Announcer: Let me quickly cover our safe Harbor statement, a special note on our forward looking statements, Dell technology statements that relate to future results and events, our forward looking statements, and are based on Dell technologies, current expectations, actual results in events and future periods may differ materially from those expressed or implied by these forward looking statements because of a number of risks, uncertainties, and other factors, including those discussed in Dell technologies. Periodic reports filed with the sec. Dell technologies assumes no obligation to update it's forward looking statements. I note on our fight non-gap financial measures. This presentation includes information about non-gap operating income, which is not a measure of financial performance prepared in accordance with us generally accepted accounting principles. We have provided a reconciliation of the non-gap measures to their most directly comparable gap measures and the slides caption supplemental non-gap measures available on the company's fiscal year 2022 third quarter results eventPage@investors.dell technologies.com.

Paul Compton: Thank you all. Good evening, everybody. I'm Paul Compton, the president of Barclays bank and the global head of the corporate and investment bank. And tonight it's my distinct pleasure to have with me, Tom sweet, the chief financial officer of Dell, as many of you know, Dell is one of the largest and most diversified technology companies serving both consumers with PC and desktop capabilities, but also corporations with enterprise it solutions. I'm very, very pleased to have Tom here with us tonight because Dell was critical to Barclays as we've weathered the pandemic, both in terms of getting our colleagues operating effectively from home, helping us with the return to office and supply chain shortages. And of course a critical part of our cloud adoption strategies. Tom, it's great to have you with us,

Tom Sweet: Paul, I'm happy to be with you guys and really appreciate the opportunity to have a conversation with you. And can I also say thank you for your partnership. You are a great customer. We were doing a lot of things together and clearly you're a great banking partner as well. So I want to thank you for that.

Paul Compton: Terrific. So why don't we dive in and start off with the economy, Tom, you have a very unique perch. You see what is happening at the consumer level at the SME level, at the corporation level, and you see that globally. What trends are you seeing right now? Yeah.

Tom Sweet: Hey Paul, you know, as we look across the globe, we see positive economic activity. You know, we see GDP sort of, you know, has, has had, has, has been a good year for GDP. X is expected to be good next year. It spending is forecasted to be in the mid single digits next year. So we're optimistic about what we're seeing from a demand environment. It's clear that, you know, they'll last 21 months and who can believe that we've been in this thing for 21 months has, has proven that technology is essential. As companies are digitizing, their business models are doing that digital transformation. And as we look at that, and as we translate that, that, that means investment in infrastructure, it also means investment in investment in worker productivity. If you think about what we've all done and sent our team members to a work from anywhere environment.

Tom Sweet: And so, you know, the, the demand environment quite frankly, is healthy, right. You know, and so we're pleased with what we're seeing is, you know, we just released the Q3 results and $28.4 billion of revenue, 21% year over year growth. You know, our, our client business at 16.5 billion growing 35% re you know, that's incredible. And then our infrastructure business at 8.4 billion growing 5%. So we're seeing really nice demand trends. I'm pleased with the infrastructure business in particular, because this is the, you know, this is the third or four sort of consecutive quarter of growth. And so I'm pleased to see that it's making, it's getting traction as we continue to drive forward. And look, I mean, the pandemic is painful. It is, it has been, you know, we're now on our fifth record quarter of results, right? So it's an incredible the way that the, the economies have turned out and given that I never would have modeled that as we were thinking about this 21 months ago. So very pleased with what we're seeing.

Paul Compton: Terrific. And I should have started by saying the results you printed for the quarter were truly exceptional, especially in light of what's happening from the the perspective of the pandemic, just on the pandemic. How are you seeing the supply chain challenges factoring into your business model, and then maybe just as critically, what are you seeing around talent and demand for talent supply for talent in the industry as well?

Tom Sweet: Yeah, great. I'm happy to answer that. So in the two separate sort of scenarios there, right, but as it relates to supply chain, it's no secret that there is a semiconductor shortage is affecting all industries and we're certainly impacted by that. And, you know, as what we've been able to navigate, I think it's a Testament to our business model. And so, you know, those shortages of semiconductors, you know, we're working that every day as we look at cross the supply chain you know, our business model is you know, we have a direct selling motion. And so that helps us from a framework in terms of shaping demand. And then how do we translate that into the demand that our sales organizations need to position? And then our supply chain has the opportunity to, to react to that configuration framework and management that we're doing.

Tom Sweet: And so it's a virtuous cycle and, you know, we're unique in that way because we're a direct model with 50, roughly 50% of our revenue sort of focused on the direct channel. And we have a very, you know, partner channel as well. And you couple that Paul with you know, if you look at how we design our solutions and capabilities, we designed that our solutions with interchangeability. So our ability to pivot, you know, parts from one configuration to another artists, insert them in different sort of models, I think helps us as well. And so our flexibility is extraordinary. So, you know, very pleased with what we're seeing now, that's a challenge. So it's a challenge every day and every day, the teams are sort of working their way through, you know, what shortages are we seeing? How do we manage our way through it?

Tom Sweet: The other thing that we're seeing coupled with that has been that, you know, we've had increased commodity costs. And so we talked about it in our earnings call a few weeks ago, were, you know, Q2 to Q3. We started the sharpest component cost increase in the history of the company. And so our ability to sort of navigate our way through that by adjusting pricing clearly has been a, you know, was a, was a navigation event that we had to do for Q3. And then as we look forward, we do see inflation in the component cost environment, but we'd see that moderating. And then I think we move into a slightly deflationary component cost environment beginning next year, subject to the wildcard. And all of this is logistics, logistics costs, which have more than, you know, they have shot through the roof.

Tom Sweet: There's no secret about the container backups, the lack of capacity and the in a various transportation lanes. And we don't see that getting better. And so the cost have increased sharply there. So that dynamic is also something that we're having to think our way through and price for is appropriate. But all in all, I think the teams have managed well, but it's an, you know, again, it's an industry wide dynamic that we're all working our way through. I just happened to think that our business model allows us a bit more flexibility and a bit ability to shape demand, and then send that, send those demand signals to our supply chain in an appropriate timeline that allows us to fulfill, you know, and then as it relates to attrition, look, there is a war for talent out there, and we all have been experienced in attrition.

Tom Sweet: We've seen some level of attrition. It's interesting though, because as we look at it, our attrition rates are actually below the pre pandemic levels. At this point. Now we've had pockets of attrition, but what we've tried to do is make sure that we're providing our team members with the value proposition of what does it mean to be a team member at Dell technologies. Obviously we need to, you know, you know, prepare and have a, a market-based compensation and benefit package, which we clearly do. But in addition to that, it's all about the, the other opportunities we give our team members, you know, the flexibility we give the learning and development opportunities, the career path opportunities. And so, you know, I, I do think that we have a unique culture that allows us to, to navigate that, but, but it is a challenge and there are shortages and you go around the globe, there's certain, you know, spots that are, have are impacted more than others, but all in all, I think that the company's managing pretty well.

Paul Compton: Great. And, and Tom throughout the pandemic, you saw very real PC growth no, no surprise. Like how do you think about the sustainability of that growth and how do you think about that business going forward? Yeah,

Tom Sweet: Yeah. We get that question a lot. Paul, as you might imagine, we, we, we fielded it again in our Q3 earnings callbacks and in conversations. Look, I think you got S let me set the stage, which we've maybe helped put it in context pre pandemic, the PC industry as a whole was shipping somewhere around 260 to 270 million units on an annual basis, you know, and then we saw this sharp spike, as you know, with the pandemic, with the, do anything from anywhere op you know, dynamic that have evolved, whether it's education or work or entertainment, the PC became a pretty critical device or an essential device, if you will. And we saw penetration in households, go up from say one to two to where every individual in the household needed a PC, you know, see the mobile economy that's developed with our workers with the hybrid workplace has also driven a, a shift to notebooks, which have have a faster replacement cycle.

Tom Sweet: You know, we're looking at a windows 11 operating system rollout, which you know, you need a modern PC capability to truly enjoy and get the benefits from, and the, and that coupled with the fact that you know, there's about 2 billion PCs in the installed base right now, 700 million of those PCs are more than four years old. So there is a replacement cycle that needs to happen. And to complete that thought, what we saw through the pandemic was PC demand shoot up to roughly about 340 to 350 million units a year. And we don't see that retreating right now. We know it will stabilize. We think in that area, you know, with some little minor fluctuation, but our point of view with what we see with the demand cycles and trends that we see say, you know, we ought to be in that sort of neighborhood as we go forward, maybe slightly more.

Tom Sweet: And from our perspective, we're also very focused on what are the premium parts of the PC market that are of interest to us and where we're focused. We're highly focused on commercial, 70% of our PC businesses, commercial, which has a generally a better profit pool. We're a premium consumer in gaming. And so those subsets of the client business have a more, have a higher value to us. And that's what we're very much focused on. We see that evidenced with 40% year over year, commercial, PC revenue growth in Q3, just an incredible result. And so we're very comfortable in terms of how we think about the business. And the other thing I would just add is look, I mean, as much as I would like it, I don't think we're going to continue to grow at, you know, 35% year over year in the client. But I do think it begins to normalize back to sort of more normal levels. IDC would say roughly that the market ought to grow for commercial PCs, X chrom, somewhere at about one and a half percent next year. Now we want to grow at a premium, but all in all, we feel pretty good about our positioning with the, within the, the PC space and our ability to satisfy our customers like yourself as we continue to move forward.

Paul Compton: So, so in the same vein turn into the storage and server business, how do you think about the outlook for that business? Having regard for the shift to the cloud versus repatriation and the overall return to the office?

Tom Sweet: Yeah. You know, look, it's a, it's been an interesting dynamic in evolution within the, within the infrastructure business. What we have seen is that the world has pivoted away from this concept of it's either on-prem or off-prem in a public cloud. And the world has clearly shifted to this concept of multi-cloud. And what that means is, Hey, today, the average customer is actually dealing with five different clouds, you know, and about 92% of our customers have multiple clouds. And so it's not as much public versus on-prem because there's elements there that are going to be meaningful for our customers as they work their way through, how do they position workloads and data? It is all about workloads and data. What, what platform is the right infrastructure for, you know, your workload and your data, and where do you want to store it? And the argument or the challenge that our customers are having today are around, okay.

Tom Sweet: If I have these different cloud environments, they're siloed, right? The ability to move workloads and data is pretty challenging. And so our customers are telling us, Hey, help us solve that issue. And that's the focus we've been on as we think about the multi-cloud environment. And so, you know, whether it's around our HCI solution, which is our hyperconverged solution, our VxRail solution, whether it's around some of the work we've done with VM-ware around, you know, Dell, you know, the VMware cloud foundation on HCI, and some of those capabilities are areas that we're continuing to be focused on. We just recently announced a one Fs, which is our software defined storage system on Google cloud platform. Right. And then, so we've worked with Amazon on containers that we're work partnering with. And so there's a lot of activity going on here, all that they'll design to help customers move data, move workloads, as they see fit and operate in a most effective manner.

Tom Sweet: So that's the focus we see. I think we're incredibly well positioned to take advantage of these trends because these trends aren't slowing down that digital transformation continues to happen. You know, it's accelerating in certain instances in quite frankly, as we look at that, we think there's enormous opportunity as we think about the next frontier, which is all going to be around the edge. And this concept of the third premise cloud on-prem and edge is going to unlock. I think a lot of interesting dynamics and solutions that we're driving towards, as you think about the creation of data at the edge. And the fact that to move data is expensive in the latency. There is challenging. And so we see compute and storage pushing to the edge and with our footprint around our reach, our scale, our service capability, the solutions that we're driving, we're think we're incredibly well positioned to take advantage of those trends. And that's $110 billion market growing at roughly 17% between now and 2024. So it's a pretty interesting environment to be, to compete in.

Paul Compton: How do you think about that edge opportunity versus sort of other sort of key areas of growth view that you've spoken about, like Telekom and hybrid cloud?

Like, which of which, how do you think about what is the greatest opportunity on why?

Tom Sweet: Yeah, look, I think, as we think about it, we're, so our strategy, our strategy and our positioning and our execution focuses on sort of three things. One is you got to win in the core, so you got to win and client, you got to win an infrastructure. You've got to continue to grow revenue. They're all be, it it'll be at a slower pace right there. Client business is about a $670 billion client and infrastructure business, I should say is about a $670 billion Tam, you know, growing at roughly 3% between now and 2024. And so look, that's a reasonably sort of slow growing, big opportunity, plenty of headroom, but it's not growing at 20%. And then you think about these adjacencies, you know, whether it's edge or telecom, which is another 600 and 650 $670 million Tam opportunity growing at roughly 8%. And so the opportunity that we see Paul is that as you go forward, we just talked a bit about the edge and the edge solutions that we're driving.

Tom Sweet: I think we're uniquely positioned to take advantage of that. You think about telecom, you know, it's no secret if you will. That telecom providers are looking how to open up their network. How do they use new standard architecture to drive down cost, increased efficiency? We've done. We started a telecom business unit you know, 18 months ago or so roughly. And we're very pleased with the results that we're seeing as we continue to drive into that space. And we had some really key wins with some great customers in that space as we continue to move forward. And the secret there is all around. How do you position your standard or industry standard architecture along with the software layers that we're partnering with VMware and with our own engineering capabilities to create the ability to sort dis-aggregate the, the old ran, which is the radio access network, which is sort of the unlocks the ability to, to standardize the standardized the network. And so that's a great opportunity for us. And so, you know, I think about telecom, I think about edge. Those are really two interesting opportunities. Now, look, those are going to take time to mature. So what we're focused on is again, is build, build and drive the core, but make sure that we're positioning to take advantage of the trends we're seeing around telecom and around edge. And I think we're, we're, we're, you know, we're, we're, we're really well positioned at this point,

Paul Compton: A set of terrific opportunities. Tom, I also wanted to congratulate you on the VMware spinoff that you recently completed. Would you be able to talk a little bit about how you'll now work with VMware going forward?

Tom Sweet: Sure. Paul, I mean, as you think about it, when we announced it and we actually completed the spin, I should say, in the first week of November, prior to that, though, we had spent the last eight to 10 months working with VM-ware about how do we memorialize in a working arrangement or commercial agreement, if you will, all of the learnings in the, the, the activities that we have driven together over the last five years. And so this commercial framework allows us to continue to work together, to, to share technology solutions and target interesting technology capabilities, whether that's, you know, VxRail, whether that's a Velo cloud SD, whether that's workspace one, and there's a myriad of other solution capabilities that the teams are continuing to work on. You couple that with the go to market reach that VMware wanted to make sure that they maintain through Dell technologies.

Tom Sweet: And if I think of the latest results that VMware released, Dell technologies drove roughly about 38% of their revenue. So it's a mutually beneficial relationship. What's been interesting from my perspective is, you know, customers have, have all they, and you guys are clearly, one of them have said to me is, look, I'm not really, really concerned about your corporate structure as much as I want to make sure that that partnership continues and those solution capabilities that we have, you know, sort of bought into and invested in, continue to advance and continue to progress. And so that's clearly been our focus. And then, you know, I think the, the benefits of the spin as, as, as well-known, but you know, what we wanted to do was to open up the ecosystem for both companies to continue to think about expansion of their ecosystem while maintaining that first and best relationship that we both have.

Tom Sweet: I think obviously there was a value creation opportunity for both shareholders sets of shareholders that, you know, we'll, we'll see how that proves out over time and the opportunity to continue to partner with broader partners as well. Maintaining that balance I think is going to be important, but I think we feel good about it and we, and, you know, early days, but things are proceeding as plan. So we're continuing to work on it. It's a five-year arrangement. But we're clearly optimistic and obviously we gotta be focused on what our customers are telling us, which is please continue to work together. Yep.

Paul Compton: And one of the one of the outcomes of the VMware spin is that you'll now enjoy an investment grade rating with rating agencies. What impact will that have in terms of the way in which you think about your capital allocation strategy?

Tom Sweet: Yeah. You know, and we chatted about this at the September analyst meeting where we laid out a revised capital allocation framework assumed, you know, once we were back to investment grade and, you know, we are back to investment grade and the BMR spin that we completed in the first week of November allowed us to pay down a significant amount of debt. And so year to date, we've paid down roughly 15.9 billion. We just you know, gave notice that we're going to pay down on another billion, a 1.2, 5 billion. And we're in the midst as as, as I think the market knows that we're in the midst of another refinancing and a Tinder offer on some long dated bonds. So as we continue to optimize the capital structure, but all of this has allowed us back to the investment grade rating to, to broaden out our capital allocation framework where quite frankly, the last five years have been all about pay down debt.

Tom Sweet: So more than 90% of my free cashflow was devoted to pay down debt and get the balance sheet back where we needed it to be, you know, we've, we've, we've been successful at that. We're now investment grade rating across all three agencies as you highlighted. So as we look forward, what we announced in September was a more balanced capital allocation framework where roughly 40 to 60% of our free cash flow would be devoted to shareholder capital return, which means either through a dividend or share buyback opportunity, the dividend, you know, we're, we are anticipating that that begins in Q1 subject to board approval. But you know, we think a balanced capital allocation should capital return program makes a lot of sense for our company of our size, but it also allows us to widen out the aperture. As we think about investments, you know, we have not done any significant M and a over the last five years given where what we've been devoting our capital to.

Tom Sweet: And so I think it will allow us to, to, to, to do a more targeted approach to M and a focused on those areas that are of interest to us, whether that's AI or ML, whether that's telecom edge some of the data services, data management capabilities are, you know, and so there's some opportunities there as we continue to assess, where do we need inorganic assistance, as we think about the market opportunity. And so, Michael Sedeke is, he got a question in in September about, do you see this as sort of a you know, do you see a consolidation play if you will, with M and a, we don't see that you know, what we're really focused on is how do I get the technology that I need to help our co to help the business move forward at a more rapid pace? So that's what we're focused on. Paul, there will obviously be a bit of debt pay down along the way, but we've essentially cleared up most of the maturity stacks all the way up to, I think calendar 25 at this point. So I think we're in great shape from a debt perspective.

Paul Compton: Okay. Well, Tom, you've been terrific. Thank you so much for joining us tonight. We very much look forward to your partnership as we go forward. And thank you very much for doing this with us. Great.

Tom Sweet: Thanks, Paul. Thanks for having, thanks, Tom. You bet.