

# TRANSCRIPT

DELL – Dell Technologies Inc at Bank of America  
Global Technology Conference

EVENT DATE/TIME: JUNE 02, 2026 5:40PM GMT

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## PRESENTATION

**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Welcome to day 1 of Bank of America's Global Tech Conference. Delighted to see many familiar faces over here. I'm Wamsi Mohan. I cover IT hardware and tech supply chain for the bank, glad you could all make it. I'm delighted to welcome Dell here today.

With us today, we have Arthur Lewis, who heads up the infrastructure group, which has been nothing short of amazing lately. So grateful to have you over here.

I do have a quick safe harbor statement to read from Dell. This presentation contains forward-looking statements based on Dell Technologies' current expectations. These statements involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause results to differ are discussed in Dell Technologies' periodic reports on Forms 10-K or 10-Q filed with the SEC. Any forward-looking statements made today are based on assumptions as of today and Dell Technologies undertakes no obligation to update them.

And with that, and I think Zack will give me some props from IR for reading that pretty fast. So -- but welcome, Arthur. Thank you for being here today.

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Wamsi, too great to be here. Thank you for having me.

## QUESTIONS AND ANSWERS

**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. No, absolutely. I know you're a busy guy. So we appreciate you being over a year. And we only got 30 minutes, so we'll make the most of it.

So maybe to start, right? I would say like this, by any standards, was maybe a really historical quarter for Dell, right? ISG was right in the center of all of that. How would you frame where ISG is today versus what you might have thought like maybe a year ago.

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Well, clearly, the market is growing significantly faster than we thought 12 months ago, significantly faster than anybody would have predicted, and I think we've shown an incredible ability to navigate what is unprecedented sort of demand in the industry. When you take a look at Q1, overall revenue, \$29 billion, up 181%, that's nine consecutive quarters of double-digit growth. That's on top of growth of 73% in Q4 and growth of 12% in Q1 of last year.

And it was growth, Wamsi, across the portfolio, \$8.5 billion on the core server side, that's up 92%, \$4.5 billion on the storage side. That's up 8% and \$16 billion on the AI side, up 760% and that's on top of \$24 billion of orders and a record backlog of \$51.3 billion and a pipeline that still stands at multiples of our backlog. Operating margins, obviously, strong at 10.5%, even with the higher AI mix. That's largely due to scale and growth in storage, right? That's been great. And overall operating dollars of \$3.1 billion, up 206%, growing faster than revenue.

And if you look over the last two years, revenue is up 3.1x and operating margins are up 4.2x. So we like to see that the revenue is growing, but that the profitability underneath it is even stronger than the revenue growth. So you saw it in the absolute dollars, 206% versus 181%. And you see it over an elongated 2-year period where operating margins are up 4.2x versus revenue up 3.1x. So pretty pleased that we're executing in the face of unprecedented demand.

**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. No, that's quite incredible those stats that you just gave. And I -- remember, it was not that long ago that Dell was talking about \$90 billion in full year revenue. And here, we are talking about double of that in a very short period of time.

So most of that coming from the infrastructure group and particularly within AI servers. Maybe you can just give us some sense of like the confidence in this updated guide, right? Like I think going into the quarter, the perspective that people had was yes, demand is strong, like you could do other channel checks and say, yes, like there was maybe a pull forward of demand, like Wards are saying a lot of demand is getting pulled forward. So there was this notion of, look, it's going to be a great result, but we don't know about the guide. Well, we didn't know about the guidance. It was order of magnitude different from what everyone thought. What's giving you confidence in projecting this guide?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

All right. So the first thing I want to communicate is the guidance went up \$27 billion, \$140 billion to \$167 billion. That guide is only gated by supply. The demand that we're seeing far exceeds the supply that we have. So that's sort of point number one.

But more importantly, what we are seeing, and we now have deeper conversations with customers that are incredibly worried about their demand aspirations versus the supply that they're able to get.

So we now have visibility into '26 into '27 and to parts of '28. And across the portfolio, whether it's GPU, whether it's core server versus storage or networking, we have a pretty good view as to kind of like where the demand is coming.

And one of the inflection points, I mean artificial intelligence has been sort of this existential defining technology of our generation maybe for all of humanity, quite frankly, something that we said was going to be bigger than mobile, bigger than the Internet, bigger than virtualization, bigger than all those things combined. And that's exactly how it's playing out.

And I think in the fall of last year, when you think about how fast this technology is evolving, there was an inflection point with Agentic technology, right? It was really cool when Generate AI came out and you could train it on data, ask it a question, I gave you a really good answer, then you get into these autoregressive, long thinking reasoning models, and it gave you a better answer. But now the technology can actually act, manage, orchestrate activities, which makes it even more useful than it was before. And you saw that as the enterprise accelerated AI adoption. We now have over 5,000 customers out there.

More neoclouds are popping up. The demand for power around the world is skyrocketing. So yes, this is a pretty interesting demand cycle that we're in.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. No kidding. I mean it is pretty unprecedented. So on your point on Agentic, maybe just to talk about sort of how that is changing the business. You saw extremely strong performance in industry standard servers, 92% year-on-year growth, I mean, quite amazing.

So you also said you were gated more by supply than anything else. As you think about -- what is the evidence? Or what are you -- what are some of the signs that you're seeing in the market that's giving you the confidence that this enterprise adoption is starting to like finally pick up?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

So I would break it down into sort of three components as you think about it. Component number one is that the current server TAM sort of continues to grow in a lot of these legacy type workloads. We see things like these EDA farms continuing to grow, requiring more compute for all these really cool ASICs that are being created around the world across all these different semiconductor companies.

We see modernization of current infrastructure. We see a modernization of the installed base. The majority of our installed base still sits on servers are seven years and older. So like your core market is growing. At the same time, that core market is expanding with more AI-driven workloads. And Agentic has accelerated that. And the real for that is because prior to agent technology, the majority of artificial intelligence was really more math

major driven, which was really unique to the parallel processing that comes with a GPU. But as you get into agent technology where these agents can act, manage and orchestrate activities, that is a serial sequential process that requires a CPU, right?

And so we're starting to see those workloads come online. And so we've seen sort of this kind of inversion of the GPU to CPU ratio. And honestly, I don't really like the GPU ratio because it's not like a scientific thing, and I know the finance community likes to model stuff. But just to give you conceptually how it works is if you have an agent task where there is, say, 50 calls to the model, there could be 250, 300 calls to the tools, right? And so the model is a math exercise where parallel processing works great, but the tools are got to go do this stuff than the following steps then the following step after that and the following step, that's all sequential processing more better run on a CPU.

So you have a market that's growing, you have a market that's expanding, and we're taking share. We grew 500 basis points of share in Q4. We expect to take meaningful share of Q1 when the data comes out in June. So you put all kind of 3 of those things together, and we think that there is durable demand and opportunity for us to continue to win.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

What is the reason that you're gaining share fundamentally? Like, I mean, obviously, there's strong demand you guys are able to deliver, I guess, that's the answer. But when you think about share gains, historically, people have not really associated -- I know you've historically taken share in lots of markets, and you are standing at number one share in most of your end markets. So -- but what is the ability, what is special and Dell that allows you to take share and you have confidence in that ongoing?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Well, look, there's the practical consideration and obviously, you're talking to a biased individual. But there's the practical consideration that we have a great portfolio, right? We have great products. They're reliable, they're performing. They're secure. They're the best in the industry. You have a practical component that we have a good amount of supply, right? And so we're able to beat these to the customers.

But when I zoom out and kind of like what's changed for me dramatically over the last four years is the strategic nature of the relationship that we have with customers. As we entered into the world of artificial intelligence, customers brought us in to have more board level like discussions. They really wanted to know how do I think about ROI and use case selection. How do I think about model selection? How do I think about data preparation? Because, obviously, data is the fuel that feeds AI. How does that inform my architecture? And then how do I think about infrastructure as a result, right?

So before AI, we would probably be brought in. Customer has an infrastructure need. They send us a request for a quote. We quote it. We have a great product we win.

But now the relationship has become more strategic and our role as a trusted adviser has elevated greatly over the last four years. And our ability to communicate a full-stack system is also resonated well with customers.

So the combination of a great portfolio, the availability of supply, but that trusted adviser where people have the confidence and that we have the credibility to help them work through what is a very complicated transition from legacy data center to a genetic data center, I think that's been key.

I meet, Wamsi, with a lot of customers. I was joking in an earlier meeting, like I love talking about product speeds and feeds. Maybe 5% of my time is that. 95% of my time is talking more strategically around what does a data center look like? What are your AI ambitions? How do I think about token economics? How do I think about my data? How does my data strategy need to change, way more strategic conversations than individual product line speeds and feeds.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Any like insight you can share around those strategic conversations? And I asked this it's kind of ironic. Like if you go back, and we've covered Dell for a long time. If you go back some time ago when Michael decided that it would be good to spin off VMware. People were worried that Dell was going to be a pure hardware company with like not a strategic seat at the table.

And today, we were talking about increasingly more strategic like at the seat of the table to determine the architecture on an agentic AI basis for enterprises. So any insights you can share around like token economics, time to first up like what are the discussions that are important to your customers?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Yes. So I think the way I would frame that is data centers over the past 10 or 15, 20 years have sort of been an amalgamation or accumulation of workloads, right? And these workloads were all very independent of each other, right? So you could have a data center with 15, 20, 25 different workloads and the infrastructure was sort of siloed based on that architecture.

As you move to more -- to agentic data center, you're now in a world where all of these systems have to talk to each other, right? These systems have to be connected, data silos have to be collapsed, and the quality of the data needs to significantly improve in order to drive optimal results.

So this transition from a legacy data center into an agentic data center is a big part of the conversation. Then token economics is obviously a big part of the conversation. There, customers want to talk about how do I effectively generate tokens and how do I effectively use tokens, right? That's kind of like the equation we work with customers on because they want to know that, hey, not only can I generate them effectively, but I'm using them optimally.

And again, the breadth of our portfolio from the data center to the edge and the PC gives us a lot of credibility in helping customers navigate where do I want to run a model? Where do I want to run agents? You may want to run them in a data center, you may want to run them locally on a PC. We can have an end-to-end conversation with customers, which is also a pretty strong point of differentiation for us. And then you kind of peel the onion on sort of those two big things. And then there's a bunch of strategic discussions.

I think the third one I would probably call out is the data. This is a massive problem for companies. Majority of their data is sitting dark sitting cold. We believe like in an agentic data center, there is no [cold] data, there is no dark data. This data is sitting in constant circulation, feeding engines, feeding artificial intelligence, driving optimal results. So the richness and strategic nature of the conversation has changed pretty dramatically over the last three to four years.

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**Wamsi Mohan** - BofA Merrill Lynch Asset Holdings Inc - Analyst

Well, that's very interesting. You probably have a viewpoint on this as well. In general, like when you think about the adoption of AI, we've seen a lot of spending by hyperscalers predominantly that are kind of driving this infrastructure spend, right? And you saw Google announcement overnight. Hyperscalers spending a ton of money.

So this notion of where AI is running today is largely in the cloud, but would love to get some sense from you whether just given that you mentioned data, how should enterprises think about bringing compute to data versus data to compute. So it's sort of like an on-prem like bring the compute to the data or more of a cloud where you're taking data to the cloud?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Yes. So we wrote down a couple of different hypotheses when we first started down this path of artificial intelligence in the beginning of '22. And one of them was that there's going to be strong gravity to data. right? And that's proven out to be the case.

83% of data sits on-prem today in the world across majority of enterprises. And there's a strong proclivity to deploy on-prem for performance, cost, security reasons. And all three of those have very important characteristics for our customers. So we see more around, hey, over the last several years, I had a digital transformation strategy and a lot of it was cloud first.

Now, when we look at customers' digital transformation, it's data first. right? Because without the data, I don't have the fuel to feed the AI, and we have a portfolio to help customers turn that data into the premium grade fuel that they need to drive optimal results for artificial intelligence.

And this is where we have new offerings like our AI data platform, which brings data management capabilities to bear where five years ago, you might have said, why is Dell getting into the data management space. Well, now it's a natural mandatory adjacency that we have to really solve agentic problems for customers.

**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. The market has always been very competitive, broadly speaking, in infrastructure. You guys have done an amazing job in being able to manage supply chain, being able to like bring products to market quickly. When you think about the longer-term trajectory of the AI server business, how do you think about that? I mean we've just gone from like these -- we've kind of gone through these unprecedented growth rates, right?

You're talking about \$15 billion that went to \$25 billion and \$50 billion, now \$60 billion. I mean these numbers are like growing at some very massive rates. So as you plan for growth in the future, how are you thinking about that?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

As much as I like earnings last week. I liked the Dell Technologies World a week before or even more. The amount of innovation that we're driving across the portfolio is like nothing that we've ever seen before. We like to say our innovation engine is running incredibly hot. And it's not just across the GPU portfolio, which has been great.

ARM, x86, air cooled, liquid cooled, but across the broader portfolio on core compute, where we launched 18G, including a new family of high-performance compute systems built for high density -- high core count density, memory bandwidth, all kinds of innovation on the storage side with our private cloud platform, our AI data platform as well as our Cyber Resilience platform and bringing it all together within the AI factory to deliver full stack architecture for customers.

And one of the things that we're seeing, Wamsi, is customers really appreciate the full stack solution because they don't want to be the integrator of systems and agentic requires connected systems that requires the compute both the general purpose and the accelerated compute, the network, and the attached storage. So our portfolio is broad, our portfolio is deep, and our innovation engine is humming like never before. And it's incredibly exciting. From my perspective, the opportunity is too big, not to be driving this very, very hard.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. It's super interesting to watch sort of GPU transitions as they happen. There's no mean task to ship these things in high volume. What have you learned from past transitions? And how are you looking at like the next couple of transitions coming up?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Well, we've gotten pretty good about this first to market with hopper first with GB 200, first to market with GB 300. And you may have seen a post from Michael over the weekend, where we shipped our first QS zero rack full NVL 72 working rack to Core weave the first in the world. So we've gotten pretty good at working very closely with NVIDIA, working closely with our customers to develop and bring up what is a very, very complicated technology. We have unique capabilities at the node level, but we have really unique capabilities at the L11 integration sort of capabilities. And we're now in a position where we can turn a rack into production at a customer site in under 6.5 hours and maintain uptimes of 99.9%, which is kind of unheard of in the industry.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. Those are some impressive stats. Arthur, maybe just talking about memory pricing, which has been obviously very inflationary. I think a lot of people felt that this would be a hurdle for companies like yours to navigate, which would create margin pressure. You guys have actually managed this incredibly well.

So your ISG margins were very, very strong. And this is AI server is growing pretty strongly, industry standard service growing pretty strongly at 92%. So as we think about that, like what have you been -- how why did people get it so wrong? What is it that you're doing that people don't have maybe full visibility into and rain in pace of that as you think about the future?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Yes. Well, Jeff made a call early in December that this -- some people call it a cycle, I think, is sort of the new normal. This was going to be -- regardless of how you thought about it, it was going to be a long period of time. And we needed to move quickly to communicate to customers what was going on in the industry. And on December 9, we moved the entirety of the business into the new cost structure that we were seeing.

At the time, it caused a lot of consternation with customers, as you could imagine. But over time and over the next several months, that very transparent, clear message that we started to deliver on December 9 became appreciated and customers saying, we see what -- now we see what you saw -- we see now what you saw back then. And we appreciate you having the courage to have that conversation with us early so we could think about this over the long term and plan for it accordingly.

And what you've seen since then is that we've driven pretty strong stability across AI servers. We've driven stability across server margins. And importantly, like we're in sort of historical ranges from a server perspective, and we're actually below where we were in Covid. So we've tried to drive stability there to make sure that we're not profiteering in any way. And then we've driven significant improvements in our storage portfolio, where we're seeing storage growth, and we're seeing growth in Dell IP storage, and that Dell IP storage is more valuable than partner IP.

And that's been one of the bigger levers in the overall ISG profitability framework and then scale would be sort of the last component.

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**Wamsi Mohan** - BofA Merrill Lynch Asset Holdings Inc - Analyst

Yes. No, that's really impressive. So maybe touching on storage for a bit, right, like investors are all trying to figure out like where the puck is going here, and it seems like -- we've seen this with compute than it was sort of interconnect and we've seen it with CPUs and industry standard servers. Should we be rethinking how storage is going to look in the future?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Well, look, there's no question we've been talking about. It was good to see the 8% growth that we saw in storage, but we've been talking about Dell IP growing on a demand basis, well ahead of the market for five consecutive quarters now. And you're starting to see it in the P&L. And the innovation in that portion of the portfolio is probably some of the best innovation that we have anywhere within ISG.

If you think about the AI data platform, something that's incredibly relevant for customers, we've introduced a data management capability with the Dell orchestration engine and the Dell data engines that help to ingest, transform, query data at great scale. Customers that are deploying this are seeing 12 times faster vector indexing, 3 times faster query, 19 times to first token. We've introduced new architecture with Lightning, which is not only the fastest parallel system in the world, twice the throughput of our nearest competitors, but it also represents the tax memory extension and data storage access that you need for disaggregated inference.

And when you think about creating a token generation engine, you really want to go down the path of disaggregated inference because you can split the prefill and decode stage of inference to create larger context windows, so you're generating less tokens when you do an AI type activity. And then we introduced Exascale, which is the world's only four in one unified rack architecture for storage that includes block object as well as disaggregated inference. So a ton of innovation on the AI data platform.

We also introduced a lot of innovation into our Dell private cloud. At the core of that is PowerStore Elite. So PowerStore now eight consecutive quarters of double-digit growth. And the new PowerStore is absolutely amazing. The 3 times level of performance with 1.5 million IOPS, 4 times the throughput performance of the previous generation.

We improved the world's leading data reduction guarantee from 5:1 to 6:1. We now enable up to 6 petabytes of storage in a single 3U form factor. And we've also built out the scale-out capabilities to include transactional file to allow customers to consolidate more workloads. And importantly, power stores are relatively new architecture, and it's container based. So it evolves with workloads and new technologies as they emerge. So customers know that this architecture is future-proofed, right?

And then you have all the innovation on the data protection side with Cyber Resilience and PowerProtect. From a table stakes perspective, customers get factory to site integration, silicon root of trust, zero trust controls, end-to-end encryption, embedded immutability, all combined with PowerProtect Data Manager and PowerProtect Data domain, which brings data reduction of 75:1.

So like across the portfolio, whether it's private cloud, AI data platforms, cyber resiliency, the team's innovation is incredibly impressive. And we've seen it over the last five quarters with the growth in Dell IP and you're starting to see it in the P&L.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. Those -- I mean, you're living and reading these stats as your customer conversation, I can see the pitch going right there on each of these stats, very impressive. So maybe this is sort of a, maybe a different storage question. But you guys have like number one position in enterprise storage and how broad portfolio as memory pricing has gone through the roof here, so to speak, like are you seeing changes in the way customers are buying and changing their habits of all-flash versus hybrid versus disk? Like how is that changing from your vantage point?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

It's not really changing. I mean, all-flash grew extremely strong for us in Q1. I think what customers are appreciating is the efficiency and the density that they get with our storage portfolio. Again, 5:1 -- or 6:1 now on PowerStore Elite even more on PowerMax improvements that we're seeing in power scale and object scale, 75:1 on data protection.

Look, storage requirements are only going to grow with agent every single Agentic. Every single agentic conversation will be transcribed, recorded, and kept. And so it might -- the growth there might be lagging a little bit on the compute side, but there's absolutely an explosion of data that's coming.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. It's a shame, we've only got 30 minutes because there's just so much ground to cover we here, but maybe we're down to the last couple of minutes. So to close, like what are investors like maybe underappreciating about ISG post this quarter. It's hard to sort of say that the potential was not understood in the quarter, but what do you think -- what would you focus investors to, I guess, as a takeaway?

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Well, look, I mean, I would say stock price would indicate that investors are appreciating a lot which thank you, and we appreciate that. Look, I think, for me, one of the most exciting things about the portfolio is the breadth and depth of full stack solutions that we can bring for customers. Customers are looking for technology that just works. And this is -- in an agentic world, all these systems are connected, the compute, the network, the storage, the data management, the ecosystem, the software, the deployment, the services capabilities.

Our ability to deliver full stack validated solutions optimized to specific workloads, coupled with the credibility and knowledge that we've built over the last four years deploying at the largest of the neoclouds around the world gives us a unique advantage that is incredibly hard to replicate.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. Well, that's amazing. Actually, I have 1 minute left. So I'm going to ask you something else before we close out. which is Tier 2 CSP demand has been very, very strong, and you guys obviously participate in that industry standard servers as you're seeing the rollout of Agnetic.

Are you seeing that across broadly both Tier 2 and enterprise. And within enterprise, like where do you -- what applications that are people really leveraging these industry standard servers for? I'm sorry to close out of that, but --

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

No, no, that's a great question. Look, it's across everybody, right? It's across the Tier 2 CSPs. It's across the hyperscalers it's across the enterprise. As we talked about a little bit earlier, when you get into the world of a agentic, you're now into this -- by the way, it's another thing that Jeff called out three years ago that this AI is a heterogeneous mix of accelerated and general purpose compute because there will be parallel workloads that require parallel processing versus workloads that require serial sequential processing.

And so as you move from technologies that can think and reason technologies that can act, manage, and orchestrate it requires both the accelerated and general purpose compute. So we see that demand coming from both sides.

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**Wamsi Mohan** - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Yes. Well, we'll definitely have to get you a bigger room next time, Arthur, but we appreciate you taking the time. Thank you so much.

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**Arthur Lewis** - Dell Technologies Inc - President, Infrastructure Solutions Group

Thank you.

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