

## TRANSCRIPT

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#### **Deepak Patil**

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#### **Matt Baker**

SVP of ISG Strategy and Planning, Dell Technologies

Jeriel Ong:

Hi, everybody. Welcome to the Deutsche Bank Technology Conference. And we are here today hosting Dell and two members of Dell, Deepak Patil, the SVP of Dell Technologies Cloud Platform, and Matt Baker, the SVP of the Infrastructure Solution Group's Strategy. Before I begin, let me read a preamble regarding Dell and then we will jump right in. So, Dell Technologies 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 the future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties, and other factors including those discussed in Dell Technologies periodic reports filed with the SEC. Dell assumes no obligation to update its forward-looking statements. Finally, regarding the amended 13D filing on July 15th disclosing that Dell Technologies is exploring potential alternatives with respect to its ownership interest in VMware, the company will not take additional submitted questions related to this topic.

All right, and with that, we are going to jump right in. So, I guess, I'll start with Deepak. You've had a background building infrastructure-as-a-service platforms at Oracle and Microsoft. Combined, spent about 18-plus years between these two companies. Before joining the Dell Technologies family of brands, could you start off by describing your role at Dell Technologies for the investors who are looking to get up to speed?

Deepak Patil:

Absolutely, Jeriel. I would be happy to. Thank you for the opportunity to speak to everybody. You're right, I have been in the Cloud business for a while now. I was one of the early members of Microsoft Azure where I contributed to the design and development of the Microsoft Azure platform. I also was one of the early members of the whole infrastructure-as-a-service platform work, as well as the Oracle SAP Business. And over the last couple of years I worked in Virtustream, which is one of the Dell Technologies brands as Senior Vice President of Engineering Technology/Chief Technology Officer. And then about a year ago, I switched over to Dell to lead our Cloud business. In my role as the quarterback or the leader of our Cloud business, I have a three-pronged responsibility. I'm

responsible to set the vision, strategy, operating roadmap for our company around Cloud. This includes our strategy and plans around portfolio transformation, our multi-cloud offers, our partnerships, our customer experience transformation, our sales force transformation.

Then secondly, my team is also responsible for building the platform that orchestrates our Cloud operating model experiences for our customers. We expect our customers to have modern commerce provisioning, support development experiences when they engage with Dell Technologies. And that this engagement mechanics of how this commerce is transacted, how our assets are provisioned as services, how our offers are supported, is delivered through this orchestration platform that my team is building.

And thirdly in my role, I'm also accountable for overseeing the delivery of our assets and our offers as a service in a hybrid cloud world for the first and best integration between Dell infrastructure and the VMware virtualization and lifecycle management capabilities wherever appropriate. So it's been a year and it's been a phenomenal journey so far, and I'm looking forward to chatting with you more about our Cloud strategy and our status.

Jeriel Ong: Awesome. Thank you so much. I'm going to bounce over to Matt. Thank you for offering your time with investors here. As the SVP of Strategy and Planning for Dell EMC, and the broader ISG portfolio, could you talk a little bit about your responsibilities at Dell? Dell sells a pretty full suite of products and we'd love to understand where your responsibilities exactly begin and end.

Matt Baker: Yeah. I sort of -- I grew up on the water, so I liken it to roles on a ship, right? So before departing, I'm the navigator, right? So what is our business plan for the next five years? Where are the opportunities, so on and so forth? Where might the pitfalls be? When we're on the journey, I'm like the helmsman, making sure we avoid any hazards and adjusting course accordingly. And then where it gets really critical is when we're reaching like key junctures on our journey as a company, these key inflection points, be they things like Cloud, Edge, so on and so forth, and then I take over as the pilot, sort of navigating us through more difficult waters. And ultimately, kind of like the tugboat, ramming my head against the bow of the ship to get us to move in the right direction. And that's what I've been doing for the past 10 years here at Dell. There's never been a more exciting time to be in our industry and there's just so much opportunity for us to create value for our customers. I think in this current environment, it certainly has proven that digital technologies and technology in general is more important than ever. And so I spend my time really looking at what those opportunities are, how our customers are reacting to those opportunities, where we can help them more with tailored solutions. And ultimately, then kicking off key strategic programs which, for example, prior to Deepak taking over, I drove the Dell Technologies Cloud Strategy which ultimately Deepak now runs. And so that's sort of how it works. A broad horizontal portfolio view, not just of ISG, but across the totality of Dell Technologies to see how we build value for our customers.

Jeriel Ong: I'm sorry, I was on mute. You guys reported Q2 earnings a couple of weeks ago amidst an uncertain IT spending environment. I think there's a tendency to lump all enterprise IT products together. And there's some sense that maybe enterprise PCs, specifically laptops and accessories, have been stronger given work-from-home. But I think there's also been a blanket label that maybe storage and servers are just generally weak. Could you help investors to add some

nuance and depth to their understanding of the demand picture? And what are some pockets of strength and weakness for ISG?

Matt Baker:

Sure. It's a great question. Because I mean we're certainly in uncharted territory, right? We have departed the curve, so to speak. And so now understanding at a more fine-grain level where the opportunities exist, I think just generally speaking, and I'll look at my notes here so I get the right numbers right. So, on the CSG, so the client laptop, desktop, workstation business, saw unprecedented demand in the first half. And consequently, those who watch the industry like IDC have revised their forecasts continuously throughout because they've continually under called the opportunity. We've gone from a period where in many cases folks at home would have a PC or two for the home, where now everyone needs a PC or two in the household. So it's Nx1 or Nx2 to be productive, and the PC has become the standout productivity platform. When we were in a different time, not too distant in the past, we were really talking about home PCs and PCs sort of attached to the family as consumption devices, and always talked about things like tablets, so on and so forth, phones. But this is proven that productivity, not consumption, productivity occurs on a PC-like device. And that is driving the growth that we're seeing on that side. And so we are seeing a demand environment that we believe continues forward for some time as we settle into a new normal of work-from-home, learn-from-home, and ultimately, as the coast becomes clear, it's going to have a long-term impact on how we operate as employees and it will be work-from-anywhere, learn-from-anywhere, so on and so forth.

On the ISG side, certainly demand in the first half has been a little bit lower than expected and I think that's stands to reason as customers sort of were faced with the realities of the current situation. And therefore, shifted investment to get their employees productive, so on and so forth, and not forestall some degree of investment. But it was interesting, on a discussion prior to this with one of the attendees, what I said was that it isn't a -- you're right, it's not a segment broad brush or even segment-by-segment. It really comes down to opportunity-by-opportunity. And the areas that we've really seen significant growth, is we continue to see strong growth in HCI as people use that as the platform to build their private and hybrid cloud platforms. HPC as the scientific community has ramped up their efforts to unlock new therapeutics, so on and so forth, given the current situation. People found themselves I think in a little bit of a not quite ready for disaster recovery, because their concept of disaster was flood, fire, earthquake, etc., not global pandemic. Which means many have had to rethink how they do that which has created opportunities around remote manageability, so on and so forth.

And then, of course, you have opportunities, as companies go into cash preservation mode, to shift the mode in which you're monetizing those sales, right? So as-a-service consumption, so on and so forth, has become a part of it. But at the end of the day, the leading indicator of where investment is occurring actually has to do with the maturity of any individual customers. Those customers that self-identify as sort of digital leaders in their industry continue to invest, and as a result, continue to, relatively speaking, thrive in this current environment. There's then a broad base of customers who are in the middle that have had to make smarter choices and balance between end user solutions versus data center solutions. And then you have the laggards. And the laggards are the ones who are really struggling to get reestablished, and that is where our relationships with our customers, those direct relationships, are really paying huge dividends.

There's an opportunity in this environment to really leave a positive mark on our customers as we help them navigate through this opportunity. And so from our perspective, yes, there are pockets of growth. And because of our model and the largest sales force on earth and a broad partner network, we're able to understand the needs of our customer at a fine-grained basis, and then adjust and capture those opportunities as they struggle to figure the way out forward. But HPC, HCI, private cloud, data protection, high-end storage, those have all been pockets of growth throughout ISG.

Jeriel Ong:

All right, appreciate that. And Deepak, I guess given the softness in ISG so far this year, some dislocations, I'd love to get a sense of compare/contrast in your background. In some ways, the investor perspective and I'm painting in somewhat broad strokes here, would be that your prior experience really was building products that compete directly to Dell, kind of on-premise, data center-based business model. In your opinion, is the public cloud and infrastructure-as-a-service platform at odds with the core Dell model?

Deepak Patil:

No. I don't think so. I think the public cloud, private hybrid cloud models are complementary and the world's not going to be public or private, it's going to be both. And let me actually explain that from our point of view, from a public cloud provider's point of view, because I was part of the public cloud ecosystem as you mentioned, and then also from the customer point of view.

From our point of view here at Dell, we look to Cloud as an operating model, not a destination. If you look at the most foundational, most defining characteristics of what a Cloud is, it is infrastructure to run workloads, it is modern ways of doing commerce, it is delivery of resources as services over the network, it is massive simplification of IT, and it is democratization of software development. So if that is the most basic definition of Cloud, there is no reason why it needs to belong only in a public cloud data center or even a private cloud data center. We are committed to really treating Cloud as an operating model and bringing that operating model to wherever our customers' workloads are and really, truly delivering more hybrid and multi-cloud services.

The announcement for example we made back in May, where we are offering our world leading File Services Solution, File Services Storage Solution on Google Cloud, is an example of that strategy. Or the partnership that VMware has with Azure, with Google, Alibaba, with IBM, with Oracle, is an example of our embracement of that broader hybrid multi-cloud ecosystem.

Similar points of views exist within the public cloud world as well. If you look at the work that the Google guys are doing with Anthos or Microsoft Azure with Arc or with even AWS with outposts, it's a validation of the fact that the world is increasingly becoming a hybrid multi-cloud world, we're in the middle of it. And customers' workloads are going to span from their data centers to public clouds, do it with 5G now to the Edge, and we all have to bring our assets and our services and our offerings to wherever customers' workloads are.

And now lastly let's look at all of this from a customer point of view. IDC recently published a report that said that 92% of our customers already have public and private cloud environments installed. 88% of our customers have more than one cloud, are working with more than one cloud provider. So the customers are at a point where they don't -- they are far less concerned about whether it is public or private cloud and far more concerned about how they can achieve their business

imperatives. Improved performance and efficiency, increased reliability and business innovation and agility, increased extensibility and elasticity. Some of these things our customers actually acknowledge that there are going to be business imperatives where private hybrid cloud solutions are going to be best suited, and there are going to be some workloads where public clouds may be best suited. So we truly are in the middle of this public, private, hybrid cloud ecosystems coming together and working together to really help our customers focus on their business imperatives and transform Cloud as an operating model and not a destination model. So I do feel that both private and hybrid and public clouds are complementary to each other.

**Jeriel Ong:** Got it, appreciate that. And I guess I'll stick with you. I guess speaking specifically to your responsibilities, I guess, when I -- based on my conversations, when the Dell Technologies Cloud comes up, there's a great deal of I would say skepticism, and frankly, probably in addition to that, a lack of understanding around what that really means. I've heard it described to me as kind of like a middleware kind of software layer that helps Dell customers who have a lot of Dell products manage them across storage, virtualization, all flash arrays, HCI, servers, etc. So basically, acts as a platform to encourage Dell customers to use more Dell products and then manage some kind of integration amongst all these tools. So I guess in your words, could you describe the relevance of the Dell Technologies Cloud to the rest of the core Dell business model? And how is it integrating or simplifying IT for business and how does it exactly work?

**Deepak Patil:** Absolutely. Sounds great, Jeriel. So I think it's important to look at the Dell Cloud portfolio from 3 kind of separate lenses. Number 1 is, at the core of our offering is what we call the Dell Technologies Cloud Platform. It's something that our customers buy today. Hundreds of customers over the last nine months have bought the Dell Technologies Cloud Platform for the digital transformation. The Dell Technologies Cloud Platform offer consists of our hyper converged infrastructure, VxRail, with first and best really tight integration between the VMware virtualization, service lifecycle management, and developer software brought together to deliver rail, VxRail, VMware Cloud Foundation, private cloud offer that our customers are buying. So the Dell Technologies Cloud Platform is at the core of a lot of our offerings. So that's one element of the Dell Technologies Cloud.

The second element of our Dell Technologies Cloud is the work we are doing to offer both private, hybrid and multi-cloud services through a fairly extensive transformation of our portfolio. Storage, data protection, backup, DR, compute, networking, and many other of our assets, are transformed, are being transformed to be delivered as-a-service. And then we are in the process of essentially offering all of these assets as services, not only on our Cloud, the Dell Technologies Cloud and Dell Technologies Cloud Platform, but on other hybrid and multi-cloud ecosystems as well. The announcement that I mentioned previously about our file storage being offered on Google Cloud is an example of such multi-cloud offers and there are many more examples like that.

And then the third component of our overall Cloud strategy is really the work that we're doing to truly modernize the mechanics in which our customers can transact, provision and manage our Cloud offerings. We have one of the broadest mechanics for conducting commerce on our Cloud portfolio called as Dell Tech on Demand. Our customers can buy our assets as capital purchase or a flex-on-demand, the financed offer, data center utility offer, subscription, pay as

you go, and so on and so forth. So Dell Technologies Cloud Platform, which brings together the best of Dell with the best of VMware and the first and best integration, an array of multi-cloud, hybrid cloud services that work consistently and seamlessly across multiple Cloud platforms, and fundamental modernization through which we engage in commerce with our customers are the 3 core components of our overall Cloud strategy and investments.

**Jeriel Ong:** Got it, appreciate that. And just jumping on that VMware versus Dell topic, and this is for both of you, back in July, Dell articulated a desire to conduct a spin-off. And I guess for either of you guys, would a spin-off potentially impact anything long-term around strategy? And then -- and I guess broadly as well, could you touch, could you guys touch on the extent to which VMware integration is important to the Cloud strategy?

**Matt Baker:** Sure. Why don't I take it to start? And I think, Michael Dell says it best when he says, the strategic relationship between Dell Technologies and VMware has never been stronger. In fact, I spend most of my days, more than half of the time, with my VMware colleagues just as much as my Dell Technologies colleagues. So the extent of that relationship and the strength of that relationship is stronger than ever. And remember, we have a 20-year history with VMware. We've been an incredible partner to VMware for years. Fundamentally, we don't think that the market is appropriately valuing Dell Technologies and the structure under which we are today. Consequently, we've been exploring potential alternatives that might change that equation and create respective value for equity shareholders. We think a potential path is this one that we discussed, the tax-free spin of our 81% stake in VMware. But having said that, there's no guarantees. This is an exploration. This is not a for sure thing.

We filed the amended 13D in mid-July and VMware simultaneously filed an 8-K. We believe that a tax-free spin can drive significant shareholder value by simplifying our capital structure. For VMware, it benefits by not having the Dell technology structure above it, maybe giving it some more freedom of movement. We have a potential interest in the work that we've done together. Again, we've built something special here and our focus is on maintaining that. And therefore, the teams have engaged to define a commercial construct, so on and so forth, so that we preserve what we're doing. Therefore, there is no strategic change associated with it. It's a structural change.

Each company brings unique capabilities to the table. Clearly for Dell, it's our go-to-market strength. We have more reach than anybody else on earth. We have things like DFS, our Dell Financial Services, which has been in place for so long, 27 years, I believe. And therefore, we think then on top of that, VMware brings unique strengths. Their R&D for SDDC hybrid cloud, which Deepak has talked about quite a bit. It's important to remind you that this won't happen before September of next year, 2021. And of course, we will continue to explore. Deepak, I don't know if you want to add anything as it relates to the Dell Technologies Cloud and the implications thereof.

**Deepak Patil:** That sounds good, Matt. And like you said, I think, Michael absolutely said it best, the strategic relationship between Dell Technologies and VMware has never been stronger. And I see it, just like, Matt, I see it on a daily basis with the engineering partnership that we have with VMware. And I use the example of the Dell Technologies Cloud Platform where we delivered first and best integration between our hyper -- the Dell hyper converged infrastructure with the VMware

virtualization, service lifecycle management, and developer software to really create unprecedented benefits for our customers. And that's just one example of partnership and integration that is happening across the entire portfolio.

In addition to that, we are kind of joined at the proverbial hips in terms of our multi-cloud, hybrid clouds strategies as well, our Edge and telco strategies, our developer strategies through Tanzu, which is the foundation of VMware's Cloud Foundation 4.0. So across a broad spectrum of technology areas, from Edge to the Cloud, the telco, from developers, to lifecycle management, to virtualization, and across a broad spectrum of strategies from multi-hybrid cloud, to Cloud services, and go-to-market, we continue to have very strong strategic partnership and relationship. And we feel like over the last 20 years, the foundation of partnerships that the VMware and the Dell teams have built together, the best is yet to come, and we remain excited about what the future holds for both of our companies.

**Jeriel Ong:** Awesome. Thank you for that quick update. I want to focus in on Matt and just some demand trends real briefly, Matt. Matt, could you update us on the recent PowerStore launch and what you're observing in the storage market from a demand perspective?

**Matt Baker:** Sure. I think it's important to note that we've spent the last few years, as we say, powering up the portfolio. And over the last quarter, we had 9 new launches, the newest of which is the PowerStore platform that we're really excited about. This is an example of a ground-up new architecture. 1000 engineers, 85% of whom are software engineers, building a game changing technology. I won't get into the underlying architecture, but it's a truly unique container-based architecture that allows us to create a significant amount of flexibility and allows our customers to use core storage in ways that they never had been able to before.

The selling motion for storage tends to be a months-long process, so it's a little too soon to tell. And that's been a little bit further complicated by the fact that early on, getting onsite to do proofs of concept have been difficult. But we worked through that. And after shipping for less than a quarter, we have acquired hundreds of new customers. Important to note, 20% of which have been net new customers to Dell, so new logos that we're winning. More compelling is that we see a strong correlation with our competitive swaps which are up 32% quarter-over-quarter. So really happy with the competitive nature that PowerStore brings to the portfolio.

Overall, the storage market is a bit mixed. Strong strength in the HCI market, a little bit of softness in other areas of core storage, including the mid-range. Data protection has been strong, our high-end portfolio, and again, to touch on VxRail, the leading element of that HCI element. So, clearly, storage has never been more important and our customers are making those investments. I talked a little bit to the balance that they're trying to strike today given the current realities. We see again that those digital leaders, those who have leaned into technology as fueling their business, are thriving. And our customers, their peers are seeing that and they're coming to us to understand how do I better accelerate my digital transformation initiatives during and post-COVID? So we feel really strong about where we're positioned, not just in storage, but from a portfolio altogether. Customers rarely think these days in single silos, and therefore, we feel the strength of Dell Technologies is the full portfolio we bring and our ability to solve customer's challenges end-to-end. And PowerStore is an important ingredient to

that. But we'll continue to be the leading supplier of technology solutions for our customers and we will continue to innovate going forward.

**Jeriel Ong:** All right. Thank you so much. And I want to switch back to Deepak on this and talk about the Dell Technologies Cloud Platform a little bit. You highlighted this a little bit in your earlier answers regarding the flexible spending nature that some CapEx versus OpEx that some customers might want. I guess to what extent is the Dell Technologies Cloud an enabler of pay-as-you-go, flexible spending, both up ramps and down ramps of utilization or OpEx-like options for consuming Dell products rather than the historical on-premise CapEx or CapEx-driven purchasing process that customers typically have historically pursued?

**Deepak Patil:** Absolutely. I think it is incredibly important, especially given the economic impacts of the pandemic that we are seeing across the Board, Jeriel. We talked quite a bit about offering more of the portfolio-as-a-service, and I mentioned some of the examples and the work we're doing around that. This is more important than ever in the current environment. So we will continue to double down on the both Dell Technologies Cloud and the Dell Technologies on-demand model of delivering our Cloud and services offers to our customers. And we are seeing that our customers are finding immense value in Dell Technologies on-demand flexible consumption models. So much so that we recently expanded the Dell Technologies on-demand offerings to include Brazil, Chile, Colombia, India and China. Our recurring revenue, which includes deferred revenue amortization, utility, and as-a-service models is now approximately \$6 billion a quarter, up about 15%. We expect to see more rapid growth in the Cloud and as-a-service space.

Especially as the focus on the hybrid cloud and delivering Cloud operating model experiences, which includes focus on as-a-service, and as that continues to cut across more and more of our portfolio, we expect to see a significant increase in this OpEx-driven flexible transaction and consumption models that our customers embrace. In future you will start to see more bundling of our capabilities. Hardware, software, solutions, support, and more consistency in how we go-to-market to offer the best, all-inclusive experiences to our customers. The goal generally is to allow for OpEx-driven consumption of our industry leading products and really give our customers both the choice, the seamlessness and the flexibility that they expect in a Cloud operating model.

**Jeriel Ong:** Thank you so much for that. It will be interesting to continue to track how Dell continues to change the customer base towards OpEx-driven purchasing as we go forward. We're closing in on time here and I'd like to wrap up with Matt. And for closing thoughts, Matt, as a strategic leader, we believe or I believe that investors will be curious to hear perspective on an objective evaluation case of Dell Technologies' strategy. Where do you believe the strategy for the company is succeeding and where do you believe it has room for improvement? And does it maybe vary by customer or product vertical or how would you slice up the world?

**Matt Baker:** Yeah, I would say a couple of things. First of all, we see technology becoming ever increasingly important for our customers' success. Again, I've continuously cited how digital leaders have been helped by their investments in technology to weather this current situation. Our strategy is to be the essential solution provider, technology provider for the future. And I think our leading number one positions across server, storage, virtualization software, cloud, etc., are really

going to help power us forward.

I think our foresight many years ago about having an extensive portfolio that cuts across end-user devices through to infrastructure solutions and onto the software that powers the solutions with VMware, was prescient relative to our competitors. And it's allowed us to really satisfy the needs of our customer's end-to-end. There's -- we're pleased but never satisfied. That's something you'll hear Michael say continuously. And obviously, there are areas and opportunities for improvement, but we see ourselves empowering our sales makers. Again, have the broadest sales force in the industry and broadest partner network in the industry, and empowering them to help really solve the needs of our customers on a one-to-one basis is at the essence of who we are. We've got big ears. We listen and help solve problems for our customers. And I think leaning into that and adjusting that as we see pockets of weakness or we need to make change, we just need to be head on a swivel and making changes to really ensure that we are meeting the needs of our customers. And at the end of the day, I feel like we're incredibly well-positioned. We've been consistent in articulating what our strategy is, we're sticking to it, and we believe it's paying dividends.

Jeriel Ong: All right. Thank you so much for that. And with that, we're out of time. So thank you so much for attending and we'll look forward, for investors on the call, we'll look forward to interacting the rest of today and tomorrow.