



# **Hewlett Packard Enterprise (HPE) Investor Relations Summit – HPE Discover 2022**

Tuesday, June 28, 2022

## **CORPORATE PARTICIPANTS**

**Antonio Neri** – *Chief Executive Officer*

**Fidelma Russo** – *Chief Technology Officer*

**Andrew Simanek** – *Vice President and Head of Investor Relations*

## PRESENTATION

**Andrew Simanek – Vice President & Head-Investor Relations, Hewlett Packard Enterprise:** All right. Thank you everyone in the room and for the folks on the web joining us here today at the Investor Relations Summit at HPE Discover 2022. I think most of you know me, but if not, I'm Andy Simanek. I head up the investor relations team here. We've also got a couple of other members on the team here, Jessica Gallick and then Shelby Hilton. We also have our Treasurer, Kirt Karros who the investor relations team now rolls up into. So, very pleased to have everybody back in person after a brief hiatus during the pandemic.

We've been doing the IR summit here at Discover for several years, and I think it's a - just a unique opportunity, not only to hear the latest announcements that the company has, and to do some Q&A with senior management. But it's just a really good opportunity for you guys to get out and see what our customers and partners experience by getting out on the showroom floor, talking with our business and product managers. So, we're pleased to have you here. Hope you really enjoyed Antonio's keynote, how HPE is enabling digital transformation and all the momentum we have and differentiation with HPE GreenLake.

Hopefully, you've been able to see a lot of the press releases that have gone out. We sent out an email with all of the announcements, so you can access those and get more details. So, before we hop into the IR summit, of course I have to start with the disclosures. So, this event may include forward looking statements involving risks, estimates, and assumptions. HPE assumes no obligation to update such statements. Please find more details regarding forward looking statements on our website at [investors.hpe.com](https://investors.hpe.com). So, now we're going to get into the IR summit with both Antonio, our CEO, and Fidelma, our Chief Technology Officer.

So, they're just going to kick it off with some brief remarks and highlight their key messages, and then we'll just jump straight into Q&A and answer anything that you guys have in the room. After that, we'll be heading downstairs, and we'll do the transformation zone tours. So, with that Antonio, why don't I pass it to you to kick us off?

**Antonio Neri – President and Chief Executive Officer, Hewlett Packard Enterprise:** Sure. Well, good afternoon, everyone. Thank you for joining us and for traveling to see us in person, and for those who are attending online, thank you for making the time to listen to us. It has been remarkable three years later since I was here last time, getting everybody under one roof. We have probably more than 8,000 people joining us between customers and partners. It's just a different energy. But what I'm really pleased is that we have changed the company in ways we have not imagined before. So, despite the unprecedented challenges with pandemic and all the other issues we discuss all the time, what I'm really pleased about is the fact that we stay focused on our strategy and executing.

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And I hope you saw today through the keynote, and in particular through Fidelma's update and Brian's demo, how far we have come, and the progress we made on delivering on that promise. I think as I reflect back, there was that little video that would play up front, the one thing that came through, consistency. Consistency of our strategy, consistency of our messaging, consistency in our execution. And today, it was all about delivering the proof points, and the best way to show that is how customers are using our platform. And what Brian showed you today is exactly what we see with 65,000 customers, 120,000 users, and the fact that we continue to add capabilities and cloud solutions on the platform.

But I believe in the end, HPE has the right strategy that positions us in the growing profitable markets. And as you recall, at the Security Analyst Meeting, we talked about these mega trends. The fact that we live in a hyperconnected world, connectivity is an essential service, it is the on-ramp to digital transformation, and we have seen that in the last few quarters with the bookings that we've seen, over 40% for four consecutive quarters. The fact that cloud is an experience, and today we brought it to life. It is - yes, there is a public cloud aspect, but there is the on-prem and then there's the edge.

And how we bring the hybrid experience, I think, is something that HPE has executed very well, and that's one of the other mega trends we are capitalizing. And the introduction of the HPE GreenLake Private Cloud Enterprise edition is another step forward. The third piece of this obviously is data. And I have to tell you, I have already had many meetings with customers here, and that's what is top of mind, how I move forward, analyzing my data at a pace I have never thought before. And that is a lot of things, storing data, governing that data, creating the pipelines to run the right analytics, making sure there is an end-to-end visibility to that data from edge to cloud and so forth. And last but not least, obviously the ability to consume everything in a more flexible way.

And this is where the, as a service consumption, which is an experience driven by software and services, where infrastructure and finances come with it is a key component of what we see continue to grow. And the pandemic was one aspect of it, but I think as we think about inflation, if you think about some of the challenges that we may face going forward, that to me is going to be a catalyst for a continuous growth. So, we believe we have the right strategy, that positions us in growing in profitable markets, because all of these markets have higher gross margins, and the stickiness of that experience is what drives gross margin going forward.

As I think about HPE GreenLake and talk about some of the differentiation, many of you ask me and other team members, what is the differentiation? Well, the differentiation is the experience, is the technology, is the flexibility, is the predictability, and the sustainability of the platform. Because one aspect that we've seen, and maybe we didn't thought that way

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originally, is that customers actually onboarding on HPE GreenLake, in many cases, because of the sustainability benefit. What that means for them is that when they're on GreenLake, they consume less in term of energy and carbon footprint, which therefore they actually advance their own agenda in term of getting to that net-zero carbon footprint.

And the other piece of this is the unification of that experience. And for us, I think that's a unique point of differentiation because of our broader portfolio from edge to cloud versus trying then to just have a hybrid experience between on-prem and off-prem. But the question is, when you include the edge, that becomes even more complex. We bring all of that together into the same experience, and this is where I talk about the Journey to One, which is something that John Schultz brought to us because he said in the end, that's how we think about the customer experience.

But I think for you, obviously, the one aspect here from the financial perspective, which I don't believe, and you know me now for several years, we are not getting enormous amount of credit yet for all of this. And second, we are not getting enough credit for the resilience of our profit pools, because most of our profit pools, as you know, come from the balance sheet, which is very strong, and the services component of this is something that allows us to weather some of these ups and downs, cyclical situations we go through. And as we put more growth and more higher margins on the balance sheet, we believe for 2023, 2024 and 2025, particularly as we continue to grow ARR, which the mix now is tilting much, much faster.

And everything that Fidelma and Brian show today is all software and services. We'll continue to drive more resilience on the profit pools with higher growth and then durability of that will continue to be an important aspect. So, that's why, for me, it's an exciting time to be here to tell our story, to reflect where we are, how far we have come, and the innovation that we continue to drive for our customers and partners. And one message that we delivered yesterday to our partners that I think is resonating, and I will encourage you as you do the tour, talk to some of the partners.

We have been building the platform with the partners and customers at the center. Some of our competitors are - actually, interestingly enough, one of the partners told me, it looks like some of our competitors are paying us to go away. What do you mean go away? Yeah, well, they think we are not any value. Actually, we are expanding that ecosystem of partners and it's growing very, very rapidly, so they can add their own value services. In fact, one of the European partners asked me last night, hey, Antonio, of course you have to have the public cloud, and you see that today in the demo, but we also have our own cloud services we want to expose to the platform. That drives a lot of loyalty and stickiness, and that's why Fidelma talked about - to the partner yesterday about how we opened that through the APIs and so forth. So, that's the high-level story, but I'm going to pass it to Fidelma so you can talk about - a little bit more about HPE GreenLake.

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**Fidelma Russo – Chief Technology Officer, Hewlett Packard Enterprise:** Thanks, Antonio. So, the first thing I wanted to say is a little bit about why I came to HPE, and because - and it's really around what I thought about the opportunity that GreenLake presents. Having been in the tech industry for a long time, I also was a CIO of a company for a couple of years, and what that showed me was that there is an opportunity in the marketplace, not just for all workloads to land on the public cloud, but for workloads to land in the place that's the right place for them. And so, when you look at the GreenLake strategy and you think about workloads and workload placement, it's all about making it easy for customers to put their workloads in the right place.

And a lot of times what that means is, new workloads are being created at the edge, and then other workloads where they may have been on-prem, some may go to the public cloud, but others, because of data gravity, because of latency needs will stay on-prem for many, many years. I think this industry, we move quickly in some ways, and in other ways we have a lot of latency in moving. And I think over the last number of years, what you've started to see is kind of a rebalancing of how we think about cloud.

And so, that's really why I came to HPE, and I thought that GreenLake is such a great opportunity to solve customer needs, and also to solve partners needs where we can provide, at a platform level, the capabilities that they don't have to build themselves, so that they can focus on offers that go on top of the platform to bring value to their customers. So, when we think about GreenLake, and we talked about it this morning is, we're building a common foundational platform, and the piece that's differentiated about it is that it's kind of location agnostic. So, whether you have something at the edge, and you come on the platform, something in the data center or workload in the data center, or you have services like our backup and recovery services that also are - they back up and recover workloads in the public cloud. You can get onto the platform, and you can consume it all there.

The second piece is really then around what we're doing with data. And not just on a data management perspective, but this data fabric that can connect everything from hybrid - in a hybrid fashion, from edge to cloud to - and any place in between. So, those pieces are really powerful pieces in putting together this hybrid multi-cloud solution for customers and for partners. So, if we look at it then we can say, you know, it's all great to talk about technology and platforms, but also, there's always in every agenda, there's a financial aspect to it.

And so, the consumption model within GreenLake is very powerful on the fact that it's a PAY-Go model. And you can basically match your consumption to your budgets and have a much more predictable way of looking at your finances over time. And many of us know that IT budgets are - there are very few IT budgets in infrastructure that grow. They're really trying to replace kind of legacy systems. And with GreenLake, you can replace legacy systems and

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get way more efficiency and way more cost effectiveness, and also get more sustainability when you do that.

So, as we look at it as well, and we think about things that are higher level than the infrastructure, and we go towards kind of the PaaS layer, we are not – or maybe I'll put it a different way. We are very open about what PaaS layers we support. And so, we have our own container platform, but we also have - we also support Microsoft. We also support people like Nutanix, we support VMware. And so, it's an open platform because DevOps teams and IT teams, they have tool chains that they really like to use. And by having this open platform that supports these different tool chains, it really opens up a market where we're not trying to dictate to customers, this is how you should develop your technology.

We're enabling customers to develop technology with the tool chains that they have picked for themselves. So, I think the other piece is, we've had a lot of success over the last - I've been here nine months. And what I've seen over the nine months is the number of cloud services that we've added to the platform. We have, I think, over 18 categories of cloud services. And then, that's about 70 that are available on the platform. And the place that we want to focus on these services is all around workloads and data. And so, when we think about the services we want to put on the platform, that's the lens that we look at them on, and that's the lens that we talk to customers about and getting their rapid feedback, so that we can continue to deliver value to them, not just in the capabilities, but also from a financial perspective. So, I think maybe back to you Antonio...

**Antonio Neri:** Sure. Well, again a lot of progress was made in the last two years about the platform. There was an interesting slide that you saw the rolling of the 70 cloud services. It's fairly impressive because in the end, if you look even at the public cloud, they have maybe hundreds, if not thousands of services, but probably the top 80 to 100 are the ones that make the difference. And you need the basic infrastructure services, which is all about automation, life, cycle management. We have that for compute with comps ops manager, we have that with storage, and we have that obviously with networking, but the focus again, to Fidelma's point is the workload management and the data side of the house.

That's where today we announced the two data services aspect with the data fabric and the backup recovery complimented some of the other ones, we already have with disaster recovery and whatnot. But if you look at the cloud services, including workloads like VDI and SAP and so forth, those are the ones that customers tend to consume the most. In the end, what I say is we are making what I call discipline investments to deliver against these compelling trends we talked before. And as you see going forward, you shouldn't see a cycle of innovation every year.

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You should see a cycle of innovation in a platform every 90 days. That's how fast we are going. And that's the beauty of being in the platform and transacting through the platform because that gives the customers and our partners a unique experience because the focus here is to move from a transactional value to a customer lifetime value. We talk about getting off the training, getting on the infinity loop, and most of those services are going to be consumed with software and services, and that's where the IP rich oriented approach is going to play a big role. At the same time, we think about this customer centric innovation.

I'm incredibly proud of the announcement of Frontier. It's not just a financial benefit. By the way [inaudible] is the first one, but we have few of them lined up to complete in the next two years. It takes time to build the systems. You should think about a system like this is basically 75 racks of infrastructure, plus 25 cooling distribution units. Hundreds of miles of cabling that comes together in a software that makes that so special. The magic of that is in the software, to be able to process parallel workloads, parallel computing workloads to be able to run AI at scale. But that was an example of it.

But also, we announced today Project Lion[?], which is basically, we are the first infrastructure at the lower level with an [inaudible] based solution, which we feel that's going to be a next generation as well, which is more programmable to the way we're going to deploy cloud. And then obviously, through all the other aspects of what we already talked about it. I think it's going to come down to pure execution. This is not a strategy discussion anymore. And I will say the demand is strong. The demand continue to be very, very strong. In the face of the challenges we see, the demand for our solutions could to be very strong.

You saw last quarter, we grew again, 20% plus in bookings for four consecutive quarters. That's why we are confident to deliver the revenue we guided you for the year. [Inaudible] more supply we could do better, and I'm sure we're going to talk about that. But that - what does is we enter 2023 with a lower momentum on the HPE GreenLake, the platform, the services, and the backlog, which give us very good confidence in continue to drive that durable, sustainable, profitable growth. And then, I said that the shift to HPE GreenLake is actually enhancing our financial architecture because of that durability of the profit pool in the balance sheet.

And that's why 30% to 40% CAGR growth on the ARR. We feel pretty good about it. When you think about \$7 billion already in the balance sheet, you are financials - a financial analysts. You know how that unwinds over time, and that's just revenue and profit that's going to show up in 2023, 2024 and beyond. And so, when you think about that, between the as a service, the operational services of point next, HPFS, which obviously is the operating leases aspect of this is providing one third of the revenue. Think about it, one third of the revenue in the balance sheet, and 80% plus of the profit that they are recurring. And that's why I said one of my frustrations, we are not getting credit for that. Okay. We are not. So, I feel good about where we are, Andy, and why don't we open it for questions.

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## QUESTIONS AND ANSWERS

**Andrew Simanek:** Sure. Yeah, definitely. I think to start, Antonio, I just want to kick off with a question that I get all the time from investors right now. I mean, obviously there's a lot of turmoil in the financial markets. I mean, you've got the war in Ukraine, Russia, you've got the geopolitical environment. I mean, inflation is at multi decade highs. You've got interest rates being risen by central banks. So, there's a lot of fear, I think, in the investment community around recession. So, maybe just to start with, how do you see the macro environment, and how should we expect HPE to perform if we do get in a recessionary environment?

**Antonio Neri:** Yeah. Well, when I talk to customers, and this week is going to be another great proof point of that is that they are all - they never confronted all these issues at once. So, obviously there is a social injustice, and also the things the company have to deal with. The pandemic is not yet out of the equation. We just lifted the China lockdown, if you will. Supply disruption will continue to be here for a while, and now we have this cost of capital inflation that obviously is in front of us. But I will say there is a consumer view of that, and there is an enterprise view of that. We are not in the consumer view, and I think that's going to be challenging.

On the enterprise side, when you think about transforming everything from a digital perspective, establish this new hybrid work kind of framework for companies, accelerating that data insight, cyber, obviously, these all require quite significant amount of investments. And that's why I believe IT spend in enterprise will continue to be resilient. Will it be as elevated as we, see? Probably not. But if Tarek were here he will tell you, the sea level has risen, and I think it's going to be at that level for a period of time. And that's why to me, it's all about execution at this point in time. And I think HPE, again, since 80% of that profit is in the balance sheet, we think we are resilient to that, but at the same time, we're going to have these growth areas with higher margins which are going to be in higher demand.

**Andrew Simanek:** Yeah. Makes sense. And then maybe, Fidelma, one for you. I think one that I get all the time from investors is just - and I think you've hit on a lot of it today, is just around - and maybe - it's two parts actually. It's one, how does the GreenLake experience compare to the public cloud? And then maybe the - I think the other, the flip side of it is, where do we stand? How does GreenLake compare, stack up versus our more traditional competitors, like a Dell APEX, for example?

**Fidelma Russo:** So, let's take the public cloud one first, and I think it's an and. And I think we have to be really explicit about that. And for us, it's all about the edge in, edge to our Hewlett Packard Enterprise

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data centers, our colos, and then to the public cloud and giving people choice, okay? And so then when you look at the experience, when you look at how you engage with it, I think you will see - what you saw today is world-class, up there with the same public cloud experience. It's just a matter of where we're focused, and where we provide areas for our customers with workloads on. If we now shift to kind of more of our traditional competitors, they just don't have a platform. I mean, I just don't know how to say it.

**Antonio Neri:** Many of them don't have an edge.

**Fidelma Russo:** And so - they don't have an edge. And so, I think it's just - they may be at the beginning of their journey, where you're taking infrastructure, putting leases around it, and that's a cloud. But we all know that the cloud vendors have shown us the operating environments. They've shown us the ease of use. They've shown us helping customers get workloads in the right place, how do you protect it. And so, we're really taking a holistic view of that in the areas where we can differentiate, and then working in close partnership with the public cloud, for instance, with our backup and recovery that we announced today that also provides backup and recovery for AWS, which means that as a customer, you don't have to choose.

You don't have to have your backup and recovery for something that's on a GreenLake infrastructure that's on prem, and a different one for your volumes that are out on AWS, which is, as a former CIO, that is like you don't want to have multiple of these things. You want to have one that does -

**Antonio Neri:** The other thing to that is the data egress costs, right? If you can backup and avoid the data egress costs is huge. I think customers are telling us that the majority of the cost today, as you think about the total cost of ownership, is data egress. It's not the cost of compute or storing data. Obviously, there's elasticity that comes with it. But I will say from the competitive perspective, and we take all of them seriously, right, is the fact what we see today, and again, talk to customers, it is a different order experience. It is not a cloud operating model. When you talk about being in the cloud, it means you are automating everything.

Everything is self-serve, and ultimately, works in a way that is a service-oriented approach, is not a financing construct. We have a benefit that HPEFS gives us a very key strategic lever to be able to do the financing inside our service experience in a way maybe others can't. But it's not financial construct at all. It is a service experience that we show onto them.

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**Andrew Simanek:** Yeah. And I think it's also very telling that - I mean, we've been sharing the financials of our GreenLake as-a-service business for several years now.

**Antonio Neri:** Yeah, I haven't seen a disclosure.

**Andrew Simanek:** Exactly. Anyway, let's open up to the floor.

**Antonio Neri:** Yeah. Wow.

**Andrew Simanek:** We asked that you try to keep it to one question so we can get to as many as possible. But why don't we start with Amit here in the front row, please?

**Antonio Neri:** All right.

**Andrew Simanek:** Aaron, we'll get to you next.

**Antonio Neri:** He's taller.

**Amit Daryanani - Analyst, Evercore Group LLC:** Thank you. Amit Daryanani, Evercore. Thanks a lot for the presentation, your thoughts over here. I guess I want to go back to the GreenLake discussion, and you've had a lot of announcements. I think at this point, the entire HPE portfolio is on the GreenLake platform, which is impressive. But I was wondering, as a customer, could you break down what the unit economics are if one chooses GreenLake versus on-premise? And as you go down to this path of innovation, do you think you have the sales force and the channel that can scale up to the ambitions you have, or does more - do you need more investments over there?

**Antonio Neri:** Yeah. Well, all our products from the solution perspective are now being integrated in HPE GreenLake deal platform, whether you buy it as a service, or you buy it as a transaction or business model. So, take this example of a ProLiant. Obviously, everybody knows HPE service, ProLiant, right? If you buy or make the - always the same 10,000 servers, Hewlett Packard Enterprise

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and now you need to deploy provision and life cycle manage. Now you're going to subscribe to the HPE GreenLake software aspect of the ProLiant to life cycle that to what we call the Compute Ops Manager. But it runs through GreenLake.

It is a building block for us, obviously, to provide a workload optimized solution when the customers want to consume it in that way, and as a service. Storage already with HPE Alletra as well as now with the storage as-a-service is integrated into the platform. Aruba, obviously, which is our connectivity aspect of HPE GreenLake at the edge, is by default the reason why we extended the entire platform with, because all the access points, LAN and WAN are now on the platform. So, it is what we said early on, the journey to one experience and as more shift happens to us, SLA based model and mostly as a service model, what it changes then is that I don't need to go through the traditional way to order. I just go through the provisioning of what I need to the platform and transact to the platform, which in itself is a significant cost reduction, because I don't have to have all this complexity. It's just pick the attributes. If you take, for example, the storage as service, pick the workload, pick the capacity, and pick the performance you want. With those are three attributes and you pick where you want to deploy. That's it.

I don't need to go through a BOM. I need this chassis, this motherboard, these drives and so forth. So, technically, and architecturally, it is a convergence to the platform, and then you decide which path to pick, and obviously more and more is going to go to as-a-service. For the go to market, what I'm really pleased is that our partners are building their value on the platform. And on March 22nd, we announced four key distributors now on the platform, which expose their marketplace, which actually creates more reach into the Tier 2 distribution, with value-added resellers.

If you look at partners like Infosys, we work with them, and TCL, and Wipro, and you name it. They are adopting all HPE GreenLake as a platform to drive modernization of applications and data, and we have some very, very large deals that we closed together as a part of that. So, the partner ecosystem is growing. It's growing very, very rapidly. And with the announcement we made yesterday with Fidelma about exposing more APIs, particularly to the core foundation of the platform with metering and billing, they will take advantage of that. And that's why our strategy is different than our competitors.

Internally, we continue to drive the shift. There is more automation on the traditional things we are doing. If you recall, we started our journey with NextGen IT HPE Next. We finished that in March. John and team, and Rashmi completed that. We built all these service capabilities on top of it. Now we're going to go to the next phase to continue to automate those transactions the way we couldn't do before because we had ten different ways to do it. Now we have one, and then continue to shift the model to the right, if you will, to this new way to deliver solutions. With more services and more software driven where infrastructure

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comes with it. The way I think about it, at some point, hardware or infrastructure is just a cost of sales. Nothing more.

**Andrew Simanek:** Great. Thanks, Amit.

**Antonio Neri:** He was second.

**Andrew Simanek:** Yeah. Aaron - we'll go to Aaron please. Can we get him a mic so everyone can hear him on the webcast? Thank you.

**Aaron Rakers - Analyst, Wells Fargo Securities LLC:** Thank you. Aaron Rakers at Wells Fargo. I'm going to ask one clarification and a question on the architecture stuff. The clarification on - your commentary on the macro was well taken and stuff. I think in the last call, you explicitly noted like backlog peaking is probably late this year.

**Antonio Neri:** Yeah.

**Aaron Rakers:** That kind of commentary. So, first of all, is that kind of the message you're sending with, hey, we're going to enter fiscal 2023, backlog peaks late this year, or do you think the peak might be pushed out because of other things going on in the market? And then real quickly and the follow up question is, one of the areas that I think HPE's been very successful in, and you see it with Frontier and some of the other platforms that you've won. Is there other opportunities that you're seeing in high performance computing into traditional enterprise where you think there's just a bigger, broader opportunity to monetize that asset within HPE? Can you give any examples of that? Thank you.

**Antonio Neri:** Yeah. We still believe, Aaron that somewhere at the end of this year, I think backlog is going to peak, also because demand, again, will not continue to grow 20%, but will be solid, and then as supply continues to improve, obviously, we are trying to churn that backlog faster. So, that's the best view we have right now at this point in time.

In terms of HPC, we are very proud to have made that bet. That bet started with HPE, and I actually was running at the time, I don't know, 10 years ago, maybe, the server business. I introduced HPE Apollo. I was leading that business when we did that, and we felt that AI was going to be a driving force for that.

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Then obviously we completed the Cray acquisition because we saw AI has scale as a critical element of what customers need, and more and more simulation and modeling. We talk about autonomous driving, analytics. We talk about healthcare. We believe this - what I call AI at scale will be the next big opportunity for us. And that's why some small acquisitions like Determined AI and others will continue to be added in the portfolio building on a unique differentiation we have, which is called the programming environment around super computing, because when - Fidelma talked about the tool chain. When you talk about super computing AI at scale, it is a whole different tool chain, and that's a point of differentiation for us. So, our ability to continue to innovate on that front is a way to enhance the ability for enterprises to access this in colos and the as a service where our view is that over time, the programming environment is offered in our platform as GreenLake, and then they can pick where to run these things. And that's why the HPC as a service introduction late last year was the first instance of it. So, it's not just building big systems, it's to make HPC ubiquitous, and accessible to what I call the mirror models, and then also pay based on the jobs they're running. I just need to run that algorithm. That's it. That's what I need. I spin it off, as I turn it off. That's why a partnership with the colos is so important.

**Andrew Simanek:** Great. Thanks, Aaron. Can we go to Tim here in the front, please?

**Antonio Neri:** I think [inaudible].

**Andrew Simanek:** Yeah.

**Tim Long - Analyst, Barclays Capital, Inc.:** Thank you. Tim Long at Barclays. I just wanted to go back to the GreenLake and some of the new offerings that you're talking about here, the private cloud edition and disaster recovery, et cetera. I'm just curious, two things. One, any initial feedback. I'm sure a lot of customers were kind of on board with the progress you guys were making here. So, curious on that. And then second, could you talk to us a little bit about how, as you add more and more tools to the offering here, does this kind of enhance the TAM for GreenLake or is it another reason to go back to some folks that aren't on GreenLake and maybe increase deployments with them. So, maybe you can talk about kind of new opportunity from some of these offerings compared to potentially extending the breadth you have with some of the customer base. Thank you.

**Antonio Neri:** You want to take the first part?

**Fidelma Russo:** Yeah. So, as we were designing private cloud for enterprise, PCE is the acronym internally, we spend a lot of time with customers. And so - and that's kind of what formed it. It's unique in the marketplace in that it can run a bare metal workload, as well as a container workload, as well as a VM workload. There is no other offering that can be delivered as a service to run these three different types of workloads. So - and that was very informative feedback from customers. In addition to that, a lot of PCE is delivered completely

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as a service. And so, it - we do everything day zero, day one, day two, the analytics, the monitoring, the notifying, the security patches, all of those things are delivered by us.

And what we did with customers, again, all the way through this cycle was, we had a lot of - we sent them a lot of prototypes. They also worked on the workflows, making sure that they were intuitive, and making sure even more importantly, that they integrated into their IT flows. For instance, integration into ServiceNow. Integration into their CMDB so that it is a - so that it really takes away the infrastructure management and allows customers to basically look at their applications. And so, we have had great conversations here over the last day and expect to have more, so that's, my view on that.

**Antonio Neri:** Yeah. But Tim, to your question, I mean, it enhances the time, because we add more software into that stack because we are taking more and more aspect of what the customer is doing today, but it comes packaged in the experience, not as an add on customers have to do. So, there is not just the infrastructure itself that maybe we are capturing from another vendor but its the elements that get added on that stack with software and services, which is what I'm really interested to. Now, I will suggest you do something, go talk to your CIO, because they adopted HPE GreenLake at Barclays.

**Andrew Simanek:** Great. Thanks, Tim. Can we get to Wamsi here in the front, please?

**Wamsi Mohan - Analyst, BofA Securities, Inc.:** Thank you. Wamsi Mohan, - Bank of America. Hey, Antonio. Nice to see you again. I had a question first about maybe the completeness of the solution as it pertains to GreenLake. Because you mentioned you're up to 70% to 80%, 70% maybe running right now being offered Public cloud vendors having maybe a core offering of that many, and then maybe 2x or 3x that sort of inflow. So, as you think about the completeness of the solution, what are, some of the areas that you think that maybe need incremental investing? How would that be? Would that be organic? Are you thinking about inorganic opportunities?

And as you think about that, what about scaling up the stack? Because it seems to be a great solution from an infrastructure perspective, but as from a PaaS perspective, you're still partnering a lot with other partners. Are there aspirations to go up that stack from a PaaS perspective? And a clarification, Antonio, to your comment earlier about increasing TAM. If the TAM is truly greater than, as we think about your long-term guide for the ARR, how should we be thinking about this in terms of the longer-term growth rate, which seems like with these new offerings, there should be incremental opportunity, or it's more additive

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**Antonio Neri:** You want to take the first part, Fidelma? I'll then -

**Fidelma Russo:** Yeah, I mean - so we look at building kind of the horizontal capability first and then going up the stack where appropriate. And so - and making sure that when we put offerings onto the platform, that they can service all the pieces of our solutions. So, for instance, you don't have - if we take something like Determined AI, which is a SaaS offering on the platform, that over time is going to integrate more tightly with the HPC piece, but also potentially pieces of that technology, taking it and maybe using it at the edge for more intelligent learning and kind of augmenting our capabilities for AI scale, not just in depth - in big, but also scale as in masses of distributed areas. So, there's a lot more to do on the platform. Even every service needs more and more enhancements as we continue to get more customers on there, get rapid feedback, and push things out.

**Antonio Neri:** So, once you think about this way, adding more service per se will not change dramatically things. It's - make sure that whole value prop of simplicity, automation, OPEX reduction for customers, and then focus on the workloads that really make the difference. And we have done a lot of analysis per the previous question from Tim on TAM on specific workloads. It's not like they're hundreds, it's actually 40, in many ways, but we decided to focus on these ones first. And then to Fidelma's point, keep adding more capability, keep adding more software, and then we start adding more workloads when it's the right time.

We're going to pick our own domains, but as she said, edge, data are two very important aspects. Security, because of the more responsibility we take, and more SLA-drivenness, we will add more security to it. And obviously, we're going to monetize that through the offer itself. So, that's how we think about it, and there is an enormous runway in front of us. And in term of the growth, I will say, because this is as a service, if you take three years is one thing, taking five, ten years is a different thing. This takes time because you put in the balance sheet, and it takes three years to unwind.

The vast majority of our contract, which is great, by the way, are three years. Some are five years. And what I love about this is that the consumption model, let's say it was a quantity of one, the consumption is actually significantly above one. And our focus, I think, was the question before I think from Aaron was, our focus on go to market is not just started with solution oriented verticalization and advisory and professional services, it's also the fact that we have a customer success. Both introduce new way to sell because they are the ones that drive the customer relationship on a daily basis, and they are the one that drive usage.

It's activation and increased usage all the time. Now, what are all the things we're going to add? Listen, the edge is a huge opportunity. We have done a great job at the unification, the connectivity layer in the platform, but IOT and 5G are being added. I'm really excited

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about 5G. You're going to see some interesting things added there, both at the edge of 5G and at the core of 5G. One of the things that people may don't realize is that in our solution, we have core aspects of 5G necessary, and we're working with a very, very large telco. They're adopting a solution for virtualization and orchestration, and also consuming the virtual functions, few of them that they need for 5G.

That will come into the platform, and we have Tom Craig, who runs the business with Phil Mottram on the traditional edge with Aruba and Fidelma working on that integration. And IOT is just an extension of what we do with new protocols. On the storage side, it's all about data services. I think we have a very robust. Traditionally, they see us as a traditional block vendor, if you will, but object and file are coming to the same platform, which means we extend the time. We think about the storage time as primary and secondary. Fidelma knows that market better than I do.

She spent a lot of years there. In primary we have file object and block. We are extended the time by going through the object and through the file. But again, we can do everything, and that's why the - one of the value props is the openness and the choice and the flexibility, and that's why these partnerships. And if you look at the shop floor, go walk around, Red Hat is there, AWS is there, Nutanix is there VM is there. They all want to be in the platform, which is great.

**Andrew Simanek:** Yeah. Great. Thanks, Wamsi.

**Andrew Simanek:** Where are you going? Let's go to Simon, please.

**Fidelma Russo:** We'll probably go to the left.

**Antonio Neri:** And then we go to the left. Yeah.

**Andrew Simanek:** Yeah. Just kind of.

**Simon Leopold - Analyst, Raymond James & Associates, Inc.:** Thank you. Simon Leopold with Raymond James.

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**Antonio Neri:** Hey, Simon.

**Simon Leopold:** So, thinking about things you don't do, one of the categories is data center switching, which seems like could be a logical fit. So, if you could talk about why, you either would enter that market in a bigger way, or reasons for not doing it, but you're thinking on data center switching. Thanks.

**Antonio Neri:** We are, but we are not in the core aggregation switching. So, we are what I called the intelligent top rack switching. And you will see that portfolio as an extension of Aruba portfolio. So - and we don't want to be another, MeToo. We are actually driving an intelligent software defined fabric that is integrated into the platform. I think Brian mentioned this a little bit today in his demo, but obviously, it comes to the technical aspect of this. But think about, Simon, when I go to the edge of the data center, top rack, you're going to see our offer there. And customer that actually is asking us.

Now, when you go to the end of that row of racks, or the end of the aisle, that is more complicated. And honestly, we don't see tremendous value there. I mean, it is a heavy investment for not a lot of big return, and we believe that the collapsing of the stack, if you will, between networking, compute, and storage through the software-defined layers is a bigger opportunity for us, especially as the traffic gets driven by more the application side, east to west versus north and south, and that's where we are. You will see that from us.

**Andrew Simanek:** Great. Thanks, Simon. Can we -

**Antonio Neri:** I think we go left now.

**Andrew Simanek:** Yeah. Samik, please. Yeah.

**Samik Chatterjee - Analyst, JPMorgan Securities LLC:** Samik, from JP Morgan. Just a quick one, actually. With the PCE offering for enterprises, you're obviously bringing the cloud experience to them. What gives you the confidence that as enterprises start using this offering, it doesn't sort of take them over the hurdle in terms of a lot of the hesitation of moving workloads to the public cloud. Eventually, you are offering the same cloud services

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on a public cloud at the marketplace to enable, and sort of PCE becomes a steppingstone in terms of how they move to the public cloud.

**Fidelma Russo:** So, let me take that. So, I think we've spent a - that's always the first reaction of people, is like, if I give someone a cloud experience and I'm connected to the public cloud, then it's a one hop, two hop answer. And so, I think some of it is about not refactoring your applications, and, and running them as is. So, first of all, easy migration, better TCO, because you're not moving the data and not moving the application, and integration into current workflows. It takes a long time within any organization to rip out applications, refactor them, and move them to the public cloud. So, that's kind of one piece.

I think the second piece is, as you start to embrace people using their current tool chains, that actually makes application development stickier on PCE. And so - and it's harder then to move off again. But if it's the right thing to move, then people will move, but we don't actually see that happening. And because the other thing is, if you take an application and you move it to a private cloud, the next thing - like that's big planning for an IT organization. That's the next phase - and this is the next phase of the life of this application. And in general, it'll be the next four to five years before people think about moving their applications again.

And at that time, we should have - like, we'll have other services that keep them there. So, I think that's part of it. And the other piece of it is, as we move more towards colos, now we'll have more multi-tenancy for customers where they can put more applications on there and be able to share in a better fashion.

**Andrew Simanek:** Great. Thanks, Samik. Can we go to Kyle here on the end?

**Kyle McNeely - Analyst, Jefferies LLC:** Hi, Kyle McNeely, Jefferies. Thanks so much for hosting us. It's clear through the demos, you put a lot of effort into the features and the software as a foundation of the GreenLake platform. Can you talk a little bit about how much of the software is priced on a standalone basis? If not now, what are your plans for the future? And for the software that's tied to the hardware, what are you doing to kind of enhance the monetization of that when customers are thinking about TCO and may think of it as a hardware and services subscription other than outside of software. Thanks.

**Antonio Neri:** Yeah. Great question, Kyle. So, everything that we offer in the software space that's kind of standalone is a SaaS offer. We are not in the licensed term model. It's a SaaS subscription. And that's why with John and team, we have been working so hard to

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build both a subscription and a consumption. Consumption, obviously, is everything, subscription is the SaaS subscription. And then for the software, like for example, ProLiant. There is a price for the, call it, infrastructure, and the subscription to the software to run that infrastructure. And that's, in my view, pure gross margin.

**Kyle McNeely:** Great.

**Antonio Neri:** That's a simple answer.

**Andrew Simanek:** Thanks, Kyle -

**Antonio Neri:** Now some of the software gets bundled in the full combined workload optimization, therefore the pricing gets all bundled into one. But if you buy a server with a subscription to run the server, you buy the SaaS subscription, which by the way has a component of Pointnext OS attached to it, because you have to maintain that, right? So, this is where the opportunity to expand the margin is pretty significant, as we desegregate that, price, infrastructure, and we add the SaaS on top of it. But it's all SaaS.

**Andrew Simanek:** Great. Thanks Kyle. So, we'll work our way back. We'll go to Sydney and then Meta, please.

**Antonio Neri:** Yeah. And there is one on the far corner.

**Andrew Simanek:** Right, we will get Rod at the end there.

**Sidney Ho - Analyst, Deutsche Bank Securities, Inc.:** Great. Sidney Ho with Deutsche Bank. The question I have is on the partner program. Antonio, you mentioned that a little bit earlier. I'm hoping that you can double click on that a little bit. How do you think about the addressable market that the new program creates as compared to the old program, and how quickly do you think the uptake of that program is? And then maybe a clarification. On the stage you talked about the Frontier thing. Is that an indication that the customers has signed off on the deal finally? And is there something -

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**Antonio Neri:** I can't comment on that. I can tell you right now because we are in the quiet period. I can't talk to you there. And by the way, there are many deals in that phase. Right. So, we talked about that in the last quarter. But on the other question related to the topic you raised; I think there is several aspects of this. So, I think about the journey we are on, and then how we're going to get there. In my view, the - we're still in face in that transition as we go forward. And then ask me again, the other piece of that you were asking the beginning?

**Andrew Simanek:** The partner program.

**Antonio Neri:** The partner. So, we have a - what I call an industry leading partner program, it's called Partner One Ready program. And what we announced today is the extension into what we call Partner One Ready advantage, but it's one program. So, you as a partner, you a distributor, value-add reseller, solution integrator, you pick which part of the journey you are on. And the economics change, but the fundamental were three principles as a part of the partner program. One is the build, which basically you sell a solution. One is the resell, which means you can resell just HPE GreenLake. Or one is the managed services side, the manage services side, which you build your own services on top of our HPE GreenLake, and you add your value on it.

So, at any point in time, they can monetize. They can decide in their own terms, where to play and what value to bring. And we give one integrated partner program. We are the only one. Because in general, they tend to have a partner program for that, a partner program for that, and then gets confusing. We give them the choice to decide where to play in this journey. We want them to come onto the other end, which is the asset service piece of it, because in the end, it's a matter of relevancy. It's not just about, if I'm a distributor, I want to make whatever, two, three points, whatever the points they make.

They're going to decide that themselves. But if I want to add more value, and I want to add my own services, they can do that, and they get paid for that. And that to me is very revolutionary because it's going to accelerate the question that Aaron asked earlier, which is explosion of the partners coming into the platform. But they get one program with simple terms, simple, simple terms. I think Rod was there -

**Andrew Simanek:** Yeah, we have Meta and then we'll finish off with Rod over there.

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**Antonio Neri:** Okay.

**Meta Marshall - Analyst, Morgan Stanley & Co. LLC:** Great. Meta Marshall from Morgan Stanley. You've spoken a lot about kind of the partners and the openness of the ecosystem, which is obviously a great kind of attractiveness of the GreenLake platform. How does that alter how you think about other services and software to offer, like the ability to not want to step on their toes and their opportunity, but to still build your kind of software and services, revenue base?

**Antonio Neri:** I don't think it creates a challenge. I mean, we offer them, again, in this context of what we said before. Not every partner is created equally, and not every partner has the ability to do those type of services, including by the way, the advisory and professional services side. It is a big cost of capital that you have to maintain. Obviously, there is shortage of talent. So, we give them the ability to mix and match what they have, what we have, and build an entire solution for the customers.

They can decide whether to do it on our paper, on their paper. They can use our expertise or their expertise, and that's the beauty to your question about the Partner One Ready program. You decide how to build the offer from the menu above companies, and you get paid, rewarded, if you will, for base of what you choose. This is simple. We don't seek conflict. We seek complimentary.

**Andrew Simanek:** Yeah, makes sense. Let's take one from Rod, and then we have one more from [inaudible].

**Rod Hall - Analyst, Goldman Sachs & Co. LLC:** I'll just make it..

**Andrew Simanek:** Rod, please. Yeah.

**Rod Hall:** A quick one then. I wanted to go back to the - I guess what you've commented on the SAM slides and then the ongoing ARR growth and this idea that the investors should give more credit for that, which is reasonable, I think. The question I have though, and I think one of the reasons people don't - aren't giving you credit for it, there are two things, one, quantitative disclosure of those numbers, the revenue numbers so we can actually see what's happening there, but two, the margins.

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When I look at your gross margins, they're still bouncing around in the low thirties. They've come up a little bit, but then we can explain those gross margin movements more by mix and what's been going on, we know, in some of the end markets. We have a harder time clearly seeing anyway, that may be there - the contribution margin from that ARR. And so, I guess that's the question. What should we expect to see there on margins as we move the next couple of years that ARR continues to grow, or the revenue contribution continues to grow?

**Andrew Simanek:** You want - yeah. So, happy to take that Rod. So, you're right. So, I think, well, number one, I mean, when you look at the as a service business, it is definitely very accretive to the overall company gross margins. And then what we started doing last year to give you some more incremental disclosure was we started giving you the breakdown of what is in that ARR. So, we give you sort of the mix of software and services versus the hardware versus the financing component. And so, there's a slide in our earnings presentation that will break that down over the last five quarters.

And if you look at the most recent quarter, the mix of software and services, as we've been adding more and more capabilities to the platform has increased by five points. And as you can imagine, as we're adding more and more software, we're talking software like gross margins 90% plus, that improves the overall margin mix. And so, that's something we're also looking at longer term, is what can we do from a disclosure perspective. But we do provide that so you can get a sense of how that's performing over time.

**Rod Hall:** [Inaudible] -

**Andrew Simanek:** Yeah. Can you give him the mic? Sorry.

**Rod Hall:** We've looked at that slide, and we do that math, and you're on track for, let's say, 7% of revenue that's ARR contributed this year. And if we were to put 90% margin on it, we could isolate that margin contribution, but we can equally calculate the margin trajectory by just looking at the mix of revenues, and the fact that Compute is a little bit lower in the mix. And so, it's really still very difficult to see - to prove what you're saying, even though I hear what you're saying.

**Andrew Simanek:** Yeah. I mean, I think the - when you look at the margin trend over time, which I think we have made substantial strides, I mean, we went from kind of low thirties to

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- we're now at 34%. And it's both a mix amongst the segments itself. So, when you look at the higher growth segments, like the Intelligent Edge, or you know, like our Storage business, for example, those are growing faster. But then there's also a mix within each one of those segments that's getting richer. So, like within Storage, our own IP products are growing faster.

Those are obviously quite a bit richer than the third party resell that we're doing. It's the same thing within the GreenLake as-a-service business. That's obviously accretive to overall company gross margins, but that business itself is becoming more - the mix is getting more favorable to Software and Services. So, you've got sort of a dual benefit of mix within a mix that's growing. And so, I think you can expect to see that continue over time.

**Antonio Neri:** But I think we will continue to look at that and see what else we can provide as we continue to transform the business model. And I will say, [inaudible] has done a great job with the team in giving more visibility and more disclosure than ever before. If you recall, two years ago, we implemented the segmented view with a fully loaded P&L. This is why last quarter; we show the numbers with Compute - more profitable than any other competitor I can see combined. But as we go forward and the mix keeps shifting, of course, we want to make sure you understand that mix.

But again, if you have ARR which is approaching \$1 billion dollars or so, with two third being Software and Services, you can see what's going forward. And then you have these other pieces that may be more cyclical, like Compute going up and down. And that's why that 34% is incremental as we go forward. And to me, that's just the forest and the trees I call it. Well, I want to make sure I'm keep growing the healthy trees, which are the ones that are going to be long-term, durable, with higher margins.

**Andrew Simanek:** One last one here, please.

**Antonio Neri:** One last one here.

**Woo Jin Ho – Bloomberg Intelligence:** Great. Thank you for squeezing me in.

**Antonio Neri:** Of course.

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**Woo Jin Ho – Bloomberg Intelligence:** I'm Woo Jin Ho from Bloomberg Intelligence. So, where does GreenLake fit in to the CIO, CTO, IT roadmaps of the next three to five years? And then it sounds also - GreenLake also sounds like a land - a classic land and expand type of strategy.

**Antonio Neri:** Yes.

**Woo Jin Ho:** How do I think about it? How should investors think about it for the early insertion points to the land before you start expanding to the other platforms?

**Antonio Neri:** Yeah. Well, we want to think about this way, we want HPE GreenLake to be the heart - the beating heart of the strategy. Where they get on the platform, they get all the services to run and innovate as they go forward. And once we land on the platform, it's all about driving consumption. And we see that those customers who are already on the platform are consuming more, and now they start consuming other services from the ones they originally got on the platform. They may start with Aruba on the connectivity side. Now they need a VDI. They may need some ML ops. They need backup recovery.

Just happens to be, I need to have a disaster recovery tool. So, that's the land and expand. But to end this point, the land doesn't come at the lower margin, actually it came at a higher margin and accretive to the overall margins. With Fidelma, our focus is, where we can add IP and monetize it, that gives us differentiation, and continue to work with a broader ecosystem that everybody asks, and make sure we give them access, flexibility, and control. And then ultimately, there is a monetization aspect to that as well.

So, for us, it is the beating heart of our strategy, and then from there, making sure they land, love the experience, no difference in - how many times have you gone to Amazon to start buying stuff you don't need? But the point is, what problems we are solving for them., and that's where with Fidelma, we are really focused on. And as we take their input, we continue to add more services and then expand the consumption.

**Woo Jin Ho:** [Inaudible]?

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**Antonio Neri:** Yes, absolutely. All of them. I mean some of the examples are on stage, but if you talk to customers here, they said, we are so excited to continue to consume more because now I'm refocusing my staff from running the infrastructure to innovating on the data. That to me is magic, because that means that they are actually transforming themselves, and we are more relevant to them than ever before.

## CONCLUSION

**Andrew Simanek:** Great. Thanks, [inaudible]. So, that's about all the time we have. I just want to thank everybody in the audience for joining today -

**Antonio Neri:** Yeah. And thank you to the people online.

**Andrew Simanek:** For sure. Antonio, any closing -

**Antonio Neri:** Yeah, no. I mean, I will say exciting time to be back together. I really appreciate you making the effort to travel to see us. I think the best is yet to come. Just go see the demos, the show floor. Talk to the people so you get a better perspective. But as a CEO now, having seen it all in the last 4 years. I mean, it's just remarkable all the challenges we have to deal with. Natural disaster, geopolitical tensions, war, global pandemic, social injustice, supply disruption. By the way, the supply to me is a demand issue, it's not a capacity issue. I think that's where people sometimes get confused.

Capacity has not gone down, actually capacity has gone up and increased slowly up. But the problem is, it's a good problem, demand has outpaced the capacity by a factor of ten times, if you will. And that's a good problem to have. However, obviously, we need to fulfill that, and I think things generally will stabilize and all settle. But what I'm really excited is that we have momentum. It is undeniable, and customers are voting with their workloads of data on the platform, and that's why I'm excited about it. And the culture of this company is amazing, and you will see it on the floor with the people. So, thank you very much, and thank you for the people who joined online.

**Andrew Simanek:** All right. Great. Thank you everybody.

**Antonio Neri:** Yeah.

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**Fidelma Russo:** Thank you.

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