Rob Williams:
Hello, and thanks for joining us for our 2021 Dell Technologies, virtual Securities Analyst meeting. Our press release, preliminary proforma financials, web deck, and additional materials are available on our Investor Relations website. During this event, unless we otherwise indicate, all references to financial measures refer to non-gap financial measures, including proforma measures, revenue, gross margin, operating expenses, operating income, net income, earnings per share, EBITDA, adjusted EBITDA, and adjusted free cash flow. A reconciliation of these measures to their most directly comparable gap measures can be on in our web deck and other filings with the SEC. Additionally, I'd like to remind you that all statements made during this meeting that relate to future results and events are forward looking statements based on current expectations. Actual results and events could differ materially from those projected due to a number of risks and uncertainties, which are discussed in our web deck and SEC filings.

Rob Williams:
We assume no obligation to update our forward looking statements. Turning to the VMware transaction. We expect it to close in early November, contingent on a favorable private letter ruling from the IRS. The PLR process and all other close related processes are on track. Let me provide you with a few statements about the transaction mechanics. If you are a current holder of Dell Technologies common stock as of the record date, you'll receive approximately 0.44 shares of VMware for each share of Dell that you hold subject to the number of Dell shares then outstanding. In addition, Dell shareholders will continue to hold their Dell shares, which will then exclude any economic ownership in VMware. The implied value of the Dell shares based on closing prices on September 17th, 2021 would be approximately $51 per share. Assuming Q2 FY22 trailing 12 month financials, this illustrative valuation implies an eight times price to earnings multiple and a six times enterprise value to unlevered adjusted free cash flow multiple. Both of which are meaningful discounts to peers, and we believe represent an attractive opportunity for current and perspective shareholders.

Rob Williams:
We hope our agenda today gives you a sense of the opportunity we see for Dell and our shareholders. Today, you will hear short presentations from Michael and key members of our senior leadership team. We'll have a short break just before Tom's presentation, then the entire team will rejoin for interactive Q&A. With that, let me turn it over to Michael.

Michael Dell:
Hello and thanks for joining us. Today, we're going to outline our future vision for Dell Technologies. But to talk about where we're going, we really need to start with where we've been and what we've built. Over the course of the last 37 years, Dell has been a disruptor and an innovator. And we have fearlessly reimagined ourselves in our future again and again. We saw a better way to democratize the PC and then the data center. And we built an incredible global business as well as a customer obsessed high performance culture that has thrived over decades. The first wave of growth took us to over 60 billion in revenue. Later, when others questioned the future of personal computing, distributed servers and storage, we understood the power of our opportunity and we made bold moves to capture it, taking the
company private and committing to a multi-year transformation. When the narrative changed again with the rise of the public cloud, we went big when others broke up and went small.

Michael Dell:
Combining with EMC, the number one provider of data storage, and VMware, the leader in software defined data center, we became the only end-to-end provider of technology solutions to customers of all sizes. Today with more than 100 billion in revenue and 12.8 billion in cash flow from operations over the last four quarters, I believe Dell Technologies is the most essential enterprise technology company on the planet. We are perfectly positioned as digital transformation and shifting customer needs continue to bring IT markets our way. Technology has never been more central to the world, and we are at the center of the technology ecosystem, as IT becomes more distributed, more hybrid and more multi-cloud. We have structural advantages that are unique. We are unique in being end-to-end in our go to market reach, in our services capability, in our supply chain, in our scale, and in our firm first and best alliance with VMware. All of this translates to industry leading products and solutions. We win in the market, reinvest in our businesses and bring disruptive innovation to our customers.

Michael Dell:
Today, you’re going to get a little more color on our advantages and our innovation, and also the enormous opportunities ahead in telecommunications at the edge and beyond. In a world, awash with data where digital transformation is accelerating, we are at the center of our customers IT agenda from the PC to the core, to the cloud, to the edge. And we’re at the center of their personal lives through our industry leading PC experiences. The markets in which we compete and overwhelmingly in which we lead, are rocking, and Dell Technologies is rocking. So with that position, why change? Why spinoff VMware? Shareholder value? Sure, I’ve been very direct on that. Investment capacity for Dell Technologies as we emerge investment grade? Absolutely. Broader shareholder capital return? For sure. And Tom will have a lot more to say about that in just a few minutes, but this move is also strategic and designed to position us for what's ahead.

Michael Dell:
The question I most often get about the spinoff, is not why, but what is Dell Technologies after the spinoff of VMware? My answer, we are at the center of the multi-cloud world. We are the enabler of what is clearly a multi-cloud reality and future, connecting on-premise infrastructure, applications, and services. So customers consume data and instantiate cloud and software as a service, any way they want wherever they want. That's why fortune 100 customers like FedEx use Dell Technologies to move from legacy on-premise data centers, to colo and cloud. And to help them make the edge real by delivering data in real time, increasing productivity, and more importantly, delivering value to customers. Through our unique align with VMware, we create enormous value for customers in VMware environments, but we also have a vast open ecosystem bursting with innovation. The technical and commercial alliance we've perfected with VMware, is a blueprint for what's possible given our position within the technology ecosystem.

Michael Dell:
Today, 30% of the revenues for the top 1000 accounts in our infrastructure solutions group, come from softwares and service companies, cloud hosting companies, telco, consumer web tech, and FinTech. And that business is growing double digits. We have a bold long-term growth agenda targeting 1.3 trillion of addressable available market and 400 billion in future TAM opportunities. Our core business is growing
and thriving. And from there we are building multiple multi-billion dollar businesses in rays like edge and telco, where our market position, unique capabilities and go to market reach, let us do what others can't. So, that's where we are. And that's where we're headed. We're coming off several of the best quarters in our history. In our second quarter, we grew 15% and set record revenues with more than 26 billion. We grew our non-gap EPS 17% to $2.24 a share.

Michael Dell:
And over the past year, we've delivered a 63% increase in cash from operations. I am incredibly proud of the value we create for our customers, our communities, our 150,000 team members and for our investors, including through the spinoff of VMware. And it is right now while we are at our strongest that we must fearlessly reinvent again. What got us to this point, won't win in the future. That's a truism in technology. Our history to date is a great story, and you can read all about it in my upcoming book, but the most important and exciting chapter isn't in the book, it's the next chapter, the one we're writing right now. Our interests are aligned across all of our stakeholders. And with the core business currently trading at approximately eight times trailing 12 months, non-AP diluted EPS, we see ample room for value creation going forward.

Michael Dell:
Over 37 years, I have bet and re-bet on this company and the power of technology to drive human progress. We have seen the opportunities and we have fearlessly pursued them. And I see opportunity now. And I'm committed to creating value for all of our shareholders in this exciting future ahead. Now let me turn it over to Jeff Chuck and team, and I'll be back shortly for Q&A.

Chuck Whitten:
Thanks, Michael. Realizing our vision requires two reinforcing strategic thrusts. First, consolidate and modernize the core business. This is our bread and butter. PCs, servers and storage. We continue to lead in these large growing markets and we have a proven track record of taking share, consolidating and reinforce our position. But these leading positions didn't happen by accident. They come from our ability to listen to customers and adapt, grow, and innovate to meet their needs. The world isn't running purely on-premise or purely in the cloud. It's a spectrum and it's nuanced. And that's where we come in. You'll hear today, how Dell Technologies empowers our customers across their complete end-to-end digital needs. We provide a single one stop trusted shop to accelerate their business, data, and IT decisions using best of breed technology. Second, build new growth businesses where we have a unique right to win.

Chuck Whitten:
Michael said it well. We're writing the next chapter for Dell Technologies. Our customers businesses are becoming more complex, and so is the data powering those businesses. That means the next big growth opportunities for Dell build off of our natural strengths, simplifying the complex in IT and digital decisions, assembling ecosystems that unleash the full innovation potential of the entire industry for our customers, and building leading and technology solutions to efficiently store, manage, and generate business value from data. We've established a stable of solutions that allow customers to consistently operate their digital estate regardless of their cloud platform of choice or where it is located. On-premise, off premise and everything in between. And our first and best alliance with VMware, as well as growing partnerships with all of the major cloud providers like Amazon's EKS Anywhere on Dell EMC.
VxRail, or our Dell solution for Microsoft's Azure Stack HCI and Azure Arc, position us to all offer customers the choice and simplicity they need.

Chuck Whitten:
These and other solutions will make Dell the center of and central to the multi-cloud future. The potential is huge, both inside and outside our core. Today, Jeff and I will articulate this strategy and share why our sources of differentiation make us uniquely able to win in this era of rapid technology transformation. Sam Bird and Jeff Boudreau will then go deeper on our business unit strategies underneath this corporate strategy. And Tom Sweet will share what this means financially, including our go forward capital allocation and return framework. So, let’s start with consolidating and modernizing our core.

Jeff Clarke:
Our core is the source of near term growth, profit and cash flow. Today, we are the world’s essential IT foundation, enabling business outcomes, unlocking employee productivity, and acting as the gateway to employee experience in the new world of distributed work. And we enjoy leadership positions in these markets. As the graphic highlights, we are the leader in external storage, data protection, mainstream servers, client revenue, and displays. Not only do we have a leading share in these markets, we also have a track record of gaining share. And we plan to continue on this path. These markets are stable and growing and there’s headroom for Dell to grow with them. There is a reason we have a track record. And that reason is simple. We touch more customers than anyone else in technology, period. Customers trust us to navigate their complex needs. A trust that has powered us to generate industry leading insights, predict trends and drive differentiated growth.

Jeff Clarke:
So strategically, winning in the core keeps us at the center of customers IT and digital agendas. It also creates a flywheel for us driving more insights to fuel innovation and modernize our core businesses. This privilege trusted position with customers has led to a steady stream of market leading solutions. Today, Dell is one of the most complete integrators of technology, which in turn enables better business outcomes for our customers. Simply put, we connect the dots that no one else can. Let me bring this advantage to life with more examples of how our innovation engine leverages our unique customer insights. Take data IQ, which was born out of the need for customers to manage storage systems under a single pane of glass. It allows users to view all file and object data across the enterprise using high speed scan, indexing and search capabilities, reports on data usage and identifies performance bottlenecks.

Jeff Clarke:
It’s simple, intuitive, and efficient what our customers demand. Another important customer driven innovation is Apex, a key to modernizing our core business. We recognize that growth in our markets will be increasingly generated from different consumption models, from a simple cloud operating model, to as a service. And across all of this customers want simplicity, agility, control, and efficiency. That’s where Apex comes in. Apex gives customers the ability to deploy and as a service model, wherever it is needed. In the core data centers, at the edge, or in co-location facilities. And it is increasingly how customers connect to our automated software defined and AI enabled infrastructure. We are also co innovating with a leading automotive company on the future of manufacturing. We’ve teamed up with them to power their digital twin simulators for autonomous vehicles. To do this, we
built a multi-cloud approach in concert with Invidia and AWS allowing real time functions to compute on-premise and lower functions to compute in the cloud.

Jeff Clarke:
It is this customer-centric collaboration bringing the best of Dell as well as others technologies that allow us to drive this incredible impact for customers. We have already discussed two of our most durable advantages, our deep relationships with the wide customer base, and our unique alliance with VMware. But I’d like to call out three other unique and equally durable competitive advantages that matter. It's hard to overstate the importance of our direct engine to everything we do. We have technology's largest direct sales force and channel ecosystem, allowing us to build trust, deepen customer loyalty, and generate insight. Our a direct engine enables us to cross sell, upsell and bring new solutions to our customers as markets evolve, creating higher levels of growth and higher levels of profitability. Our leadership positions across our end-to-end client and infrastructure portfolios result in an industry leading supply chain. While we have unmatched raw scale in IT supply chain, what really distinguishes our market position is deep supplier collaboration and relationships that we’ve built over decades coupled with our direct market insights and higher end mix.

Jeff Clarke:
We are big, yes. But we are also good partners looking to shape mutually beneficial outcomes for our supply base. Our scale and our relationships give less advantage costs, continuity of supply, better supply chain security, and better sustainability. And you saw it. Look what happened in Q2 with our supply chain, even against a backdrop of unprecedented supply challenges, we delivered record PC shipments, record display shipments and posted 27% year over year growth in our CSG business. Dell Services is a unique in the industry service delivery network, not just boots on the ground, not just break fix. It's a modern automated capability that proactively predicts changes in customer environments and solves everyday problems. We have 79 million plus connected devices globally generating 22 plus terabytes of telemetry daily. Last year alone, we predicted and remediated over four million issues.

Jeff Clarke:
These service capabilities cover the entire services life cycle, including deployment, managed and resulting services, and continue to drive differentiated value for our customers. As IT becomes more decentralized, this is a huge advantage. Where the public clouds are good at servicing hundreds of thousands of things in a handful of locations, we've built the capability to manage tens, hundreds, thousands of things in millions of locations across the globe. All of this is built on a foundation of a high performance culture honed over the last 37 years. We are customer obsessed and have a culture of continuous improvement. Pleased, but never satisfied is a common refrain in the halls of Dell. This culture of thread is sown throughout the fabric of our company. It is the strong core business that gives us a springboard into related markets in the multi-cloud world, creating new sources of growth.

Chuck Whitten:
That's right, Jeff. We are firm believers that pursuing new growth means following our core customer and leveraging the capabilities and advantages we've described today. We will not make speculative bets on markets where we do not have a right to win with customer. The good news is that the vast majority of new growth areas in the IT world are based on the foundations of our core business. There can be no AI and data revolution or smart manufacturing or healthcare or telecom transformation without a strong core of modern compute, storage, and IT platforms. Most critically, the same durable
competitive advantages that let us win in the core, are what allow us to disrupt adjacent markets and build new markets. Let us bring it to life with two examples starting with the edge. The real time experiences in automation that are the hallmark of digital transformation are being decentralized.

Chuck Whitten:
They cannot be driven by a great mainframe in the sky. They have to be deployed in the real world. In retail stores, on manufacturing floors, and in smart cities, hospitals, and homes, given the real constraints of latency and cost. Imagine taking thousands or millions of data points in a split second from shop floor equipment to make rapid adjustments to safety and quality. Or enabling remote hospital to quickly diagnose and act on patient data to provide life saving care. Scenarios like these are real for our customers. They know that decisions made from the data at the edge are a point of differentiation for their businesses. It's why our edge business is already serving 45,000 customers across 108,000 unique sites today. That said, customers tell us that they see the potential at the edge, but struggle to unite the physical world and virtual world to drive business value. Especially in challenging and constrained environments like oil refineries, retail stores, and manufacturing floors.

Chuck Whitten:
Building this new bridge between the physical and digital world unlocks enormous edge market opportunity. Estimated at 110 billion today, growing at 17% over the next five years, and estimated to be a 700 billion market over the next decade. To win at the edge, you need more than just technology. You need the full suite of Dell Technologies capabilities. We have the supply chain to deliver at scale, the manufacturing to tie hardware, software, and security into a complete offer, and a modern global support capability to make it work remotely. These are enormous advantages. Our ability to deliver both integrated hardware and software, as we do with VxRail, and provide services through remote telemetry matter. You cannot do complex integration across thousands of retail locations. You need it to work with low IT intervention.

Chuck Whitten:
Further, our open compute approach and multi-cloud approach are different. We have partnerships with leading vendors within the critical physical plant ecosystems across industries. Think HVAC, manufacturing equipment, and machine vision to name a few. Together, we unite the physical world with the digital one. We can get any IOT stack or runtime to the right edge site securely giving our customers choice. And we work closely with the cloud providers in their ecosystems where the solution best addresses our customer needs. Telco is another great example of us being perfectly positioned for this moment in technology. With the ability to leverage our core asset position, capabilities, and open philosophy. Telecom is in the midst of a massive disruption. As operators roll out their new 5G networks, they're looking to economize the cost of the core network, taking queue from other industries disrupted by software defined architectures, the operators are moving away from closed high cost architectures.

Chuck Whitten:
You may have heard terms like Open RAN, used to describe these software innovations driving disruption. These innovations will lower the cost of wireless access and allow operators to shift that spend to new subscription and service software and move it cloud speed for the first time. As a result, the 114 billion TAM that was previously so highly guarded, is now an opportunity for Dell and we're ready to spearhead the disruption. We are the largest provider of open software defined industry standard infrastructure, and are now building systems for this market. Like our XR11 and XR12 edge
servers known for their durability against heat, shock and many other elements typical servers don’t go up against. We have the engineering, supply chain, and importantly the services to anchor the emerging modern telecom ecosystem. And again, we're natural partners following customer preferences. Our strategy and business model allow us to partner across the vast 5G ecosystem.

Chuck Whitten:
For example, we work with VMware and Red Hat among others on joint product development and customer and channel partner engagement. Edge and telco are just two of the many opportunities we see given market trends, our position in technology, and our durable competitive advantages. In fact, every year we find more opportunities to expand Dell's value in transforming the world into a high value digital future. We believe our open compute formula, multi-cloud integration capabilities and commitment to customer choice will continue to power us to be the one stop shop for customers digital transformations. And we see multiple ways to grow, particularly post spinoff as we emerge investment grade and with meaningful investment capacity. Organically as we're doing in our core businesses, and with the exciting growth areas we've touched on today, through targeted M&A aligned to our strategic priorities and consistent with the capital allocation framework that Tom will discuss, and through technical and go to market alliances as we've done with VMware over the last five years, and as we're doing at the edge and in telco.

Chuck Whitten:
We are first and foremost about customer choice. And the spinoff makes that clear and should unlock even more potential. What we've described a day is a repeatable model of growth inside and outside our core. One that we believe will drive GDP plus levels of growth and consistent EPS expansion.

Jeff Clarke:
So, let's sum it up. It starts with consistently winning in our core business, where we build customer trust and create unique insights that power our innovation engine. It builds with our durable competitive advantages, broad customer reach, world class supply chain, and a modern service delivery network. It extends beyond that core to win across all of our customers digital needs leveraging the same customer relationships, insights, and durable set of competitive advantages that are central to our existing CSG and ISG businesses. And it is underpinned by a high [inaudible] ratio and a commitment to creating long-term shareholder value. We have reinvented ourselves many times and we have accumulated a set of unique competitive advantages that position us perfectly for this moment in time, for the next round and for the next round. With that, let us hand over to Jeff Boudreau, who will describe our infrastructure business strategy followed by Sam Bird on our client business strategy, and then Tom Sweet on the financial and capital allocation implications.

Jeff Boudreau:
Thanks, Jeff and Chuck, I'm excited to be here today to talk about ISG and how we're positioning ourselves for growth in fiscal 22 and beyond. Our durable competitive advantages, including our comprehensive portfolio world class go to market, supply chain, service and delivery capabilities and our financing arm of DFS, give us a prime seat at the table when customers are making their most critical it decisions. The ones that enable them to grow in a do from anywhere economy, where their data is the most critical asset. And customers trust Dell more than any other partner to analyze, store, protect and manage their data. In fact, 95% of fortune 100 companies rely on Dell for their mission critical IT. Data is expected to grow at 23% CAGR over the next five years as the world becomes increasingly more digital
and connected. That growth requires better storage, better software and more compute. And we have the best solutions in technology in the industry. And it's the gravity of that data where it's created, where it resides, and where it needs to be processed that plays to our strengths. It's no longer just in the traditional data center or cloud. Increasingly data is distributed. It's in co-located data centers. It's at the edge, in manufacturing, in healthcare, smart connected cities, our homes, our cars. In fact, more than 50% of new IT infrastructure will be deployed at the edge by 2023. With these major shifts, multi-cloud becomes vital to a successful IT strategy. So, let's focus on cloud for a moment. It's a key driver of our ISG growth, and we tap into that growth in several of ways. First, we provide the underlying infrastructure for many of the world's largest cloud service providers, including software as service providers, cloud hosting companies, telcos, web techs and FinTech.

Jeff Boudreau:
As Michael highlighted, this segment is 30% of our demand amongst our top 1000 customers and grew double digits over the last four quarters. Second, we enable customers to build their own on-prem private clouds, and this demand continues to grow, and we are the leader in this space. Third, we enable customers to bridge the on-prem and public cloud world. Our data protection software enables us to protect data to and within the cloud. PowerScale for Google cloud allows customers to combine our best of breed storage software with Google's advanced AI in analytics. And our multi-cloud storage services enable customers to keep their data in place simultaneously connecting to multiple clouds without hyperscale or lock-in. And now our Apex as a service offering, provide the best benefits that customers love about the public cloud with simplicity, agility, and control. Our core ISG team is big and it's growing with headroom to expand into adjacent opportunities like telco edge, and as a service. These growth areas will play a key role in ISG's long-term success and position us for continued growth at a premium to the market. In ISG, we're starting from a significant position of strength across our unmatched portfolio. No one else can offer customers the same breadth, depth and integration that we can. This provides more stable and predictable financial results and differentiated value relative to competitors who are more we're narrowly focused. Our ISG business has generated an impressive $34 billion of revenue and four billion dollars of operating income per year. On average, over the last three fiscal years. And our ISG financial performance has remained resilient in the face of the pandemic over the last 18 months. In servers, we're number one in X86 server revenue, and number one in mainstream server revenue with 28.3% share. And we are a proven structural share gainer over time. We have gained 560 basis points of mainstream server revenue share over the last five years.

Jeff Boudreau:
And we've gained over 1500 basis points of share over our next largest competitor over that same time period. And our momentum accelerated in Q2 with 310 basis points of mainstream revenue share gain year over year. In storage, we are far in a way, the number one player in every major category. High end, mid-range, all-flash arrays, CI, HCI, data protection, you name it, we're number one. In total, we hold 28.4% share in the external storage market, more than two and a half times the nearest competitor. And as organizations make critical investments to support their digital transformations, we're even more optimistic about our future prospects. We report our ISG business in two parts, storage and service and networking. I'll talk about each in more details, starting with storage. Over the last few years, we've made significant investments in storage. And our portfolio in our go to market focused on driving consistent growth over time. We uniquely cover all critical areas of the storage market with our simplified power branded portfolio. All next generation, modern architectures, cloud enabled, and AI driven. And yes, architectures matter. And we provide the best solutions for each of our customers, specific workloads and use cases. Simplification has enabled us to accelerate innovation, both on our
current portfolio and also on more long-term R&D efforts. And our strategy is paying off. We've gained 340 basis points of share over the last three years in north America, the largest most technologically progressive market, and typically a leading indicator of trends in other regions. In the high end price bands, we've gained 370 has points of share over the last three years. And we're driving the transition to the software defined data center taking 350 basis points of share in HCI over the last three years where we now have 32% of that market. Critical to our continued success is our focus on mid-range price bands, which represents roughly 60% of the total storage market.

Jeff Boudreau:
PowerStore, our key mid-range solution is the industry's first modern mid-range storage architecture in a decade, and has now helped us to deliver three consecutive quarters of year over year growth in mid-range, gaining roughly 200 basis points of mid-range share in Q2 alone. Roughly 23% of Q2 PowerStore buyers are new to Dell storage. In a testament to the outcomes that PowerStore can deliver, 20% of PowerStore buyers will repeat customers. We're still in the early [inaudible] with PowerStore, but I'm excited to see its progress in the marketplace. Success in the midrange is imperative, but many customers are also looking at other modern storage architectures and we have the best software defined storage portfolio in the industry. HCI is the fastest growing portion of the storage market. We're number one with VxRail, which has delivered consistent year over year growth since inception in 2016. It's a great example of innovation in our

Jeff Boudreau:
... in our first and best strategic partnership with VMware. In PowerFlex, our software defined storage solution is the foundation of some of the largest on-prem, private cloud deployments in the world. Customers love its ability to scale compute and storage capacity independently, as well as its ability to literally scale performance with additional nodes. As the market continues to shift towards software defined deployments, you will see PowerFlex increasingly become the storage fabric for Dell’s multi-cloud software defined stack. In speaking of software, we are also the leader in multi-cloud data protection. Our software protects more data in the cloud than any other company, including seven exabytes across public cloud providers, such as AWS, Azure, and Google cloud platforms. Through constant innovation with partners like VMware, we are the leading provider of data protection appliances and software, globally. And our 80% share of the purpose built backup appliances and market leading cyber recovery solutions make the partner of choice for customers investing in ransomware protection.

Jeff Boudreau:
Our robust portfolio refresh and innovation engine have built the foundation for us to renew storage growth over the coming quarters in years. And we are in position to extend our leadership, as the IT infrastructure market rebounds fall in the pandemic. Our overall storage demand return to growth last quarter, with our buyer base growing double digits year or date. We expect storage demand to grow again in the second half of the year and continue in fiscal 23. As the economic environment improves, customers begin to reinvest in their digital transformation in their deferred projects. We build upon our mid-range momentum and our apex outcome service based adoption accelerates.
Jeff Boudreau:
Moving forward, we're investing in new areas that will position us to win for years to come in storage, including apex and data management. And you can expect to hear us talk more about data management in the near future.

Jeff Boudreau:
Let's shift to server and networking. Our server and overall ISG performance has remained through the pandemic, with minimal impact to profitability. With customers confidence in the overall macro environment improving, server demand is growing again. As I discussed earlier, data is growing exponentially. And we see a strong future demand environment for compute, as customers seek to process analyze and gain insights from that data.

Jeff Boudreau:
We grew Q4 last year and we grew our first half server in networking revenue 8%, year of year, with demand ahead of revenue. We also have a strong track record of server share gains over time. And we remain well positioned to grow as the server market recovers through continued innovation. Our new 15G power edge servers have adaptive compute to handle any workloads from AI to data intensive, and deliver realtime insights, wherever that data resides.

Jeff Boudreau:
These servers also deliver advanced automation with built in security and proactive resilience to protect against cyber attacks. We also recently launched a new set of servers optimized for telecom customers, and specifically designed to perform in space constraint and harsh edge environments with extreme temperatures. And speaking of the edge, it's not new to us. Chuck talked about our opportunities at the edge. We already have a robust OEM business serving edge use cases today.

Jeff Boudreau:
Our servers play a critical role, optimized for specific use cases in verticals like defense, healthcare, manufacturing. In fact, roughly 70% of us fortune 100 companies use Dell Technologies for their edge solutions today. And we are leaning into edge further, as we build an integrated edge platform, to meet the critical needs of specific entry verticals, such as manufacturing, retail, telecom, and smart cities.

Jeff Boudreau:
Networking is a much smaller portion of our ISG business, but with our innovation and our competitive differentiation, it remains an important compliment to our storage and service solutions, ensuring they all stay connected. We are a leader in open networking with our Dell EMC PowerSwitch Data Center and Campus solutions, industry leading software with smart fabric OS 10, and enterprise Sonic distribution, and the next generation access solutions and partnership with VMware. We expect servers and networking to grow again in the second half of fiscal 22 and into fiscal 23.

Jeff Boudreau:
Michael, Jeff, and Chuck have highlighted several trends that paint a clear picture that the world of it will be one that spans from edge to multi-cloud. 92% of companies already leverage multi-cloud and use an average of five clouds today. The inherent complexity of the journey to multi-cloud and the many difficult steps that customers must navigate to get there, present and a clear opportunity for us, not
only in the core markets where we lead today, but in the adjacent opportunities that we've been discussing.

Jeff Boudreau:
Our fundamental goal is to help customers realize the multi-cloud future. As Jeff and Chuck highlighted, our primary advantage is our deep customer relationships. We understand the fundamental pain points, which really boil down to five key challenges, inconsistent core operations across clouds, the lack of workload portability between clouds, the proliferation of data silos across the multi-cloud, inconsistent security capabilities, and no single point of support.

Jeff Boudreau:
We believe that our market position, open compute formula, and durable, competitive advantages make us uniquely to enable consistent operations and seamless mobility of workloads from edge to multi-cloud, to enable customers to easily manage data across the multi-cloud, while protecting the security of that critical data, and to act as the service hub to support a customer's multi-cloud implementation end to end. We are positioned to be singular vendor at the center of customers multi-cloud future. We will share more about our multi-cloud strategy and progress in the coming months, including at Dell Technology Summit in October. The future is very bright for ISG.

Jeff Boudreau:
In closing, I'd like to reemphasize, we expect growth in the second half of fiscal 22 and for the full year in total, and in fiscal 23. Now I'd like to turn it over to Sam Burd, to talk to you a bit about the amazing innovation and growth our CSG business continues to deliver.

Sam Burd:
As you've heard from us today, we have a lot to be it about at Dell Technologies. We're in our 37th year of a consistent commitment to the PC. Our PC business has never been better and there is still ample room to grow and innovate.

Sam Burd:
There are four key points I want you to take away from today's meeting. First, the PC industry has reset to a higher level, led by long term growth in the higher value segments of the industry, namely commercial PCs and premium consumer PCs, including gaming. These segments are the spaces where we're focused. Second, these segments have grown rely over the last five years. They have driven most of the industry revenue and profit growth and are expected to continue to do so. Third, our client solutions business has delivered consistent, stable, top line growth and differentiated profitability because we win with our unique direct sales motion. Finally, it's become clear that the PC is the essential tool for work, home, and school. Today's do anything from anywhere economy drives long term sustainable growth and has created even more surrounding opportunity in services and peripherals where we can leverage our strong attached motion across the broader PC ecosystem.

Sam Burd:
Let's look at what's been happening in the PC industry. Worldwide shipments averaged approximately 260 million units from 2016 to 2019, and jumped to over 300 million units last year, with the highest growth in 10 years, at 14%. as we look to the future, we continue to see significant opportunity.
Shipments are projected to be even higher this year, growing 14% to 347 million units. And over the next four years, IDC projects, an average of 350 million units a year.

Sam Burd:
But all PC units are not created equal, and they certainly don't provide the same level of financial return. The most valuable portions of the industry are commercial PCs and premium consumer PCs. These segments have grown reliably over the last few years, even before COVID-related impacts. If you look at revenue, the value of these segments is even more clear. The industry average ASP for these segments, is approximately $1,000, compared to less than $500 for mainstream consumer PCs and Chrome. Fully 80% of industry revenue and nearly all industry revenue growth has and will come from commercial PCs and premium consumer PCs. While we opportunistically play in all segments, these higher value segments are where we are focused and are what matters for our long term growth.

Sam Burd:
Commercial makes up more than 70% of our CSG revenue. It is delivered dependable and consistent growth throughout multiple cycles. And we believe there are secular trends that will continue to provide growth for years to come.

Sam Burd:
Businesses around the world are increasingly digitizing and using technology to increase productivity and innovate. We are witnessing the most significant aging of an installed base that we've seen. And customers need to upgrade to get the latest innovation and processing power to support the connectivity, collaboration capabilities, and other data heavy uses in today's new digital environment.

Sam Burd:
Work from anywhere trends have increased the number of places we need technology, and driven a shift to notebooks with faster refresh cycles. Our research suggests in the order of a year and a half quicker replacement cycle, which will drive TAM expansion, longer term. Notebooks also tend to have higher ASPs, and as customers switch from desktops to notebooks, they are inclined to maintain the performance of the device versus the price point. Add to that, the largest remaining consolidate opportunity in commercial is in small business and medium business, where we have continually invested in coverage and have a differentiated advantaged go-to-market model.

Sam Burd:
Premium consumer PCs are a similar, attractive, stable opportunity driven by the rise of the middle class globally and the COVID strengthened role of the PC in bringing the world into the home. Our research suggests a shift in the home environment, where we're now seeing more than one PC in a household. And we expect that to continue to increase over the next couple years, as people want to stay connected, play games, and have a better experience using their own PC.

Sam Burd:
With our focus on these higher value segments, we've delivered consistent results in our CSG business. Revenue has grown at a 7% CAGR from FY18 through to FY21. We've reached record commercial revenue for the last three fiscal years and are on track for another strong year.
Sam Burd:
Our consumer business has also performed well, setting new revenue records in three of the last four fiscal years. We’re number one in revenue and have demonstrated the ability to adapt to industry dynamics over time, as evidenced by our commercial PC sharer gains in 30 of the last 34 quarters, and more than 700 basis points of share gain over that period. And it’s not just top line growth and share gain. We have also delivered significant margin expansion.

Sam Burd:
In FY18 in FY19, our operating margin averaged 4.9%. in FY20 and FY21, it was 6.9%. and we’ve set operating income records in each of our last two fiscal years. Our unique direct sales motion is a key driver of our consistent growth and strong profitability. Michael disrupted the PC industry by selling directly to customers, more than 37 years ago. And it is still an advantage for us today.

Sam Burd:
So why is the direct model such a differentiator? Simple, it creates a powerful, virtuous cycle. We have direct relationships with customers across the entire spectrum, from consumers to small and medium business, to the largest global enterprises, spanning both public and private sectors. This fosters intimate customer relationships.

Sam Burd:
Through these relationships, ongoing services, interactions, and telemetry insights, we can better understand customers needs and identify the right solution for them. This creates a better experience and more loyalty, driving a premium solution mix, higher attach rates, and continuing insights that fuel innovation and product design and go to market strategy.

Sam Burd:
During the past 18 months, we’ve also completely revamped our in consumer, making a strategic decision to concentrate our efforts on direct, via online and becoming much more selective in our retail partners. Dell invented the direct to consumer model with dell.com, and is a leader in accelerating an eCommerce-driven world, which you've seen in our results over the last year and a half.

Sam Burd:
Based on our research of north American, dell.com customers buying PCs, we’ve found they spent over 30% more on direct PC attach, compared to in-store or other online site purchasers, which brings me to my final point. Our growth opportunity, isn’t just about PCs. While the PC is the centerpiece device for productivity and entertainment, there is a broader ecosystem around the PC that enables an even better user experience.

Sam Burd:
Based on our analysis and industry data, we have identified more than 150 billion in growth adjacencies. Customers looking to create the best experience and improve productivity, buy more software and Peripherals, whether it’s keyboards, big displays to visualize data, or collaboration accessories like headsets and webcams. We have a proven Peripherals attach motion, which has led to leadership and key categories. But we still have more room to grow.
Sam Burd:
We are the number one provider of displays, a $32 billion category, and the leader in the $5 billion docking category. We’re investing to grow in other areas of Peripherals like webcams, headsets, and keyboards and mice. Combined, these are a $16 billion opportunity where we have a small share position today.

Sam Burd:
Our industry leading services capabilities also provide a strong base for expansion. Our Global Services organization is unmatched, with more than 34,000 employees, 2,400 service centers, 750 parts depots, and 105 repair centers. Our capabilities extend far beyond boots on the ground, to modern, automated telemetry and remediation, built with the enterprise class expertise we have across Dell Technologies. We’re using these capabilities to innovate and open a $40 billion adjacent opportunity across the PC lifecycle in areas like zero touch deployment, no hassle endpoint management, and device security, all of which will be available as a service for customers looking to transform the way they use technology.

Sam Burd:
In conclusion, we are proud of a heritage of a strong operating performance, and doing things in a differentiated way that produces better results. We’re focused on the most attractive segments in the PC space, taking full advantage of our unique, direct model and expanding to capture the large opportunity in Services and Peripherals that surround the PC. We’re doing this by getting some amazing products in the hands of our customers. Before we go to the break, I’d like to leave you with a video that showcases the innovation and design breakthroughs in our current portfolio.

Tom Sweet:
Hi, everyone. Welcome back from the break. A few key points as we jump in, we do have a track record of consistent growth, profitability, and shareholder value creation. We’ve demonstrated we can deliver results no matter what the market conditions, whether that is in market opportunities or headwinds. We have the agility to adjust the model that is needed. And I will share how we’re thinking about our long term financial framework, and provide more detail around our evolving capital allocation post VMware spin.

Tom Sweet:
Stepping back to look at how we’ve executed against the long term framework we shared in our 2018 and 2019 analyst meetings, we’ve demonstrated a solid say-do ratio. Our compounded annual growth rate of 7% is above our 4 to 6% long term guidance. We’d said we deliver operating income that grows faster than revenue, and we’d have 12% operating margins by fiscal year 23. We delivered an operating income growth rate of 12%, compared to 7% revenue growth rate. And we’ve increased our operating margin rate, annually. Our EPS has grown faster than operating income, benefiting from lower interest payments. Our strong cash generation and focus on delivering have put us squarely in our core debt leverage targets and positioned us well to achieve investment grade across all three rating agencies. In fact, we recently received an upgrade from Fitch to investment grade and expect a farther upgrade after the VMware spend. And as a reminder, we have reduced our core debt by 25 billion, since the EMC transaction.
Tom Sweet:
We have demonstrated that we can deliver record results while navigating through dynamic markets. Our durable, competitive advantages have been key. Our direct sales force provides the ability to pivot into market opportunities when they arise and gain share while doing so.

Tom Sweet:
In the second half of fiscal year 18 and into fiscal year 19, we capitalized on a server refresh cycle. Our ASPs increased as we sold deeper into the data center with higher configuration levels. Over the past four quarters that do anything from anywhere economy drove an early rise in consumer PCs, education notebooks, and Chromebook sales.

Tom Sweet:
Recently, momentum has shifted to commercial PCs. The customer intimacy we have via our direct sales force highlighted this demand swing early enough for us to have our supply chain positioned for the transition to commercial PCs. As we have leaned into markets, we have driven a strong performance, gaining roughly 560 basis points of share in mainstream server and roughly 540 basis points of share in commercial PCs, excluding Chrome, over the past five years.

Tom Sweet:
In early fiscal year 21, when customers were looking for more flexibility to conserve the liquidity, we introduced the DFS payment flexibility program as a way to help businesses through a challenging year. And as we highlighted earlier today, our modern services offerings provide a differentiated set of capabilities that drive higher margins across our portfolio. The deep, long-term relationships we have with our supply chain facilitates continuity of supply in a constrained environment. This has allowed us to manage lead times for our customers and delivered record PC shipments over the last four quarters.

Tom Sweet:
Given the challenges we've seen in the macro environment over the past couple of years, the storage business has been fairly resilient and has grown in key areas. Over that time, the storage portfolio simplification has allowed us to focus on accelerating innovation, particularly in the mid-range price band, the largest and fastest growing part of the market. Protecting profitability and liquidity during the unknown of the pandemic was a priority. We took the cost actions we thought appropriate and reduced our operating expense, materially. And if you look at our most recent quarter, our Q2 results were an excellent example of how we've leveraged our durable, competitive advantages.

Tom Sweet:
Across our industry, we had differentiated alts in our CSG business up 27% year over year, and in our ISG business, up 3% with servers up 6% year over year. We're able to shape demand selling configurations that were in stock. We navigated a complex supply environment, leveraging our long term relationships with suppliers to deliver our customer commitments, and delivered 17% diluted, non-gap EPS growth. In summary, our broad portfolio, durable, competitive advantages and cost discipline provide us the levers to deliver results in any market.
Tom Sweet:
Earlier this week, we released an expanded set of VMware proforma financials. The financial track record we talked about at the Dell Technologies level, stems from how we’ve executed in our core businesses. By growing revenue at 6%, with a 16% EPS growth between fiscal years 19 through 21, while delivering strong cash flow, these results reflect the durability of our business model.

Tom Sweet:
Let’s take a minute and focus on our long term framework. Our growth expectations are against our strong fiscal year 22 performance. Given our broad portfolio, the innovation we’re driving to modernize our core businesses and to deliver customer solutions, leveraging our durable, competitive advantages, we believe the business can deliver base case revenue growth of three to 4%, over the long term. You heard Sam and Jeff discuss their focus areas that support a two to 3% long-term growth in CSG and a three to 5% growth in ISG.

Tom Sweet:
In CSG, we’re focused on the most stable and profitable segments of the market, commercial, small and medium business, premium consumer, and gaming. There’s a large ecosystem them and TAM around the PC, which our direct sales team is positioned to capture. And we have a consistent track record of strong, relative performance. We have gained 540 basis points of share in commercial PCs, excluding Chrome, over the last five years. And our track record for servers is similar, as we have gained roughly 560 basis points of mainstream server share over the last five years.

Tom Sweet:
Storage has already made significant strides in portfolio simplification with new solution releases in the modern storage architecture. We’re growing and gaining share in the fastest growing segments of the market. There are also opportunities to deliver higher growth rates, particularly in the adjacent markets, and will continue to pursue and execute, as our strategy evolves.

Tom Sweet:
We expect base case diluted, non-gap EPS growth over the long term of 6% or better. We will deliver growth and improved profitability, be a solution innovation, and business mix. And we will continue our discipline cost management. Our supply chain excellence is a durable advantage that we will lean into. And all of these, along with our P and L scale, allows us to drive EPS growth greater than revenue growth.

Tom Sweet:
From a cash flow perspective, our revenue and Opinc growth, coupled with our discipline and working capital management, provides an advantage that yields cash flow growth that is faster than revenue. Given the growth we expect to see in the business, compounded EPS growth in our cash conversion cycle, we expect our net income to who adjusted free cash flow conversion to be 100% or better. This framework is enabled by a strong cash generation, and also provides us with flexibility to invest in the business.
Tom Sweet:
As you know, we've been focused on de-leveraging over the past several years. Our strong cash flow has enabled roughly $25 billion of core debt pay down, since the EMC transaction. On a proforma basis, our core businesses have generated roughly $6 billion of annual free cash flow since fiscal year 18. Once we've achieved investment grade across all three rating agencies, which we expect around the VMware spin transaction, we will transition to a more balanced capital allocation strategy with return to shareholders as follows.

Tom Sweet:
First, we are committed to the investment grade rating and are targeting 1.5 times core leverage ratio. We will continue to fund organic growth opportunities and pursue targeted M&A aligned to our strategic priorities. Beyond that, we believe there's excess cash we can return to shareholders, and are targeting to return 40 to 60% of adjusted free cash flow via share repurchase and a quarterly dividend.

Tom Sweet:
The board of directors has authorized a $5 billion share repurchase program, which be use primarily to manage dilution of employee incentive plans and opportunistically to manage share count. This program will commence, following completion of the VMware spin. This program replaces the remaining amount of our previous $1 billion program.

Tom Sweet:
We also expect to initiate a quarterly dividend in Q1 of fiscal year 23 with an attractive yield, subject to approval by our board, at that time. Based on what we see in the framework I've outlined, we are targeting a $1 billion annual dividend to start. As is customary, we will provide more information on the record date and the amount of the quarterly dividend in Q1, following board approval.

Tom Sweet:
As we wrap up today's discussion, let me leave you with a few thoughts. Over the last several years, we've built a company that's positioned to be the center of the multi-cloud world. During this timeframe, growth P and L leverage, EPS accretion, and strong liquidity have been our focus. We've executed a number of actions that have unlocked shareholder value. We've simplified both our corporate and capital structure through the Class V transaction, selling non-core assets. And we have been disciplined in our de-leveraging.

Tom Sweet:
Our strategy to consolidate and modernize the core and build new growth businesses that enable the multi-cloud future, coupled with our P and L leverage and strong cashflow, drive long term financial model, where we expect to deliver three to 4% revenue growth, 6% growth are better in non-gap diluted EPS, net income to free cash flow conversion of a hundred percent or better. And the capital allocation framework we announced today will provide incremental value to shareholders.

Tom Sweet:
In closing, we have a track record of a consistent execution across any economic or IT spending cycle. We believe the technology trends we've seen accelerate over the last few years will continue to be strong in the longer term. Our durable, competitive advantages and strategy position us well to provide
solutions for our customers in a multi-cloud world. With our execution, capital return to shareholders announced today and current valuation multiples, we believe there's ample value creation going forward for all stakeholders. Now, let's open it up for Q and A.

Rob Williams:
We're now going to start the Q and A session. We've invited our cell side analysts to ask questions, via live video. For these analysts, please click the, raise hand button, at the top... or sorry, at the bottom of your screen. Please ask your question with limited follows, then get back in the queue if you have additional questions. For others in our online audience, if you have a question, please submit it through the, ask a question button, in the upper right hand portion of your screen. If we don't get to all of the questions, we'll get back to you directly after the meeting concludes. Let's take our first question.

Operator:
Our first question comes from Katie Huberty, Morgan Stanley.

Katie Huberty:
Yes. Thank you. Great to see everybody. Appreciate all the details. This question I think is directed at, Tom. The market is clearly digesting your outlook and the capital return plan positively today. But as I look at the particularly revenue and margin assumptions, there appears to be some conservatism. And you're not really embedding share gains.

Katie Huberty:
One example of this I would point out, is that on slide 24, you show ISG market growth of six to 7% CAGR versus your own internal assumptions of three to 5%. So given all the competitive advantages and new market opportunities, if you can just help us understand why there's a healthy dose of conservatism, as it relates to approaching the multi-year, financial outlook. Thank you.

Tom Sweet:
Hey, Katie. Great question. Look, I think you got to step back and think about what we're trying to accomplish here, which is, to give our investor base an understanding of how we're thinking about the business in future years. Obviously, it is a long term framework. And if we look at the goal, the opportunities, our durable, competitive advantages, the long term market trends, as we see them today, we do believe that what we’ve talked about is in fact, the base case revenue growth of three to 4% makes sense. And then you have to think about the adjacencies and the other things that we can do to accelerate that revenue, above the base case.

Tom Sweet:
As I highlighted in my presentation, if you look at, say, ISG, for instance, which you called out, Hey, we have a three to 5% base. Yes, markets are, over the next number of years, are headed that way are growing sort of low to mid single digits. In addition, though, we also see, there are also adjacencies that may offer or should offer interesting growth opportunities. Those aren't factored into our base case. So you should think about base case being, as we continue to consolidate core market opportunities, and then adjacencies above that. And look, I think at the end of the day, this is a long term framework. We know there're ebbs and flows in the cycles, as we've all seen over the past few years. So I think how
Tom Sweet:
How we framed it, I think, is the appropriate way to think about it over the intermediate term that we've highlighted.

Katie Huberty:
Okay. And if I may just follow-up, maybe geared towards Michael around those adjacent opportunities that aren't embedded in the model. You have a really unique insight into Dell venture investments. What really excites you in terms of opportunities to either partner or invest further in some of the investments that Dell has made through the venture angle over the last couple of years?

Michael Dell:
Katie. I think we see a tremendous amount of innovation going on right now at the edge. And all the embedded intelligence that is going into machines, and this machine to machine communication, and all the new infrastructure that's going to be required there. As you said through our Deltek Capital we've invested in, I think, over 130 companies. Giving us a window into what's out there in the next five to seven years. I would say that edge is the beginning of a whole new enormous opportunity that we see. It's going to create much, much larger amounts of data. 5G will just accelerate that whole process. And of course, you need all kinds of new compute engines for AI and processing in real time. And as we described, all of that is built on our foundational business. And we've also had a great success in Deltek Capital in being a partner to many of those new emerging businesses.

Rob Williams:
All right, excellent. Thank you, Katie. Appreciate it.

Operator:
Our next question comes from Amit Daryanani, from Evercore ISI.

Amit Daryanani:
Thanks a lot for taking my question, and thanks a lot for the event. I guess, maybe I want to go back to the capital allocation discussion a bit, and two parts of this I'd love to understand. One, are buybacks going to be largely focused to offset dilution, or is it going to be a more consistent net share reduction roadmap that we should think about? And then secondly, I'd love to understand, where does M&A fit into the narrative for Dell as we go forward? What areas do you want to focus on and what are the financial factors we should think about when we think about the deal potential there?

Tom Sweet:
Hey Amit, why don't I take the poorest part of that. And then I'd ask maybe Michael, Jeff, Chuck to jump in as we chat about M&A. But as we think about buyback, right? Our whole thinking around shareholder return here is we wanted a balanced approach, right? Our whole thinking around shareholder return here is we wanted a balanced approach, right? We wanted to put a dollar dividend out there, and we've targeted a billion dollars annually that we would begin next year. And in addition to that, we also wanted a share repurchase program. We do know that we do need to manage dilution, as you highlight it. I also will tell you that, depending upon how the stock is trading and valuations, you should expect us to be in the market from time to time as we think about opportunities to reduce share count. But obviously that will be a balanced approach as you think about valuation, and we can flex up or down depending upon where that is trending.
Tom Sweet:
I think it gives us a lot of flexibility, which is what I wanted as we worked our way through this. On the other hand, I think it demonstrates to our shareholders that we're committed to returning capital to them thoughtfully and appropriately, while also providing flexibility for the company to continue to invest. And I think that dovetails nicely into the second part of your question around M&A. We will have ample opportunity, or sorry, ample funds to do what we would call targeted M&A. And I think those are going to be aligned around our strategic areas of focus. And maybe I'd ask Michael to jump in, or Jeff or Chuck to jump in and maybe add some thoughts about how we're thinking about M&A.

Michael Dell:
Yeah. I mean, as Tom said, it's targeted M&A, I wouldn't be looking for any large-scale transactions. And if you think about the strategic vectors that we've talked about, these new areas of growth, there are going to be opportunities for us with some relatively small transactions, and our incredible customer relationships, supply chain distribution, et cetera, to create a lot of value. So that's how we're thinking about it.

Jeff Clarke:
[crosstalk] Maybe a little texture with that is we've talked consistently about the strategy of what we refer to as the big six areas of technology that are really driving our roadmaps and really driving our interactions with customers. So think multcloud, think telco, think 5G, think data management, artificial intelligence, machine learning, and then lastly security. So that spectrum of technology, which we think has been accelerated through the pandemic. And certainly what we see happening as companies rapidly digitize, would be those target zones or some texture around that very disciplined, targeted M&A mindset that we will have.

Amit Daryanani:
Perfect. And if I could just follow-up really quickly. I heard Jeff talk about it on the ISC side, we expect storage to grow back of this year and for next year. I mean, is that just an expectation of what you think organic growth in the search market is, or you think the share gains are going to be happening over there? Just, what's driving that growth in the backup share gain versus organic would be really helpful?

Jeff Clarke:
Jeff Boudreau, you want to start? [crosstalk]-

Jeff Boudreau:
I'll take that. Yeah, I'll take that, Jeff. I was just coming off mute. Sorry, I apologize for that. Yeah. Just to clarify, we are growing now, just for context here, in the overall storage [inaudible] return to growth last quarter with [Roach] heavily in two key areas, which was around mid-range and VCI, which are the two big piece of the market where their growth is. In addition to that, we actually saw a double digit growth in our buyer base in both server and storage, which is a really good sign for us as we think forward on forward momentum. We do expect growth in the second half this year and into the next year as we look forward. And a lot of that's because the focus of the mid-range, right? If you think about the highlight, Jeff and Tom have talked this over and over again about the mid-range is the imperative of where we have to win.
Jeff Boudreau:
And it represents about 60% of the storage market. We're extremely well positioned with the portfolio that I mentioned earlier with PowerStore and with VxRail and PowerFlex. Which are just new modern architectures that really help drive if it's purpose-built, HCI, or software defined. So depending on the use case and the market that the customer is trying to derive, we can really lean into those. As you saw this quarter, we gained about 200 basis points of share in Q2 alone. It's our third consecutive quarter of growth in the mid-range. For the biggest market, the biggest growth market, we have the best portfolio in that space. We're very competent in our position in mid-range.

Jeff Clarke:
Yeah. Maybe to build on that Jeff, a little bit. I mean, if you think about mid-range, 60% of the marketplace, you've heard us talk in long preparation to bring out our PowerStore product, the new mid-range product that Jeff talked about. The first modern architecture in a decade in the marketplace. And we now have strung together three consecutive quarters of growth, 8% in Q4, 23% in Q1, 17% that we talked about in Q2. That is beginning to make a difference. Jeff talked about the 200 basis points of share gain he referenced was in the mid-range. We grew twice the market in mid-range in calendar Q2. So we are growing.

Jeff Clarke:
We have a very broad portfolio, so there's places where we're up and down. But broadly, we are growing. We are growing in the areas that we think are most important, which is a modern three tier architecture, which is PowerStore. And we're the market leader and growing in the modern, most modern infrastructure, which is two tier architecture, which is the HCI space. And we feel very good about where the market is going and how it's modernizing as a rapid digitization occurs that we're in a good place. We believe we can continue to grow.

Rob Williams:
Excellent. Hey, good to see you, Amit. Thanks. Thanks guys. Next question.

Operator:
Shannon Cross, from Cross Research.

Shannon Cross:
Thank you very much. I guess my question is... And I don't know if this is Michael, Jeff, or Chuck wants to take this. But you talked a bit less than maybe I was expecting, based upon what we heard from Lenovo. And we've obviously heard from HPE regarding as a service, on your Apex offering. How do we think about how you're positioning Apex, how we should think about any markers along the way in terms of ARR? Just, I'm wondering. Because again, certainly during Lenovo World, YY spoke pretty consistently throughout all of his discussion about positioning everything is as a service. Thank you.

Jeff Clarke:
Chuck, you want to take that one?
Chuck Whitten:
Yeah. No, thanks for the question. Let me start. And Jeff did touch on this a bit in the comments, but let me kick off. And then Jeff and Michael, you can weigh in. Look, our goal is to make sure that we’re offering customer the choice in how they want to consume our solutions. And so whether that’s in a CapEx model or a financing model, or whether they want to consume it on demand. And that’s where Apex has given us the tool in the toolkit as the modern, flexible consumption model that we’re rolling out to customers. We’ve, of course, been offering various consumption models for years through our DFS entity, and so this is not new to us. But what Apex allows us to do is give customers a console, and with a few clicks of a button decide what kind of outcome they want, what kind of SL they want. And then turn that over to us in terms of providing a managed service or a managed data center utility type model.

Chuck Whitten:
So when Jeff talked today about, we want offer simplicity, agility, control efficiency. That’s what we’re offering through our Apex offerings, infrastructure services, Apex cloud services, and our Apex custom solutions. It’s a very important part of the way customers, as you know, want to consume technology, and we’re committed to it. But we also acknowledge that there are customers that want to stay in a CapEx model, some that want to buy in a traditional financing structure, and then in this more modern consumption model. So we’re trying to offer all of it. Jeff?

Jeff Clarke:
Maybe just a little more color there, Shannon, is we think about Apex as a service as really the modernization of our businesses. So Chuck talked about the modern consumption, even in addition to that it’s continuous delivery integration of our offers, delivering our offers more as software in a continuous manner. It’s bringing a cloud-based service model to our customers across the entire portfolio. So when we think about Apex and giving our customers choice, and really giving them the outcome nature they want with the choice of Apex, rather than historically speeds and feeds. And thinking about outcomes and putting that control in their hands, it is absolutely fundamental to what we’re doing and it applies to all of our businesses. And we’re pretty optimistic. If you think about markers, we’ve been pretty consistent it’s about customers, it’s about customer acquisition. Tom and I would tell you that what’s not modeled into the financial performance that you just saw, that he mentioned. And it really is about, excuse me, building market momentum and customer momentum. And we like where we’re going.

Tom Sweet:
Hey, Shannon, maybe I’ll add just a couple of comments from the financial side. And Jeff is right, it is about customer acquisition this year. And I’ve been pretty resolute in that I don’t really want to talk about Apex until it gets a size where it makes sense where we’re going to have a conversation around, how do we think about impact to revenue cashflow? I think that we’re not there yet, clearly. I would also call out that, but we will provide you frameworks as we accelerate in this space and give you some idea of how we think this transitions at the appropriate time. The other thing I would just mention is, we do have a recurring performance obligation of roughly, out of core Dell, of roughly $35 billion. And I think that’s up 30% year over year. So our recurring revenue on stability of cashflow, I think, reflect some of that RPO as well.
Michael Dell:
And just to cap all this off, I mean, we are very excited about Apex and seeing some certainly interesting initial demand from customers there. And it's a dramatic business model and TAM expansion opportunity for us. So we're quite focused on it, but we want to... This is more of a medium to long-term opportunity.

Shannon Cross:
Great. Thank you. And then I had a couple of just PC related questions as follow-up. I don't know if Sam's on, he's not on my screen here. But one is from a competitive perspective, and I'm not talking about HP or Lenovo here. I'm actually more interested, Microsoft announced Cloud PC, so I'm wondering how you think about that. How you think about Apple with the M1 chip and the M1X as they roll out their offering. And then the second PC question is just, how do we think about margins? Clearly you've been running it a seven to 8% margin, how important is incremental attach and peripherals? And, do you think that can continue? Thank you.

Sam Burd:
Yeah. Shannon, on the competitor side we like the lineup that we have. We've seen on, whether talked about M1, cloud-based PC. You think about progressive web apps. There's a capability... The thing that's unique in all of these is this PC as a productivity tool for people at work has been, I would say, re-invigorated with the trends and the usage models that we've seen around COVID. We're very excited about the offerings that we put together. We're very excited about the future as we look at having compute power on a PC, modern software applications, and what we can put together that there will continue to be a reason for companies, individuals to invest, buy PCs, refresh those PCs. And do the things that they want to do in business or in personal life where they're looking to be entertained.

Sam Burd:
We've got a great roadmap and lineup. There are competitors out there in this space, we will continue to do battle with them and put out a lineup that our customers want. And when we do that, and we've invested in this space consistently for 37 years, when we do that we've been able to be successful. We think we'll continue to do that into the future. On your operating margin question, like you said, we have seen an increase in operating margins. If you go back to '18-'19, we were more at 4.9%. In '20 and '21 we were at 6.9%. We're certainly in segments and spaces of the industry where we see positive trends around margins. So you think about attach and the ecosystem, people are building in new usage systems and the way they use devices today, that's helping operating margins. But there's also been unprecedented cost declines. We've had industry supply shortages for the past three years, and those have helped out with ASP. We are now in an environment where we're seeing some cost increases, we're still seeing supply shortages. We think those things need to sort themselves out and get us in the model that Tom started talking about around how we see EPS growth and operating income targets that are more in the ranges that we've talked about, as are our long-term target.

Sam Burd:
So we've seen some really good trends now, we'll have to see how those play out. They've been exacerbated. Those margin trends have been helped by the way we do business, but we've also seen some industry environment that will probably not always be there in the future. Jeff, I don't know if you'd add to that.
Jeff Clarke:
I would add one thing, Shannon. Whatever that range will be, what I think makes us different, in fact, more than I think I fundamentally believe, is our differentiated direct model. Our ability to reach customers and attach things, whether that is a dock, a display, a keyboard. To sell ProSupport, ProSupport Plus, ProManage, ProDeploy. That is a differentiated opportunity, or differentiated and sustainable advantage that we have in the marketplace. And then you take that and you focus it to where the growth is and to where the higher value units are, whether that's professional workstations, commercial PCs, gaming, premium consumer. And you line that up, [inaudible] our track record over a long period of time has demonstrated that we can drive differentiated revenue growth and profit growth against the competitive set here.

Jeff Clarke:
Because of our fundamental differentiated model that Michael created many years ago, that we continue to hone. The opportunity that Sam and team are working on online, and being able to extend that even further, it's just, we're pretty optimistic. The fact that we can reach SB and NB directly, which is not through a channel. It's a very lucrative marketplace for us, and we're able to target that customer base very precisely with our direct motions. It's an advantage.

Rob Williams:
All right. Thanks, Shannon. Thanks for the question. Let's go to the next one.

Operator:
Our next question is from Jim Suva, from Citi.

Jim Suva:
Thank you very much. I have a strategic question for probably Michael and Jeff, and then a financial question for Tom. The strategic question is, Michael, your legacy of what you've done with Dell is so admirable growing the company. And in the past, there's actually been some pretty large sized acquisitions you've done, whether it be EMC and others. But then recently it seems like some of these have been just unwinding, whether it be the tax-free divestiture plan, the sale of Boomi, Secureworks, and Pivotal and stuff. Can you help us understand about the strategy of it? It used to be Dell all under one umbrella, an end-to-end go-to shop. And now it seems like things are a little bit more fragmented, maybe it was just the market value. Help us understand that. And then the financial question probably for Tom is, how should we be thinking about free cashflow? Should that be growing in line with EPS that you've given to be 6% or more? Thank you.

Michael Dell:
Right, Jim. Look, I think we went through a pretty big transformation, and had a rather complicated capital structure. And there were a number of steps that simplified that. What we also found was that the success that we had with VMware in that alliance was not really dependent on the ownership of VMware, it was more our ability to co-create solutions and bring those to customers. And so what we've done is to formalize that in the form of a commercial agreement that has a long duration. Very beneficial to all concerned, to VMware, to Dell Technologies, and to our joint customers.
Michael Dell:
And look, I think this is a blueprint for what we can do in the future. And clearly there's also a lot of value created for shareholders as that stake in VMware, I think, wasn't appropriately valued on our balance sheet, hence the spin. Again, wouldn't hold your breath for any large transactions like that. And our M&A is going to be more targeted. And also, I think you'll see us continue to grow our alliances and partnerships. Let's recognize that no company in the industry can do everything by themselves, and certainly we're an attractive partner for others to continue to build our ecosystem.

Tom Sweet:
Hey [crosstalk], Jim... Hey, I'm sorry, Jim. Hey, on your free cashflow, I did give you some frameworks to think about from a free cashflow, which is all around that net income conversion at 100% or better for adjusted free cash flow. So I think that's how you need to think about it. If you go back and look at history around that, you can see the trends there, you can see the last couple of years that have expanded. So that's a good yard stick that you should be thinking about as you think about free cashflow into the future.

Jim Suva:
Great. And thanks for all the great information, that was very insightful. Thank you.

Rob Williams:
And thanks, Jim, for two concise questions. Next question, please.

Operator:
Next up is Aaron Rakers, from Wells Fargo.

Aaron Rakers:
Yeah, thanks. Hopefully you can hear me okay. I got hopefully two concise questions as well. Related, Tom, to the capital return strategy and free cashflow. First of all, just as a point of clarification, when you talk about five billion of share repurchase authorization. Given the ownership structure of Dell, should I take that five billion as distinctly related to the Class C shares that are outstanding, or is that more broadly across all of the shares outstanding in Dell? And then the second question on free cashflow, I know you talked about in a prior question about free cashflow conversion relative to net income. But these last couple years you've done 7.4 billion of free cashflow. It looks like Del Corp net income last few years has gone around four billion, let's call it. Do I think that the four billion, or maybe four to five billions of right free cashflow range? Or do you think free cashflow continues to punch well above that net income one for Dell? Thank you.

Tom Sweet:
Yeah, hey, Aaron. On your first part of that question around share buyback, we have been framing that around Class C, that's how we're thinking about it. We do remember though that both Michael, who owns Class A, and Silver Lake who owns Class B, if they were to decide to trade at any point in time those shares convert to Class C. But it is targeted at Class C, to be as transparent as I can be. On the free cashflow, look. I mean, I think about it like this, which is yes, you're right. We have expanded free cashflow pretty dramatically over the last year or two, given the strength of the business.
Tom Sweet:
I think historically, as you look at adjusted free cash flow, and so the slides that I laid out, has been averaging around five. Five, five plus, in that range. I think you ought to think about it like that with the opportunity to expand as net income expands. And so again, I'm going to point you back to that conversion ratio, which is how I think you ought to be thinking about it. And obviously our intent is to drive that conversion ratio above 100, but I think 100 is a good long-term benchmark to be thinking about.

Aaron Rakers:
Very, very helpful. Thank you for all the details.

Rob Williams:
All right. Hey, thanks Aaron. I'm going to inject a question from our online audience real quickly here. I believe I'll point this one towards Jeff Boudreau. Hey, Jeff, given you're leading share in servers and storage, would there be synergies for increasing your presence in networking?

Jeff Boudreau:
Networking is a much smaller portion of our ISU business, which I mentioned earlier today. We're really focused on the innovation and the competitive differentiation, and it's really an important compliment to what we do around storage and server solutions. Really, ensuring that they all stay connected. That's the key thing for us. In the areas that we're leaning in for more opportunity is around the open networking portfolio itself. So we have some great solutions around our Dell EMC power switch data center and campus solutions. But the big areas that we've really leaned to is around software, and industry leading software around smart fabric, OS10, and Enterprise SONIC Distribution. So these are some of the areas that we look forward to, but we see it as a big compliment to what we're doing to the broader portfolio, and really driving that portfolio.

Rob Williams:
All right, great. Hey, thanks Jeff. All right, let's go to the next question from our sell side analyst audience.

Operator:
Next up is David Vogt, from UBS.

David Vogt:
Great, guys. Thanks for doing this, this has been incredibly helpful. Maybe this is a question for Jeff and Chuck. When you look at the expansion of the TAM, specifically on the edge and the telecom markets, can you give us a little bit more detail on what the criteria are you might be looking at, given that these markets typically have inherently different growth profiles, margin structures, as well as incumbents that clearly have different margin structures as well? And along those lines, should we expect you to target opportunities with structurally faster growth and better margins than your core ISG business today? And then I have a follow-up.

Chuck Whitten:
Jeff, you want to start and I'll layer on?
Jeff Clarke:
Sure. Let's pick on edge in the telecom sector. I mean, I think when we step back and we look at what's happening at the edge, and maybe some data that will help put it together. You look back 2020 as we entered this decade, most of the data on the planet was created in data centers. By 2025, most of the data that's going to be created is outside of data centers in public cloud. Where's that going to be created? It's generated on the edge. Growth in applications to take advantage of that data is growing exponentially on the edge. We believe the edge is really the third premise. And we consistently talked about multicloud. So public cloud, on-prem cloud, edge clouds. The opportunity we have is to obviously connect those, because what customers really want is the ability to use the different capabilities across multiple clouds. So there's an opportunity for us to link multicloud, take advantage of this explosion of distributed. And it really is distributed computing and distributed storage at the edge. It kind of plays to our game, that's what we do. We put lots of stuff in lots of locations. Notion of smart cities, smart mind, smart oil platform, smart hospitals, smart factory. As the world rapidly digitizes, and that data grows exponentially and is generated outside the data center, we think a distributed architecture is the answer. And we think the attributes of that distributed architecture are around latency, IE, low latency. Because you want a deterministic response to be able to process real time. We think that distributed architecture has to be massively scaled, which will drive higher levels of automation, which is what we're putting in our portfolio, higher levels of intelligence. And then lastly, we think there's this element of data gravity.

Jean Clarke:
Jeff Boudreau could probably tell a whole lot more about this than I can. But the notion of where data is created, that's where you want to process it, that's where you want it stored. It's very complicated to move and very expensive to move. So when you think about that as a category, that's a very target rich environment for us. And then if you think about what customers are struggling with today, they struggle with three primary things. It's overly verticalized, highly fragmented, and over siloed. They want somebody like us to come in and bring a turnkey solution to link their digital world with their physical world, their internal physical organizations, the physical factories. And we think with our service portfolio, our reach of scale of supply chain, and the things we build, are ripe for the [crosstalk]

Chuck Whitten:
Yeah, Jeff, I might add on the margin question specifically. It's really, we'd categorize it today, still early in the full build out of what we're going to see on the edge. But I think highlighting and picking up on what Jeff said about when we combine some of our competitive advantages, right? Tying our hardware and software insecurities as we do in a VxRail. And importantly, the services layer that Jeff said, which is very important to successful edge deployments. We find the margins to be very, very attractive. So again, early days, and won't dimensionalize margins in the space, it's an evolving structure. But those are the recipes for us to both grow and deliver margins consistent with the [crosstalk]

Jeff Clarke:
In simple terms, high performance compute and lots of storage drive margins up.

Chuck Whitten:
Yeah.
Jeff Clarke:
Now if you think [crosstalk]... I'm sorry.

David Vogt:
Maybe just as a quick follow-up along those lines. I mean, when you think about the targeted M&A in those particular verticals or any adjacencies, obviously I don't want to get into the margin discussion as you just mentioned. But do these targeted transactions need to be financially accretive to EPS or free cashflow from day one? And should we expect them to be a little bit more software rates with a recurring component to drive that higher, more sustainable revenue growth trajectory with better margin profile while they're termed without getting into specifics on the numbers?

Jeff Clarke:
I don't think there's going to be a blanket recipe there. I think there'll be opportunities where we'll acquire IP. That IP is increasingly more software nature. And all of these areas that we've discussed, the big six that we refer to internally, it really is about software and being able to drive more value up the stack in our business, which is what we've been doing. And that continued progression, I think, is really right for the offering. Particularly when you look at multicloud, edge, 5G, what we think will happen on the AI side. So there are pretty exciting categories. Can I see some of those as give IP tuck-ins and capabilities? Sure. If they're larger, will Tom want some EBITDA with it? I'm certain that will be some of the discussions that we have. And again, I don't think there's one broad brush that we can paint that way.

Chuck Whitten:
Yeah. I would just reiterate, I think what we said in the last question on M&A, Which is, the words you should think of are strategic and targeted and disciplined. So strategic in that we are trying to fit this into the M&A. M&A into the strategy framework we discussed today, you shouldn't expect surprises on where we're looking. Targeted, meaning we are augmenting our innovation agenda. That is the goal here. And so as Michael said, you shouldn't expect large scale transformational transactions, that's not how we're thinking about it at this point. And discipline, we're laser focused on value of creative transactions to longterm shareholders. That's the objective.

David Vogt:
Great. [inaudible].

Jeff Clarke:
Actually, maybe one more thing, Rob. If you look at the other category that we talked about this morning, telecom. Very similar thing, it's going open, modular, standardized, virtualization is occurring. Containerization is happening. Dis-aggregation of the network. As it aggregates it wants to be more cloud-like. As it becomes more cloud-like, we now talk about software. And it

Jeff Clarke:
... and it begins now to be very ripe for the opportunity here. The RAN, in particular, which has been proprietary, is really being disaggregated. It's very much being opened up. It's becoming more API-based, built on standardized hardware. That's what we do. So a market that has not been open to us for a very, very long time, highly proprietary, is moving rapidly to becoming open, virtualized, and
standardized. That's a recipe that we know quite well and that we think our durable set of advantages that we talked about apply to this marketplace.

Rob Williams:
All right. Hey, great. Hey, thanks, David. Thanks team. I'm going to make a slight modification to our instructions just to allow as many analysts as possible to ask a question in the limited amount of time that we have left. Just ask as we move forward, if the analysts will just limit it to one question, it'll let us get through a few more people. So let's go to the next question.

Operator:
Next is Matt Cabral from Credit Suisse.

Matt Cabral:
Sure. Thanks for having me on. And I guess, Rob, I'll stick to just one question then. I guess some of this is going to build on, Jeff, an answer you just gave around multi-cloud. I'm wondering if you could expand a little bit more and just talk about some examples of the multi-cloud portfolio you guys have today. And as we think about more workloads moving to the public out over time, just curious, how much of that can be consumed independent from the underlying infrastructure that a customer has on-prem? And then, just one last final piece, as we think about the multi-cloud strategy going forward, I guess I'm curious, how much of that is dependent on the partnership you guys are going to continue in place with VMware versus IP or just other offerings that sit within the core Dell portfolio itself?

Jeff Clarke:
Sure. Let me link some strategy at the top, and then maybe I can bring in Jeff a little bit, we can talk about some of the current offers. But I think we referenced earlier this morning, 92% of are using multiple cloud, five different clouds, et cetera. To me, while interesting, the more interesting part of that is not how many clouds people have. It's where the future of data processing, the future of artificial intelligence, the future of digital transformation architectures are going, and what I mean by that is, customers increasingly are going to want to access the capabilities of mini-clouds. And to think that there's going to be one cloud or the clouds are going to be siloed, that's not what customers want. So part of our strategy is really about linking the data in those clouds to make it easier for customers to use the best of what maybe is in a public cloud, what maybe the best of the capability they've built in for maybe security reasons and an on-prem cloud.

Jeff Clarke:
And then being able to reach what I've just talked about earlier in the edge and edge cloud's realtime data processing to drive better outcomes. So we think the world moves towards, how do we collectively enable our customers to take advantage of all the capabilities in the cloud? If I would call the baseline strategy of what we're trying to accomplish, that's it. Then, if you think about what we're doing, and Jeff has spent a lot of time on the storage side, whether that's our file system for unstructured data that we put into the Google public cloud, as an example, the most recent example of what we just launched with AWS and their containerization technology, the work that we've done with our data protection assets that Jeff mentioned earlier.
Jeff Clarke:
You're seeing us making our products very cloud-friendly, but to help our customers able to serve their
data needs and being able to move data in the future, which we think data management and data
mobility, the assets that Jeff has, are key to being able to be at the center-point of this multi-cloud, if
you will, inflection point. Jeff, anything you would add on the current assets? I know you can enumerate
in far greater detail.

Jeff Boudreau:
No, you nailed it. I mean, the big ones for us are around data protection, which you just talked about,
highlighted in what we're doing in all the public clouds here. I know the big one is around file and the file
use cases specifically, and we have, obviously, the Google Cloud platform and working with all the cloud
vendors in that space as well. But to your point, I guess the big thing customers are looking for is a lot of
pain points. If you think of the multi-cloud world and data being distributed, data being everywhere, and
a lot of these clouds don't talk to each other and they all have different tool sets, they're looking for
someone to help navigate all that complexity. And that's where we come in. We come in and help them
simplify that.

Jeff Boudreau:
So it's simplify management and simplifying the operations. It's around seamless mobility of those
workloads so they can have that critical asset, that data, using the right tools at the right time in the
right location. So, that's what we're going to focus a lot forwards. It's going to be around data operations
and management simplicity, it's going to be around data mobility, and it's going to be around data
security. So regardless if it's at rest or in flight, we want to make sure that that's secure for our
customers.

Rob Williams:
Great.

Jeff Clarke:
And I think that-

Rob Williams:
Well, I'll just try and keep moving here. Is that okay, Jeff? I didn't mean to cut off.

Jeff Clarke:
It's fine.

Rob Williams:
Okay, great.

Jeff Clarke:
I zip it.
Rob Williams:
All right. Sorry. All right, Matt, thanks. We'll go to the next question.

Operator:
Next is Simon Leopold from Raymond James.

Simon Leopold:
Thanks a lot. I wanted to see if we could talk a little bit more about the storage segment. In that last quarter, high-end sales were weak. So even PowerStore, HCI, they couldn't drive better overall growth. So I wonder if you could drill down on the trends there. What are the influencing factors? And things I'm thinking about include mid-range moving up-market, potentially share loss at the high-end, and public cloud adoption. And I want to sneak in a question on behalf of investors that I've been asked that I imagine has no answer, so don't count it as a second question, but how is Michael commenting on the idea that he might take the company private at some point? Thanks a lot.

Jeff Boudreau:
Michael, do you want to go on that one?

Michael Dell:
Yeah. Well, let me take the first one. No plans to do that. I think if you go back nine plus years now, very different set of circumstances that led to the company going private, transformed the company, and don't have any plans to go private again. So there you go. And, look, I think we've created a structure here that is beneficial to all shareholders, and as we've laid out the Value Creation Framework here, I think there's a great opportunity for everyone here.

Jeff Boudreau:
And on the high-end, let me jump in. I was going to say, I'll take the high-end real quick unless Rob yells at me, but context-wise, as you're aware, we're the clear leader in this space in high-end storage. We have over 40% share, and we're more than 4X the nearest competitor in this space. But, also, the high line is cyclical, and it tends to be correlated around the mainframe refreshing cycle. So think about that as a little bit of context. Regardless of what the market's doing, our target is to grow at a premium to the market, which Tom and Jeff highlighted earlier. And that's still the case regardless of that. And that allows us to extend our leadership in that specific segment or market that we're participating in. But if I step back to the macro, I guess, storage market, the external market's $26 billion, we have over 28% shares, I said before so we're in good positions, specifically in HCI and in high-end, like I said, over 42% share of the high-end market.

Jeff Boudreau:
Our opportunity goes back to the mid-range, as I said before. It's 60% of the market. It's the highest growth segment. It's where our focus is. It's where we can get consolidation. It's where we can drive more share. And that's really the goal and the focus of the team. So, yes, some of the use cases that you mentioned are just blurring the lines between high-end and mid-range, depending if it's purpose-built, three-tiered architectures, two-tier HCI, or software-defined assets. The good news is we're an unmatched portfolio in all those, and, again, we grew three consecutive quarters in the mid-range
where our next four competitors all declined in the mid-ranges the last quarter. So feeling pretty good about that. But Jeff, if you want to add anything.

Jeff Clarke:
We have a very large portfolio, from high-end, to data protection, to entry, to mid-range, to unstructured. We're the leader in all of those categories. There are more headwinds today, as Jeff mentioned, in the high-end, and with a 40+% share position in a cyclical business, that was a headwind. Where we know our long term growth is, is in 60% of the market. In 60% of the market, we grew two times the market growth rate. We took more share than anybody. It's the third consecutive quarter mid-range that we have grown, as Jeff just mentioned. We're optimistic, but it's a big, broad portfolio and not all grow at the same time, and that's certainly a challenge that we are trying to articulate. Clearly, we want to grow all of them, but there are some secular headwinds that just make that more difficult than not.

Rob Williams:
All right. Hey, thanks. Thanks, Simon. Appreciate the question. Next question, please.

Operator:
Next is Wamsi Mohan from Bank of America.

Wamsi Mohan:
Yes. Thank you so much. Michael, you opened the call with the evolution of Dell and the need to reinvent in the future. As you spin out VMware, what metrics are you going to look at to judge the success of this next leg of the company? And, at a high level, would you agree that the business will be more cyclical post-VMware spin, and how you think about managing the cyclicalty of the business and the volatility associated with the margin structure? Thank you.

Michael Dell:
Well, as you've heard, we think we have significant opportunities, and you'll see us continue to stay focused on free cashflow growth and growing the earnings and cashflow of the company, not only through the share consolidation, but these new opportunities. And, look, I think when you look back at longer periods of time, we've done a pretty nice job growing share even during period where the market wasn't so strong. And I think one other big focus is on ensuring that both VMware and Dell Technologies continue to do well, and I think the alliance and partnership that we've had, the discussion earlier about multi-cloud, let's not forget that VMware has an incredible position in multi-cloud and continues to build that out.

Michael Dell:
And Dell Technologies has created the not only first and best, but effectively the easy button for large corporations, corporations of all sizes, to deploy that consistent infrastructure, consistent operations, expressing the software value in inside the public clouds, solutions like VxRail, which are industry-leading and beyond, and all that will continue. So I think we have great growth opportunities. I think we'll continue to generate significant free cashflow and create a lot of value for our investors.
Tom Sweet:
Hey, Michael, maybe let me just comment. Hey, Wamsi. Look, I think, as you think about the business ex-VMware, if you look at the pro formas we released, it's a pretty stable business, stable to growing, generating strong cashflow. We're broad. We cover a lot of markets in all of the geos across the globe. We're not immune to economic cycles, per se, but I think we've demonstrated the ability to navigate economic cycles pretty successfully. And we'll pull the levers that we need to pull in order to adjust the model appropriately to stay true to our longer term framework that we're chatting about today.

Tom Sweet:
From a metric perspective, I think there's five fundamentals you've got to look at. We are going to look at revenue growth. We're going to look at EPS growth. We're going to look at free cashflow growth. We're going to look at share capture over time, and we'll have various productivity metrics as we look across our various businesses to understand the efficiency of the assets we're deploying and how our resources are being used. And so, look, I mean, it's our job to manage this in a way that drives shareholder value, and that's what we're going to be focused on.

Rob Williams:
Great. Thanks, Wamsi. Good to see you. Next question.

Operator:
Next question is from Krish Sankar from Cowen.

Krish Sankar:
Hi. Thanks for my question and all the great information you folks provided. I just wanted to appreciate how you spoke about the PowerStore, [inaudible] still building momentum. I'm just curious the impact of the [inaudible] system [inaudible]. When you look longterm, would these major refreshes help drive the growth? Or do you think software and [inaudible] elements like Apex actually displace the need for big hardware updates? Thank you,

Rob Williams:
Jeff. You got that one?

Jeff Boudreau:
I can take it. Yeah. So, first, is I guess, backing up to the portfolio that we talked about before, architecture does matter in regards to how our customers are deploying. So if you think about the workload, the use cases, the SLA they're trying to drive, if it's CapEx or OpEx, we're going to be here for them and support them and we're going to have unmatched offers in those spaces. Over time, as we've already seen, things are going to shift in regards to where it's located, on-prem, off-prem, and also the underlying architecture. The good news is, regardless if it's hardware or software. I mean, if it's software, it still has to reside on something. It has to reside on hardware. And that's one of the key things that we have to our advantage, which is we've built integrated systems regardless if it's a physical layer, an abstraction layer, an advanced data service layer.
Jeff Boudreau:
We have the architecture where Jeff was hitting on before, and if you think about where the world's going around data, data being distributed, the architecture, the distributive architecture to support that, that plays right to our hand. And a lot of that is going to be software as we lean into that as we go forward. The good news is, if you build a software right, so think of like we do it PowerStore, it's software based, it's microservices based, it's container based, that is extensible to other use cases. If it's a physical thing or in a virtual thing, we can deploy that wherever it need be depending on what the customer's trying to drive. So, is there going to be a shift from physical to software? The answer is yes, and you already see that today going from three tier to two tier. We're embracing that and we're driving that as we go forward.

Rob Williams:
Awesome.

Krish Sankar:
Thanks, Jeff.

Rob Williams:
Thanks, Krish. All right, next question.

Operator:
Next up is Toni Sacconaghi from Bernstein.

Toni Sacconaghi:
Yes. Thank you. You commented initially, I think it was on your first slide, that Dell was trading at eight times trailing EPS, which would imply trailing four quarter earnings for about $6.30, $6.25. I think the market post-Dell spin will be looking at what Dell is trading on forward earnings. And so I'm wondering if you can share your perspective on whether fiscal '23 earnings will be above, in line, or below that roughly $6.30 in trailing four quarter earnings. You did selectively talk about ISG growing in '23. You didn't mention that PCs were going to grow in '23. So should we be assuming that PCs will not be growing in '23 and ISG will and you'll likely be under your target growth rate in '23, and how should we think about qualitatively at least EPS?

Toni Sacconaghi:
And then the final part of that, which I think is important to EPS is, you're going to have 13 billion in gross cash post the Boomi completion. I think, Tom, in the past, you've talked about needing only four or five billion to run the business. That extra eight billion is potentially costly. You could buy back a lot of shares with that, or you could pay down debt and capitalize on the spread between what you're paying in debt versus what you're earning on the cash, and that obviously would impact earnings over the next year or two. So maybe you can help us with some of those details. Thank you.

Tom Sweet:
Well, Hey, Tony, I'll try and unpack that question for you. So let me start with the purpose of today's call is not to provide fiscal year '23 guidance, and so, the purpose of today was just to give you some thinking and some framework around, how do we think about the company over the longer term?
Having said that, we do think the PC environment is healthy next year. So our expectation as of right now is growth. But, again, I will provide FY23 guidance as we get closer to the end of the year in our Q4 earnings call. So stay tuned for that. On your cash comment, we should probably take that offline at some point. I think you're a little high on your cash comment and I won't walk cash for you right now, but you got to through, yes, we've got a Boomi transaction coming to close. There is a tax drag on that Boomi transaction. There's other things that are interplaying in cash.

Tom Sweet:
But we expect to end the year with a healthy cash balance. Part of that is around ensuring that we have flexibility to continue to invest in the business, continue to look at optional debt repayment if we so choose to do so, look at potential optional share repurchase. So we like the flexibility and we'll outline more of our framework as we get closer to the end of the year.

Toni Sacconaghi:
Can you just confirm you only need four or five billion to run the company in gross cash? Is that the right number? We should be thinking about? I think you've said it before.

Tom Sweet:
Tony, you and I have both talked about over the years that roughly five-ish billion from a company perspective to run the day-to-day of the company. Yes, that's correct.

Toni Sacconaghi:
All right. Thank you.

Rob Williams:
Thanks, Tony. Appreciate the question. All right. Next question, please.

Operator:
Sydney Ho from Deutsche Bank.

Sydney Ho:
Thanks for the presentations. I want to go back to the Apex offering a little bit. I'm hoping that you can double click on that bucket a little more. Obviously, it's still early days, and I know you're not ready to talk about the financial impact, but based on the engagement so far, can you give us a sense, what portion from new customers, first, is existing Dell customers? How much is net incremental? And how do you expect that profile to change over time? And more importantly, what do you see as the key differentiators of your Apex portfolio? Obviously, it's still expanding versus some of your peers. Thanks.

Jeff Clarke:
I'll start and probably get some help along the journey here. Look, our offers today are I think limited in the sense that we don't have the entire portfolio, which is the direction we're going. But we like the portfolio that we have today, particularly around the cloud and the custom orientation that we have today, which is what customers are gravitating towards initially. Some of that is based on the history that Chuck I believe referenced earlier. We've been in this business a long time. We've had a number of custom solution capabilities for a long time. What we've done is be able to do it at scale. We've
simplified it by building a cloud native control plane, making a few clicks, and the next thing you know, 14 days later, "your" capability is delivered. Like we've done in storage, Jeff and the team have done a really good job on our Apex storage services and we're seeing momentum there.

Jeff Clarke:

In terms of our customer base, you would expect it would be both an acquisition vehicle, because we haven't had that "at scale" for some customers. Now we do. And you would expect us to sell it into existing customers. We've seen this adopted by mid-size companies to large corporations, to public institutions, to large global enterprises. So we're excited about the early momentum. Again, our momentum here is about what we call logos using the capability, so acquiring new customers. That's what we'll continue to focus on. We believe one of our differentiations over our competitors, it's literally one pane of glass, one tool. You're not having to jump to different tools for different classes of products. It's one plane it and we think that is a significant differentiation. We're focusing on helping our customers with the agility, simplicity, and control they want. We believe we're offering that. We believe another differentiation we have is how we price it. It's one price from us. No surprises. Chuck, Jeff, anything I missed you guys wanted to add?

Chuck Whitten:
No. Perfectly said. Perfectly said.

Rob Williams:

All right. Appreciate it. We're going to have time for a couple more questions. We want to stay true to our commitment to keep this meeting concise, so two more questions from our audience and then we'll ask Michael to wrap it up. So next question, please.

Operator:
Next up is Steven Fox from Fox Advisors. (silence)

Speaker 3:

Steven, please unmute yourself.

Steven Fox:

Try that again. Sorry about that. On the ISG business, I was wondering if you could react to some math that I was doing. So it looks like you're targeting anywhere from a billion to maybe as much as $2 billion of annual growth off of the core. If that's the case, how much do you think that the telco and the edge strategy starts to contribute? It seems like it's small as a percentage of sales, but could be meaningful to growth on top of that. And what timeline is that on? And within that, is it first about selling more boxes, reference architectures, and then software all, or all together? Any comments on that would be helpful.

Rob Williams:

Jeff, you want to take the start on that one? Jeff and Jeff?

Jeff Clarke:

I'll maybe try to start and we'll work our way through it. Again, any of the modeling and referencing that we've talked about today does not include a substantial impact of the telco business, period. So when
you think about the plus range that Tom referred to earlier, it is upside over time. I do think it’s more mid to longer term oriented growth, but at the same time, we’re capturing business today. The new platforms, the XR11, the 1U product, the XR12, a 2U product that has been ruggedized, short chassis, nebs compliant, ice lakes of modern architecture into the edge of the network is a winner. That is our core customer base today. We’re selling that in today. We’re working with, you probably have seen a few announcements from us over the past months around winning O RAN, winning the next generation of this build out of this softer defined, API driven, cloud enabled model built on standard architecture. We are in the door of all major telecom companies who are going through this 5G transition and our success is good. The roll out of that will be a bit longer, because there’s a re-architecture that has to be done in this dis-aggregation of the telco’s networks. But we have a front row seat participating aggressively in those opportunities, and at the same time selling into our existing customer base with the products that we’ve just mentioned, which were the first, Jeff can correct me here, the first grounds up telco specific products we’ve built, and they’ve been received quite well. Jeff, anything, or Chuck, I may have missed?

Jeff Boudreau:

No, you nailed it on that. And obviously the server plays a critical role, especially going to the edge. And this goes beyond just telco as well in regards to if it’s healthcare or smart manufacturing or what have you and building specific technology, and innovation for those use cases going to be important. And we’ve talked about that before. But building an integrated edge platform and some of the things we just did for telco themselves around the size, the extreme heat, and the temperatures being in a location that no one can get to, and our remote capabilities to actually service that is very powerful as we go forward.

Chuck Whitten:

Yeah. And I just add on you your materiality question just to keep reiterating what Tom and Jeff have underscored today. We’re in the early innings. When that becomes a relevant conversation, we’ll provide the appropriate commentary guidance. But for now we’re focused on engaging customers, ensuring that we learn continually, and feed it back into our innovation.

Jeff Clarke:

But Steven, to your point, we referenced a 114 billion market growing at 2%. So not big growth, but what’s happening is the fundamental change in the architecture. Roughly 70% of the spend is on the radio, and the radio side is being dis-aggregated and opened up. That’s the opportunity for us.

Steven Fox:

Great. Thank you.

Rob Williams:

Thanks, Steve. All right, let’s take the last question.

Operator:

Last question will be Rod Hall from Goldman Sachs.
Rod Hall:
Yeah. Thanks, guys. Thanks for fitting me in. I'll make it really quick. The slide that you showed, Tom, on the dividend suggests it's an estimated value, the one billion, and I'm wondering, estimated based on what? Is that based on a yield? Because we're calculating the dividend yield on the implied trading value for this stub about 2.5%. But then, of course, that stub seems like it's really undervalued Dell Technologies after the spin. So I'm curious what your calculus would be if that becomes more, let's call it, fairly valued post the spin?

Tom Sweet:
Hey, Rob, thank you, by the way for the question. I would hope over time that we see that valuation move the way we think it needs to move. But in regards to your dividend question, it's targeting $1 billion. It's a dollar amount, not a yield target. So you've got to think about it like that. I mean, what we're obviously wanting to do is put a dividend out there of sufficient size within the 40% to 60% free cashflow framework that we've laid out for shareholder return. That gives us flexibility to potentially grow the dividend over time, which is really what investors tell us they're interested in. Start a dividend, obviously, you don't want fluctuate the dividend down, but you do want to grow it over time as appropriate. And so we think one billion's the right place to start. That's what we're targeting and the commentary or the words in the deck were just around, that is the target, but obviously the board needs to prove that as we get into Q1, so that'll be where we go with it.

Rod Hall:
Great. Thanks.

Rob Williams:
All right. Thanks for the question, Rod. And we'll turn it over to Michael to wrap things up.

Michael Dell:
Okay. So thank you all for joining us today and we appreciate your interest. Just to sum all this up, we've never been stronger, we were built for this moment, and as we've talked about, Dell Technologies has leading positions in very large and growing markets where we continue to innovate and take share. And we're deeply ingrained throughout our customer environments, which gives us unmatched customer relationships and insights. And we use those insights to continue to modernize our offerings with software and automation, artificial intelligence and machine learning, data management and security to create the center of a customer's multi-cloud world. And with Apex, we're quite excited about delivering all this in a simple cloud operating model consumption as a service.

Michael Dell:
And we have unique and durable, competitive advantages that benefit our core business, and we can also build on to capture multi-billion dollar opportunities in the adjacencies that we've talked about, like edge and telco, where we can do what others can't. And, finally, Dell has a 37 year history of seeing opportunities and relentlessly pursuing them, and we see more opportunity ahead than ever before. Our interests are aligned and focused on longterm value creation for all of our stakeholders and we're already re-imagining ourselves for this wave of growth and human progress as we and our customers collectively create our digital future. So, again, thank you all for joining us and have a great day.