Good morning. Let's go ahead and get started. I'm Katy Huberty, Morgan Stanley's IT hardware analyst. And I'm really pleased to welcome Tom Sweet, CFO of Dell. Tom became CFO in 2014 after holding a number of very senior finance leadership roles throughout the organization for the last 20-plus years. So Tom, thank you so much for spending time with us today.

Before we jump into Q&A I just want to read a couple of disclosures. First, the Morgan Stanley disclosures can be found on our website or at the registration desk. And from a Dell perspective, 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 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 Technologies assumes no obligation to update its forward-looking statements.

So again, Tom, thank you. Let's just start big picture, since the company went public in 2013 you have acquired and invested organically to build a full stack of infrastructure, software and services. Talk about how that structure differentiates Dell versus the competition in the market.

Yeah, look, thanks and it's great to be here, Katy. And thanks for having me. Look, I think if you look at our current set of capabilities and solutions, our perspective is, is that we have the broadest and deepest set of solutions against -- versus our competitors, that whether it's all the way from PC to the data center, clearly the software layer we have with VMWare, that capability is differentiated. What you have seen us do over the last 3-plus years since the integration of EMC has been, how do we drive the innovation engine around the combination of hardware and software to drive simplified, more innovative solutions for our customers.

So and as we sit here today, I think we're reasonably happy with the set of capabilities we have. We're always thinking about the next -- what's down the road as you look out in terms of the technology horizon. But the differentiation we see, the customer receptivity
today with our set of solutions and capabilities, I think is pretty apparent from our perspective.

Katy Huberty: And both Dell and certainly my team believe that the next decade is all about technology penetrating more sectors of the market, and companies working to get better insights out of their data and what's called the data era, the data decade. Talk about how Dell is positioned for that ad what do you think the resulting IT spending environment will look like? And ultimately are those workloads on-prem or in the cloud? What will that mix look like?

Tom Sweet: Yeah. Look, there's no question, and we can all I think agree on the fact that there's just a data explosion happening, right. And the amount of data that's getting created is enormous and growing. You look at some of the technology advances that will happen with 5G and some of the -- this advent of edge computing, or the edge which we think is a pretty interesting opportunity for us, that 5G unlocks.

From our positioning perspective, our perspective is the long-term technology turns are headed our way, right. If you think about data explosion, you think about 5G. We had the compute and storage platforms along with the software assets that allow us to position solutions to take advantage of those trends to enable our customers. And we talk about the data decade. The work we're doing with VMWare around some of the innovative solutions whether it's our hyper converged solution, our unified workspace solution, the work that we see that we're doing with many of our customers around distributed data and distributed compute as 5G becomes a reality, I think is pretty interesting for us.

And so again, as you look at the future I'm not a prognosticator of what does long-term technology spin look like, looks like, but to answer your question if you look at it today, so one of the themes I get a lot is hey, does cloud sort of take over the world, right. And that theme's been out there a while.

The reality is that 80% of the workloads that exist are still on-prem and that you know, as we look at what workloads are where, and this is a generalization so I don't want to oversell it, which is, a significant amount of the majority of workloads on the public cloud are dev ops type workloads where they're -- and you know, some of the mission-critical, well, they're out there on the cloud, tend to still be on-prem.

We are seeing customers a bit more sophisticated in their thinking these days around the world. In our opinion, and I think it's generally a consensus, is multi-cloud. And when you talk to customers, and you talk to CIOs and CTOs, what they're focused on is how do I drive efficiency, operational cost save across those platforms, how do I manage these platforms better, how do I think about where should workloads reside, and the movability or the transferability of those workloads and data across the different platforms.

That's why we get -- when you think about our VMWare capability with our -- with our cloud framework and you know, single pane of glass around management and operability, and those are the areas that we think we can really add a lot of value and distinguish ourselves from the competitive set which doesn't have that same connectivity and that same platform.

So you know, we're pretty optimistic in the long run. Will there be bumps and peaks and
valleys in that journey as we go through? Absolutely. We saw it a little bit in Fiscal ’20, the year we just ended, where we came off of a really strong fiscal ’19 in terms of growth. Fiscal ’20 was a bit more challenging. The environment obviously changed a little bit as you went through the year and you saw us navigate it differently, you know. In terms of you know, where do we push on growth, where do we not push on growth, it’s hard because the economic equation didn't make sense to us.

And as a result of that we delivered $92.5 billion of revenue at 1% growth but very strong operating income, very strong cash flow, which allowed us to pay down debt and continuing that delivering story that we’ve been on for the past couple of years.

Katy Huberty: That's a great segue, because the opportunity that investors see and probably the frustration from your seat, is that Dell core trades at a significant discount to peers even if you apply the regular consolidation discount to some of your software assets.

Tom Sweet: Yep.

Katy Huberty: And you've talked about de-levering as a way to start to close that valuation gap. Talk about those plans, but also what else in your mind can Dell do to close that valuation disconnect?

Tom Sweet: Well ultimately, you know, I think we think about value creation in sort of five pillars, and we've talked about this publicly so this is, I don't think, a news flash. Which is I think it starts with operational excellence and performance. Are we performing, are we differentiating ourselves against the market comparison against our competitive compares. And if you look over the last three years, you know, we've got a compounded revenue growth of 7%. We've generated in the last three years alone, generated over $22 billion of EBITDA. And so we feel reasonably good. We've taken share over the last three years in terms of in our storage sever client space.

You know, now obviously there's some -- FY ’19 was stronger than FY 20 and some of those dynamics, but in general -- and we manage the business, I should say, to grow at a premium to the market. Your relative market share growth, cash flow generation is important to us, particularly when you think about some of the areas in the markets that we compete in. They're not generally double-digit type growth markets and so to grow you generally have to consolidate, which means you've got to take share.

But, so it starts with operating performance. And then you think about the innovation engine we have with the assets we have within the family, in terms of are we driving the innovation engine to drive solution capability out to our customers. And whether it's VXRail (phonetic), whether it's unified workspace, whether it's our Dell Technologies cloud platform, I think we've demonstrated that innovation engine is revving up. We spend roughly about $4.5 billion a year on R&D. That's a pretty big price tag in the sense of what we're trying to do. And then you couple that with perhaps -- probably an asset we don't talk about a lot is our Dell Technologies capital where we're invested in roughly about 100 startups across the globe, and looking at new innovative technology in such areas as storage, AI, security.

And so that innovation engine is important. And then you get into capital structure and corporate structure. Capital structure has generally been focused on debt repayment. We
understand that our balance sheet is relatively leveraged compared to our peers. We've been steadily working at that. I think we've been pretty consistent in doing what we said we were going to do there in the sense of continuing to pay down debt, being thoughtful about our capital structure as we work our way back to our targeted investment grade.

And from our perspective, and you might -- in our call last Thursday you heard us raise our debt repayment target from $4 billion to $5.5 billion. Part of that on the proceeds that we expect to receive from the RSA transaction that we announced.

And then you get into things -- so then you get into corporate structure. If you look at it over the last three years what we've done from a corporate structure, we have continued to work on alignment of capability, alignment of assets, simplification of the structure. We have gotten some messages from time to time from selected investors that you're awfully complex, it's hard to sort of decipher your structure and where you're headed. And what we've been working on over the last number of years has been how do you simplify that and how do you align assets. For instance, that pivotal VMWare combination was all around, how do I align our software, how do we align our software assets to allow and build a developer-friendly ecosystem from the infrastructure software on up to the application.

You think about what we just announced with RSA, the sale of RSA in terms of security assets, it's a good asset. We had worked the last couple of years to modernize some of their capabilities and solution sets. But we reached the conclusion that where we were headed with security wasn't -- didn't really fit with the family of solutions that RSA had, and that would be probably be better served with a different ownership. And so we did that transaction. The multiple on that was good. That will close in Q3.

We'll continue to think, look at our assets around alignment, simplification, where it makes sense. We continue the evaluation of what should we own, what should we not own. But it's all again designed as we step back and think about value creation around performance, capital structure, capital structure simplification and corporate structure simplification. Then you couple that with we're not oblivious to some of the conversations we've had about shareholder return. We always thought about that, or at least I had always thought about that, in the context as we approached investment grade it would be time to broaden out and refine our capital allocation strategy. You know, the more we talked about it, we thought this initial shareholder -- share buyback plan that we announced last week of $1 billion over two years, was a good signal to the investor base and to the market that we are interested in shareholder return, that investors are aligned with my principal owner which is Michael Dell, in the sense of how do you think about return.

And look, it's a modest program. I don't want to oversell it because our principal focus is still on capital, or debt repayment. But we thought it signaled our focus on shareholder returns, and as we approach investment grade, you'll continue to see us evolve that.

Katy Huberty: Okay great. That framework makes sense, and you started with operational excellence. Last year was a year of CSG which is your PC business.

Tom Sweet: Right.
Katy Huberty: ISG disappointed, you talked about the digestion that the server and storage market has gone through after a really strong calendar 2018. But last week you called Calendar 20 really the year of -- the year of ISG and you're expecting a recovery in that business. You talk about the fact, what you're seeing in the market that gives you that confidence that you will see a recovery and growth?

Tom Sweet: You know, as we think about FY '20 and FY '21 the market in FY '20 was clearly in our minds anyway, clearly a -- there was tailwinds in the PC space and our CSG business as a result of the Win 10 refresh, component cost, component costs were in a deflationary mode. You know, it plays to our model around the direct model and our negative working capital model that we have in terms of how you take advantage of that. We expect, as we move into FY '21, the data would suggest with what we know today, that the CSG -- that Win 10 refresh cycle is generally going to run its course by mid-year, best guess, right, give or take. Now the whole coronavirus dynamic, does that elongate it or not? It's hard to know.

We also know that component cost, as we understand them today, both first based upon our supply chain which suggests that you get component costs shift to an inflationary mode in the second half of the year. And for certain lobs like PCs and some of the server business, there's sensitivity around that.

And so as we -- and IDC would forecast the PC business or the client business at -- you know, their market call this year are minus 7. Now we're going to grow at a premium to that. That's always our focus. But you know, there's -- you know, FY '21 sets up with a little bit different dynamics in the client business. You look at the infrastructure business, last year was clearly a year that you had to sort of block and tackle your way through the year. The server business was a negative market. The server market was negative growth. We saw a lot of price aggressiveness in certain segments of the market where some of the pricing dynamics didn't make sense to us.

And so what you saw us do was try and -- was to navigate through that and be a bit, you know, I'll call it selective on where you wanted to participate in that. And as a result we saw some downward pressure on revenue, but I also think that we did -- as you think your way through it with the profitability and the server business was good, fueled by the component cost. In the store market it was sort of roughly a sort of minus 3% year-over-year type of year.

So as you shift, and you saw customer receptivity begin to grow as you go through the year in some of our solution sets. So as you step into FY '21 why are we confident that ISG grows? It gets back to IDC is forecasting 3.3% mainstream server revenue growth this coming year so the market appears to set up better for us. We've got an enormous customer base in scale, right. So when we talked about this on the call last week, you know, and we think the second level opportunity as we set up is around coverage models. We've got more sellers that have come up the productivity curve as we entered the year. We've got this motion around cross-sell where I -- in any given quarter I sell to roughly 130,000 client customers, PC customers. We only sell to roughly 30,000 storage customers -- I'm sorry, server customers. How do you think about that cross-sell opportunity?
At times, there's different buyers so you've got to be thoughtful about that but the opportunity's there, and so it sets up I think better for us this coming year from the storage perspective. We will have refreshed the entire product line with the release of the new mid-range product in the next couple of weeks and that will start shipping this quarter.

So over the last two years, we have refreshed from top to bottom, you know, and so our solution sets have never been in a better position. We've got more productive selling capacity roughly high-single-digit selling capacity is up. You know, we're optimistic about the opportunity and the cross-sell opportunity back to the customer base, right.

So if you look at it, if I've got 30,000 server customers a quarter, I only -- on average we only sell to 11,000 storage customers a quarter. So if I'm in your data center with servers, why am I not in your data center in storage?

Katy Huberty: You need to drive better attach, right?

Tom Sweet: Yeah. There's an attach motion with servers, particularly with lower than -- low-mid-range storage where it's an attach motion.

Katy Huberty: Yeah.

Tom Sweet: And so there's an opportunity there to drive that. So we think the environment sets up better now.

Look, I don't want to over-sell it. There's work to do. We have to navigate this through the year. But I think it sets up better for us as we think through the FY '21 dynamic and some of that digestion of all of that infrastructure capacity that was -- that was bought in fiscal calendar '18, sort of is running through the system at this point.

Katy Huberty: Just to stick with the conversation around the ISG for a moment, clearly the margins are better in ISG than your PC business.

Tom Sweet: Yep.

Katy Huberty: Server and storage margins are better. Are you -- I mean, notwithstanding some areas where the market doesn't make sense to chase on pricing, are you willing to be more price-aggressive because there's a mix shift you can drive on the back of share gains and servers and storage?

Tom Sweet: I think the way I would say it is, look. I'm willing to be thoughtfully aggressive, right. Particularly when you're thinking about customer acquisition. If I've got storage arrays that I'm selling at pretty high gross margins, am I willing to take a little less gross margin percentage to capture those gross margin dollars and expand my customer base? Absolutely.

Now, it's not -- you know, so I'm not declaring that we're going to go out and light the world up so to speak, but we have told the organization, look. I mean, it is all about ultimately building the customer base. It is about growth. And so how do you ensure that you're out there -- storage is a little less price-sensitive than it is more performance-
sensitive, right. But you know, there is also ultimately a price element or a cost element to that, that you can expect us -- you know, thoughtfully to lean in on where it makes sense to.

Katy Huberty: Over the last week, companies, particularly in IT hardware, have put some contexts around the impact of coronavirus and every company is approaching it a little bit differently because at the end of the day there's not a whole lot of visibility as to how big of an impact this becomes. Talk about how you incorporated coronavirus, if at all, into guidance and is the impact so far demand, or supply chain, or a combination of both?

Tom Sweet: Yeah, let's acknowledge that there's a lot of uncertainty out there right now. And you know, we've been pretty focused on ensuring that our team members and our supplier base and our customers are -- that we're taking care of them in the appropriate way.

Our guidance last week, we give annual guidance. I don't give quarterly guidance or we don't give quarterly guidance. We didn't factor coronavirus into an annual guide. I don't think I know enough to say is there an annual impact. We just started our new fiscal year, so -- and so it didn't make sense to me to try to over -- be overly-precise on that at this point when these -- there's so many unknowns out there.

What we did say though, to be fair, was our normal Q4 to Q1 sequential, I'm talking revenue now, which is historically at a -- Q4 is our largest quarter if you look at our seasonal patterns, and Q1 is typically our softest quarter. And so what we did say is our historical patterns are probably going to be softer than our -- our pattern this quarter is going to be softer than our historical pattern. So you know, just to acknowledge the fact that we see some impacts.

Principally you look about -- you think in two areas, one is our domestic China business which is a pretty large business unit for us. You know, obviously the China economy over the last month has been fairly severely impacted and business activity has been down. And so we do expect a softer China, domestic China business this quarter.

Katy Huberty: Yep.

Tom Sweet: The size and extent of that we're still working our way through. And then the question becomes, it's a question we think about a lot, which is -- and then let me to go the other part, I'll come back to that -- which is around supply chain. So our supply chain, we're in pretty good shape right now in the supply chain. We had had the -- I think more, maybe more luck than not. We had had our notebook factories running over Chinese New Year. We were paying overtime to our workers to work because of the building supply and inventory and so we are in pretty good shape on notebooks. Our server and storage capabilities are generally unaffected by this. We've had to adjust a few lead times in certain of our client products.

But you know, so with what we know today and there's still certain factories that need to reopen in China. But you know, we feel generally okay about our supply chain as long as they reopen in the time frame that the government says they're going to be allowed to reopen. If that changes, then we'll have to ship -- we are spending a few extra dollars on logistics costs as you move parts and product around the supply chain. But that's just -- you know, and some of the logistics dynamics are a bit more complicated these days.
But the real thing that we begin to think about, then, is okay, how long does this last? And when you think about demand or customer demand, you know, is that demand perishable or is it deferred?

Katy Huberty: Uh-huh.

Tom Sweet: You know, and it gets down into -- you have to think your way through the customer sets. If you look at our PC businesses which is roughly sort of low-to-mid-70s sort of business oriented, and the rest of it consumer. If it's consumer demand and you -- there's a consumer out there that needs a notebook today or tomorrow. And if you don't have it, does that demand move to some other provider or some other manufacturer? Maybe, yeah. There's probably more likely that that type of demand would be perishable.

If it's a business relationship where you have a contractual relationship and you're working with them on deliveries, that demand probably is more, you know, deferred if you will. And so I think we're just going to have to work our way through this and see how this plays out over the next number of weeks, and try to get better insight as we go through the quarter.

But you know, if there's a good -- there's some unknowns out there, clearly, and it's our job to navigate through that. I don't -- you know, and for me to sort of say it's this impact, I think at this point, is probably trying to be a bit too precise.

Katy Huberty: Yep. That approach makes sense.

Just shifting to the PC business, there's obviously a lot of variables. The market has gone through an upgrade cycle to Win 10, accentuated by the runoff of support for Win 7 which expired in January. Intel hasn't been able to ship enough CPUs and now you have this supply chain disruption from coronavirus. So you mentioned the IDC forecast for 7% decline. What's your view of how all those variables kind of impact the market as you go through this year? And then can Dell grow, or get to a flat PC revenue, even if we see that 7% type of decline?

Tom Sweet: Yeah. Look, we're -- that's a great question, Katy. And we're focused on again, growing at a premium. So we think growth levers in the PC space this year are going to be -- the first half is all about you take advantage of the continual Win 10 refresh. If you look at the data which suggests that you're roughly about 65% of the way through the refresh cycle. And the opportunity is still there, maybe more so in the small-to-medium business space. And if you -- you've listened to us. If you followed us the last couple of years you would know that we have invested pretty heavily from a go-to-market capacity in that space and we're seeing double-digit growth in small- and medium-business customers. And so I think that's a growth lever that will continue to push on this year.

As you get -- and then -- and I think our -- one of the other things we've done, I should mention, is although consumers are only 20 -- we'll call it 25% of our PC business -- we have spent the last couple of years retooling that consumer business, moving away from low-end retail into more premium price bands and to the revitalizing the direct B2C reach that we were known for, for so many years. And so we're now seeing good growth in our consumer direct business. That's another level we'll pull on.
As we get into the back half of the year, I think it becomes one of if that Win 10 refresh cycle begins to wane we'll have to see, then you start thinking about -- think back now. Win 10's been out a while. There's 500 million PCs that are over 3 years old that you start -- that are Win 10 machines but the first generation. And you start thinking about that natural refresh cycle that happens with PCs.

And so you know, there's opportunity out there. It's going to be up to us to drive that. Our philosophy is we want to drive a growth premium here, right. And so we have a targeted growth premium that we're trying to achieve. The business unit knows that. They're focused on what are those levers we can thoughtfully pull to get there.

From a CPU perspective, we do believe that we continue to be constrained from an Intel perspective through the first half of the year. And so that continues to be a blocking and tackling thing that we're having to do, to ensure that we match demand with supply and again, our model I think, gives us a bit of an advantage given the direct model and our ability to shape demand.

And so -- but that will be a dynamic that we'll have to work through. If the forecast right now says that the CPU environment gets better in the second half, we'll see. And then you'll -- and so I think that's sort of the strategy that we're running right now in the PC space.

Katy Huberty: Shifting to VMWare, you ultimately exceeded the $1 billion of synergies --

Tom Sweet: Yep.

Katy Huberty: -- that you laid out a couple of years ago. And you've -- as Dell has grown as a percentage of what's driving VMWare's business, you've shown the value of integration. But how do you think about the trade-off of pulling VMWare more into the fold and even tighter integration? Against the fact that VMWare has a lot of OEM partners and has to maintain that Switzerland air.

Tom Sweet: Well, yeah. It's -- our philosophy there has been, you know, what's good for VMWare is generally going to be good for Dell Technologies. And you know, we think it's a differentiated capability, a differentiated asset, and so we have incentivized our selling organizations to jointly go to market together to drive the appropriate solution, and much of whether that's a software-defined solution through a VMWare capability, whether that's an appliance like VXRail or at times where that's an array or other types of more traditional hardware, it's much -- it's really dependent upon the workload and what their customer technology architecture looks like.

You know, and so from our perspective the first three years has been about how do we incentivize and drive the velocity of VMWare and at the same point in time from an innovation perspective, ensuring that we begin to carve out certain integration hooks and positioning that when you buy VMWare with Dell hardware, Dell Technologies' hardware, that you get a more integrated, capable solution.

We all respect where the VMWare ecosystem, we understand they've got an ecosystem they need to maintain. But we also understand that you know, they're a member of the
family. And we expect that we will over time have some differentiation in our capabilities there.

It's a careful balance, you know. But I think so far we've been able to navigate it reasonably well. You've seen the results. We're driving a pretty substantial amount of the VMWare revenue stream right now through our reach. You know, we'll continue to think what's the next iteration and what's the next step in that process. I think you should look for continued innovation around our solution capabilities. I mean, Dell Technologies Cloud probably being in the next -- the next area of opportunity for us.

Katy Huberty: Really, back in November, you were the first company to foreshadow the rise in memory prices and the impact that that would have in margins, messaging that your fiscal '21 which is essentially calendar '20 would return to the margins of calendar '19. What is -- what is the ability, you think, of Dell and the industry more broadly, to pass on the higher commodity and memory prices? And does that differ when you look at the PC business relative to the enterprise business?

Tom Sweet: It does. And you know, I think we were -- one of the things we tried to do, to your comment, in the third quarter call, was try to reset or get people thinking about the changes in the environment as you stepped into calendar '20, our fiscal '21. Because I was concerned that certain of the investors and analysts hadn't really thought through the ecosystem impacts as you go into a component cost inflationary cycle, as we understood it at the time.

And so I thought we were pretty direct about where we thought you guys needed to be thinking about. But our -- you know, the ability, the pricing dynamic is an interesting dynamic. Because ultimately you've got to price to what's the market. And it's a -- so it's an ecosystem around what are your competitors doing, is -- do you have pricing elasticity, if you price is there demand elasticity. So there's -- it gets to be a complicated algorithm at times.

And traditionally with our direct model we can move pricing pretty -- pretty rapidly where we need to. But you have to be thoughtful about what your competitive posture relative to the market. Commodity costs generally are more sensitive to our PC business than to elements and parts of the server business, the storage business much less so. But you know, you are seeing pressure on DRAM prices and SSD pricing right now. And you know, ultimately that's going to be a demand supply equation in terms of if the demand is for -- comes through as forecasted. Then you probably will see continued pricing or inflationary pressure on those component costs.

If you get some moderation in that demand environment or defers, there's some dynamics where we can be pretty nimble on how do we take advantage of that.

You know, look at our obstacles. Like, better -- higher profitability. But it's also, you've got to be realistic about the environment you're in. As a result though, you know, typically what you see in a rising commodity cost environment is a bit more rationality on pricing at times, you know. One of the reasons our hypothesis, one of the reasons that you didn't see a lot of the pricing environment in PCs for instance for the last year, it's been relatively benign. Why is that? Well, one, demand has been pretty good. And second, there's been component constraints, right, the CPU constraint. So if you're
constrained on CPUs, you're not going to give away value or be more inclined to be more aggressive where you have a limited supply.

And so as you think about -- and the fact that you've been in a commodity cost deflation has been helpful. But the inverse of that also works, right, if you think about the server environment, what you saw this year was DRAM dropped pretty dramatically. And so some of those local manufacturers who were perhaps DRAM constrained, you saw them get remarkably more price-aggressive as you went through the year because of the DRAM supply and the DRAM cost. As that -- as things shift around you do see different pricing behaviors and then again it's back to us to take advantage or position the business to take advantage to our strengths, which is nobody's got the scale we have. Nobody's got the supply chain buy that we have. Nobody has the customer and go-to-market reach that we have that allows us to navigate through these changing environments.

And so again, I think FY '21, calendar '20, sets up to be a -- it'll be a year of execution, to be honest, right. You're going to see some dynamics in the market and the commodity cost environment and we'll have to navigate through it. And if we tell the team, it's all about, you have to be nimble. You're going to have to make thoughtful, fact-based decisions, and we've got to move, you know, and take advantage of the opportunities.

But it is about again growing at a premium to market, ensuring that we drive the right level of profitability and generate cash flow.

Katy Huberty:  
Great. Let me ask one more and then we'll see if there are any in the audience. We talked earlier about de-levering as one of the really important levers and probably from an investor standpoint, the most important lever to driving a re-rating in the stock. You expect that potentially by the end of fiscal '21, so January of '21, you could get back to investment-grade with some of the rating agencies. You mentioned the $1 billion of buyback over two years that was just announced. Does that sort of foreshadow what the capital allocation priorities will be once you become investment grade? Or what is that framework we should think about?

Tom Sweet:  
Well, I think what you should think about is a broadening of the capital allocation strategy. Clearly you know, as we've talked about now, I mean, we have been focused on de-levering. With what we know today, we think we're sub-three-times core leverage EBITDA leverage ratios, by the end of the year.

Now, it's not our call about as to when a particular credit rating agency will make a decision to upgrade us or not upgrade us. But I think we'll be in a position to start having those conversations with them around that time frame.

You know, what you ultimately should expect from us though, as we get to investment, as we get to that investment grade mark, is a broadening out of our investor, of our capital allocation strategy where you would see us begin to shift more capital towards some element of shareholder return. You know, it does open up opportunity to think about, would you begin to do some targeted M&A around certain IP that you'd like to begin to acquire.

So I think it gives us a bit more freedom and gives us an opportunity to broaden out our capital allocation, with three main tenets: invest in the business; continue to make sure
you've got the right balance sheet framework; and make sure that you think about the shareholder return element of the business and of the strategy.

So that's how we're thinking about it. We've obviously got to get there, so it starts with continuing to execute the motto we have right now and work our way through the year.

Katy Huberty: Good. Okay. Any questions in the audience? I'm done here.

Unidentified Audience Member: Hi. I just have two on storage. For the first one, you (inaudible) you have to improve their efficiency.

Tom Sweet: Yeah. We talked about it a little bit on the call. I thank you for reminding me. Starting to -- for calendar -- our fiscal '21 and we look at both absolute number of heads, and then productive heads. And the difference there is that if I hire you as a new seller, depending on what I'm hiring you for, if you're a storage seller on average it takes you roughly 18 months to get to full productivity in terms of meeting the targets that we think a fully-productive head count should be able to reach. So as we look at our head count capacity, our productive head count capacity, we're roughly high single digits more capacity at this point than we had a year ago. So that -- that tenure of that selling organization is advancing. And so that creates some additional -- in our minds, if I've got 8% more capacity, you know, if I think about our storage plans, I've got better coverage models. I've got a more productive selling organization. I have a fully-revitalized or refreshed solution capability. We're -- in our thought process we're pretty well-positioned there.

Now, you've got to go execute and you've got to go do it, but the elements are there to say that you should have a better result at the end of the day.

Katy Huberty: As a follow-up on the mid-range storage product, so we've seen as new platforms emerge there can be some disruption as customers move from an old platform to a new platform. So what is Dell doing to manage that disruption risk?

Tom Sweet: Well, the new mid-range platform that releases here in the next couple weeks has some -- it's a brand-new operating system. It's micro-service based. It's modern architecture. And the team and the engineering teams have built in migration capability where you can migrate seamlessly old to new, right. And so one of the issues you get into when you're refreshing storage arrays or storage in a data center, is nobody wants to touch them because they're working and migration's hard. And so you need to be able to alleviate those concerns and overcome those objections, if you will. And so the technology that's built in is, the first phase that releases here is from any of our old platforms to new, it's a seamless migration of data. You know.

And then as we do farther releases, as we get going through the year, you'll see us open up that migration pattern to other vendors' product. And so again, trying to build that seamless capability out.

Katy Huberty: That's great. Tom, thank you so much for your time today.

Tom Sweet: Katy, it's nice seeing you. Thanks, everybody.