TRANSCRIPT

DELL – Dell Technologies Inc at Citi Global TMT Conference

EVENT DATE/TIME: SEPTEMBER 10, 2026 10:10AM EDT

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PRESENTATION

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Good morning, everyone. Asiya Merchant here. Citi -- I lead Citi's tech hardware and tech supply chain, day 3 of Citi's TMT Conference. Absolutely delighted to have David Kennedy here. He is the CFO of Dell Technologies here, and we also have Paul in the audience from IR.

So I'm going to start off with just some safe harbor statement here that Dell would like me to read, so please bear with me here. This presentation contains forward-looking statements based on Dell Technologies' current expectations. These statements involve risks, uncertainties that could cause actual results to differ materially. Factors that could cause results to differ are discussed in Dell's Technologies' periodic reports on Forms 10-K or 10-Q filed with the SEC. Any forward-looking statements made today are based on assumptions as of today, and Dell Technologies undertakes no obligation to update them.

With that, first question is going to be about outlook.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

All right. Good morning.

QUESTIONS AND ANSWERS

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

So clearly, just results that are just staggeringly amazing, right? I mean you guys just reported last quarter -- last week, I should say, and your current year fiscal '27 guide is up 70% year-on-year tracking. Of course, we are at an investor conference with a lot of investors being very skeptical, like is there a cliff ahead after these like growth, which are so much higher than, let's say, your analyst event, right, and where you guys thought about.

So just given there is pipeline, you have a very solid pipeline, you have a very solid backlog, there's supply constraints at the same time. Like what gives you the confidence that this momentum continues not just through this year, but as you kind of think about the outer years? And there's not a big demand cliff that we should be aware of?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, sure. Good morning, everybody. You're right. Look, what we see is this accelerating appetite for infrastructure. And I think we've seen these building blocks emerge over the last nine months, six months, three months and it builds on each other.

So obviously, the tailwind of -- from an AI server GPU perspective, we booked $61 billion of orders in Q2. We had booked $61 billion of orders in the previous three quarters, so $132 billion over 12 months. So you see this accelerating appetite. It's also pipelines being multiples of that backlog. So while the bookings keep coming in, the backlog continues to get bigger, and it's across all the segmentation you can think of neoclouds, sovereigns, enterprises.

Enterprise is growing the fastest from a rate perspective. Obviously, the dollars are still pretty big on the Neocloud side. You then put another layer on top, which is from an inferencing workload perspective. So your traditional data center, that had a modernization refresh cycle happening anyway. You now put inferencing and AI workloads on top of that.

And an emerging theme we've seen in the last three months around security and resiliency. So these -- all these components are driving -- if you look at our Q2 results, we had 122% growth in traditional server. Demand was faster than the P&L. And it's broad. So if I look at that by geography, every geography growing triple digit.

If I look at it by customer segment, if I look at it by customer vertical, all these boats are rising. It's not one corner or one niche piece that's kind of floating it. So you build that. And now you introduce in our Q2 results, the need as you use more tokens, do more inferencing, need more compute power for the data, you now need somewhere to store it. So our Storage growth of 26%, and we've guided to double-digit growth for the full year.

We're watching all these signals, and we're watching the customer count still be fairly early in the adoption curve and look at the pipelines. And now all of a sudden, we see that confidence that allowed us to guide what we've guided and allow us, I think, to think about beyond into next year or two.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Yes. And then you marry that with CPU or I should say, constraints, not just in the CPU side, but obviously, we've all heard about memory constraints, HDD constraints. Is there any line of sight to maybe when these constraints sort of ease or normalize? And so -- and could there be more upside here even in the back half of calendar '26?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, we'll go piece by piece. So if I look at the back half of this year, I would -- in one word, I would call our guide a realistic guide. I think I would have positioned our second half guide 90 days ago to be a prudent guide. I think we see way more identification of parts to customer needs of data center readiness. So all of that picture is guiding to the $192 billion.

Demand is still faster than supply, though, for traditional server and AI server. So those two buckets continue to have demand that was really robust. As we look into next year, we see the supply differential only getting worse, not getting better. We see -- yes, there is a small bit of supply growth, but it's pretty minimal on the basis of the demand signals that we're seeing. So it's actually tighter next year than it is this year in relation to that as we look out.

And then we'll see as we go beyond from that perspective.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And within that supply constraints, is it just memory, CPUs, HDD the usual? Are there any other pockets that are getting worse?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Obviously, dominated DRAM and NAND is by far the big brother in that equation. Given the growth in CPUs, obviously, that now comes into the equation also. But look, ultimately, any part associated within an AI box is short to some degree.

So optical, transceivers, T-glass, any component that's in there is constrained to some degree. And that's -- our job then is to try and figure out how we can put all these real golden parts, if you like, together into fully configured units to maximize the P&L. And that's part of the operational execution that we've talked about in our guide and to differentiate versus the competition.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Great. And then Jeff, on the call did talk about this earning -- greater longer-term visibility with large sophisticated customers. Is that a function of these supply constraints that you're talking about and Dell kind of executing at its best where -- like you just mentioned?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I think the conversation in the market is around supply access. So if you go back to -- let's go back six-months ago, was there a few savvy customers who foresaw some of this and did some advanced purchasing to kind of get ahead of that game? Yes, there was. But what we're now seeing is, if I pick an enterprise customer, they come forward I know they're buying history.

If all of a sudden, they're looking to buy four-years worth of equipment from me, I'm not in a position to fulfill that. Our job is to try and make sure we diversify it to as many customers as we can and solve as many customer needs as we can. But what we're doing now is entering into conversations about what are your supply needs and your infrastructure needs going out into year two, year three and year four.

And our commitment that for those who want to partner with us, we'll give them that supply access and provide some guarantees that we can position that for them as we look out. Guarantee supply does not guarantee price. That's a specific differentiation. But that's what the market is looking for. It's that supply access.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

That's fantastic. ISG margins, like eye-popping 15%. And this is in the face of AI servers, which within that segment carry lower margins, well above 3x almost relative to what you were looking at year-on-year in first half. Pricing, probably a big driver here of those margins, just given the pricing pass-through of some of these components. But what's changed here?

And why do you think that could sustain?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. So if you think of ISG rate, there's two tailwinds and one headwind, right? So by far, the biggest tailwind is scale. I might touch on it later. But when you think of our OpEx as a percentage of revenue for the company, we've just guided to 8% of revenue.

That's the most efficient we've been ever in the 42-year history of the company. And to give some kind of marker, that was 20% of revenue six years ago. So that's one piece.

Part two is the Storage portfolio. So as we've launched and drive our Dell IP storage portfolio, we've now had six consecutive quarters of demand growth, almost 2x the market. Obviously, a lot of software and service components to that. So the margin rate enhancement from our storage portfolio will lift ISG profit. And then to your point, we're using those two levers to be able to absorb the demand in AI.

So almost 3x growth to $74 billion for the year and mid-single-digit margins, we can absorb that with the two other tailwinds and give the outcome that you see, which is record outcomes.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And within that, you also have servers, right, traditional servers, I should say. Just because these are built on next-generation infrastructure, next-generation core processors, are you thinking about higher margins even for these products?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

No, I think from our portfolio, if you think of commercial PCs and traditional servers, it's about more a sustained margin rate. Look, we're trying to make sure we can give as many customers access to the compute power that's there. Our margin lever is storage. That's our margin lever and then to lean on the scale of the company as we do that.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

I think that's pretty impressive, too, just given the memory inflation that we have seen that you're able to sustain those margins in your core compute business. Okay. AI backlog, I think you guys talked about $95 billion, but you do have a growing presence of enterprise customers in there, almost greater than 6,500 now. You have talked about both sovereigns and enterprises growing faster. Obviously, the Neocloud dollar is much bigger.

But how does -- as you start to kind of drive the -- sorry, the sovereigns and enterprises to revenues? What is the attach rate to those AI? So could that AI pipeline and as it becomes revenue have higher margins associated with them?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I guess there's a few things in that. I think our value proposition in terms of the wheelhouse will be that on-prem enterprise customer base demand, which is going beyond the GPU. So traditional server CPU-based. So those tokens generating compute power, which generates the data, which generates more tokens, would you then need storage.

So that inflection point, in particular, of the storage growth, that enterprise lift that we see, which we still think is very early in its adoption curve right now. I mean you mentioned the 6,500 customers. That's up over 60% in the last six months. But it's also -- you could argue the infancy of -- we serve tens of thousands of customers, right?

We would argue likely a low percentage pick a number between 10% and 15% of enterprises have only done meaningful AI, agentic modernization within their company. The rest have either haven't started or on the early adoption and kind of proof-of-concept kind of stage. So that element of an end-to-end portfolio from an edge PC up to your storage device, that's the wheelhouse. Are there attached motion tied to Neocouds also from a storage and a CPU server perspective? Absolutely, and we'll look to play there.

I think we'll see a better conversion rate for sure on the enterprise.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

And do you think that the storage opportunity could be as big as the AI opportunity, AI compute opportunity for those enterprises?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. Look, I think you're not going to see in terms of the same dollar value, but the opportunity, if you look at our guide for this year, we're adding $2.5 billion of Storage revenue to our P&L, double-digit growth. So that's something we -- you haven't seen us do. This will be a record Storage quarter for the company's history. I think the more and more you see these inferencing workloads and enterprises adopting these use cases, I think we feel it's pretty durable and robust that it kind of lives on as we kind of go multiyear.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And when we talk about that enterprise adoption, there's always been this debate like what is it that enterprises -- what is it from a TCO perspective that's getting these enterprises to do it on-prem. Clearly, you have -- they have access to the cloud. So what is it -- like what is -- how is Dell quantifying those economics to these 6,500-plus enterprise customers that's getting them to deploy this stuff on-prem?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. Look, the best example I can give is to use our own company as customer zero, if you like, right? So one of the big "ahas" we get from enterprises when they come into our executive briefing center and they want to have a conversation about AI, it's not as dumbed down as this, but it's almost, hey, help us turn it on and the world is better, if you like, right?

Whereas the reality is there's quarters and years of work to do before you can supercharge the AI in the first place. So we spent the last three years in our company standardizing and automating and simplifying all the different processes and workflows and cleaning up the data in the company. So -- and many enterprises are the same. We're 42 years old, through nobody's fault, we've had acquisitions that we've done. We've empowered different teams in different geographies to create their own ERP systems.

And -- but ultimately, what that does is the data doesn't talk to each other within an enterprise. And so if I apply AI to that, it can't access corners of the company to kind of fully supercharge an end-to-end workflow. So you actually spend and it's enduring work. It takes multiyear, and it takes a cultural shift in the company. We were very lucky in, a founder like Michael, who stood up in front of the leadership team three years ago and pitched this concept of modernization.

In other words, if we don't do it, somebody else will do it to us. And so you see that. And where you now see the inflection point is every enterprise customer needs to identify where their value comes from. So for us, it's our supply chain, our products, our services team and our sales team. So within that, AI can be used as a power of productivity, whether that's growth, whether that's product road maps, pick your idea.

Every other function should be using AI from a scale and efficiency perspective then, including my own function in finance. And ultimately, then you find both the decoupling effect of I can grow faster, I can scale my business through OpEx spend, and they're not linked anymore. So when we talk about our 8% of revenue, that is now structurally based, and it's only going to get better. It's not going to go back to -- well, if I need to grow, I need to add some more variable cost in. We've divorced those two things.

They will stay permanently divorced. And I think enterprises that we showcase and we bring them in, they're seeing some of that. But I think they'll all be on different curves. Some will go faster, some will still resist. So I think it will take time for the broader enterprise to get there.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And when we think about workloads, like the ones that reside on-prem, private clouds versus those companies are probably still using some sort of public cloud maybe for certain workloads. Just as you think about that, any kind of -- how you think about maybe the split between that? Like do you have any kind of forecast that you think about across the board?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I mean if you listen to the Amazon earnings call from a few weeks ago, they talked about 85% of the data is still on-prem, if you look at that perspective. Look, ultimately, it's going to be about the cheapest token you can have is the one that's closest to the data. So for a big -- take a finance function like is doing linear planning, decision-making and processing. You do not need a frontier model to do that.

You can work off N minus 1, N minus 2 models. You can do anything from power of AI up to the lowest form of AI. You can do all that on-prem on your edge device, in your own data center on your powerful PC. Obviously, there are also proprietary information that drive value for your company that you want to keep in a sandbox and keep away from everybody else. And then there are legitimate workloads you need to send to the cloud in a hybrid world to get supercharged compute power from a large language model perspective and look at that.

Finding that right equation and balance will find you the right cost structure and efficiency. And that's why we think there's a strong value prop for the on-prem piece of it. And again, because we sell across the portfolio, it leads into our storage portfolio, in particular, which is where the value creation can be for us.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. Wonderful. We have seen a transition from full rack solutions. We started this AI journey. It was all about just GPU chips.

And now we're starting to see full rack solutions come out from some of the largest chip makers. How do you think about Dell's addressable market opportunity in this space? Like as we're getting more and more complex. And in some cases, there's disaggregated architectures as well.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I would say complexity is our friend. We're pretty agnostic in terms of if a customer in any segment is looking for something they need help with to build, we're available to build it with them and have that conversation. Obviously, we have a deep and fantastic relationship with NVIDIA today. The majority of our business is with NVIDIA today.

But ultimately, when I say complexity is our friend, we bring and we've defined the value we're bringing to the conversation. So this idea of time-to-token for any multibillion-dollar deployment, we're on average, four, five, six weeks advantaged in that differentiation to the customer. So that time-to-token, the economics benefit they can get from that because it's monetizing is worth all the conversations. So when we secure the inventory to build it, to ship it, to install it, to deploy it, when we turn it on, it stays on 99.9% of the time. We use far less parts than everybody else in terms of that uplift.

And we white glove that service. So you get an engineering team and a pod that helps the design of a Neocloud design T minus three months, goes through 30, 40, 50 iterations. They are also the ones who will turn it on and make sure it stays on and almost live on-site there as a stint to with us in Dell. And so you have that end-to-end kind of relationship.

The other piece is because we sell across the portfolio, we can be more fungible with the supply that we've got. So one tangible example, we would have taken a decision in the springtime for seeing the PC market, particularly in consumer, was going to get squeezed a little bit. It's projected to be minus 18% to minus 20% on units. So we purposely sent some of our wafer supply for consumer PCs and reconfigured it for infrastructure for the second half. Now you can't do that quickly.

It takes five, six, seven months to do that. But we made some of those bets then, which allows us then to enhance some of our guide for the second half of the year. So that fungibility is a good asset for us, too.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And it's often lost like investors will often ask me, but -- and this moat that you've talked about, this time to deployment, which is critical in terms of monetization, often lost on investors because often they'll say, well, why can't this business just easily flow through to ODMs? And why is it -- why is Dell getting more than their fair share? So I think that's a very valid point when you're talking about it. Do you think that, that moat that you just talked about time to deployment helps with the underlying AI profitability as you think about the AI compute profitability as you think further down?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. Look, I think we expect that to stay fairly stable from a rate perspective. We're in that mid-single-digit range. Obviously, it's a competitive market. So all those players you just referenced, they turn up and bid just like we do in all of these big deployments.

We feel that's the right sweet spot because obviously, in a multibillion-dollar deal, mid-single digits, it's still a lot of margin dollars for them. But that's the value point we found for sure.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And then just shifting to the traditional servers. Obviously, very strong growth here. The growth is frankly, greater, I mean, on a year-on-year basis relative to the GPU side of the things. So how big could this traditional server opportunity be, especially when you think about many years that you've seen this business and it does go through a boom and a bust cycle?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. And that's where -- I kind of referenced it at the start, but I think we're seeing a new TAM emerge and what it looks like. So I think it's more durable and more broad-based than just the cycle of the traditional data center that we've always seen. That's the foundation there for sure. But inferencing and then security are the next two where I think, like you said, we feel enterprises are only at the start of their enterprise journey from an AI perspective.

And I think that gives us strong confidence that it's a new TAM that's a multiyear TAM that kind of develops out.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Right. And could you double-click a little bit more on it? Because clearly, this year, given supply constraints, given the pricing of memory that you've had to pass through as well, it's more pricing versus units. And then as you kind of think further out, what's the algorithm for growth there between units and pricing?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I would introduce a piece in the middle also, which is the density and core growth within the unit. As an example, there are over -- a significant number of the installed base are 13G, 14G. Ultimately, I can replace five or six of those with one of these, the new ones. As we go to 18G, that density even gets even higher.

So the unit count is important, but it's only one small piece of the equation. I think because of the amount of memory you need, the amount of core growth that's in there, I think the ASP forever will stay much higher from a traditional server perspective, stands the traditional inflation or deflation cycle that could be there also.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. All right. Let's talk a little bit about Storage, right? You already referenced it. The growth there was phenomenal.

You've been outperforming the market. And again, pricing here has obviously been a driver because all the OEMs have raised prices. As you see these deployments mature and enterprise adoption matures a little bit and mix shifts also towards Dell's own IP and away from third-party IP, how should we think about the longevity here of Storage revenue growth? And more importantly, then on margins as well because you're still benefiting from the shift towards your own IP.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, for sure. Look, as we embarked on our Dell IP Storage portfolio, go back, let's say, three years ago, that started with our mid-range PowerStore product. Q2 was the 10th consecutive quarter of double-digit growth that we've seen there. But as we've built out the portfolio, more in mind for AI workloads, so PowerScale now five quarters in a row of growth. ObjectScale, four quarters in a row of growth, Unstructured is obviously growing also double digit.

All of these elements are allowing us at higher ASPs because it can command a higher price with software and service in there, too. So we get the ASP increase, but also the margin thresholds are significantly different, obviously, given it's Dell IP. So you build those elements together, link it to that CPU growth we talked about earlier, and we think from a product perspective and then the underlying demand that's coming, I think we're positioned really strongly as we head into next year for sure.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And then you did introduce Project Lightning as well. I guess it's still early in the market, it's probably not reflecting...

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, its still a very small piece. I mean it's out there. It's been tested by a lot of our biggest customers, but more to come there. It's not a material element in terms of the numbers today.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Right. And this is more towards the Neocloud versus your traditional enterprise customers?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. And then you get the broader base of the products I just referenced will give us complete coverage across the customer segment stack.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. On the flip side, AI tends to be fairly lumpy. I think we've talked about -- you guys have talked about it before, where there is customer readiness really is mainly driving when you recognize revenue. But when you think about all the various constraints that you already talked about from a working capital perspective, how do you kind of manage that across? Is it just the fact that you just have so many customers now that it's smoother?

How are you thinking about that AI data set readiness?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

We have built out good muscle. So when we talk about our backlog at $95 billion or when we take orders in $61 billion in Q2, that's gone through a pretty rigorous setting process on two avenues. One, we've completed all the durability tests around credit assessments, financing, making sure the cash is good, et cetera, et cetera, and also on the design piece. So we will have worked particularly on the bigger Neocloud designs, like I said earlier, 20 to 50 iterations of that. So it's a solid customer, credit is aligned, financing is aligned.

And we have, I'll call it, an 80-20, 90-10 alignment of data center readiness in terms of timing. So we have approximate ship dates we're going to do that. Once we take the order and it comes in, obviously, you might have one or two that might slip out. We can easily -- that's the value of our supply chain. We'll move a few things around.

But the majority, when we talk about our backlog, it's solid, it's locked in. It's noncancelable. It will endure as kind of part of that. So all those steps have kind of gone through the process.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. All right. A little bit on commercial PCs here, then I can open it up. You are gaining share. I think you've identified that as one of your areas.

You obviously have a leading position in commercial PCs, but there were other pockets that you were strategically interested in gaining share as well there. There are supply constraints at the same time. So where are you seeing this greatest traction that you have? And again, the margins on the PC segment were pretty strong.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. Look, ultimately, the market is compressed for the rest of this year, like I said, minus double digit. On the flip side, there are still 400 million-plus PCs over four years old. And ultimately, if you go back to the conversation about the cheapest token being closest to the data, none of those installed base PCs will have the battery life or the power to do AI workloads on them. So there is a pent-up demand that we believe will come once it stabilizes and once IT budgets get a little bit more settled and expanded.

The reality is most enterprises this year for their IT budgets are sweating those assets out a little bit more and what dollars they have, they're trying to build out their infrastructure side as they do that. As we go forward, I think you'll see it a little bit more robust. Our main focus will be on those higher ASP commercial boxes as part of the AI storyboard that's there. But obviously, like you said, we have the portfolio across the platform, but very mindful that you're not going to see much elasticity on the consumer side, et cetera, as we go through the next two, three quarters.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. Fair enough. Let me just turn it to the audience. Any quick questions? Please raise your hand so we can bring the mic to you. I see one hand there.

Unidentified Participant

Thanks very much for the discussion here. Yesterday, S&P published report said that they're allocating $21 billion of your debt to Dell Financial Services, up from $10 billion a year ago. Can you just talk a little bit about customer financing, kind of what the opportunity is, just given the pipeline and the backlog in the AI and data center customer base? And would you be willing to broaden your customer financing beyond your kind of traditional into residual value support backstops and the other types of things that we've seen in the market very recently.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, sure. A few things in there. One, just to correct the numbers, it's $14 billion to $20 billion, not $10 billion to $21 billion. So hopefully, it will kind of correct itself in the storyboards. It's roughly an indication of the growth that we've seen, particularly on AI.

Look, what we will do, we're not a traditional big bank. So in most cases, the rates I can offer would not be competitive versus the rates they can get in the open market, whether it's the banking or private sector. We will continue to offer and be selective on certain accounts. It will be short term in nature, though. So we will not -- you will not see us doing long-term Neocloud financing.

I have no desire to use Dell's balance sheet to do that. So you're going to keep a fairly prudent approach in relation to that. And we're very active with those big banks and those conversations around those long-term financing options. You've seen it all in the press the last few weeks. We're helping position and part of those conversations so we can help those folks kind of be part of that dialogue.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

All right. Anybody else here in the audience? Okay. Let's talk a little bit about OpEx. You already mentioned that how you divorce that from the revenue growth rate here.

Could that operating leverage when you think about it maybe next year and into the following year, could that be even a bigger driver of EPS versus just the top line?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I think it's probably one of our most misunderstood elements of the P&L. We have -- I'm pleased with the tools and the toolbox I have from an EPS perspective. It's anchored in revenue, obviously. Storage margin rate enhancement gives us margin discussion.

Then you look at OpEx scale, like this year, our P&L will find about 4.5 points of scale. It's going to continue to do that. So it's absolutely a viable lever from an EPS perspective. And then our fourth, obviously, from a cash -- as we've developed more cash, given our negative cash conversion cycle, the more you grow, the more you grow profitably, the more cash we'll create, and we're going to hand that back to our shareholders.

So we're pretty pleased from Q1 to Q2, while we saw our amazing share price value increase, we also in unison, increased our share buyback program from $1.6 billion to $3.9 billion in 90 days. That's an indication, hopefully, the commitment that we can see as the boats rise, we'll continue to reward the shareholder base.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. And then just given there's so much growth and there's so much need for all this capital. I mean, obviously, you talked about share buybacks, you talked about dividends. Just when you think about your product portfolio, are there areas where you feel like there is opportunity to maybe double down, beef-up the product offerings that you have?

David Kennedy - Dell Technologies Inc - Chief Financial Officer

I think we've if you ask me that question three, four years ago, I would have talked about Storage in particular and also the ecosystem around AI server. So as we continue to see chip generation, we're building out more and more engineering labs to be ready for those engineering hurdles and the next wave of products, and we'll continue to build out that storage portfolio. That's probably the sweet spot of where you're going to see our R&D investment as we kind of move forward.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

It's still pretty organic.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes, correct.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Okay. All right. And then just as we wrap it up here, if you compare today's environment, David, relative to where we first saw you at your analyst event, right? It wasn't too long ago and where you guys laid out some targets and clearly, you're surpassing that significantly. What do you think is part of the story that's most underestimated by investors?

Is it your AI opportunity? Is it the storage attach? Is it the exposure to sovereign? And just maybe help investors understand...

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Yes. I think as we wrap it, there's probably two elements that are fundamentally different. One is that scale and leverage conversation we just had. The other piece is, okay, AI GPU server has exploded, and we've seen that revenue. But that traditional server CPU inferencing TAM I think that is new 12 months on versus where we were previously.

And I think that's where you're seeing the duality of that revenue growth kind of really pop up. And we're positioned -- we sell across the portfolio. So I think as you see that circular conversation of tokens to data, to compute, to storage drives more tokens to data, to compute, to storage. As that gets bigger and bigger, we're well positioned given the only one who provides end-to-end those products. We're excited about the next few years ahead for sure.

Asiya Merchant - Citi Infrastructure Investments LLC - Analyst

Awesome. Well, I'd like to thank Dell and David, thank you very much and to Paul as well for coming to our tech conference and looking forward to more stellar results.

David Kennedy - Dell Technologies Inc - Chief Financial Officer

Thank you, team. Thank you.
