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PRESENTATION

Sherri Ann Scribner *- Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Welcome everybody, I'm Sherri Scribner. I am the IT hardware and Supply Chain Analyst at Deutsche Bank . And I'm very pleased to have with us today, Hewlett Packard Enterprise's CFO, Tim Stonesifer. I am going to kick it off with a couple of questions and then I'm going to open it up to the audience for questions, if you have any questions get ready with your questions. But first, maybe I'll start off, Tim, HP has had -- HP has been hit by a number of issues this year, including high commodity cost, pricing pressure and execution challenges as you divested your services and software businesses from an execution perspective HP was back on track this past quarter, you guys reported last Tuesday. Can you talk through some of the challenges you faced on the execution side over the past few quarters and where you are now in terms of remedying those issues?

Timothy C. Stonesifer *- Hewlett Packard Enterprise Company - CFO and EVP*

Yes, I mean, we have certainly been busy with separations. And I don't think that's a secret to anyone so, I think particularly in the first quarter where we had some challenges. One of the things, I think, we underestimated was the impact on EG personnel so when you think about the ES separation, we were very focused on that, but as an example, when you are restructuring in Europe, whoever is the leader in that country has to deal with the workers' councils and all that and in most cases that was an EG person who is driving a lot of sales. So I think that's one of the execution issues we've had. We've had some challenges on the go-to-market as we've been transitioning, and I think those are starting to get ironed out, we have folks that have been in their roles for a longer period of time, they know now, what they're doing, very focused and I think, we saw some of that come through in the third quarter.

Sherri Ann Scribner *- Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Yes. Okay and you mentioned the separation, you guys, just to remind everybody, you guys have done with the services separation, you just finished the software separation. And I think, you said on the conference call that things are going -- you're doing a little bit better than you thought you would have, is that right and?

Timothy C. Stonesifer *- Hewlett Packard Enterprise Company - CFO and EVP*

Yes. I think the -- I mean both separations took quite a bit of effort, but if you just look at the scale of it, I mean when we separated ES that was 110,000 employees, so we went from 160,000, 170,000 folks to 50,000 or 60,000 folks. And that's I think from an operational perspective where we really started to feel it and see it as we were operating and that's what led into some of the HPE next initiatives.

Sherri Ann Scribner *- Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay . We're going to get to that. But first on the demand environment, the demand environment for your main product segments has been challenged this year. In your view, what's been driving this more challenging demand environment and what's your expectation for when this demand environment will improve at least on the hardware and services side?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes, I think, if I look at it from a geographic perspective, the U.S. has been challenged for sure, particularly on the pricing front. I think to be honest, I think, we saw a little bit of a lift in Q3, our lift -- let's put it this way, Q3, I would be a little bit more bullish on the market in Q3 versus Q2. We had some good performance in Nimble. We had some good performance in SimpliVity. When I look at Europe, it was a little bit more balanced. I think, balance -- pretty balanced in Western Europe. I think in, we saw some good progress in Germany. And then in Asia, we saw bit of a lift. We had some double-digit growth, if I think about Japan or China or India. So the markets are feeling a little bit better, but it is still very competitive out there.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Sales growth has also been challenged for your server and storage segments over the past few quarters, but you did return to growth this past quarter in those 2 segments. Can you walk through some of the dynamics that have impacted your hardware growth and how do you see hardware growth trending over the next few years in those segments?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So we were up 3% overall as reported, we were up 9% when you exclude Tier 1. I'll break it out by component. If you look at servers, servers was up, it was flat with Tier 1. If you take out Tier 1, it was up 12%. So we've been talking the key to our strategy from a growth perspective as we need that core server part of the portfolio to stabilize. We actually saw some nice growth there. I think, it's a combination of a couple of things. I think, there is a little bit of execution in there. Quite frankly, as I said, I think the markets were a little bit better and the other thing is our compares were easier, but we're seeing nice traction there. High performance compute was up 40% up 10% organically, so we're seeing a lift there, hyper converge as well. So good traction in servers. I think, when you look at storage, all-flash was up 30%. We're starting to see Nimble picking. So that's very helpful. Organically, it was, it was single-digit. So we're still working through some of the challenges we have in 3PAR. And again , particularly in the U.S., we're seeing a bit of a competitive market there, but this business again taking Tier 1 out because it does tend to be lumpy, I don't think, we'll be as [high] as we were in Q3, but we should be able to see some nice growth that we can stabilize the core server part of the portfolio and then capitalize on those pockets of growth I talked about.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. And the networking has been really strong for you guys. It continues to be very healthy, do you think that continue -- you continue to see strong growth there?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

I do. I think, the nice thing there is, so Aruba has been fantastic. Aruba was up 30% on the wireless component. One of the things that we're seeing is more pull through in campus and branch on the switching side. So that was up mid-single-digits in Q3 . So I would expect to see more of that continue as we go forward.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. I think, you touched on it, but high component cost has pressured your margins in recent quarters, particularly DRAM and you've not been able to pass along as much of those increases in commodity cost through pricing. What do you see in the component commodity markets now and how do you see this trending in fiscal '18 specifically I think DRAM is the big one for....

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes, I -- January, we saw the big spike and that's obviously when we had to take down and part of that was driven by commodity cost, but even since January, we've seen in DRAM, we've seen cost go up 5% to 10% per quarter. So we continue to see that put pressure on the business. Now we are out there trying to pass that through. I would say in January, when we first felt this, we thought we would pass it through over time and our assumption was hey, look, we're not going to get that back in 1 quarter or 2, but over time, we should be able to pass that on. That has been more challenging that we had anticipated. So that's really what's driving a lot of the pressure that we're seeing this year.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And easing next year maybe? What is your view?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

I mean, our view is we're going to sort of hold, as we think about '18, we're going to hold it flat as to where it is today, very similar to what we do with FX and then we just plan accordingly. But I would say this, when I talk to our supply chain folks and other folks. There's always 2 sides to every story, we don't see that easing in the near term.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Yes, it did seem like there is CapEx issues that need to be resolved for the -- those guys. So margins have been disappointment over the past few quarters and are below 10% in the EG business. Can you walk through some of the dynamics that have led to these lower-than-expected margins in this business and provide some details on what your view is long-term -- what your view is for long-term sustainable operating margins for EG?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So I think as we talked about in Q2, we had margins of 8.8%, which were low, if you go back historically. And we said -- and that's when we went out with, hey, look, we're continuing to see commodity cost pressures, pricing is very difficult, we need to go after more costs. And that's when we announced the $200 million to $300 million of cost take-out in the second half of this year. So as I fast forward to Q3, the good news is we saw a 50 basis point improvement in margins, but they're still relatively low at 9.3%, and what you're seeing there is a combination of we're making very good traction on that cost take-out, and that is more than offsetting some of the pressure we're seeing on stranded costs given the fact that we've a full quarter now, VS, and some of the short-term dilution on the recent acquisitions. As I go into Q4, I would expect those levels, the margin rates to increase, really driven by: one, we have some seasonality. So if you look at historically, if you look at the EG business, we get it -- typically get a lift in Q4. We should continue to get that this year. If you look at the cost take-outs that I mentioned earlier, we'll get more cost savings in Q4's compared to Q3. And then, again, as we continue to work out the stranded costs in the short-term dilution, we should get some benefits there. So I would expect to end the year around 11% kind of range. And then as I go into 2018, and we'll give more clarity on this at SAM, as we continue to execute on the HPE Next initiative and deliver some of the other things that we've talked about, that should offset the commodity pressures that we're seeing, and we should see that margin rates. It's too early to tell at this stage, but I would say it'd be in the 11% to 12% range.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. So on your last call, you noted that earnings for the go-forward company will be about a $1 in fiscal '17, pressured this year by stranded costs, high commodity costs and a little bit of currency. Stranded costs are expected to be fully removed by, I think, the end of the fiscal year and commodity cost headwind seemed to be abating. So can you talk about how you see these dynamics trending in fiscal '18 and what type of earnings power do you see potentially next year?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So we walk through some of it, but I think we have -- first of all, we have a lot of tailwind going into '18. So if you think to your point around the stranded costs, that should be a good guy. If you look into the short-term dilution, we will have an appropriate amount of time to right-size the cost envelopes of the recent acquisitions, that should provide some tailwind. Knock on wood, I'm hesitant to say this, but if currency stays where it is today, if rates hold, that should provide some tailwind next year. And then when you think about the run rate impact of the $200 million to $300 million of costs that we're taking out this year, that will be favorable. And then we should get some lift from share count, right? We've been buying back a lot of stock, obviously, so we should get a little bit of a lift there. And then lastly, from an HPE Next perspective, we announced $1.5 billion of gross savings. It's still in the design phase. I'm very comfortable with the number, I'm not quite sure about the timing and the net amount, but when I look where I sit here today, there's no reason why we shouldn't recognize, from a net perspective, roughly 50% of that. So we'll provide more color on sizing, timing and all that at the Security Analyst Meeting, but a lot of tailwinds going into '18. Now the one big unknown is the commodity costs. And the only point I would make a little different from your question is we are at the elevated cost today, so -- and I think if you look year-over-year, costs have roughly doubled. So I'm going into '18 and what we're assuming as we go into to '18, you're carrying a full year of that elevated cost. So it is a sizable number. And again, it's very difficult for us to dissect how much price we're getting overall versus how much we're passing on for commodity costs. But our estimates would say that we're passing on roughly 50% of the commodity cost increases, but we're seeing an overall pressure point when I look at the overall pricing in the portfolio. So the combination of the pricing pressure and the commodity costs as we go into next year, I think that could be up to $400 million, $500 million assuming kind of commodity costs stay where we are today and the competitive dynamics stay where they are today.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And what about acquisitions? Do acquisitions help you a little bit next year? I mean, you've had a couple.

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes, we've had a couple smaller ones and they've been -- they put some short-term dilution this year, those will be roughly flat next year and start to be accretive in 2019.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Maybe can you talk a little bit and provide some more detail on the components of your HPE Next initiative? You mentioned it, and you also mentioned that what you talked about last week, the $1.5 billion in gross savings over the next 3 years. I think you just said now that we should expect at least roughly 50% of that should fall to the net line, but can you maybe provide some additional details on that? I know you're going to talk about it at the (inaudible).

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. I think we've been doing some meetings this morning and obviously after the call, and we've been getting a lot of questions around, hey, look, couple quarters ago, you guys said you were cutting to the bone, all the low hanging fruit was gone, so what has happened between now and then? And so I would just take a step back and say at that point in time, as we were looking at costs, you can always go after, what I call, the usual suspects. It's the travel, it's the consultants, it's the contractors, it's the rehiring rates, and we continue to do that, and quite frankly that's what drove some of the $200 million to $300 million that we're seeing this year. But that was really -- since then we've had sort of 3 or 4, 5 months to operate as a team without ES and you can underestimate the impact that you have when you have 110,000 fewer employees. So let me give you a perfect example. We do business reviews globally all the time. So shortly after the separation, we go to Europe for a business review, and we had a global leader or infrastructure, we had a regional, we had a sub-regional, and we had a country. And the reason we had that is we basically still had the same infrastructure that had ES, EG, software and financial services. So as we started to see that, we said, hey, look, structurally, we don't need all this infrastructure. And then we started down this path of okay, given that, what are the other opportunities, and then that's when we got into this whole clean sheet exercise where we then said, okay, let's look at our end-to-end processes. And let me give you perfectly another example is if you look at, and I think Meg mentioned this, if you look at our server configurations, we have 50,000 server configurations and 80-20 rule typically applies. So I haven't done -- we haven't done all the analysis yet, but that's going to be directionally correct. And what does that do? That adds supply chain costs, it adds complexity, it adds inventory needs, it adds I need more sales ops to do what they need to do. So if you take that number down to 10,000, there is going to be savings there. If I look at product platforms, going from -- we have 26 product platforms. So if I look at -- another thing that we're taking a hard look at is a page out of the ES Playbook that we did, it's moving roles from high-cost countries to low-cost countries. And we had a lot of success doing that. And yes -- so it's a combination of those things and to me the big difference is ES is gone, we're now operating as a smaller company, we see the complexities sort of front and center and that on top of the fact that we're seeing market pressures. We said, hey, look, we got to do this, it's something different. The other thing I would add that gives me confidence in the $1.5 billion of savings that we talked about is from an execution standpoint, we have learned a lot from the E&I separation, the software separation. We have -- we know how to do this now, program teams, program management, cadence, reviews, fully dedicated people. So I'm confident that we'll get the savings. We haven't identified the net savings yet, and I know that's of interest to a lot of people because you're trying to figure out the models and the go-forward look. Again, having done this on a smaller scale and some other lives, again, I would start with -- I think there's no reason from what I've seen so far that we shouldn't be able to realize at least 50%. And as I said, we'll give you guys more color at the Security Analyst Meeting.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Great. That was super helpful, lot of detail. Let me maybe switch gears and talk about the public cloud. So the move to the public cloud remains a key theme with many investors. What's your view of the threat of the public cloud to your business? And along with that, you recently announced the acquisition of Cloud Technology Partners, a company that helps other companies migrate their workloads to AWS. Can you talk about the rationale for this acquisition, given this seems like it's a type of business that would be cannibalistic to your hardware business and what is your -- for the long-term view about the threat of the cloud?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes, I think -- starting with the acquisition, I think it's actually very complementary to the consulting side of our business in Pointnext. So one of the things that we often find when we go out and speak with customers is their number one need is I sort of know I want to be cheaper, faster, more efficient, I just don't quite know how to get there. So they're really looking for guidance around; okay, hey, look, here are the 42 applications I have. Okay, so we send somebody in, say it's okay, let's keep these 10, let's close down or shut down these 10, let's move these 10 to either public cloud, private cloud, hybrid, what have you. That's really what this acquisition will help us to do. So it gives us some added capability in that front, which is what customers are looking for. As far as AWS, I mean, there is definitely a shift, we don't have our head in the sand. I think that's driving some of the competitive pressures that we're seeing in the marketplace. We just need to be able to respond to that. And I think we feel very good about our strategy, our strategy is very simple, make Hybrid IT simple, and you can see some of the cloud impact their, power the intelligent edge, provide the services whether it's Pointnext or financial services to help drive all of that. We feel good about that. It's just a matter of going out and executing, but it's definitely putting some pressure on us, no doubt.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Any questions from the audience? There is one -- there's a couple up here in the front. Could you just wait for the microphone?

QUESTIONS AND ANSWERS

Unidentified Participant

I'm [Lilly Baugur]. To what extent do you work with the DXC organization now?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So we do a couple things: one is they manage our IT infrastructure. So that was part of the transaction. And two, we still work very closely together. So we provide them hardware, they pull some of that through. We have service level agreements that were part of the original deal. So we still work very closely with them.

Unidentified Participant

Can you just talk about your deferred tax assets and how we should think about the dynamics around that figure of pretty sizable balance?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So I would a couple things. We are -- we talked a little bit about it on the call. You're going to see some movement in preparations for some of the tax reform that we are anticipating. So in Q4, we called out that there is going to be a sizable one-time non-cash item in the deferred taxes and the tax rate. So you'll see some of that move through. It's going to be a pretty big number, but again, it's one-time, it's non-cash. And what that allows us to do is maximize our tax positions going forward in anticipation of what we think is going to happen from a tax reform perspective.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And that number is not -- that's not included in your non-GAAP?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

That is not in our non-GAAP, correct.

Unidentified Participant

Historically, your servers in the storage business have moved not perfectly in tandem, but more similarly than the dynamics that we saw last quarter. Anything in particular that's making them diverge and servers talking to ex-Tier 1?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. I mean, again, I think -- I don't know if there was anything specific in Q3. From a server perspective, we had some nice growth. Again, I think that's a combination, as I said, of execution, easier compares. But I think that it was relatively balanced from a geographic perspective. The only thing in storage I would take into account is we do have the Nimble acquisition in there. So if you're comparing historically, that would probably inflate our growth rate a little bit. But again, we feel good about that acquisition. That should have some nice growth as we go forward. So -- but I don't see anything in Q3 that was abnormal versus prior quarters.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And maybe just following up on that, your service sales really rebounded last quarter -- this past quarter. I think they're up 12% in constant currency after adjusting for the Tier 1 sales. What's driving this growth for you guys and sort of definitely above market and what's helping you there, what helps you?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes, I think -- again, I think there is a little bit of execution. If I look at the product portfolio, we are -- one of the things that we're seeing is as we have launched Synergy, we have 600 new customers. Now what we're seeing is that has actually had a pretty big pull-through and has s helped blades as people get prepared for this going forward. So that's been a nice lift. We've had some nice performance in Hyper Converge, triple-digit growth, albeit off a small base. So there's a lot. And then if you look at high performance compute, with the SGI acquisition, that's performing very well for us. So it's pretty balanced right now, which is critical for us again given sort of the stabilizing that and maximizing the pockets growth.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. And we're talking about several numbers ex to your Tier 1 customer that has been an issue this year. Given the low margins in that business, what's your strategy for the -- sort of the Tier 1 cloud type of segment and are you interested in regaining share there or is that something that you just choose eventually not to participate in?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

We've talked about this in the past, we're going to evaluate this, and we're going to provide some more color and a definitive answer at the Security Analyst Meeting. There's really a few things that we're thinking too. So the first one is the impact on supply chain, component costs and all that. So we want to make sure that we fully understand the financial expression there before we make any decisions. The second area is really around customer relationships. So obviously, customers are important to us, and we want to make sure that we understand kind of the impact that this would have going forward. And then lastly -- excuse me, and then lastly, I think it's important to note that not all Tier 1 is the same. So if you look at cloud line as an example, very thin margins, sort of the white box type of stuff, no attach. That's very different. We do have some sort of core servers in that Tier 1 space that have decent margins, not great margins, but decent margins, and they sometimes bring in some attach, which will obviously have very attractive margins. So those are the three things that we're really working through, but we will be making a decision and communicating that at the October meeting.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. And then maybe you can just remind us about excluding the large Tier 1 customer that's been going away, how much is Cloudline represent of your sever business?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

I would say Cloudline is probably -- we've said that Tier 1 is roughly 15% and Cloudline is probably about a third of that, I'd say.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Your storage results have been challenged this year due to some of the execution challenges earlier than -- earlier in the year and then I think to some extent, your inability to procure some SSDs this year because of the shortages. Storage return to growth last quarter helped by the acquisition of Nimble and SimpliVity to some extent. Do you believe your execution issues are resolved in storage? And what has the tightness in the SSD -- has the tightness in the SSD market improved?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

So I'll start with the SSDs. It has not improved that much. It's really -- this is less a cost issue, it's more of a supply issue to your point. We're getting our fair share. It's just that we have a lot more options from a drive perspective. So we're trying to do demand steering to help minimize the revenue impact. As far as the execution goes, we had some leadership changes in the Americas in storage. So we anticipate that will help improve things, but it's a competitive marketplace. And then the thing that we're very comfortable with when you look at the overall storage business is we love the Nimble acquisition, 3 par, very good product, was more mid-range, high end, Nimble mid-range, low-end, it fills the whole product suite, we've got some nice momentum there. And again, one of the things that we like to reiterate is when we do M&A, we really look for complementary IP that fits within the strategy, that we can get at a good price, that leverages our distribution. I mean, we have a strong distribution arm, whether it's direct, whether it's channel, and that's really a lot of the value we bring. So we'd expect to see what we saw with Aruba. We've talked about Aruba got sort of the Home Depot deal, the United deal that they would not have had as a standalone business. I think we're going to be seeing some of the same stuff from Nimble.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Good. You touched on acquisitions, you guys have been pretty acquisitive the past year with SGI, SimpliVity and the Nimble acquisition. Given the new streamlined business model, where do you see holes in the portfolio where acquisitions makes sense and what is your long-term acquisition strategy?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

We're going to work within the same framework. It's returns based, it's a combination of organic investment, return cash to shareholders and M&A. And as I said earlier, it's make Hybrid IT simple, power the intelligent edge and provide the services around that. So we're going to continue to look at where we have some gaps, but it's going to be that same type of philosophy around complementary IP that leverages our distribution, that blows our profitable growth. I don't think that framework is going to change. It's really a matter of what's out there and what can we get at an attractive price.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. You guys have divested a lot of businesses over the past year. Is there opportunities for further divestiture, maybe something like the finance business, does it really make sense to have a Financial Services business?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. We get that question quite often, and I have to say in prior to this role and in prior life, I spent some time in some leasing businesses with General Electric, and our Financial Services business is performing very well. It is somewhat standalone from an operational perspective. So given the fact that we were doing these separations, that really wasn't on the top of our priority list. But I think most importantly is customers like the ability to have that flexible consumption OpEx, CapEx, that type of thing, plus we have a very seasoned sales force that pulls through a lot of hardware. You look at the portfolio, so the other issue are -- I think you need to look at from a leasing business obviously is the portfolio. We have world-class loss ratios, very, very low loss ratios. We've had great remarketing capabilities. So we don't really see the need to make any changes there.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay. Do we have additional questions, last chance to ask a question, there is one in the back and then one up here.

Unidentified Participant

Within the storage business, what kind of opportunities you see obviously Dell-EMC as -- is going through the merger integration right now. All signs indicate that has been going well. Is that an opportunity for you guys and how do you think about that?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes , I think it is. Again storage for us there is tremendous opportunity in all-flash and we've got to straighten out some of the execution issues that I talked about on the Americas front but it's still a very competitive marketplace. So I think, we just got to continue to execute and make sure that we have the innovation roadmap. I think with the Nimble acquisition, we fill the gap that we had in the strategy that should be helpful as we move forward. That was up 30% in Q3. So I think, we've just got to continue to kind of look at the innovation and execute.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And then maybe talking about storage. You guys saw good growth in the all-flash array market this quarter, helped by Nimble, but it seems like you guys have been losing share in all-flash market. Is Nimble really going to help you guys sort of reinvigorate that all-flash market for you and then maybe talk a little bit about the 3PAR offering and how does that stack up versus other all-flash offering?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

So I would say that Nimble is definitely going to help, because again it provides us more capabilities at the low-end, mid-range low-end. Share was down with our second quarter down, but if you look at the [6] quarters prior to that, share was up. So if you look at over the 2-year period. I think, we're one of the only big players that had share gains. So again, it's, I think, to me, it's really all about the innovation, it's all about execution and delivering on our commitments.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

So I haven't asked you at all about technology solutions. That business has seen constant currency sales growth over the past 5 quarters which is impressive. What are your growth expectations for TS going forward and how are the attach rates trending? I mean, clearly this is a real important operating margin driver for you guys and how is it changing the types of businesses that you want to be involved in?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

Yes. So this is super critical to us from a profitability standpoint from a customer capability perspective. So we have seen growth, we're very pleased with that. It's been very stable this year, both not only on the growth front, but the margins front. I think from a margins perspective, it will continue to be stable. And as far as the attach rates and what have you, one of the things that the team has done a very nice job on focusing on is service intensity. So that's attach dollars per unit. So why that's important is because as you're getting pressure on servers or what have you from an attach perspective if you're increasing your attach dollars per unit then that helps your margins. So I think that was up 11% or 12% in Q3. So we feel good about the business. We have a new business leader there. She's been here for about 3 or 4 months, has done a tremendous job. And from a 2018 or going forward in a growth perspective, my guess and it's too early to tell , but we have seen a couple of quarters this year of negative order growth, and that obviously feeds revenue next year. They haven't been huge numbers, but so I would expect revenue to be flattish. If you think about 2018 but I don't see any issue on the margin front.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

And then typically, I think many investors think about that business is highly tied to your hardware segment and some portion of that TS business is maintenance related. Can you talk about some of the -- how true is it that that business is correlated to hardware and then what are the other services offerings that you offer that are not necessarily tied to hardware?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

We do -- we have been doing more services. So if you think about Proactive Care, Datacenter Care, those are the types of offerings that we -- that we provide and we've been seeing some nice growth there. The other interesting point on the attach to the hardware is the other thing to think about is the recent acquisitions we've done. So if you think about servers, not a lot of attach in Tier 1 obviously. So -- but when you look at high performance compute. If you look at the SGI, the more complex areas in the server space have very high attach . If you look at mission critical, very high attach. So those are the things that we're also looking at when we're looking at the M&A strategy. And again, how does it fill out the portfolio and driving strategy.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

So is it fair to say that the mix of your business is shifting to more segments that would have more attach or is that maybe the long-term goal?

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

That will be the long-term goal. Yes. But I think, it's going that way, I mean again, SGI is a great example.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Yes, okay perfect. I think we will stop there. Thanks so much Tim.

Timothy C. Stonesifer - *Hewlett Packard Enterprise Company - CFO and EVP*

All right. Thank you very much.
