdowns, but they predominantly relate to the developed parts of the world. The emerging markets continue to have very healthy growth, and our enterprise business in both the developed and the emerging markets has great growth.

And it's really important that several years ago we turned up our focus on emerging markets, and we've seen great shifts in our mix. Two years ago, the mix of the CSMB revenue in emerging markets was 21 percent, it then grew to 25 percent, and now it's 31 percent of our business. So, we are really focusing our resources on where the growth opportunities are.

We still have a number of significant competitive points of differentiation, and I want to touch upon a few of these. In geographic coverage, what's really important about this is many of our competitors are global, but they're not global in a direct way with the customer sets we have. So, our ability to expand in these countries like China, and India, and Brazil in a direct way is helping us accelerate growth here, but there is an emerging trend that I think is going to give us a much bigger advantage going forward, and that's that because of technology enhancements, because of things like cloud computing, and the access to information, small and medium businesses are now able to grow internationally. And we're seeing a big trend in the small and medium institutions moving abroad, and this isn't just from developed to emerging, we're seeing businesses in China and Brazil come to the United States, and our ability to be a single point of contact for them on a global scale is unparalleled, because we're the only provider of technology that has a direct relationship with these customers. The channel is not capable of providing a global solution. So the channel deals on a regional basis, but if a customer has global needs, they're not able to get it from one provider. This is going to be a big advantage for us.

Speaking of the channel, our channel approach is proving to be extremely successful. We haven't spent a lot of time talking about the commercial channel business, but it's had consistent double-digit growth, and its margins are increasing at a regular rate. The reason is that we have been really focused on building a solutions-based approach with our channel partners. We have really worked on certifying them, and developing relationships with channel partners that add value as opposed to partners that are just there for fulfillment.

And so, the number of certified partners has grown substantially. The enterprise mix of our channel partners is quite high, and the margins are improving. A great example is, we just implemented over the last couple of quarters this very same approach that we had in the U.S. in Asia, and we've seen a several hundred basis point improvement in our margins with our Asia channel partners while we're still growing the top line.

So, this combination of a direct approach, and then having value-based partners, I think, is another source of competitive differentiation for us. On a product basis, the way we can bundle solutions, for example, in the small and medium business, we have a solution we call 3-2-1, which is a combination of servers, PowerConnect servers, EqualLogic storage, and our switching.

We're now able to attach our PowerConnect switches to the vast majority of our EqualLogic storage. That also speaks to our ability to be a trusted advisor, because we are basically proposing the solution to these customers, and they're not going to Cisco for the switches, they're coming to Dell. This is also enabling us to be more of an architect of the infrastructure for the small and medium business, and they're trusting us to do that. I think, again, for the mid-size account, this is a good point of differentiation.

On the supply chain, with what Jeff has done on the supply chain, it's been fantastic, and it allows us to have a great option of build to order or build to stock, and this, again, is something our competition can't do. So, we now know the points of breakage where it's more accretive from a margin standpoint to offer a build to order solution, and when it's more advantage from a margin standpoint to go to a fixed configuration. But the way we have architected the supply chain, we can do both. So, that's been another great advantage for us.

Service and support, pro support for the small business is a great point of differentiation. Our partners even want it now. Our channel partners are using our services IP in their businesses now because it's delighting customers.

And lastly, our specific focus on the medium business customer is also proving to be a big point of advantage to the customer, because they can talk directly with us and they can get solutions directly from us.

If I look at the priorities, we'll talk about SMB and then consumer, for SMB it's pretty much what we outlined before and we're just doing more of it. We've had great positioning in China, India and Brazil. We're adding a lot of coverage there. We're going to continue to develop our growth there. You may recall that we took our first approach at marketing solutions to the small and medium business in India. We did that several years ago. We're now number one in India in share. So, this positioning of solutions works in emerging countries, as well as the developed.

From a customer experience standpoint, we have been maniacally focused on delighting customers. You'll see even greater improvements when I talk about the consumer business, but this continued focus on delivering upon expectations, delighting customers, operational excellence, this is winning us a lot of business and it improves our position as a trusted advisor.

On the solutions side, we're going to continue to increase the portfolio of offerings that we have, the Case acquisition has been terrific for us. Compellent has been amazing, the best case I can tell you on Compellent is in one quarter's time we completely replaced the run rate revenue stream we had with EMC. So, this speaks to the greatness of the product, but it also talks to us as a trusted advisor. We went into customers told them, this is a better solution, and they listened to us.

And so we're seeing great growth in the fiber channel storage business in the small and medium business. And we have gone on a broad coverage increase in the medium business, with field-based resources. We were predominantly a phone-based supposed organization as of a few years ago. We have now moved into more field-based resources to offer these solutions. We're going to continue that build-out in a broad way.

On the consumer side, the growth market focus has also paid off for us in a substantial way. You can see the growth that we're having in Brazil, China, and India, 33 percent year-over-year, and all the other growth markets around the world, 27 percent. We're going to continue to leverage that. That's one of the reasons that we're launching the Streak 10 Pro, the tablet, in China, because we have excellent brand recognition there. We think it's an untapped opportunity and so we're taking a different approach to go these places of strength around the world, where Dell has a great brand reputation.

On customer segmentation, if you go to Dell.com I think that's the best way you'll see this and keep looking at it over the coming months. You're continuing to see our messaging focused on specific use cases, the prosumer, the family with kids, the gamer, you're seeing the message be simpler.

As was mentioned before, fewer clicks to a buy. You're seeing things like comparative shopping, where customers can now see alternative offerings that analysts have reviewed, so they can validate their purchase decision. You're seeing integrated social media into this, so they can talk to friends, and get ratings, and reviews, a much broader focus on the use cases for the customers and really an iteration of the benefits that we offer, like the thinnest 15-inch PC on the planet.

We will not lessen our focus on profitability and the consumer segment. We've seen great benefits to the whole company and we see this as a tremendous source of increased profit for the business. So, we're going to continue focusing on the strong operational execution and stabilizing these profit margins throughout the consumer business.

I will tell you that the turnaround in the consumer business also has a tremendous benefit on to other areas. One, our commercial customers see it. I just heard a story about a CIO saying, the thing I love about Dell is at home I'm getting it, too, and my family is thrilled with the service and support I get. I ordered a product and it was shipped the next day. It has a good bleed-over effect. And the other great benefit that the improvement has is with our employees. There's a sense of pride in our consumer business, again, and it's sparking a lot of innovation and enthusiasm and it gives me great optimism for where we can take this business.

And lastly, we've been focused on that customer experience, 75 percent improvement in our loyalty scores. We're benchmarking this and we know that we are better than our competition in a wide range of countries and segments. So, we know that it's improved in an absolute score, but it's also improved, relative to our competitors.

So, just in closing, we feel very good about the use of our intellectual property and the solution capability we have with the small and medium business, great growth potential here, great profit potential here. We're going to continue the profitability focus on the consumer, and we're also going to continue to focus our efforts and our resources on the most attractive segments of all of these markets, the medium business, the higher price points in the consumer, and the growth emerging markets around the world.

And with that, I'm going to invite Rob and Karen, and Paul to join me for some Q&A. Thank you. (Applause.)

Q&A SESSION
Karen Quintos, Paul Bell, Steve Felice
11:30 – 12:00 PM

ROB WILLIAMS: Thanks, Steve.

Well, let's go ahead and get started. In the interest of kind of keeping things moving pretty quickly here, let's try and do just one question, and we'll see if we can get around to more people.

Let me start in the back over here. I think that's Bill, Bill Shope back there.

BILL SHOPE, GOLDMAN SACHS: Great, thank you. Bill Shope, Goldman Sachs.

A question for both Paul and Steve. There's been a lot of changes in both your businesses over the past few years, particularly since the pure direct days. I was wondering, though, if you could describe what the direct business is like now, what percentage of your infrastructure sales are still direct, and what does that mean for the overall cost structure, and how should we think about that mix of direct versus partner sales longer term?

STEVE FELICE: I'll go first. For our business the channel represents about 25 percent of the business. So, we're still predominantly a direct business, and we certainly love keeping that direct relationship with customers.

So, as I said before, where we've tried to change the focus is where there's a specific need that a value-based partner can provide a solution, and then trying to work with that partner to embed our services there, and that's worked well.

And so the end result is that we're seeing profitability in both whether it's through consumer or through SMB be parallel to the direct model. That wasn't always the case.

So, now we're getting to be a little more indifferent from a financial standpoint, and we really focus more on what's the right solution for the customer.

PAUL BELL: Yeah, we're in a similar mix. It's maybe low 20s percentage that goes through various kind of channel partners. That could be anything from a small local VAR who may have some value-added skills in a particular vertical, all the way up to some of the larger systems integrators in the world that we do some very large projects with.

We have the same financial profile, too, and we insisted upon it. When we really got formal and official in building a channel program about four years ago, we said that since we had a relatively small presence, we weren't going to try to replicate the average channel profile of the industry, we were going to pick and choose partners in customer opportunities that had a richer mix of value-add and would allow us to make as high or higher margins than we were already getting in the direct business, and we've lived by that, so that we've gone from about 10 percent channel four years ago to about a little bit over 20 percent now. A very large percent of those are specialized in storage and enterprise products and/or a vertical where we can change the conversation from a volume-based one.

BILL SHOPE, GOLDMAN SACHS: I guess just one follow-up to that. When we look back, 10 year ago, it was very clear the difference between the cost structure for a direct sell of Dell versus the cost structure for an indirect sale with your competition. How do you think about the relative cost structure advantage you may have, particularly within the client business, on direct sales versus the vast majority of the client sales your competitors have?

STEVE FELICE: You know, it's really the -- you have to look at the total costs. So, some things switch from a margin profile with the partner and it's offset by operating expense. So, we really look at the operating income, and we're trying to keep that at a par, which you heard from Paul and I'm saying the same thing, we've been able to do that.

So, the operating expense is going to be lower, but you certainly have to pass on the ability for a partner to make profit. So, we look at the bottom line here, and that's what we've been very successful in doing is making sure that whole equation works.

ROB WILLIAMS: Great. Let's go back over here

BRIAN ALEXANDER, RAYMOND JAMES: It's Brian Alexander with Raymond James.

It's for both Steve and Paul. The last few quarters -- over here -- most of the revenue growth for the company has been in the growth markets, which are generally perceived to be lower margin geographies than the mature markets. Yet the overall company profitability continues to improve for all the reasons we talked about today.

I guess the question is, when you compare the margins in the growth markets to the mature markets, is there still much of a gap in profitability when you look at like for like product segments and customer segments or has the difference converged?

PAUL BELL: Maybe I'll start with that one. It is true in some of the less mature markets that you'd find lower price point averages for client systems, for instance, and you might be skewed towards a lower mix that would depress your margins. But if you think about the focus that we're trying to drive here around enterprise-class product and be their core IT partner, we don't actually find lower margins on servers, storage, the core services.

And one of the exciting things is that you find in a number of these countries the customers are leapfrogging technologies. They really are at an earlier stage of maturity, so they're not going through what some of our mature market customers have had in implementations of technology over the last 10 years. And so they tend to be rapid adopters. We're seeing a number of our solutions that you heard some of the panelists this morning talk about recently acquired technologies that hadn't even been sold outside the United States. They're getting some good early traction in Brazil, in China, in markets that have a high growth profile, and are very hungry for the latest and greatest.

ROB WILLIAMS: Great, thanks.

We'll move back over here. Can't quite see from here who that is. Brian?

BRIAN MARSHALL, GLEACHER: Hi. Brian Marshall, thanks.

A question with regards to your operating margins from sort of an end market perspective. Is it safe to assume that your SMB business will remain the highest margin structure relative to say large enterprise and public over the next couple of years? Thanks.

STEVE FELICE: Well, I'd like it to, unless large enterprise gets so large that it's good for Dell. But I would expect it to. If you think about the kinds of solutions that are relevant to the SMB space, and, of course, the purchasing power of the SMB versus a large enterprise, there's less of the big procurement-oriented bidding process, and so you have the opportunity to earn more. So, I would expect the operating margins to stay higher.

ROB WILLIAMS: Karen, maybe you could comment on -- you know, we've talked a little bit about the brand campaign that we're launching this week, and there's been several examples of that. It's really kind of targeted across all the customer segments from SMB up through the largest accounts in public and commercial. Talk a little bit about what we're trying to accomplish there.

KAREN QUINTOS: Yeah, sure. So, we've actually been on this journey around transforming the brand for about a year or so. It started with some of the more traditional steps that you take across marketing, which is the consistent way that we present the brand, we present the logo. You see us now talking much more about customer outcomes, so a much more consistent way in how we are presenting our products and our solutions, and taking much more of a customer outcome, these are the things that customers really care about type of approach in a lot of our marketing messaging.

Back in the February-March period of time we actually launched a pilot program with a large corporate brand campaign in Germany that laddered them to a lot of our business unit marketing campaigns that run through Steve and Paul's business. The big focus of that was telling our enterprise solutions story.

So, one of the opportunities that we have is to continue to get large stakeholders, lots of customers really understanding the capabilities that we have acquired, the investments that we've made, and the wide breadth of services and solutions that we can bring to the marketplace. Those early successes in Germany were pretty stark in terms of very fast, double digit increases that we saw in enterprise awareness, in the credibility that Dell had and this permission to play in many areas. In particular we saw a significant jump in medium business, as well as in a lot of our larger enterprise customers.

And then we have decided that we're going to take the same corporate brand campaign with the same approach across a very integrated go-to-market set of marketing materials across all of our customer segments here in the U.S., which we announced about a week or so ago, and will continue to roll out over the course of this year.

ROB WILLIAMS: Great. Great, thanks, Karen.

Let's see, let's go right here in the middle.

QUESTION: Thanks.

There's been a clear mid-market theme going through much of the day, and with all the solutions and the value-add service that you're talking about bringing to market, and large enterprise still being clearly a significant portion of the revenue, what's the appropriate way for us to think about the solution go-to-market in mid-market relative to enterprise, and I guess the reason for the significant mid-market theme that we've sort of gotten throughout the day? Is it that you feel there's a greater opportunity initially for some of these new value-added services in mid-market, or you're just trying to emphasize that mid-market is also a big opportunity for some of these things?

PAUL BELL: I'd reinforce a couple things that were made earlier about why it's such a great place for us to focus. You heard about the innovation and the fact that as we are trying to help customers move past legacy and get into what we really think are the products and services everybody is going to want to be standardized on in a few years, a lot of these mid-market customers can make that migration quicker, and so they're very fertile ground for many of these solutions.

The fact that we have a direct coverage model all the way down to the lower end of our large enterprise space and public space, and the higher end of Steve's SMB space, is that mid-market, and we have direct relationships, sometimes very longstanding ones, that are relatively unusual in the marketplace for a big, broad technology service and product company like ours. So, we can take advantage of those.

I think the real importance of it also is how our solution group, so Jeff and Brad and Steve's organizations, think about the design point for that customer, and that there's a much higher barrier around having a replicable solution, an easy to deploy solution, because you hear it again and again where as a midsized company we don't have all of the specialization on staff, we can't integrate this ourselves. So, when you make it easy, make it more of a service and less of a product that I have to integrate for myself, that also is reaching very fertile ground.

ROB WILLIAMS: Good.

MAYNARD UM, UBS: Hi. Thanks. Maynard Um, UBS.

I think obviously one of the key messages so far is the transformation of Dell from a transactional product sale to selling more of these solutions, and obviously helping your gross margins. I'm just curious, I guess one of the details that seems to be missing is just if you look at your businesses in particular, if you looked a year ago, what percentage of the servers or the client business was coming from solutions versus today? Is this now something that is halfway through or half your business or half the PCs or half the servers that you're selling is now coming from solutions, and that's really been sort of the big margin performer for you, or is there still a lot more to go from your perspective? So, I'm just trying to understand where we are from a solution versus a transactional sale?

PAUL BELL: It's a little hard to give you a specific black and white percentage, you know, solution, not solution. There's a real sliding scale in that sometimes the ability to be the architect of an overall solution that includes some of our ingredient technologies is a big part of how we are changing the sales process, up to and including where it really is an integrated stack, and I'll give you an example of a solution that's a good three years old now, digital forensics for law enforcement. It is very high margin, because at the base of it is Dell IP, storage, Dell networking, Dell mobile platforms, and that is a completely architected solution.

So, all along that spectrum is we're moving away from where we're going to get into a conversation that's primarily about volume of units and price, and I think that's the fundamental driver of margins.

We keep adding capacity and capability to move farther down that progression, but it is a bit of a continuum.

STEVE FELICE: Yeah, there's no doubt that the ratio of sales that are multi-product and bundled is going up at an increasing rate every month, but at the same time, it's still the minority of the sales. Most of the sales are still point solutions. And so this remains a very big opportunity for us. I think we're making great progress, but there's a lot of upside here.

ROB WILLIAMS: Thanks, Steve.

Toni?

TONI SACCONAGHI, SANFORD BERNSTEIN: Yes, thanks. Toni Sacconaghi from Bernstein.

I'm wondering if you can comment both in the consumer and then large enterprise, consumer SMB and large enterprise public spaces about the competitive environment, particularly on the client side. You know, several data points suggest that competitive intensity is more benign than we've seen historically. If you look at gross margins of pure play PC competitors, they're up over the last year -- not as much as yours but they're up. You look at ASPs and they're down less than they've been historically on a year over year basis for several quarters.

Could you comment whether you agree that the competitive environment is perhaps less intense than it's been historically, and whether you think this is something that's structural or whether there's something cyclical at work here with Acer and HP being on their back?

And then if it isn't structural or whether it's structural or cyclical, what's the risk that this actually kind of reverts back? So, maybe you guys could weigh on that.

STEVE FELICE: Okay. Well, you know, it really varies by competitors. I would say overall it's not less competitive, but there are pieces that clearly have had pullbacks, in the consumer space in particular. So, I can think of pockets where it's clearly less competitive because of a number of factors. Netbooks is a great example where there's clearly been a pullback there. Now, the reason for the pullback is a combination of competitors, several of them not making enough money here, and having a product that was not satisfying customer needs, and you see tablets supplanting that product at a pretty rapid rate.

So, you know, for us we chose over a year ago to stop playing in that space anyway. And so the competition that was really fierce in the 299 and 399 price points, that has eased up, but that was sort of uneventful for us, because we had already moved our focus to the mid and high price bands.

Depending on the country, depending on the competitor, there's still plenty of competition. And so I think this has been more of a phenomenon on specific product points than a general decision to pull back on any particular area.

So, I think if we just stay focused on where we're at, no matter what the competitive environment is, as long as we're adding good value and delivering a quality product, we like our chances to continue to compete at healthy margins.

PAUL BELL: In the smaller account and in public and large enterprise it's very similar to what Steve just described. As you get into the bigger end, there's less and less competitors who show up when there's a bid, because they tend to be requiring global support or enterprise-class products or specced out in the RFP, et cetera, et cetera. And when you look at that small group of competitors who show up, I think we are seeing that we're all trying to change the conversation here. And as Dell is responding differently, that we're talking about an overall say enterprise-wide solution more and more and less just getting involved in the negative margin bids, which were often the case in the large accounts, you see that mix shift, and some of our competitors have responded in kind.

I don't know if that is cyclical or durable. It depends on everybody's business strategy about where they're trying to grow.

I will tell you this, that we've had a number of customers where we just basically said we're not going to sell you clients at a loss; these are high value products, we've done a lot of good work on the product and the service model, and go ahead and take this bid from our competitor, we'll continue to be your data center core provider. And we've had a number of them in the next bid come back to us, because they said the problems that they dealt with, it wasn't necessarily about the device but they were saying global support and supply chain quality and actually getting the rollout accomplished was something -- which is why it's a small number of people who come to the table, and we do differentiate on that kind of support.

So, again that kind of differentiation is sustainable and something we can build on, because already there's not too many people in most markets who can do that well.

TONI SACCONAGHI, SANFORD BERNSTEIN: One quick follow-up, if I may. Who would you single out as being the competitor you worry or think most about in the client space?

PAUL BELL: You want to go?

STEVE FELICE: Well, there's only two technology companies that offer a full suite of solutions, from the consumer through the large enterprise. That's us and HP. So, they're the more obvious competitor that we see more routinely.

You know, I think there's been a number of other competitors that have tried to optimize models and it's not working. So, clearly Acer has had some issues. We used to worry about them, but a couple of years ago we changed our strategy to say we're not going to follow them, and we're going to focus on value.

So, from my perspective it's HP.

PAUL BELL: The same in terms of who shows up the most consistently in bids around the world.

ROB WILLIAMS: Sure, and clearly changing the conversation with customers and this idea of selling value and becoming trusted advisors. It's not only just that sustainability of margins and is also a part of the message that we're trying to get to then through our marketing and advertising efforts. I wonder if you could comment on that.

KAREN QUINTOS: Yeah, there's no question. I mean, you've heard us throughout the course of the last day or so, right, I mean, the shift that you're seeing in the message and the investments that we're making in sales, in marketing to enable a lot of our sales team members out there to be able to have a more holistic, more strategic type of conversation.

And the other element of it is making sure that they have the opportunity to have conversations with different audiences. So, a couple of years ago, you'd see a lot of those conversations were being held with the procurement head. Well, the procurement head is certainly an important person in the decision-making, but not the only person.

So, as we shift a lot of our marketing and messaging, and target it more towards the IT decision-makers, the business decision-makers, the CFOs, the CIOs, and do that across all of the markets that we compete in, you're starting to see multiple people within the company having a very different impression of Dell.

ROB WILLIAMS: That's good.

Well, clearly social media is a big part of that, and we've been recognized I think as a leader in that area. So, in the interest of that thought process, I wonder if we could take a question from Twitter here.

MODERATOR: Our first question comes through StockTwits, and is for Paul. The poster asks, what is Dell's answer to Cisco UCS? So far, I've not seen anything; what am I missing?

PAUL BELL: In 140 characters or less it's VIS. (Laughter.)

Now, for the broader audience can I go a little more in depth?

ROB WILLIAMS: Sure, absolutely.

PAUL BELL: We actually have a fantastic offering there, the core of which is known as Advanced Infrastructure Manager, which came through our acquisition of Scalent, and it's great information software for automating the creation of virtual production capacity, and using virtual and physical resources in doing that. We've added in other capabilities through partnership and integration, which is our broader Virtual Integrated System.

The key differentiation from the competitor that was mentioned there and some others out there is on the point Brad emphasized earlier about the openness of that solution. Our first customers, which were made a year ago, all put our solution next to UCS and the other major offering out there, and the key difference was that ours was the only one that could show we could achieve the same functionality and the benefits they were looking for, but do it managing the other people's equipment, as opposed to requiring a complete rip-out of their existing equipment and a stack that was only of the competitor's equipment.

So, go to Dell.com and search on VIS or Virtual Integrated System.

ROB WILLIAMS: Great, thanks, Paul.

Well, let's move back out to the audience here. Let's go right here to the front row.

BILL VOGEL, MERLIN SECURITIES: Bill Vogel from Merlin Securities.

With regard to the public side, you're telling a great story about how you don't have the legacy baggage, you can make the efficiency and the agility sell without worrying about having margins to protect. How does that line up with all the scary stuff we're hearing on the macro front regarding public, federal budgets, state budgets, et cetera, and in terms of what you're seeing on the ground as far as spending pace, as far as what you can see, and the communication you're having with your customers as they're having to face all of the growth issues that they have to face, and doing more with less? Does that drive and is that a catalyst for sales or are budgets just getting crammed down, and people are just having to take a wait and see?

PAUL BELL: Yeah, there's no question that when our customers are spending less, you know, that's going to have an impact on our total opportunity. We focus in every sector, whether it's growing or not growing, on adding more value and shifting our mix, and go hunt for opportunities where we weren't playing before. But it certainly helps if the whole sector is growing.

Well, you know, large enterprise had to deal with that real slowdown, that real budget crunching calendar 2009, and then saw the business cycle start to recover. Public was the inverse of that; they kept spending more freely through 2009, and we're seeing some of that hangover now in particularly North America and Western Europe.

So, yes, we balance the portfolio of resources looking at where we can add more to go after growth. Within public we have health care, which is a growth market in almost every economy that we operate in, parts of education are doing quite well. When people think about public, they often think of large national, government or state and local government. In those two geographies those are really challenged, and the markets are actually a bit down. But it's a great opportunity to come in where we have a longstanding relationship and say, your budget is down 20 percent, let's talk to you about how you can do a better job educating students or getting patient outcomes here by fundamentally changing how you do IT.

You know, the expression everybody overused in the recession but I still think is apt is it's a shame to waste a good crisis, and you hear that all the time in these conversations: I'm finally getting my school board or I'm finally getting the board of this hospital to say let's do something dramatic, and that's opening doors for us.

KAREN QUINTOS: Could I add one thing to that? Steve talked a little bit about the fact that one of our areas of differentiation was this global experience that we bring to many of the sectors that we do business in. I mean, a great example a year or so ago, Paul met with, I met with, Michael met with the minister of education in China, and there are lots of public sectors that are growing out there, and we've sponsored teams -- from their teams coming to the U.S., coming to Brazil, coming to Mexico, and seeing a lot of the education solutions that we've put in place, taking a lot of those best practices back, really leveraging a lot of the solutions that we've put in place in other markets.

And to the degree that we have that end-to-end vertical capability, including health care knowledgeable, education knowledgeable, sales and solution leaders out there is a big advantage for us.

ROB WILLIAMS: Great. Let's do one, and make it quick, would you, so we can get to lunch?

QUESTION: Back in 1926 you -- no, I'm kidding. (Laughter.)

The questions around profitability of the segment in consumer, last quarter, you declined 7 percent but you totally blew away operating profit.

I guess the question is, can you do both, can stay around 5 percent and grow that business again, and if so, why and how?

STEVE FELICE: You know, there's a lot of things going on in how we're shifting the business. Michael talked in the very beginning about pruning, and some of that revenue decline is intentional. You know, the year over year compares include a lot of netbooks, for example, that a year ago we decided to start backing out of. We shifted our software and peripheral business dramatically. We used to offer thousands of choices at very low margins, and we moved that to be a trusted advisor and limit the number of choices, but do more of our own investigation and be a recommender of the right electronics. So, there's a nice bit of revenue that we intentionally have pruned off.

We also out-performed the market last quarter, because the market overall was challenged in consumer.

So, I thought it was actually pretty good that we were able to prune a lot of business and yet beat our competition, who was declining, I think Acer was down 29 percent or something like that in consumer.

So, I believe we're getting close to turning our eye towards growth in this business as we get the mix to where we want it.

The profitability, you know, we said a long time ago that we wanted to get to 2 percent by the end of last year, which we were able to do, and we saw 4 to 5 percent as a sustainable number. So, I still think that that's the right number. We certainly got there faster than we talked about. So, I'm not going to get into exactly is Q2 going to be the same as Q1 and all that, but I think sustaining 4 to 5 percent is the right kind of longer term target. And then I think we can even make that better, but it's premature for us to talk about that as we introduce solutions into the business.

So, just the core business itself should be able to sustain that kind of profitability, and then I think we can improve upon it by adding solutions and services to the fold.

ROB WILLIAMS: Great, well, thanks, Paul, Karen, and Steve.

We're going to break for lunch. Just as a reminder, you know, on your nametag is a number that corresponds to the table that you'll be at. We're going to have executives from last night, from today at the tables to have a conversation with you over the course of the next hour or so. Michael and Brian will be floating around to tables and visiting each of the tables as we go through the lunch, and we'll be back here at 1:15. So, we'll see you back here then. (Applause.)

Q&A SESSION
Michael Dell, Brian Gladden
1:15 – 2:00 PM

ANNOUNCER: Ladies and gentlemen, please welcome back Michael Dell, Brian Gladden, and Rob Williams. (Applause)

ROB WILLIAMS: Alright, well, we're going to close off the day with Q&A here with Michael and Brian. I hope you guys had a chance to visit with the leadership team and some of our customers as well who were out at lunch. There were some pretty good discussions that I sat in on.

Let's go ahead and get started with Q&A and let me kind of work over to this side with Keith.

KEITH BACHMAN, BANK OF MONTREAL: Hi, guys, two questions if I could. Brian, first for you. The buyback was more than I think a lot of us were expecting, yet it seems like it's tempering down. What message were you kind of sending? And then backing up a step, what does it mean about your M&A aspirations at least near term? Are there any signals there?

BRIAN GLADDEN: Well, I'd start by saying I don't -- it doesn't change what we've been saying around overall capital allocation strategy. I think we saw an opportunity, it was an opportunistic sort of increase in the buy during the course of the quarter, and we're sort of hanging onto the 10-30 percent longer-term commitment around that percentage of free cash flow is allocated to the buyback. So, obviously, exceeded that this quarter and did that kind of on a one-time basis.

The M&A priority continues to be an important use of cash and as Dave laid out, as we see continued success there, that's a place that you'll see us continue to allocate capital.

KEITH BACHMAN, BANK OF MONTREAL: And then, Michael, one for you, if I could. What we've heard today is clearly solution selling is integral to a lot of things you're trying to do. Part of that is the services arm and you've identified in the services sector a number of areas that you want to grow applications, BPO, things along those lines, and that's usually predicated on headcount growth. The services -- the maintenance part isn't, but a lot of the other areas of services is really driven by headcount growth and the expertise that come with some of the folks I think you want to hire. How should investors start thinking about where you want to take the services business that typically has been linearly related, the more people we add, the more you can grow?

MICHAEL DELL: You know, I think when you look at it from a financial model standpoint, you know, the reason we're growing that part of the business, you know, we think it's relevant for customers and solutions, but we think it's also an area where we can derive attractive financial returns.

Certainly, we'll look for those non-linear type opportunities. If you look at some of the newer things we've done, they exhibit non-linear characteristics. But you're absolutely right, you know, services businesses tend to be headcount intensive and we'll build them as needed.

I think a fair bit of that headcount growth will occur in some of the more cost effective zones of the world where we already have a pretty big presence and can use that base to grow from.

ROB WILLIAMS: Go right here.

AARON RAKERS, STIFEL NICOLAUS: Thanks. Two questions as well, Aaron Rakers with Stifel Nicolaus. First question, again, not to harp on the consistent issue around margin, but by my math, it looks like you guys have dramatically improved the client or the non-solutions gross margin, maybe into the mid teens here over the past year.

When you think about the 5-percent target operating-plus margin structure, is that making any assumption that you can sustain that mid-teens client gross margin or are there elements within the op-ex line that kind of drive further leverage over gross margin here?

BRIAN GLADDEN: Well, I mean, we said greater than 5 percent. And I think what you would see in the client business is steady progression in terms of the cost activities that drives sustainable improvements in margin rates. You know, clearly, it's been a good environment. One of the things I said in my comments, it's been a good sort of demand environment from a commercial refresh, our mix has played well in that environment. It's been a good pricing environment, it's been a good commodity deflation environment. So, those things have contributed to very good margins.

We believe we can continue to grow that business at greater than market growth rates and still deliver 5 percent operating income. If we can do that, then that's a place that we feel good about growing and will continue to be a big part of the portfolio.

AARON RAKERS, STIFEL NICOLAUS: So just to be clear, though, that's a gross margin sustained target to get to that five-plus percent? Or do you see any variability in that gross margin where we're at today?

BRIAN GLADDEN: I mean, there will be variability around that. It's not going to be completely flat-lined where it is. I think that's the reality. I think we're in a position where we feel good about the cost structure of the business, the work that we've done in consumer CS&B that Steve laid out, the work that we've done with Jeff in terms of COGS, the G&A structure of the company. We feel good about where that business is positioned, and I think we can manage it for the long term and generate good returns. And 5 percent operating income is a good target for us.

AARON RAKERS, STIFEL NICOLAUS: Great, and the second question, you know, that people are asking about networking and whatever you're doing around then, when I look at the storage business that you've put together over the last year, one of the other elements to that that I could see would be areas of business intelligence, data analytics. What are you looking at in that space? What's Dell's plan there? Is there a plan to move in that direction as well? Thank you.

MICHAEL DELL: Yeah, that's absolutely one of the areas that we're looking at growing and expanding into. You know, I would look us doing that with partners initially and there is a vast market of customers that have been unable to take advantage of those kinds of skills or capabilities and we have access to those customers. So, we're right in the middle of developing those solutions along with partners, but you're absolutely right to highlight it.

We think also, you know, if you can get in front of the apps and do that on an app-independent basis, that's a very unique positioning for Dell. So, I'd just say watch this space.

ROB WILLIAMS: Thanks, Aaron.

KATY HUBERTY, MORGAN STANLEY: Hi, Katy Huberty, Morgan Stanley. There was some mention of consumer weakness today, which is pretty well understood. But over the last month, some well-positioned enterprise companies have started to talk about macro weakness impacting their business. I wonder if you can comment on what you're seeing in the SMB and large enterprise space, if there's any signs of that within Dell.

BRIAN GLADDEN: Okay, we're not going to update the outlook we gave at the end of the first quarter in terms of second-quarter demand. I think, you know, we said mid single digits sequentially. We're kind of hanging onto that and not necessarily providing any updates. There are, clearly, some challenging signs in the overall macro economy, and I think we'll just continue to watch those. Consumer we've been talking about for nine or 12 months, we saw that sort of starting last summer.

ROB WILLIAMS: Toni?

TONI SACCONAGHI, SANFORD BERNSTEIN: Toni Sacconaghi from Bernstein. Brian, I think this one's for you. I know you can't do this, but maybe you can help qualitatively which is I think one of the key messages has been your conviction that the gross margin improvements are kind of largely structural and are due to a series of actions.

I've heard sort of three groups of reasons. One is a mix, you're focusing on higher-priced, higher-margin products and also attaching enterprise. One is the series of operating improvements that you guys have done, whether it be water or fixed configuration, et cetera. And the third has been that environment that you talked about being favorable pricing components, et cetera.

So, if you think of those three buckets, can you help us in terms of what you think -- rank order them in terms of which you think have contributed more? I know it's not a perfect science, but I'm still struggling with whether you guys believe mix is 80 percent of that or whether you believe that environment is 80 percent of it. I think that would be helpful for investors to get your perspective on the relative contributions of each of those three broad buckets.

BRIAN GLADDEN: Yeah, I would add one, which is just sales execution. You know, as I talked about, there's clearly a change in the way we're going to market and incentivizing our sales teams and training them in terms of value selling versus cost-plus selling. I think that's had a pretty significant impact as well.

In terms of ranking, I mean, you know, really don't want to get into it Toni, but I would tell you the environment is definitely not 80 percent of it. Clearly, a lot of the work -- we went way out of our way today to give you a lot of details around things that we believe are sustainable that we clearly think make up the majority of that margin improvement. You know, it's our commitment to balance margin pricing and growth dynamics as the market plays out. Whether that's a different commodity deflation environment, whether it's a different competitive pricing environment, whether it's a different growth environment. I think optimizing that equation but sustaining stronger gross margins in the client business is where we're headed.

MICHAEL DELL: You know, I think if you look at our competitive stack, clearly, we have been differentiated in our ability to change margin, so that gives you at least some indication. I think, also, I would not underestimate this whole change to solutions as we've kind of changed the conversation with customers.

If you imagine our sales force as 20,000 kind of semi-independent small businesses waking up in the morning deciding what are they going to sell, you know, the interline and intraline activities of what they're actually doing have adjusted pretty materially with the change in the portfolio and the change in incentives driven toward margin, and I think you see that showing up in the results of the company.

BRIAN GLADDEN: Toni, within the mix category, it's something we've talked about, but we don't talk about it probably as much as the pruning of lower-margin portions of the business. That's really across the portfolio. I think you've seen us do that really over the last couple years in several different waves. I think that's one with all of the sales incentives and processes we have in place and driving the teams to margin targets, we'll continue to do. It's been a head wind, clearly, as we look at the revenue growth of the business, but it's clearly contributed to the profitability improvements.

ROB WILLIAMS: Thanks, Brian.

QUESTION: Sorry to ask another margin question related, so you mentioned the 5-percent-plus operating margin you achieved in the first quarter is mostly sustainable, but your overall Q1 op margin of 9.2 percent is well above what you're implying for the rest of the year, and it's well above your long-term margin target of 7 percent. So, implicitly, you're expecting operating margins to decline, but you're also saying the client margins are sustainable. So, I'm just trying to reconcile those two comments. Are you implicitly saying that you're over-earning in other parts of the portfolio and that's why margins would come down from where they were in Q1?

MICHAEL DELL: Aren't you supposed to be at the NetApp meeting? (Laughter.)

BRIAN GLADDEN: Well, I would say, you know, your implicit conclusions. I think at the end of the day, we gave you an outlook that was significantly higher at the end of the first quarter than we came into the year with. That was based on 12 weeks' worth of data and what we saw in the first quarter, I think we've been fairly open that we think that could be better than that. There's a bit of conservatism in that outlook we provided in the first quarter. We'll continue to keep you updated as we see changes in how we think the year is going to play out and it clearly could be better based on all the other things you mentioned.

ROB WILLIAMS: I think the key point there is the sustainability of that result over a period of quarters. Given the work that we've been doing, you kind of have to earn the position of being viewed again as someone who can sustain a level of performance over a period of quarters, and I think that's something that you've heard pretty loud and clear from the team today, that's what we want to do. But you've got to give us the flexibility to kind of manage that quarter to quarter here.

MAYNARD UM, UBS: Thanks, Maynard Um, UBS. Just a question on the pruning. It still sounds like there's still some pruning to be done. EMC will decline as we get to the end of this year, and some businesses, you know, Steve talked about the consumer potentially now focusing a little bit more on the growth side. When it comes to just pruning overall, when you look at the business, when does this stop being a headwind? When does this start becoming a tail wind for you when we start to look at the P&L?

BRIAN GLADDEN: Well, I think you've got to look at it in a couple different buckets. There's clearly been a lot of activity going on over the last two years, really, even in pruning. I think EMC will start to play out during the course of this year and we'll start to lap good compares really beginning of next year.

I think there's continued work going on that you see today within software and peripherals that is a head wind for revenue growth in that business. But, you know, we showed you a pretty good operating income in that business that's improved versus where it was six or nine months ago as well. And I think that'll continue during this year in addition within other parts of that S&P portfolio.

Large enterprise, you know, probably last year began more of the pruning activity in terms of lower-margin client business. So, I think you've got to look at it in a few different pieces. You know, I would expect that we start to get to better compares overall, sort of towards the end of this year, and much of that pruning work will be really behind us.

MAYNARD UM, UBS: Just a second question on M&A. I guess relative to your guidance, I don't think the guidance includes any M&A, or at least what you've reiterated today. So, I'm just curious, would M&A have, if we start seeing you becoming a little bit more aggressive doing the serial acquisitions, would that necessarily change and would we get an update on sort of the revenue growth? Or are you factoring something into your revenue growth rates for the year? Thanks.

BRIAN GLADDEN: We've always said it has a blend of organic and inorganic growth. So, there would be assumptions around M&A in views that we give you. Clearly, we have the impact of acquisitions that have closed, Compellent, for instance, and SecureWorks would be significant acquisitions this year. But, you know, it is part of what we've shared with you is a view that does include some assumption around acquisitions, not significant in that number, though.

QUESTION: This is a total addressable market question regarding storage. You mentioned a couple of times today that the design point is midmarket, more difficult for folks who are up-market to come down to the midmarket, easier for you to go to up-market. Can you give us a sense with the portfolio as it stands on the storage side, how far up-market you think you can go today, what your ambitions are in terms of moving up-market for those of us who really don't understand this stuff at all? (Laughter.)

MICHAEL DELL: Okay. You know, I think we can go pretty high. I mean, we're not planning to address mainframe storage in our ambition. But if you take a look at the Compellent fiber-type solution today, you know, more or less it scales to about 1500 disks, which is a pretty large system with new capabilities to be able to federate multiple systems together. You extend that into many thousands, even beyond.

So, you know, you get up into where you're talking about maybe a handful of customers that you couldn't really address. So, you're able to address a very, very large portion of the available market. So, we have organically committed on top of the inorganic investment to give those teams the resources to extend further. You know, so there's software work to be done, there's hardware work to be done, but that's work we're often doing.

There's also just an enormous opportunity if you look at where growth is in storage, it's in that -- it's in storage systems that sell for between $50- and $150,000. Phil mentioned this earlier, but the two best assets in the industry, by far, are EqualLogic and Compellent, and Dell happens to own both of them, and they're right in the sweet spot of the heart of the market.

More expensive systems are actually kind of declining in growth rate, so there is this shift towards these smaller sized SANs, even inside large organizations.

ROB WILLIAMS: I think that last point is a critical one, we've seen that pretty consistently throughout history whether it was Unix moving onto X86 or virtualization coming in and giving you capabilities in X86 that used to be Unix or mainframe oriented. I think that's a big part of it too. Shannon?

SHANNON CROSS, CROSS RESEARCH: Thank you, Shannon Cross, Cross Research. The first question for Brian, can you just talk a bit about working capital dynamics over the next couple of years? How should we think about both the opportunities and maybe some of the costs as you move more into indirect and that? And then I have a follow-up.

BRIAN GLADDEN: Yeah, I think we've done a pretty reasonable job of balancing. There clearly are some head winds as the mix of business changes and we move in some cases to more indirect, as you highlighted. Balancing that and delivering still great working capital performance with kind of the mid negative 30s cash conversion cycle.

We've basically said we think we can sustain that at least through this year. I think we'll have to take a look at some of the broader dynamics as this mix of business continues to change. There clearly have been levers that we've worked to try and offset some of those headwinds as we've grown retail and indirect and other things in the business to maintain that level of performance. But, you know, I think over the longer term, we'll have to give you an update and give you a view on that. But this year, we clearly feel comfortable with that range.

SHANNON CROSS, CROSS RESEARCH: Great, and then Michael, I had a question for you. And not asking you to sort of choose among your children here, but we've heard a lot of new, exciting trends and things that Dell's looking at. I'm curious from your perspective, maybe what are the top two that you think will provide the most opportunity and that as you lead Dell, sort of are really focused on driving?

MICHAEL DELL: Well, we do love all our children. I think what you probably get a sense for in the meeting today is that we have refined our focus on what we think are the largest and most easily accessible opportunities. Certainly, if you look at how we've talked about the midmarket, I mean, this is a fantastic area of strength for Dell, and it's a unifying principle kind of across all of our solutions groups.

I think there's also this notion of just the whole change in the landscape of our go-to-market motion with customers towards solutions and really understanding the real problem that the customer is trying to solve, that's opening up huge fields of opportunity for us and that's a very, very kind of rich opportunity for us to go explore. So, those are sort of generic themes. They run through all the businesses.

I think if you look at the individual operating units, performance is pretty good across the board. We've had profit up across all of our product lines and the go-to-market organizations, they've continued to increase their profit systematically, so good performance across the board.

ROB WILLIAMS: Thanks, Shannon. Other questions?

CHRIS WHITMORE, DEUTSCHE BANK: Thanks a lot, Chris Whitmore from Deutsche Bank. One more margin question for you, Bryan. You have a nice chart in the book, and if you do the math around percentage of revenue splits for your target in fiscal '15 versus margins where those businesses currently operate or your goal in the case of storage, it suggests dramatically higher consolidated operating margins than what your current goals are and what your currently running at. So, help me understand that longer-term margin target just one more time because you seem to be outlining something here that's closer to 10 percent plus, yet your target is 7 percent longer term. So, just help me reconcile those.

BRIAN GLADDEN: Yeah. I think a couple things. You know, we're not updating that target today, but that doesn't mean that we don't have opportunities to take it further. I think as we make progress around sustainable performance that meets those targets, that's something you'll see us do. And I think we'd like to take it sort of one step at a time, make progress towards those targets. That was two years ago we gave you those targets, and then we'll come back and give you a different view as we get comfortable that we can achieve those kinds of ranges.

But the math that you're doing makes sense, and that's exactly the optimism we have around the shape of the P&L and this mix-up and the investments that we're making. And if we can do that, clearly, those targets have to go up.

ROB WILLIAMS: I would just point out, always to keep clear on this, the slide that you saw is non-GAAP. And so the 7-percent target is a GAAP target, so you're going to have to gross that up a little bit for the non-GAAP piece, so a little bit closer.

QUESTION: You're making a lot of investments in terms of moving towards solutions and also building out a generalist versus specialist sales force. I was just hoping you could give us a sense of how long it's going to take to complete this process. I know in some sense it's an ongoing effort and it'll be continuous from here on out, but will most of these investments be behind you by the end of this calendar year or is this a process that's going to take 18 or 24 months to complete?

MICHAEL DELL: Yeah, I'm not really sure that, you know, the evolution that we're on as a company I don't think it has a distinct end point given the size of the IT industry.

You know, you've got a $2.7-trillion industry, Dell is a very small portion of that at $60 billion or so. So, there are fantastic opportunities for us to continue to evolve. That means more intellectual property, it means more solutions, it means more investment.

So, I think a better way to look at the investment is how does it yield return and how do we turn that into sustainable income and cash flow. That's obviously what we're focused on. But I wouldn't see it as that we're going to do this for 18 months and then we're stopped because we're done, right? So we're going to keep doing it as we grow our ability to execute in more adjacent spaces should improve, and our ambition to go after those will increase.

ROB WILLIAMS: Thanks. Other questions? Keith?

KEITH BACHMAN, BANK OF MONTREAL: Hi, Michael. Again, back to you if I could. What are your expectations next year on the traditional PC market? And what I'm really interested in, you think Windows 8 helps or hurts that process vis a vis the conflict or the competition with tablets? And I have a follow-up.

MICHAEL DELL: You know, I think first you have to know when Windows 8 is coming out --

QUESTION: I figured you knew.

MICHAEL DELL: Not able to disclose that information. I think, you know, Windows 8, when it comes out, is clearly more of a consumer event and there's a product cycle there. You know, certainly, you know, helps the consumer business, certainly helps in tablets because you do have Windows-centered customers that are looking for tablet-type solutions.

You know, I think in terms of overall PC unit demand, you know, I think pretty hard to know what the demand next year is going to be. I think in terms of corporate demand, which we're probably a little more in tune with and familiar with, I think when customers go through a refresh, it's not a one-quarter or one-month event, it's usually like an 18-month or two-year or even three-year event where they say we have an estate of 100,000 machines and we're going to replace 50,000 this year and 50,000 next year. And then maybe they take a year off and they start again and they just have these rolling kind of updates and upgrades that go on. So, that's pretty much what the corporate business tends to look more like that. I don't think Windows 8 will have a -- you know, I think if a third of the install base is on Windows 7 now, when you go to these corporations it's going to be an even smaller percentage. So, there's still a long way to go in terms of corporate refresh and continues to run every day.

KEITH BACHMAN, BANK OF MONTREAL: Let me try it a different way, then, I think as my follow-up. What are you guys thinking about as the sustainable client unit growth rate, which would include the dynamics of both the upgrade cycle as well as the consumer PC business? So what's the unit growth rate that you guys are thinking about as a sustainable number?

BRIAN GLADDEN: Well, we just went through our three-year planning process. We use the same data you guys use, I think we use 6 percent is sort of the Gartner or IDC data as the basis for that.

ROB WILLIAMS: And Jeff's chart would have suggested 7 percent on a revenue basis over the next three years. So, you know, plus or minus a couple hundred basis points given the variability in the industry is probably a reasonable way to think about it. Other questions?

JASON MAYNARD, WELLS FARGO: Thanks, Jason Maynard, Wells Fargo. Question for you, Michael, can you just talk about Google and Android and -- they're not necessarily what I'd call the world's easiest partner. But as you think about Windows 8 and maybe improvements in Honeycomb, do you see this as a big opportunity? Do you think you've got sort of all your bases covered? How do you sort of think about where that can fit into your portfolio and does it take maybe some of the potential opportunity away from Windows 8? I'm just curious how you sort of assess this landscape of the next couple of years.

MICHAEL DELL: Well, you know, from a hardware standpoint, the good news is that the hardware platform is sort of converging, so you can think about designing hardware ingredients and hardware infrastructure that sort of runs on either one. You know, which one is the winning one and why and for which customer? I think there will be different answers there. You know, and we don't own an operating system at that level, and so we can be pretty flexible in doing one, the other, or both in various circumstances. You know, that's kind of the best information we have for you at this stage.

ROB WILLIAMS: More questions? Richard?

RICHARD GARDNER, CITI: This is a very long-term question, but you were asked a question earlier about cloud and the fact that as a cloud provider, in some senses, you're going to be competing with your customers. I'm just curious, Michael if you have a framework that you've developed internally or some sort of thought process as to who's going to actually be providing the infrastructure for the public cloud? Is it going to be the traditional outsourcing providers like yourself? Is it going to service providers? Is it going to be software as a service providers? Platform as a service providers? How does that all shake out? Or is it just too early to tell?

MICHAEL DELL: Well, to answer that question, you probably first have to agree on a definition of the public cloud. Instead of going down that route, let me just say that there are a lot of people getting in various levels of the business, whether it's at kind of more basic infrastructure, all the way up to applications essentially delivered remotely through a cloud-type offering.

You know, I think we have, obviously, a huge infrastructure business, and where we want to sell that infrastructure to as many providers as we can, no matter how they deliver that capability, on-premises, off-premises, public, private, et cetera.

When you see us participating, I think you're going to see us do it in a way that is more differentiated than let's say a more basic infrastructure offering. You know, we don't see a basic infrastructure offering as a great place for us to go and invest a lot of capital. So, we're going to look to differentiate what we do and how we do it in a way that adds much more value than the kind of basic infrastructure as a service type offerings that are out there or being formed.

ROB WILLIAMS: Okay, well, I think we've just about exhausted our time. Let's go ahead and wrap it up. I appreciate everyone coming yesterday evening and yesterday afternoon. I think you've heard a consistent message and commitment to the strategy here at the company over the last couple of years, a focus on solutions, and a commitment to invest in solutions that we really are going to drive value for customers with a midmarket focus and an opportunity to continue to revisit the view that we have for the company both strategically longer term and also with the financial model. So, thanks, Michael, thanks, Brian, thanks, everyone. Appreciate it.

MICHAEL DELL: Thank you.

BRIAN GLADDEN: Thanks. (Applause.)

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