Matt Cabral: All right. I think we're going to go ahead and get started. I'm Matt Cabral, I cover it hardware here at Credit Suisse and we're very pleased to have Dell here with us. We have Jeff Clarke who is COO and vice chairman of Dell. So Jeff, thanks for carving out some time and joining us.

Jeff Clarke: My pleasure. Glad to be here. Thanks for having me.

Matt Cabral: So two quick housekeeping items before we start. The first, for those of you who have been following along, I'm sure you're familiar. We're not taking live Q&A but I am available over email. So if there's anything you want me to ask Jeff, it's Matthew.cabral@credit-suisse.com. And the second Dell asked me to read a brief safe harbor. So here we go. This discussion may refer to non-gap results including earnings per share unless otherwise indicated for reconciliation to the most directly comparable gap measure.

Please consult the slides labeled supplemental non-gap measures in the performance review available on the fiscal 2021 Q3 earnings results page on investors that Delltechnologies.com. Downside now to these statements that relate to future results and events are forward-looking statements and are based on Dell Technologies, current expectations. Actual results and events in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks, uncertainties, and other factors including those discussed in Dell Technologies periodic reports with the SCC. Dell Technologies assumes no obligation to update its forward-looking statements. So I think we're compliant. I think we're good to go. To kick off the conversation Jeff, Q3 results last week a pretty solid quarter, maybe just to level set the conversation, walk us through what happened this year and just how the various businesses have performed as you've gotten through 2020.

Jeff Clarke: Sure. Happy to do that. If you think about it, I know you've probably been through this all week and all year g 2020, who could have thought unprecedented, who would have thought we certainly didn't plan or predicted that we'd be in the midst of a global pandemic but that said through three quarters of navigating, I think a pretty difficult time and certainly uncertain we've I think proven to be very resilient this year. We've delivered consistent results. And I think we've delivered that over this very challenging macro environment. If you think about it relative to Q3 that we just announced, I believe two weeks ago now, we delivered an incredible quarter on our client solutions group. We had a record revenue, we had record shipments, we had a record operating profits. We delivered solid profitability. I think earnings per share was $2 and 3 cents up 16%. We generated strong cash flows of $3 billion up 64% year over year.

And then lastly, what I think is important particularly as we've talked about this in Dell Technologies is paying down debt. We paid down a significant amount of debt, $4.6 billion, $3.1 billion of court debt. And the key indicator for us is we now have our core leverage ratio down to under three at 2.9 putting us in that two to three range. We've been trying to accomplish over the past couple of years. If I step back and look at what's happened in the marketplace itself with customers, I think it's easy to say digital transformation has become a must have to compete in this world today. I think the technology trends that we've been long tracking have been accelerated, accelerated substantially to the degree that I think they will have meaningful impact in years to come. And it plays to our hand in the technologies we've been investing at Dell.

The other thing I think is key to back up that digital transformation comment that I made earlier. We've seen customers with what we've been tracking with our digital transformation maturity index, I know a mouthful but more customers continue to invest in digital transformation. In fact, this year 80% have fast tracked those key strategic digital transformation programs and 25% of customers since we last pulled them in 2018 have made noticeable progress from the categories that they would have been in before. I think that all bodes well as we think about the next part of the decade, the next couple of years, particularly when you think about what customers are telling us their priorities are today. First and foremost, enabling work from home and learn from home. They've had to work through how to... Many customers had not digitized their experience of engaging with customers.

So building an online presence, building a digital presence, simplifying your IT business, embracing multi-cloud as the world is clearly many, many clouds. And how do they bring a multi-cloud environment together. And then last day around data management and data security. And if you think about what we've been able to do, which I'm pretty proud of our work thus far through three quarters is like our broadened diverse portfolio is helping us, whether it's from the PC side and benefiting from the work from home and learn from home phenomenon that's happening now, our work across server storage, HCI, CII services, et cetera, we're in a great position to where the marketplace is going.

And I think that's been a catalyst for us to deliver the consistent results. We've been enable to be agile. We've been able to pivot to where the pockets of growth are. And we then able to take advantage of where the growth opportunities in the marketplace are whether it's by segment, customer type or product type are big diverse businesses allowed us to do that. I hope that helped.

Matt Cabral: Yeah. No, no, that's helpful. It's a great way to kick off the conversation, I guess, maybe to build on top of your comments about digital transformation. I feel like the second part of that discussion is often around cloud. And I think we've seen a real acceleration in customers moving to the cloud this year, as part of that push towards digital transformation that you mentioned, maybe just help us understand Dell Technologies cloud strategy, and just how Dell competes in a cloud world longer term.

Jeff Clarke: Yeah, happy to do that. We have seen customers move to cloud and maybe this will surprise the folks on our call today. Look, moving to the cloud is good for Dell. Customers who have moved to the public cloud which is where they generally start first. Quickly find out that cloud is an essential part of their IT strategy. And then they quickly find out that clouds and operating model and that the cloud is actually many clouds. Very few companies in my experience have one cloud. In fact, they want more clouds. And if you think about the evolution of workloads and how this plays out the research that we have done, the research that many firms have done, over the next handful of years you're looking at a distribution of workloads. It's 40 to 50% private clouds, 30 to 40% of the workloads in public clouds and then the balance being in traditional data centers.

And I think there's two things to take from that one, not everything goes to a public cloud. It is a world of many clouds and most importantly, there's a distribution across those that require an orchestration. So our strategy is really helping customers deal with the multicloud world they're going to be. And how do they resolve disparate tools, disparate SLA's? How do they drive consistent operations? How do we bring them a simplified management stack and drive consistent automation across this multi-cloud world? How do we help them prevent lock-in? How do we allow them to access the premium services they want and whatever cloud format they want to consume in? And then lastly, how do we give them control of their performance, their control of their data and provide the security they want across their cloud environment? That's what we believe we're uniquely doing at Dell Technologies.

That's what we think we have built and we're continuing to build on which really helps us distinguish our cloud story and our cloud capabilities over any others. We recognize our customers are going to work in public clouds, private clouds. And then the fun part is the new clouds that are going to emerge on the edge, which I think is going to be an explosion of growth over the next many years as we think about whether it's smart cities, smart factory, smart hospitals, the creation of all this information on the edge of the network that ultimately will have to be dealt with at the edge to drive the analytic outcomes that customers want. We think again that's an opportunity for us to extend our footprint and our cloud strategy to another emerging area of cloud growth.

Matt Cabral: And maybe to build on that, I want to think about VMware a little bit later in the conversation, in this concept of trying to create that consistency for customers across those multiple landing points. Just how important is VMware to that strategy. And just talk about that path forward as you're trying to lead to that multi-year or hybrid cloud steady state for customers long return.

Jeff Clarke: I think about us as a substrate that works across those various clouds. So if you think of as a substrate that drives the consistent management, the consistent orchestration and the consistent automation, it's a very important component of our cloud strategy. And then if you think about it in the context of delivering cloud capability, whether that's a VxRail with VMware cloud foundation to build software defined data centers for a private cloud or to build a smaller version of that for an edge cloud, you have a consistent substrate or fabric if you will, that allows us to help our customers move data, workloads, containers across those various environments. That's what Pat and I have been working on and our joint cloud strategy. And that continues as we look into the future for a considerable amount of time. There's still a fair amount of I'd say problem solving, making this easier for customers to work across this hybrid cloud environment.

Matt Cabral: Got it. I want to dig into the segments a little bit more and I want to shift gears and talk about CSG a little bit. This year it's been an interesting one from a PC point of view. I think demand is continue longer than I think people thought certainly coming into this year but even at the beginning phases of the pandemic, maybe as you think about now going forward, I guess the path for PCs into 2021 or even just longer term versus the risk of maybe some of this is a pull forward that is going to need to be brought forward or paid for in some respects in terms of slowing trajectory as we go forward.

Jeff Clarke: Sure. It's an interesting question. If we hadn't had this conference a year ago, right now we'd have been talking about the end of the windows 10 refresh. We'd have been talking about the first half of the year of calendar 20 was looking okay. But the refresh would have been completed and a tougher second half. And here we are now, just reported Q3 at least from an industry point of view the largest quarter in 12 years. Q3 I think was 82 and a half million units, again the largest quarter in 12 years. And if you think about what some of the experts are saying or forecasters are saying Q4 is another 80 million plus unit quarter growing 17 and a half percent. I think what's key is we have found new users for the PC and the PC has become an unbelievable essential component in this staying at home economy that's evolved.

Now, could I have forecasted that a year ago with you on this stage? No. I didn't know a global pandemic was coming and with that is really driven a different usage pattern. And again, I think this notion at least inside our company we talk about that the PC is an essential compounded in a work from home, learn from home, stay at home economy. And when you think about that, it brings, I think a whole lot of new opportunity. We have a rather large install base 1.7 billion needed it's give or take depending on whose data you look at a few years. 700 million of them are four years or older. They're not capable of working in today's modern experiences. They have to be upgraded.

And addition to that, I think this notion of one PC in a household is out the door. You've got a family of four with two children in school. There's at least two PCs for the children in school. Plus mom and dad are likely working with now on to four PCs in the home. If you expand that out over time in this environment sustains itself which it appears it's going to be and you believe like we do, that this remote hybrid work environment is going to continue. We think this bodes well for the PC industry.

I think next year the market is forecasted grow just under 2%. I think the three-year CAGR is somewhere in that ballpark as well. I think that's very believable. We have found new users, it's become more essential. And if you think about it, we still haven't tapped the opportunity. There's still 10 plus million children in the United States that don't have a PC to go home and work on every day. There's 40 plus million in Western Europe. There's 10 million in Japan. We could go on. So there's still a large base of users that we haven't hit. We have an install base to refresh. And then the work from home environment has really in my mind accelerated the evolution of the notebook. You look at commercial PCs, they were lagging consumer PCs in terms of adoption of notebooks, that's now changed and notebooks drive a faster replacement cycle. You take all of that together. I think PC business looks pretty good.

Matt Cabral: And I guess, so maybe building on that, I mean, to your point here we are as much as I'd rather be in Arizona, where we're talking back and forth on a PC and it seems like it's just really become ingrained in daily life, both professionally and personally. I guess, as we have some optimism on the vaccine front if theoretically we all start making our way back to an office. At some point, I guess how much of this is a permanent behavior shift that sticks around versus more of a stop gap as we're trying to overcome just the challenges that are out there in the environment right now?

Jeff Clarke: Well, I think, you have a couple of dynamics. Our research with customers would suggest pre-pandemic, the professional workforce was roughly 20% working from home. I think the number I'm going to give you, I think it's understated but it's at least 20 points higher coming out of the pandemic. I think it's going to knock on the door of 50% of the professional workforce will work in what we call a hybrid. So think of that is one maybe two days in an office but for three or four days at home or working remotely wherever that's defined, that's your mistake. I know if you look at our company who is an early adopter of this, we've been a connected workplace environment for over a decade. We had nearly 30% of our workforce in a work from home environment, pre-COVID or now very high numbers since we flipped the bit.

But our steady state is probably two thirds. I don't think we're going to be an outlier. And I think that's what's here to come. I do think that's important. And then the other maybe element to address as when we go back to the office at whatever level we're in the office, the PCs we're going to go work on our five quarters older. Never in my time I've been doing this a while, has an install base gone five quarters without the natural upgrade cycle that occurs. So there's still that to deal with as we all come back to the office or workplace later in the year next year. Does that make sense?

Matt Cabral: No, rather that does. And maybe one more PC question for you, as we look about just where the demand is right now, I've always thought about Dell's mixes, maybe skewing a little bit more toward corporates, towards desktops and today's environment is a little bit more driven by consumers in education. Maybe just talk about as the demand picture shifts, what that means in terms of different investment areas for you guys in maybe a different go to market approaches as your sorry, typical sources of demand have shifted a little bit.

Jeff Clarke: Well, I suspect you're referring to most of our focus and our mix is generally not proportional to the industry mix. Our mix is generally much more towards commercial than consumer?

Matt Cabral: Yep.

Jeff Clarke: Legacy of the company always has been. That's also driven by the fact that it's generally a more profitable space and we've continued to have great progress there where we've taken over the past three, four, five years. We've consolidated our position in both the PC, general PC space as well as the commercial portion in particular taking a fair amount of share. Our business has grown over the last five years. I think 3% CAGR over the last five years in revenue and our profits should the CAGR of our operating income is roughly three times that. So I think we have a track record of consistently delivering in the marketplace. Q3, our revenues were up 8% and the reason I think that's important as we've participated broadly across the marketplace.

Now some of our lack of participation or perceived lack of participation has been the ongoing supply constraints that have existed in our marketplace for a fair amount of time. We made choices, we've communicated those choices on our earnings call. But now that we have clear line of sight to supply, you're seeing us participate in the full set of price bands and both commercial. And in consumer PCs, our notebooks orders revenues were up 24% I believe in Q4 or excuse me, Q3. I think I said on our earnings call, our Chromebooks doubled, a year over year in terms of its growth rate. We're participating in the education market with our latitude education series. And again, I'd go back to that mark that I made earlier in our discussion, we have pivoted to where the sources of growth are in this work from home, learn from home environment. It's a great opportunity. We've pivoted there and we're going to continue to operate there. And then there's ultimately the optimist. Sorry about that, that was my Lab walking.

Matt Cabral: [crosstalk 00:19:15] Got a gesture of it no problem.

Jeff Clarke: And then the other opportunity we have in this day in home environment is the opportunity in gaming, another consumer category that we are the leader in and seeing tremendous success. So you take that we're participating in the full stack. Certainly we're very, I think very disciplined there or not into the share for sheriffs sake. It's about driving the right revenue growth, the profit growth and the right exposure to each of those market segments. Does that make sense?

Matt Cabral: Yeah. And so let's shift the discussion a little bit. I want to talk about ISG a little bit because it feels like a little bit of a different story their. Demands been tougher this year on the enterprise side, I guess, as we start thinking about rolling forward to 2021, I guess, do you think that difficult demand environment is with us for a little while or is there maybe some pent-up demand that's sitting there that's going to snap back in a way as we start moving forward until next year

Jeff Clarke: To answer your question, I'm optimistic about growth next year. Probably once in context and why I think that's to see if I could work in a way through that in a logical manner. If we go back to calendar 18, our fiscal 19 we had a great run in our server business, revenues up 30%, a big buy for on-prem gear, naturally calendar 19 fiscal 20, there was a digestion period. And again, if we were a year ago sitting on this call talking about our belief of the opportunity and servers, we thought it was going to be a modest growth year in calendar 20 fiscal 21. You thrown a pandemic, business continuity work from home being priorities. Those budgets are suppressed, dollars shifted to making sure workforces are enabled with all of the right technology, key digital transformation, programs funded at the expense of infrastructure buying.

We think that's what's happened. Our touch points with our customers would suggest that's happened, but we're optimistic about next year. If you look at some of the market pundents, they would have the market peg somewhere around a plus four growth for servers next year. We think that's realistic, a realistic as there is some pent-up demand that budgets will equalize and shift towards infrastructure next year. You have the added benefit of technology coming out so there's new platforms coming out based on Intel's 10 nanometers server parts early next year and then an upgrade at the AMD platforms to their next generation architecture. So those have historically provided a catalyst for growth in our industry. Again, you have a suppressed, I think, buying over this year and then there's some encouraging signs that we communicated around Q3 small and medium business improved. It actually grew in the server side, showed month over month improvement which I think bodes well as we look into next year.

So that was a long-winded way of describing I'm optimistic about next year on the server. I think there's certainly room to grow. And then I didn't even talk about what I think are real new growth opportunities for the server which is the edge in the early build-out of the 5G telecom network which will be on x86 platforms. There's a very large adjacent marketplaces, Edge 50 billion, a 100 billion. I've heard all sorts of numbers. All I know that's a lot and it's a lot next to what we do. Telco infrastructure is a $100 billion dollar opportunity. That's an all convert but it's a lot next to what we do all built on industry standard based things which is what we're good at.

Matt Cabral: And maybe the other piece of the ISG portfolio being storage. And I want to leave power store to the side for a second. I want to come back and dig into that but maybe just bigger picture. If you're optimistic about growth returning as we get into to 2021, I guess, where does storage fall in that picture? And is it sort of customers want to refresh the entire stack? Is it sort of one leads, lags? How do I think about storage versus servers as we go into next year?

Jeff Clarke: Well, in fact, the industry forecasters had the external storage market growing just the head of the x86 server marketplace, the mainstream market that we participate in. I believe it's forecasted to be plus five. So that bodes well. So the same trends that drive a server in my mind in storage while they're different buying cycles. You're seeing that, I think recover and calendar 21, our fiscal 22. And we're optimistic about that end of the day with all the data that's going to be created. And the fact that we're in a data decade that we've coined the D data era and the day two decade, and the number of devices, creating information, it's reasonable to believe that we're going to see that acceleration, particularly in those technology areas that I just mentioned, driving demand for new storage.

Matt Cabral: And if I look at Q3, across ISG storage was a little bit more difficult and I mean, to be fair, it was a pretty tough comparing that you guys had a really good year prior but if I think about underneath there, I think mid range is one of the areas that you guys have talked about. It's a little bit more challenging, maybe this leads into power stores. So you're a couple of quarters in, maybe just talk a little bit about what you've seen so far in how, how are sort of both changes that dynamic and should ramp where you guys going forward?

Jeff Clarke: Sure. Maybe to ground us in why we talk about mid range so often but for the group. It's half the market. So when you look at the external storage marketplace, it's half of the market opportunity which we have the privilege of having the leading position of 24% share twice our nearest competitor. That said, we used to have more than 24% share. So the challenge for us and you probably recall some of our earlier conversations over the past three years of changing the dynamic that has been happening in the share loss, in the mid range prior to the Dell acquisition and subsequent to the acquisition. And we certainly, part of that strategy was to simplify the portfolio. We had too many competing products and the answer to that was the power store, this new revolutionary architecture that we've built over the past three years and just put into the marketplace.

That's been the answer on our plan answer to change the share trajectory. It's why you probably sensed a little impatience for me on the call a couple of weeks ago. I'm looking for results now, but if I step back and I look at what we've done, okay, 15% of the customers are new storage buyers. We've doubled the revenue quarter over quarter. We substantially put more product in the hands of our channel partners. Our customers, our Salesforce, the number of proof of concepts are going up. The number of touches on the product are going up. I'm encouraged. If I look at it against two revolutionary architecture changes we made inside the company over the past five or six years with extreme IO and VxRail. It's ahead of both of those curves through the first two quarters of their respective lives. That's a good sign.

I'm impatient. That's not good enough. I want it more, but it's a good sign. And we're encouraged what we see. I'm encouraged the fact that my competitors go out of the way to talk about why they don't see it. I find that fascinating, the fact that they say they don't see it and tells me something differently than they communicate. I mean, for us three years of work that really addresses what we think has been a challenge in mid range architecture. The architectures are old, they're dated, they're decades old, they're duct taping new technologies against these old architectures and keeping those going. This is a revolutionary architecture. It's very, very different. If you think about what we've done here is we really designed a modern architecture for the cloud era and for the data era, it's a symmetric active system. It's both scale up scale out.

It's designed for storage class memory and the memory architectures that are beyond not today's memory architectures for the next decade. We put the ability to, again, I can't remember if I said it scale up scale out. When we talk about data reduction in our platform, data reductions always on, we don't turn it off or throttle it like others do. It's always on there's no performance penalty for that. Architecturally, that's a huge advancement over where everything else is today.

And then if you combine that with what we've been able to do is to run applications on the array, giving the array great extensibility, to extend it to be able to do the things that a cloud environment wants to do in the future. And then the fact that we built the architecture around a microservice containerized building blocks if you will, we're able to respond more quickly and to be able to drive to the market needs much more quickly than we think legacy architectures are. So new features will come, that will become faster than ever from us before. And they will be the features that a cloud data world will need. And we feel very good about the architecture we built. I hope that helps.

Matt Cabral: Well, I appreciate you bearing with me and we only have a few minutes left, but I do want to try to hit another couple of questions while I have you. The first one, I want to talk about VMware a little bit and I know you guys haven't announced anything definitive on the potential spinoff, but I guess help me understand a little bit, what Dell without owning VMware would look like going forward and this goes back to what we were talking about earlier in the conversation about how Dell or VMware is important to that control plan almost in a hybrid or multi-cloud world, I guess, how important is that partnership on the technology roadmap going forward?

Jeff Clarke: Well, it's an important partnership and I appreciate you not asking me to expand on what I can't expand on. What we've put out in the public and we'll leave it at that. But I think what's important maybe for the viewers today to hear is look, regardless of the outcome Pat and I, have put in a built type partnership that can, I think, adapt to any structure that's in place. We have a better together first and best mindset with tremendous synergies in the field in front of our collective customers and deep integration on the engineering side didn't change. Customers ask me, what changes? Nothing changes regardless of a spin or no spin. We have built a collaboration that transcends any structure, our ability to work together on cloud technology and cloud architecture, our ability to work on the next generation data some, data center architecture, where we're thinking about how modern applications are built and what role accelerators will play in handling those modern applications in a modern data center architecture. Our teams are collectively working on that today.

We'll work on them tomorrow and into the future. The work that we're doing in telco, where industry standard platforms with the virtualization technology and layer from VMware, moving our way into the orrainis. All work that we're doing today and will transcend any structure going forward. So our ability to build differentiated solutions and put those in front of our customers of the two companies working together, doesn't change. And if you look across the six categories of technology that we think are so important and that are accelerated, our two companies are so aligned, whether that's a cloud operating model, 5G, Edge, AI ML, Data management, and Security, the companies across our product teams and Pat's product teams, in fact, we just spent all day yesterday reviewing the latest work the two of us. I think is in great shape and I'm so excited. Again, structure a side, we've put together a collaboration, both in the go to market side and the technical side that customers can count on that will deliver a differentiated experience.

Matt Cabral: Got it. And one last one for you, and I probably should have left you more time for this one, but we've gone through a bunch of different areas to the conversation. But as we think about now, the landscape going forward and the opportunities to drive growth for Dell Technologies, try and even leave us with any sense of what gets you most optimistic, most excited about the path forward from here for you guys?

Jeff Clarke: Well, the path forward for me is as I think about this and then for our company is this notion that we're a bunch of technology optimists. And if you're a technology optimist and you think the world's going to become more connected, more automated, data intensive, and a distributed computing environment, and that's going to be accelerated, what's not the like? That's what we do. If I think about 5G being the next digital fabric. Again, I think about enabling data-driven insights for our customer so they can drive better business outcomes.

I think about Intel automation and embedded intelligence in every operation that companies do in their IT systems and tools, the explosion of data that's coming. The fact that, that's got to be dealt with in real time to drive smart cities, smart cars, smart hospitals, smart schools. What's not the like? I get real excited about those prospects of where the technology's going, the portfolio that we have, the investments that we've made in a differentiated manner across those areas that I just mentioned that we're collaborating with VMware coincidence? Hybrid cloud, Edge, 5G, AI, ML, Data Management and Security. That's aligned to customers' priorities. That's aligned to where we're investing. That's aligned to where we're collaborating with VMware. What's not the like? And those are big adjacent markets to where we've historically participated in. So that's why I get excited. I'm a technology optimist. And then at our company for a very long time as you know, I like our hand and I like the future.

Matt Cabral: Perfect. Well, I think that's a good spot to end. Thank you so much Jeff for spending some time with us. And I appreciate the discussion.

Jeff Clarke: My pleasure. Thanks for having me take care.