

i4D EVENT SERVICES, INC.

HPE Securities Analyst Meeting 2018 (NYC)

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61 Broadway – Suite 1400 – New York, NY 10006
Phone: 212-346-6666 ♦ Fax: 888-412-3655**

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MALE VOICE: Ladies and gentlemen, please welcome Head of Investor Relations, Andy Simanek.

[Applause]

MR. ANDY SIMANEK: Good afternoon everyone. Thanks for joining us today. I know there are definitely some competing interests with other companies reporting this afternoon, so glad you guys are here. I know there were some issues up in Midtown as well. So, appreciate everyone coming in here. It looks like we've got a nice audience. It's the first time in a while we've done this out of New York. You guys don't have to travel, so hopefully that's appreciated. Obviously we've got the folks on the web joining us as well.

I think I know most of you here, but for those of you that don't know me, I'm Andy Simanek, Head of Investor Relations. I'd just like to welcome you guys to our 2018 Securities Analyst Meeting.

Before we get started, I'd just like to go over some logistics and the agenda for the day. In a few moments we'll have Antonio on stage here. He'll discuss the evolution of our vision, our strategy, and our financial focus areas. Also as part of his presentation we'll hear from Keerti Melkote and the opportunity we have in the Intelligent Edge, and also from Phil Davis and his priorities for hybrid IT.

That will take us to about 3:45 or so. Then we'll take a short break for roughly 15 minutes or so. We'll stay here in the room. You can grab appetizers, refreshments, use the restroom. We'll reconvene back at 4 o'clock. That is when we'll have our new CFO, Tarek Robbiati. He'll cover the financial overview and most importantly for you guys provide the outlook for fiscal year '19.

Then we'll finish up with a management Q&A session. We'll have all the presenters come back on stage. Plus we'll also have Irv Rothman, who is the President of HPE Financial Services join us, so you can ask him questions. That will probably take us to about 5:15 or so, when we'll end the event.

As far as materials, you should have printed in front of you an agenda and biographies of each of the presenters. We have published online all of the materials so you can follow along there, with the exception of the financial overview. The CFO materials will be posted immediately following the financial presentation. You can find all those materials on our IR website at HPE.com/investor/SAM2018.

Just a quick reminder. This is being webcast live. We will have a replay available shortly after this event and it will be on our IR website for roughly a year if you want to follow back up.

Lastly, my favorite part of all the events, the disclosures. As we like to do at HPE, we like to bring a little innovation, so we've come out with some fancy graphics this year. Hopefully you guys will appreciate that a little bit. As you know, this event may include forward-looking statements involving risks, estimates and assumptions. HPE assumes no obligation to update such statements. You can find the full disclosures in front of you if you really want to read that.

With that, I think we'll go ahead and get started with the main event. I'd like to welcome on stage Antonio Neri, President and Chief Executive Officer of HPE. Antonio.

[Applause]

MR. ANTONIO NERI: Good afternoon and welcome to the HPE Security Analyst Meeting. Great to be here in New York with you. Glad we could come to you this time. I know most of you have to travel to the Bay area, so this time we decided to bring the show to you.

I also want to thank the New York Stock Exchange for giving us the opportunity to host this event here. This is a spectacular venue, obviously very historical and very unique, but also want to welcome the people joining us on the webcast.

Since October 2017, a lot has happened, I have now been the CEO for almost 9 months, which I have to say personally has been a remarkable journey. For me to lead a company with the legacy that we have is just a privilege and an honor. Honestly, I am really pleased to lead 60,000 very passionate employees that work every single day to make a difference and

to change the world, but to advance the customers' businesses.

I am actually extremely pleased with our disciplined execution, our solid growth, and transformative moves we have made over the last few years that set us up for success into the future.

My objective today is to share our recent performance, our vision for the future, and how we are positioned to continue to win in the marketplace, and most importantly, how we will continue to deliver strong value to our shareholders.

Our strategy to accomplish this is very clear, which is to accelerate growth in the Intelligent Edge, deliver profitable growth in the Hybrid IT space, and to continue to grow operating profits and expand margins through investing in the future and continue to accelerate the work we are doing with HPE Next.

I believe we have the right strategy at the right time with the right team, a strategy that is resonating with our customers and partners, allowing us to fulfill our purpose. Our purpose is clearer than ever. We are more committed than ever to our purpose, which is to advance the way we live and work, to advance our customer's businesses. That's our legacy. That's who we are. By putting our customers at the center of everything we do, we strive to deliver strong returns and significant cash flow to reward our shareholders, which in turn help us to fund our purpose.

We do this by fulfilling our financial commitments, and we have. In 2018 we are delivering strong performance. We are actually exceeding every commitment we made in October 2017. Our revenue is forecasted to grow 6%, including the Tier 1 segment divestiture. If you exclude the Tier 1 divestiture, actually the growth will be higher. It will be north of 7%.

But, what is more impressive, we are growing our non-GAAP EPS 10 times faster than our revenue. And we expect to grow our EPS by 60% based on the guidance we gave you on the Q3 earnings. As we said at the beginning of the year, we are returning capital to our shareholders both in the form of share repurchases, which we are exceeding our original commitment, and dividends, which we actually increased by 50% early on in the summer.

I personally believe these are strong results and I'm really proud of the work we have done with the team. Now, you ask the question how we are doing this. The reason we are able to deliver these returns is because we have strong momentum across our portfolio.

Let me start with Intelligent Edge. Intelligent Edge is a long-term opportunity for the company. This business is growing double digits. It's growing 30% this year. And inside the Intelligent Edge, we have three categories or three segments: the campus and branch, the edge compute, and our Aruba services. You can see the momentum we have in each of them. Our campus and branch is growing 7%. Our edge compute is growing 187%. The reason why is because more and more compute capacity is moving where the data is created. The services to bring it all together in a solution to help customers implement in these new ways is growing 12%.

In each of the segments we have a strategic focus on specific areas. One of them is cloud and the other one is security. You can see here the momentum we have in both of them. Security is up 16%, which is embedded in our Aruba solutions, and the cloud offering, the way customers now consume in this connectivity is growing 100%. We have a very deliberate strategy in this space and we believe this is the long-term growth opportunity for the company.

Obviously we have a large core business. This is the Hybrid IT business, which is expected to grow 5% in 2018, including the Tier 1 divestiture. There you have four key segments. The compute obviously included in Tier 1 is growing 6%. If you extract that Tier 1, it will be growing in excess of 10%. Storage is growing 12%. When you include the hyperconverge business, which is a way to deploy storage as a private cloud, actually the business will be growing 24%.

Our networking business, even though small in the data center, is growing 5%. Our Pointnext Operational Services business from the revenue perspective is growing 1%, but from the orders/bookings perspective, it's growing faster.

From there we talk about the portfolio shift. We talk about moving from volume to value to growth. We talk about moving from pure hardware- to software-defined services. There we have been very deliberate on where we want to focus. We have three key strategic areas we call the pockets of growth. One

is high performance compute. High performance compute is growing 14%. Why is that the case? The data is exploding around us and you need more computational capabilities now more than ever to extract every bit of value from that data. That's not just in the government space, but is in oil and gas, in healthcare, in education, and in research. So, this is a business we are extremely bullish about in the future.

Hyperconverged is a block of IT where there is a remote office or where it is in the core data center. That market is growing double digits between 35% and 45%, but we are outpacing the market. You can see we're growing 140%.

We believe hyperconverged is just one step in the right direction. We believe the future is composable. What that means is how we bring that cloud experience and economics on-prem, which basically says applications will be able to decide where they should run in the most efficient way, by disaggregating hardware and software elements of that infrastructure. That's why our HPE Synergy platform is such a flagship for us going forward. The combined business today is already a billion dollars and have more than 2,000 customers and growing every single quarter.

Last but not least, is HPE GreenLake? Customers want to consume technology and solutions in a different way. We have lived for many, many years, very capex oriented. But, the cloud taught us that it is an elastic model, that you can leverage infrastructure and services in a different way. You only pay for what you consume. HPE GreenLake is our flagship offering. It's not just infrastructure as a service. It is also outcome-as-a services.

We offer HANA-as-a-service, backup-as--a service, but also obviously infrastructure-as-a-service on premises by bringing the public cloud experience and economics and the consumption model on premises by giving customers a true hybrid cloud experience.

So good momentum here. We have been very deliberate in the way we want to shift our focus in this portfolio. Last but not least obviously is financial services. Financial service is very strategic to us because as we said before, customers are looking for alternatives to accelerate the digital transformation journey they are on.

Obviously financing and leasing is one aspect, but the other

aspect is as a service. The other aspect is how we help customers unleash the value that's trapped in their balance sheet by accelerating some of that depreciation and then shifting those dollars to where they really need to focus on.

We measure this business in two ways. One is the financing volume, which is a reflection of the future. It's actually up 6%. Second is how large this portfolio of asset is because it gives us scale to be able to drive the right return for our shareholders. Today we have \$13 billion under asset management on our balance sheet. Obviously that's secured by the assets we own.

But, what I'm really pleased about this business is our ability to execute consistently. We have a world class team that drives this business every single day. Our loss ratio is less than 0.5% and our return on equity is +13%. This is a good business not just financially for our shareholders, but is also necessary for us to compete and win in the marketplace in the new way customers are consuming.

That's the momentum we have. We believe we are going to deliver an incredibly strong performance operationally. Yes, the market is better. Yes, the market is strong. But we have done a lot to improve our execution and continue to invest in the future where we believe the growth potential exists for the company.

In the case of Financial Services, we talk about it as-a-service in asset management. I believe the asset management business is going to be a very important part of our portfolio and is actually the most profitable part of the portfolio we're going to do.

So, let's talk about how we're going to continue to drive shareholder value. The third piece of the equation is to continue to expand profits and expand margins. The way we think about that is by margins. The way we think about that is by investing for growth and continue to streamline the company.

As you recall, HPE Next is all about re-architecting the company from the ground up. It's to provide a different experience to our customers and partners, to provide a modern architecture to serve our customers better, but also to simplify our processes and our operating model. At the same time, we are focused on investing in the future, thinking

about what the architecture of the future looks like that allows us to deliver outcomes for our customers faster. Let's talk about each of them.

Investing in the future. We believe there are four key categories we need to focus on. This is where we are investing our dollars going forward. One is this Edge-to-Cloud architecture. The edge is where the action is. It's where the data is being created. 75% of the data today is created at the edge. The edge is where we live and work. It's exactly here in this room. You, right now are typing. You're computing something. You're creating data. But, ultimately that data has to be understood and it has to be also positioned in a location where you can do big data analytics, where you can do all sorts of thing. This data platform that connects the edge to the cloud is the next frontier. We're going to talk about this more in a second.

The second part of the investment for us is a multicloud management. We have been a multi-cloud, multi-stack company since the beginning. We want to give customers choice and openness, not locked in a specific stack. Customers are telling me. Antonio, I need someone, I need a partner who can help me in this hybrid journey. We said it 3 years ago the world will be hybrid, and it's paying off that way.

So what we're really investing here is the capabilities to operate in a true hybrid world with the simplicity and the agility customers are looking for.

Third element is the consumption-based model. It's not just about the build side of the house, how we help them define the right mix and design the right mix and implement the right mix. It is also about how we help them operate and run the right mix. Services plays a huge role. It's not just financing. It's allowing customers to define where the data gravitates and ultimately where they want to run the applications. Data has gravity and ultimately today data is the most important part of everything we do. Here we are providing cities of offerings that allow us to define the right hybrid strategy for our customers and help them run it in the most efficient way.

And, last but not least, as you deploy infrastructure on-premises, we believe the future will be composable. What that means is that every aspect of that infrastructure is

software-defined. Every aspect of that infrastructure will be application aware, which means the application can define exactly the resources they need to run the most efficient way and ultimately run in an autonomous way.

One big element of the cost the customers are dealing with today, every single day, is the labor cost. It's all the tasks that are needed to run a particular cloud or a particular data center. For us, the cloud is an experience. It's not a destination. Ultimately, the cloud helps us accelerate service delivery with the speed and agility the business needs.

These are four key areas we are really focused on and obviously we made large commitments to the Edge because the Edge is the future. We believe that's a big opportunity for the company and that's why we made the announcement--I made the announcement--at HPE Discover that we're investing \$4 billion over the next 4 years. You will see now why.

Second part of this obviously is HPE Next. I launched HPE Next in June 2017. I gave you a full detailed view of that at the SAM in October 2017. It is all about re-architecting the company within. We did not have the opportunity to do so when we were a \$110 million company.

But I have to say it has been remarkable. It has been an incredible success not just on the financial side, but on the culture side, our ability to execute faster. Here are some of the accomplishments we've had this year. As you recall, we talk about number of platforms to serve our customers on the compute side. On the volume side we used to have 26 platforms. We are now 10 platforms. We used to have 27 platforms on the value side. Now we have 7 platforms.

The number of options, actually the combination of options and platforms drives live SKUs. The reality is we have been able to reduce the number of live SKUs by 75%. What is the outcome of that? It's better predictability, lower inventory, faster execution, and ultimately providing the customer the right solution for what they need, not a bunch of options they need to figure out what is the best thing for me.

This has been remarkable for us, at the same time we streamlined our operating model. Between me and the countries, there used to be 6 to 7 levels. Now we have 3, 4

levels. In some cases we have only one level. If I talk to the German country managing director, actually between me and him, it's just Phil Davis. For me, it's very important because I get the truth. I get exactly what's going on. I don't have to guess because everybody actually applies a judgment to whatever forecast has been provided. I can see exactly the demand. I can see exactly what's going on from the customer point of view.

The other part of this, which is actually remarkable, is we have been able to empower our people to make decisions as close as possible where the customers are making their decisions. For me, that's all about the culture aspect. Move faster and meet the customer needs in the moment of truth.

Obviously for our people who sell, we wanted to bring them clarity. When you have 400 plans, it's very hard to define where I'm going to focus on. Now we actually include them on 25 core plans that are aligned specifically to our strategy, what we want to pivot as a portfolio.

That was in 2018. Now we have an incredible opportunity in 2019. In 2019, we're going to execute the second phase of this transformation, particularly on the supply chain, which is going to be underpinned by the modernization of our IT systems.

So today, a transaction takes roughly 1,000 touch points across our processes. Think about that. From the time you log the opportunity in salesforce.com all the way to build a quote, pricing, put the FPO in the system, create the BOM, shift it to the supply chain, shift the product, reconcile, and go to services. That takes 1,000 steps.

Tomorrow, when we are done with this, we're going to have only 100 steps in that process. But also we're going to have only one single global ERP system with replication in the regions, which allows us to really meet the demands on a global basis. That will enable us to simplify our supply chain from 17 nodes to 7 nodes. That's significant because it also allows us to consolidate inventory and allows us to do better planning and better accuracy.

As I said last year, we talk about the number of countries we do business. 99.5% of our revenue comes from 76 locations. We decided we don't need to be in 150 countries. Let's give

the country 77 to 150 to our channel partners, which by default are very critical for us because 70% of our business goes through the channel and allows them to grow with us and be our representatives in those countries.

This has been a remarkable journey. It has created not only shareholder value, but has put us in a position to compete and win in a marketplace with the agility that's needed today. But we're doing more than anticipating what comes next. We're actually building what comes next. Let me show you what our vision of the future looks like.

We live in a remarkable time. I believe this new architecture of Edge-to-Cloud is the new frontier. Most of us today actually live in this world where you have your mobile phone. This is your terminal. But you're connected to some sort of big cloud, whether it is in your company, or whether it is in a public cloud.

As things get connected, everything and everybody gets connected, we see a new world. That world starts with connectivity and security, and that's a big opportunity for us at the edge. Because ultimately economically it's easier to move compute in the form cloud where the data is, not with the data where the compute is. That's just economics. It's physics.

As the data continues to explode, we are going to run out of bandwidth and we are going to run out of compute capacity. Because today these global clouds or big data centers consume 6% of the entire world's energy. When you think about that, I don't have to send all this data back and forth. What if I bring the right cloud computing capacity where the data is created, take action real time and only send the differential part of the data in a big cloud, wherever that is. That to me is a huge opportunity for us as a company because we have the right assets and the right expertise to make it happen.

The second piece of this obviously is intelligence. It's been invented everywhere. In our lives everything computes. Everything we do computes. There are some sort of data processes that are taking place in every step of our personal and professional lives. That intelligence is the reason why we are creating all this data. But that data has to be understood. Today only 6% of the data is being understood. The other 94% of the data is being wasted, which by default

also drives cost because that data has to be stored, it has to be managed, and it has to be compliant.

Our ability to really extract every bit of value of that data is going to be remarkable. When we do that, what's next is extraordinary. We can improve cures where we can advance businesses, where we can improve education. But ultimately we see this new emerging world, which is an edge-to-cloud architecture where there will be millions of clouds--small-sized clouds, big clouds--all connected, every edge to every cloud. That's remarkable and that's why I'm excited about the future of the company.

But if you believe all of this, then the enterprise of the future is going to change. It's going to change dramatically. We have to evolve because the disruption is happening at lightning speed.

What enterprise of the future will look like? It will be Edge-centric, Cloud-enabled, and Data-driven. That's how we see it. That's an obligation for us to help customers navigate through this journey. As this takes place, what's happening is that we will see an acceleration of the digital transformation. That digital transformation we all live today is going to go even faster.

How do we think about the digital transformation? We think in three contexts, technology, people, and economics. On the technology side, how we build this new ecosystem from the Edge-to-cloud while bringing the right connectivity to the right security to the right computing, the right Edge compute, the right machine learning and AI all the way through the cloud and defining that cloud in a different way so that it becomes a hybrid world.

People. People are core to everything we do. It's all about the culture of transformation we all live in today. That requires new skill sets and expertise and the opportunity we have is to bring to bear the expertise we have inside the company.

Of the 60,000 employees we have today inside the company, 22,000 are services people. We do amazing things for our customers. I will show you some of the use cases that we are driving every single day.

Last but not least is the economics. Obviously we have to

change the economics. It can't be just faster, cheaper and better. It has to deliver value. Actually, the financing aspect of this is going to play even a bigger role. That's why I'm excited to have an entity like HPE Financial Services as a part of our business, because it gives us the flexibility to configure that to the customer needs.

That's how we see the world, how we see it evolving, and why I'm so excited in the way the company's positioned today after 6 years of strong work and transformation. Because this is the company we want to be.

Let me give you an example of what we do for customers because the truth is in the cold place out there. This is a great example with Purdue. Purdue is a partner of ours and obviously has research going on. The Purdue Agronomy Center for Research and Education called ACRE is leveraging the Aruba wireless solution in our HPE Edgeline IoT technology to create what we call a secure connected wireless environment that can support the researchers through the data collection and analysis of over 1,400 acres.

Basically they have a farm of 1,400 acres. We put all these technologies inside the 1,400 acres to analyze every aspect of agriculture to improve yields, to improve the crops. All the sensors, whether it's drones or mobile devices and autonomous tractors by the way, we're taking advantage of this infrastructure. It is a connected environment.

So you know, the amount of data they generate is unbelievable. They generate 113 terabytes a week. All that data has to be processed so we give them the edge solution and we give them the cloud solution so they can have a true end-to-end architecture.

The other thing we have done with Purdue University is partner with the World Economics Forum to solve one of the biggest problems we all live today. There are 800 million people out there that are not getting the nutrition they need, so we partnered with them and we launched a new initiative called Tech Impact 2030 so that we can take decisive actions to solve this fundamental problem that not everybody is getting the nutrition they need on the planet. This is a great example of advancing the way we live and work by giving the right technology and the right solutions to our customers.

The second example, which is close to me because I'm a soccer player and I love the sport, is to create new experiences. The Tottenham Hotspur is one of the top English Premier League soccer teams. They went on a very bold mission, which is to transform the fan experience. They are in the process of finishing the most advanced technological stadium on the planet. They're going to play soccer and they're going to play NFL there too.

In that context we're deploying every aspect of our solutions from the Edge to the cloud. Obviously it starts by providing wireless connectivity, so Aruba is the wireless connectivity with beacons which provide indoor capabilities for positioning coupled with an experience of an app which allows them to enjoy soccer in a new and different way. For Tottenham, what it is for them is the fact that they can monetize that experience. It's not just about the experience itself.

We are very excited to support them. There is going to be a 62,000 fans. Again, it's using technology in a different context. This context was about improving the fan experience and providing revenue growth opportunity for the club.

The last case here is CenterPoint Energy, which is based in Houston. This is a true Edge-to-Cloud architecture. They are on a journey to transform the energy delivery by executing what we call an all-digital insight-driven operation, Edge-centric and Data-driven.

This is going to be led by IoT. They have an incredible smart grid which is growing exponentially producing 837% more data in the next 5 years and is highly distributed over 2.3 million smart meters. We allowed them to connect all these meters, collect real-time information, and process that data through the cloud architecture we deployed with SAP HANA so they can understand how to prevent outages and ultimately improve the experience for the end users.

HPE Point Next was at the forefront of this, so we started with our services expertise understanding the needs and then ultimately designing and deploying the right solution.

That's our view of the future and how we're helping customers accelerate the digital transformation. Let me talk now how HPE will continue to win, given our focus on the key markets and where I believe the proven differentiations we have in

our portfolio.

Let's talk about where we play and how we win. We play in very large and growing markets. It starts at the edge. That's the Aruba value proposition, by providing connectivity, by providing security. That's a \$40 billion opportunity. Obviously we are growing and we are doing well there.

As everything gets connected--we talk about this IoT world--we see the emergence of this Intelligent Edge. That actually allows us to expand the TAM from \$40 billion by an incremental \$100 billion. That's where edge compute new cloud forms come in play, through connectivity and security plus analytics.

Obviously you have to connect this to the core business, which we call the Hybrid IT. That's a \$115 billion opportunity. There we are focused on the profitable growth aspects in the pockets of growth where there is hyperconverged composable infrastructure storage, but most importantly data management, and obviously high-performance compute.

Anything that we bring there is all about providing autonomous solutions that are software-defined that drives the speed and agility the customers are looking for.

Last but not least is services, obviously both on the front end with Advisory Services, and on the back end on the run side, which is our Operational Services. Look at this TAM. This is a \$300 billion TAM and we are a \$30 billion company. We have tremendous head room here to grow the company and to compete and win.

The question is what it takes. What it takes first of all is a leadership team that is committed and obviously have a tremendous passion for it. This is a team we have assembled in the last 9 months. You're going to hear from two of them today plus Irv in the Q&A and obviously Tarek, our new CFO.

I purposely crafted this team. Like I said, this is my team. Keerti Melkote is going to be here on stage in a minute. He is the President of the Intelligent Edge, but also was the co-founder of Aruba. Phil Davis, who is now the President of Hybrid IT and also our Chief Sales Officer, has tremendous experience when it comes down to core infrastructure and

services. Irv Rothman has been in the financing business for decades. We will not talk about how many.

Tarek Robbiati is the new CFO in the market with expertise in the telecommunication, media, entertainment, as well as in general in tech, John Schultz, who is general counsel and Chief Administrative Officer, has been with me for many years. He's in the business not just to protect us, but to improve the experience we provide to our employees as well. Alan May is our Chief People Officer, which is my right hand when it comes down to executing our strategy to advance our culture. Vishal Lall, our Chief Strategy Officer, has been core to the strategy we have put together. Mark Potter is our Chief Technology Officer, as well as the Director of HPE Labs.

Mark and I have known each other for many years. He has been at the front of innovations like HPE OneView, Blaze Systems, and many others. Archie Deskus is not here, but she is fairly new, a year on the job, our CIO. She is driving our transformation with HPE Next when it comes down to the IT system. Jennifer Temple, our Chief Communication Officer, 3 months on the job, has great expertise in the communication space. She makes sure we keep the right narrative. Then Jim Jackson is our Chief Marketing Officer, a 25-year-plus veteran with the company with tremendous expertise in the product marketing space.

I feel this is the team that is totally committed to driving shareholder value and will continue to execute our strategy.

Let me leave you with this slide and I'm going to bring Keerti to talk about how we're going to accelerate our growth in Intelligent Edge. But ultimately our strategy is pretty straightforward. We are focusing on three things and three things only: accelerated growth in Intelligent Edge, deliver profitable growth in Hybrid IT, and continue to expand our operating profits and margins.

By doing all of this, we will grow free cash flow, which is ultimately what we will return to our shareholders. We are very confident we will continue to do this in the years to come. With that, I would like to invite Keerti Melkote to talk about Intelligent Edge. Then I will be back later. Thank you.

[Applause]

MR. KEERTI MELKOTE: Thank you Antonio. It's a little over 3 years since Aruba and HPE came together. In those 3 years I must tell you that the thesis of the acquisition was around synergies, to be able to bring the Aruba wireless technology and the HPE wired technology under a common umbrella and take advantage of the great customer base that HPE already had.

In the last 3 years, the synergies have played out extremely well and we have been consistently growing the Aruba business in double digits year-over-year.

But I think even more exciting is when we look at the future, what we call the Intelligent Edge. This is an emerging opportunity for us. The last decade of the edge opportunity has primarily been about mobile and cloud, as Antonio said. It's about taking advantage of the fact that we have as human beings migrated to mobile technologies as our primary means of connecting to the world. The applications have significantly moved not only in the data center, but moved to the cloud.

That mobile cloud world is what we live in today. As we look to the future, as Antonio said, we see the next decade as the emergence of this edge opportunity, which is a massive opportunity. What it is very simply is technology coming to physical venues. Those venues could be workplaces, stores, stadiums, hotels, hospitals, all the places that we regularly go to.

How can technology help transform the experiences at these venues and more importantly, transform the business models for the operators of these venues? That's really what we see as the opportunity. To us, the opportunity is to be able to infuse all these physical venues with our technology.

As we look to the investment profile for the Intelligent Edge, as you look at that large opportunity Antonio painted, which is \$40 billion TAM in the connectivity and the securities space and an additional \$100 billion or more in the overall Edge Services space, we've committed to invest in growing the platform and building the platform.

The starting point for the building up of this platform is the Aruba access platform, which is the wireless LAN access portfolio, and the wired access portfolio, which we've integrated together under a common Aruba brand. We have done that very successfully and each one of these individually

represents a \$6 billion TAM in the wireless LAN space and a \$10 billion TAM in the wired access space. That's just for infrastructure.

What we have done to differentiate Aruba in the market against our competition is to offer a highly software-defined architecture, which starts with a common layer to manage the wired and the wireless infrastructure and a common platform which we call ClearPass to securely allow users and devices to connect into this infrastructure. ClearPass allows you to connect employees securely, connect BYOD devices securely, connect guest users securely, and connect customers to the network securely. It's really a security platform intended for the inside portion of the network. We call it Network Access Control.

Then the third layer, which is very exciting, is location-based services. This is our meridian platform, which is a cloud-based platform that takes advantage of the fact that we know where people are by virtue of their wireless signal. Indoors, GPS doesn't typically penetrate. Wi-Fi location allows us to figure out where a person is and use that information to deliver unique experiences.

A simple example is way-finding. If you want to go from point A to point B--let's say you're looking for a conference room--we can do that. If you're in an airport and you want to go from your landing gate to your departure gate, we can show you the way through the airport. Using location has become a very interesting angle to provide differentiation, create new experiences, but also the ability for our venue owners to monetize this idea of user location.

This is, as I said, the starting point. This is what we already have in the portfolio, what we've invested in the FY 2017 to build up. In FY 2018, which is the year we are in, we've expanded our opportunity in a total addressable market to beyond the access portfolio.

Here a lot of our customers started to say: if I have Aruba and the Edge for wired and wireless access, why do I still plug into somebody else's at the core in the campus?

We spotted that opportunity and organically invested in building a core switch, the Aruba 8400 Series, which we launched earlier last year. In the first year that we have seen it in the market, we have seen tremendous success in

being able to take our customers that use Aruba at the access layer and plug them into the Aruba core. This is an incremental \$4 billion TAM, which we aim to monetize as well through the same go-to-market channels that we currently have.

The other part of the network that we did not touch was the wide area network. Wide area network is the connection that typically takes you back to your data center and increasingly in an Edge-to-Cloud world the wide area network is transforming from being a private connection to your data center to being a more hybrid connection that includes connectivity to the data center, but also includes connectivity to the cloud by directly connecting to the internet.

This hybrid WAN opportunity, which is also known as SD-WAN in the industry, is something that presented itself to us and we've built organically a platform that we launched earlier this year and we're seeing again great adoption of this platform. We see this as an incremental TAM of actually \$5 billion, also at the Edge.

In addition to growing the infrastructure TAMs that we're addressing. We also are adding to our software differentiation. One of the first areas that we started to hear from our customers was about acquiring all these network infrastructures at the Edge and deploying infrastructure at the Edge.

The purpose of deploying this is to deliver a great experience to my end users. But the experience that I currently have is when things break, it's a reactive experience. I have to call you to tell you something is broken to help fix it.

We started to look at this and go new techniques, like machine learning and AI can actually help us transform this reactive experience of break-fix to being a more proactive experience. What we do now through acquisitions like Rasa Networks which we acquired 2 years ago, is to consume data from the network about the traffic in the environment about the spectrum utilization and the environment, and then advise our customers proactively in terms of how capacity is trending in the network environment.

By doing that, they're able to proactively manage their

network and take better advantage of the information that is inside the network. This is a great example of where we're not only using the network as a utility to transfer traffic, but we're using the data in the network to help our customers improve the experiences that they deliver to their customers.

Similarly, another area that we are applying data and machine learning is in the area of security. As you know, the network carries all the traffic from the edge to the cloud. As we look at the traffic, we can actually glean a lot of security insights. Today for enterprises, security is mostly thought of as an outside-in exercise, which is the bad guys are outside. I'm going to implement a perimeter, which is firewalls and intrusion detection systems to ensure I keep the bad guys out, which is still relevant, still important.

But we also know there are still a lot of security threats that come every day. On a digital platform if your business is fundamentally going to be digital, ensuring your security is built from the inside-out is actually as important as protecting yourselves from the outside-in.

What we're doing is we're taking the traffic information, all the network traffic that is in the network, consuming that through Edge processing, and then delivering behavioral analytics about how users are using the network, how IoT devices are using the network, and if we spot anomalies in the user behaviors or IoT behaviors, we can then alert our Chief Security Officers about those insights so that they can proactively protect their enterprises.

The idea here is to start to use the network not only as a traffic utility, but as a sensor that gives very rich information about the security insights inside the enterprise.

The third area for security—this, by the way, we were able to get into the portfolio through an acquisition called Niara, which we did 18 months ago. Earlier this year we acquired a company called Cape Networks, which basically gives us the ability to measure user experience.

One of the most foundational aspects of any edge infrastructure is ultimately the user experience, how the users experience the applications that network was designed for or that the enterprise was designed for. If not, what can I do to address it?

Cape Networks gives us the ability to sense user experience on the digital side to build sensors that get deployed in the user spaces, figure out what users are doing, and proactively give our customers advice about how user experiences are trending inside their environment.

These are again examples of how we are not only building the software platform, but through building the software platform we're building a very rich data platform that our customers are able to take advantage of.

As we look at the future, FY 2019 and beyond, we see the emergence of a new category called Edge Data Centers. Data centers historically through the 2000s have become consolidated centralized data centers. Of course the clouds are great big data centers by a different name.

What is happening is because all this data is being generated at the Edge, for delivering these user experiences the requirement is rising to consume the data, digest the data right where it is being generated. Seeing the emergence of the deployment of Edge compute.

You saw the incredible growth we had in the Edge compute category, but we're seeing now the ability to consume video analytics for example or other types of network data that are being generated at the Edge to deliver insights at the Edge itself.

This Edge data center, we are going to start participating in this new category first through the connectivity gate with data center networking portfolio where we'll take the same heritage that we have with the Aruba portfolio and bring that expertise to data center networking and of course through the HPE heritage of strong compute and storage infrastructure, bring that technology to the Edge as well.

The other category that we see--this is an incremental \$12 billion TAM that we are going to address--that is growing and emerging, I would say that we measure this as a \$3 billion TAM. This is IoT infrastructure. But our hope is that as this grows, that this TAM is going to be much larger over time.

These are sensors, these are compute nodes, embedded compute infrastructure, video cameras. There are a whole bunch of IoT devices that are going to get deployed at the edge and

this TAM is going to continue to grow.

In addition to of course addressing the infrastructure space, we are going to be also developing software. One of the key layers of software we're going to spend time on is analytics through the data that we are collecting using sensors. This is addressing the line of business.

One simple example I can give you is if you think of location-based services, I talked about how we can transform experiences. But the same data can be very valuable for let's say a real estate department in the enterprise to know how utilization of real estate is actually trending. Real estate is a huge line item expense in a corporate P&L. Optimizing real estate is a very, very important task for the real estate department.

If you're in retail, knowing what happens in my store, how many people are walking into my store, how often they walk in, this is real data for business insights and how I can utilize that to improve traffic, for example.

This is an example I can tell you of real-time analytics and real-time information that we are going to give back to business owners.

Then there's IoT security, which is also a very important area as IoT comes in, one of the biggest concerns customers have is that security is going to be a big, big issue. I can't protect IoT devices the same way I protect my laptops or PCs or phones because I can't put my own software on it. How can the network step up? How can the infrastructure step up to provide better protection for IoT at the edge? Ultimately, it's software that allows us to redefine experiences at the edge.

This is the strategy for us: continue to grow the ability to drive more infrastructure at the edge, but also bring it all together with rich experiences at the software tier. Our goal is to of course take all the software and deliver this in a unified experience to our customers with the edge software platform that is going to be cloud-enabled and delivered as a service.

The consumers of this platform will be of course the end users that get the live experiences. It will be the business owners that get the rich data and the analytics. It will be

the IT operators that get proactive notifications/information about how user experiences are trending and of course the CISO that gets an idea of how enterprise security is actually behaving.

This is the investment. This is the \$4 billion over 4 years that we talked about, building out the platform and the opportunity. We're super excited to go really all in after this opportunity.

A couple of examples of how our customers are actually using it, ultimately we are doing this because we see a massive opportunity for our customers to take advantage of this platform and help them help themselves. In this particular case Grove City College is a higher education university in Pennsylvania. As all of you know, higher education and education in general has been a large opportunity for Aruba over the years. We continue to drive the technology to higher education.

So far we have talked about the intelligent edge. Last year when I was up on stage here talking to you, we talked about examples like United Airlines, Home Depot and others, which were incredible large opportunities for us. This year what I thought I'd do I'd bring you some mainstream customers that represent the mass market of what they're doing. Actually, Grove City College is one of those where they were consumers of HP servers and storage infrastructure. They started their edge journey with Aruba wireless and Aruba switching. Last year they've embraced Aruba core switching in their portfolio. They had an aging core, switched infrastructure, which we were able to modernize with the Aruba 8400 portfolio, making them an end-to-end Aruba campus.

Similarly in the branch space we have Vera Wang, which is a very popular luxury brand, as many of you know, that operates a number of stores throughout the world. For them, again, they were looking at taking advantage of modernizing their branch offices, their stores to connect directly into the cloud. As a result of that, they refreshed their infrastructure to have Aruba Wi-Fi, Aruba switching, and also Aruba SD-WAN to create what we call the Aruba software-defined branch architecture. With this, they're able to not only create great experiences for their customers when they come into their stores, but also arm the store associates with information in real time about who's actually walking in

their stores. It's connected to their loyalty databases so they can actually get purchase history of the customers when they walk in and give customized service and customized attention to the shoppers.

You can see now the edge platform becoming not only a connectivity platform, but a business-critical platform that drives incremental revenues for our customers. This is a great example of that.

Another one which is equally interesting is advocate healthcare. This is a customer--by the way, Vera Wang was also an HPE service and storage customer on the data center side, so it's an example of how we're connecting the edge opportunity with the cloud opportunity and the data center opportunity.

Advocate Health Care is a very similar one. It started off with HPE service and storage as an initial customer, embraced Aruba wired and wireless, and as they grow their opportunity, they've now deployed our software suite to better manage their IoT devices. They call it the IoMT, which is the Internet of Medical Things.

You can imagine now things like infusion pumps getting connected over Wi-Fi through a hospital. The primary consent for Advocate Health Care was security. How do I make sure this life-critical asset is actually protected and hackers don't get into it? The network here profiles these devices and creates a security bubble around each device so hackers can't get into the device.

Equally they wanted to understand the asset utilization. Because one of the hidden problems in healthcare is they over-buy these assets because nurses, as it turns out, want to hide their favorite assets in closets. They wanted to know where a given asset is in real time. By blending a knowledge of IoT with location, we were able to get real time understanding for the nurses about where these infusion pumps are located throughout the hospital. When they need one, they can find one instantly and use it for patient care. It's an example again of how the edge is delivering life-critical patient care in real time to our customers.

Each one of them as I said are great examples of what we call synergy between the edge and the cloud. That's really the ultimate vision. It's how we can bring all these

opportunities at the edge and connected to the cloud in a smart, intelligent way.

To talk more about the transformation from edge to cloud I want to bring my big brother, Phil Davis, who is very, very helpful in articulating our vision up here on stage.

MR. PHIL DAVIS: Thanks Keerti and thanks all of you both here in the room and joining us on the web today. I've had a chance to present to the investment community in the past, but this is actually the first chance in the recently-created President of Hybrid IT role that was announced in August. I thought it might be good to give just a real brief introduction.

Just before moving into this role, I was the Chief Sales Officer and currently am still the Chief Sales Officer for the company. Prior to that I was responsible for all of our business in Asia Pacific and Japan. Then prior to coming to HPE I was actually at three different start-ups, two that got acquired and one that went public. That was a little bit different ride. I'm originally both trained and educated as an electrical engineer bringing a pretty diverse background, 10 years in Asia, variety of different roles, small company, big company, and a very strong technology background.

One element I'm particularly excited about is really bringing much more of an outside-in or customer-centric perspective to our innovation engine and really making sure we're bringing solutions to market that delight our customers.

Let me start and kind of remind you of the journey that we've been on for the last year or so. For those of you that were at SAM last year, we talked a lot about this. There were three priorities we outlined. One is we said we were going to transform our go to market and Antonio talked a little bit about this.

We made a couple of bold decisions. We were going to take out an entire regional layer. Having been the guy running a region, I was kind of interested to see how this was going to work out. The goal there was to reduce the number of layers between the CEO and customers. It was to reduce some of the bureaucracy, push decision-making closer to customers. I've got to tell you we were ecstatic with the results of the go-to-market side. If you talk to our customers, they see us as more agile, more flexible, and quicker to respond. If you

talk to our partners, they see us more aligned with their business. If you talk to our field, our voice of the workforce has improved dramatically year to year. A very big transformation on the go-to-market side.

We also talked about shifting the mix and growing the value parts of the portfolio more quickly than our volume parts. There were two really fundamental drivers for that. One was if you think about what's going on inside of our customers, they're all under pressure to digitally transform their business. That's forced them to be more agile, more flexible, and as a result of that, they're going to be driven more towards software-defined types of solutions. They're going to have more data, so they're going to need more help in storage. They're going to want to consume things differently than they have historically. All of them also happen to be in our value portfolio. What we see is the market opportunity is shifting to where we're focused on the value.

The second element I think that drove that mix shift was really a deliberate focus end-to-end, where there's been a sales force transformation and enabling our sales teams to have different conversations with our customers, whether it's the focus on engineering and things like Aruba, or focus in the hybrid IT business unit, it really has been an end-to-end focus on accelerating that value part of our business.

Antonio went a little bit through some of the results we're ecstatic with, like growing Greenlake 54% year on year, hyperconverge 140% year on year, high performance compute 14% year on year, and storage 12% year on year. Growing faster than the market and growing faster than our overall business.

The third element we talked about last year was driving cost synergies and that's a lot of the HPE Next activities that Antonio talked about. HPE Next was pretty special because we got both sides. On the one hand, we were able to take out significant cost and we were able to speed up the business in that go-to-market transformation I talked about. As we think about going forward, we continue to maintain that much disciplined approach to managing cost.

Let's talk a little bit about where we see the hybrid IT business going. First of all, for those that have been following us for a while, you may recall we were the first

ones about 3 years ago to predict that the world was going to be hybrid. I think if you take a look at the market, there's a resounding affirmation that we got that right. The world is hybrid.

As you think about that as a context, there are three things we're going to be focused on in the hybrid IT business unit as we think about FY19. First of all, continuing all this great market leadership momentum that we've been successfully generating over the last year. That really comes down to the three areas that Antonio talked about before: technology, people, and economics.

On the technology side we think about innovation across three different dimensions. First of all, we think about it organically. If you think about Bill and Dave and founding the company, that's something we're famous for and we've done for about 80 years. We'll continue to do that. Things like synergy are great examples of innovation, and high performance compute.

The second dimension around innovation is acquisition. Nimble and their AI platform called InfoSight is a great example of a recent acquisition, Plexxi and the software-defined fabric space, and our most successful acquisition, Aruba. These are all great examples of inorganic innovation.

The third element of innovation that we invest in and will continue to is a pretty innovative program itself that we call Pathfinder. Pathfinder is a program run by Vishal Lall, our Head of Corporate Strategy, where we take a look at innovative new pre-IPO startup companies and actually take an equity position in them. That gives us a little bit more control over the direction of the technology, but it also gives us great insights into kind of new and evolving areas of the market, that maybe the market's too early or the company is not profitable and we don't necessarily want to take a full step into, but gives us an opportunity to participate in those markets.

As we think about technology, we think about innovation along all three dimensions. In terms of people, a big part of that is helping our customers on their journey to hybrid cloud. A lot of that then is the 23,000 service professionals we have around the globe that wake up every single day thinking about how they can delight our customers and help them on that

journey.

Then finally is the economics. One of the things the public cloud has fundamentally changed I think forever is people's expectations of how they're going to consume technology. Some customers, particularly a lot of our very large telcos for example, are fine to spend capex and depreciate. They're spending billions of dollars on build-outs of other things, so they're familiar with the capex model.

Other customers, particularly high-growth customers, want to match the cost with the revenue. They really much prefer a pay-as-you-go type of a model. Other customers that have unpredictable demand want to be able to scale up or scale down depending on how their business is changing. All of that requires different economic models all underpinned by Irv in our financial services business to enable these different outcomes for our customers.

Second piece that we focus on is the feedback from customers and the industry. It's great for us to talk about how great we are, but it's much more important when our customers actually share that feedback with us. If you take a look, HPE is named the leader in every Gartner Magic Quadrant we participate in across our portfolio.

If we look at some of the direct quotes out in the marketplace, this is one of our customers, Yoox Net-A-Porter, which is a luxury online retailer. It really validates the economic model I was talking about just a moment ago. HPE GreenLake Flex Capacity is like having the features of cloud, but on premises. We run some services in the cloud, but we also need that same flexibility for our data centers. It's a big part of our hybrid strategy.

If you look at some of the recent comments from another analyst IDC, HPE's product portfolio has improved organically and inorganically. Over the past 3 years HP has launched both internal innovation and business models and acquired important assets that have not only improved its product portfolio, but have made the company more relevant for today's IT priorities. Once again, I think really strong external validation that what we're doing is resonating with the market.

Finally, the third element we have been focused on and will continue to be focused on is a very robust partner ecosystem.

Whether that's partnering with some of the largest software companies in the world like SAP and Microsoft, emerging players through Pathfinder that I just mentioned, or continued focus on our very, very strong distribution and VAR network, as I told you in the past, over 70% of our business goes through the channel.

One of the things that surprised me coming to HPE was just the loyalty and the strength of that channel network. Our partner program is consistently rated the number one program in the industry, and it's a big differentiator that I think also is a barrier for our competition.

As we think about then where we've been and where we're focused, I want to talk a little bit then how we execute this in 2019. In 2018 we came up with kind of a metaphor which we called the Super 6. Marketing and sales came up with this together. What the Super 6 is you have to take a step back and look at the big transit we see going on in the market. Then align both our engineering efforts, as well as our go-to-market activities, to these big opportunities.

For the first time, we're going to be rolling out the 2019 Super 6 priorities. First of all, it starts with redefining the experiences at the edge. The reason we start there is that's really where the digital world and the physical world or real life come together. If you think about your experiences with technology, it doesn't happen at the data center; it happens at the edge. As Keerti just got done explaining, we see this as a huge opportunity not just for this year, but for the foreseeable future, and represents a \$40 billion opportunity.

Once you capture that data at the edge, you need to do something with it. Typically that means for our customers they need to move it into a cloud. It could be a public cloud or it could be a private cloud. Increasingly as I talk to customers, they don't think of cloud so much as a destination. They think of it as an experience and they want that common experience, whether it's in the public or on a private cloud.

The challenge is that they've moved some of these workloads around. They've found that it's not quite as cheap as they expected. They found that different vendors have lock-in to keep you in their cloud. They found that the data becomes

more important because things like GDPR, that data sovereignty and data access, become much more important than it was 5 years ago.

What customers are seeing is they want the right mix of IT. They want the right mix of what should be in a public cloud, what should be in the software as a service, what should be on prem, what should be run bare metal versus virtualized. Should I be thinking about containers?

We made two acquisitions recently that specialize on nothing but helping customers on that right mix journey. One was Cloud Technology Partners here in the U.S. focused on AWS, and the other one was RedPixie in the U.K. very focused on Azure. As a result of those two acquisitions, we have very good capabilities that we can then go scale in helping customers along that journey of the right mix of hybrid IT.

You've got data created at the edge. It's in the right mix of hybrid IT. Now you need to store it somewhere. As you think about from a customer's perspective, storage is a big challenge. If you talk to any IT user, a disproportionate amount of their budget is spent on storage. First of all, that's because there's a ton of data being created. Second, storage environments are very complex and expensive.

We see a huge opportunity to fundamentally disrupt that storage market by bringing artificial intelligence to the management and ongoing operation of the storage environment. That's a big factor in why we bought Nimble. A lot of people think of Nimble as an all-flash array, but it's much more than that. What we were really excited about was InfoSight, which is an AI platform that enables us to predict and remediate 86% of the problems in your storage environment before you ever knew you had a problem.

Every day thousands of arrays around the world are getting smarter and smarter and continue to be able to predict new problems before customers ever see them. We recently announced that we've extended that beyond Nimble to now fully support on our 3PAR platforms as well. Bringing more intelligence to storage, making it more autonomous, self-healing, self-running, and more intelligent in terms of where that data needs to live where it's the most cost-effective and delivers the right business results we think is a huge opportunity--in fact, a \$37 billion opportunity.

Now you've got the data stored. Now you need to be able to act on it. We see huge potential in artificial intelligence. We think of artificial intelligence kind of along three dimensions. First of all, it's kind of a unique workload, so customers need the best infrastructure to run that workload. On the hybrid IT business unit we're very focused on providing customers the best infrastructure tuned towards AI workloads. Things like our Apollo offering or our HPC offerings are great examples of that.

Then we want to continue to bring AI throughout the data center and automate the running of the data center. The best infrastructure to run it, artificial intelligence for your data operations.

Then the third element is really where we work with customers at the application layer. Let me give you an example here. We're working with a company called Marinus Analytics. Their vision is to stamp out human trafficking. One example is recently there was a young child that was trafficked at the age of 14. The problem with trafficking is that faces change, hair colors change and it's very hard for the human eye to discern that that's actually still the same person. Using facial recognition and AI, not only are they able to discern that this is in fact the same person, in one case they actually were able to use social media and identify the actual hotel room where that 16-year-old was and notify local authorities. Pretty cool example of not just business outcomes, but fundamentally advancing the way people live. We see huge potential with AI.

Now that you've got the data and you're acting on it, as I mentioned, customers see cloud not as a destination, but as an experience. That experience will be delivered through software and a software-defined experience. We're making really three big bets in the hybrid IT business around this. One is AI, which I just have been talking about. The second is OneView, which is automated provisioning, so that as I need different resources, I automatically can grab those resources, use them to deliver the allocation, and when I no longer need those resources, they go right back into a fluid pool for the next application and the next application. It's all automated, minimizing the amount of resources you need, and it provides lower cost to run those resources.

The third element is part of the portfolio we call OneSphere,

which really does provide you that onramp to the public cloud. Think of being able to provision workloads with the click of a button and provision those on-prem or in the public cloud depending on what you're trying to accomplish, with cost transparency and analytics, to tell you exactly how much it would cost to run it on your on-prem or how much it would cost to run in the public cloud.

Then finally as we've been talking about, offering all those capabilities as a service, so being able to wrap the right economic model around these capabilities depending on our specific customer needs.

Let me give you a couple of examples as well. One is Telefonica. For those that aren't familiar with them, they're based over in Europe, a \$50 billion telco with about 110,000 employees. On Telefonica's journey to become a digital services company, they wanted to get into the public cloud services business. They came to HPE basically for an end-to-end solution to help them get into public cloud, everything from up-front architectural services, professional services to implement, composable infrastructure, and our storage on the back end. They've been able to scale to over 3.5 million customers in 170 countries as a result of the partnership with HPE.

It's also a great example of what Keerti was talking about where we're able to get leverage between hybrid IT and Aruba. Because in addition to all of the cloud services, they've also partnered with us as a value-added reseller of the Aruba portfolio to bring digital learning capabilities throughout Spain, bringing rich educational experiences to children that otherwise might not have such opportunities. Great example of edge to cloud, but another great example of advancing people's lives.

Second example is the Pittsburgh Super Computing Center. HPC to me holds amazing promise to solve some of mankind's most difficult challenges. As you saw when you walked in hopefully, we were working to find a cure for Alzheimer's. We've been working with Dr. Stephen Hawking's foundation and the Cosmos Foundation to literally map the universe. I think HPC is a powerful tool to cure diseases, protect the environment and deepen our understanding of the universe.

The Pittsburgh Super Computer Center actually deployed a

technology they called Bridges. Their goal was to make a super computer as easy to use as those laptops that are sitting in front of most of you. The first deployment of Bridges leveraged HPE's ProLiant, Apollo 2000 systems that I mentioned before, and NVIDIA GPUs, Hadoop, and Pointnext services featuring 10 petabytes of persistent storage and delivered 1.5 petaflops of computational speed.

For those that saw the robot arm flipping the chip as you walked in, that was actually an example of Carnegie Mellon researchers using Bridges to develop Libratus, which is an AI application that actually has beat the world's best no-limit Texas Hold 'Em poker players.

It's interesting as you read the case study, doing the statistics to decide the probability of winning was actually pretty easy. The tough thing for Libratus was actually being able to bluff other poker players. The real challenge there and the AI piece of it came in tweaking it to actually be able to out-bluff the best poker players in the world.

Other researchers have used Bridges to study improvements in energy grid efficiency, causes of lung disease, and species response to environmental change, so really trying to protect species from extinction.

The third--this is one of my favorite case studies probably because I've been to State Bank of India living over in Singapore for 10 years a number of times, but also because it's one of the most unique case studies I've seen--is a 212-year-old institution. A lot of legacy there both good and bad. You've got to remember this is servicing a country with 1.3 billion people and over 750 million unique accounts.

We have some financial institutions in here. I don't know how many of you have 750 million open accounts, but that is a scale problem that I think a few people face. While India has really catapulted into a global powerhouse, it's also a nation grappling with things like poverty and corruption.

One of the challenges that leads to kind of corruption and poverty is the fact that over 90% of the transactions in India have actually been historically with cash, so very hard to track or trace.

In 2017, Prime Minister Modi drove an initiative to urge Indians to transfer over to either a cashless or less-cash

society with the goals of fighting fraud, preventing worker exploitation in the underground economy, and fostering digital efficiencies.

SPI came to HPE truly for end-to-end. On the back end is their high-performance mission-critical nonstop infrastructures based on HPE all the way through to the cloud. Again it's another good example of where we see operating leverage because now we've also extended this to the edge. In fact, every day over 700,000 unique devices are authenticated into SBI's infrastructure using Aruba ClearPass. It really is an edge-to-cloud capability.

This is also one of my favorite quotes from a customer. "The digital transformation of SBI supports the digital transformation of India." The future of 1.3 billion people depends on us getting it right. That's why we rely on HPE for consulting expertise and next-generation technology solutions."

With that, I'd like to thank you again. Look forward to talking to you in the Q&A and then welcome Antonio back up.

[Applause]

MR. NERI: Thank you, Keerti and thank you, Phil. I hope you get a sense of our strategy and how we're going to drive sustainable growth. I'm incredibly excited about what we're doing because what we do is not just advance the business but we advance also the way we live. But as you see, we have a tremendous opportunity and these strategies have resonated with both customers and partners and some of the customer examples tells the story. So for us, you know, it's all about delivering that sustainable shareholder value and when I think about that, again, one of the three key elements-- accelerate growth in the Intelligent Edge, deliver profitable growth in Hybrid IT, and continue to expand operating profits and margins which ultimately results in free cash flow growth for the company.

So when people think about what is the catalyst for the company, it's very simple. Consistent, predictable execution on the strategy and I think we are well positioned in the market today but most importantly, we are also taking the right steps to set up well for the future. So with that, I would like to wrap it here and we're going to take a 15 minute break. We are pretty much on time and we're going to

take 15 minutes break so you guys can take some snacks, coffee, go to the restroom. Then we're going to have Tarek Robbiati come on stage and talk about our financial architecture for 2019 and beyond. Thank you very much.

[Applause]

MR. ANDY SIMANEK: All right. Welcome back everybody. I know there's been some excitement in the market. So it's good to see we haven't lost too many people here but probably looking at the phones a little bit. But anyway, appreciate you guys sticking with us and I hope you found the first section of the event helpful. Hope you guys got a good understanding of our strategy and the business momentum we have, I think both from an innovation perspective, you know, as well as the go to market. So now we're going to demonstrate how that translates into our financial performance. So in just a second we'll invite our new CFO Tarek Robbiati onstage to walk you through that and just wanted to remind everybody that we will post the slides he's about to go through immediately after he finishes up his presentation for you guys to review closer. So with that, I'd like to welcome on stage our new chief financial officer, Tarek Robbiati.

[Applause]

MR. TAREK ROBBIATI: Thank you. All right. Good afternoon, everyone. Thank you for joining us today. My name is Tarek Robbiati and I'm the new chief financial officer of Hewlett Packard Enterprise. I'm five weeks in so please be nice to me. But I'm very excited to be here with you today.

I spent the past 25 years of my career in different roles, transforming companies in tech, media, telecom, and financial services. Started in the UK, Europe, Asia, Australia and the United States. Some of you may know the last three years I spent from August '15 to February '18 as the chief financial officer of Sprint.

In my view, there is great potential in HPE. That's quite frankly the reason why I've joined the company. No other company has a full suite of assets and channel capabilities needed to compete across the edge to cloud continuum. I feel very privileged to have joined Antonio and the HPE leadership team as we guide the company and our customers into the next phase of the technology led transformation, accelerating enterprises edge to cloud.

Needless to say, I look forward to getting to know you in the upcoming month and quarters at our various investor's events. Antonio, Keerti and Phil provided insight into the HPE strategy. Now, let me jump into the financial overview and share how our vision and strategy translates to financial performance for the benefits of our shareholders. So here is what we'll cover. First, I'll walk you through our fiscal year '18 performance to date that I think has shown excellent execution in a good market. Second, I'll provide you with some color on how our unmatched portfolio of mixed products and services is driving profitable growth. Third, given the context and the progress update from Antonio on our portfolio strategy and the HPE next program, we'll turn our outlook towards FY '19.

For those of you who cannot wait for the answer, I'll give you the punchline straight. We expect in FY '19 to drive profitable growth in revenue and increase operating profit and free cash flow significantly above FY '18 levels. Finally, we will outline our capital allocation priorities. Given our solid balance sheet and cash generation we plan to continue to deliver robust returns of capital to our shareholders in fiscal year '19.

Here are the financial highlights for '18 compared to our original commitments made at the SAM--the securities analyst meeting--in October 2017. Now, FY '18 is not over yet but we expect fiscal year '18 revenue to grow approximately seven percent year over year after adjusting for tier one accounts, just about to two--to \$31 billion. Six percent growth if we exclude the tier one adjustment. This growth reflects the strategic shifts we have been making towards high growth segments of the market where high performance computer, hyper converged and intelligent edged offerings. Growth in our volume portfolio is also strong due to robust market demand in a market that we capitalized on.

As a result of the combination of our top line performance and realization of benefits from the HP next program, we expect operating profits, as you can see from this slide, to grow to more than \$2.7 billion. That's a 25% year over year growth. That is more than \$100 million higher than what was originally foreseen by the market at the beginning of fiscal year '18 when street consensus suggested an 18% year over year growth.

Now, when you look at FY '18 operating margins, they are above 9% and they reflect the additional sales and marketing investment we made to grow OP, operating profit above consensus. As you well know, we've raised EPS for three consecutive quarters. While this includes the benefit from tax reform, that outperformance is primarily due to operational out performance. We are confident we can close out the fiscal year with a strong Q4 and deliver FY '18 EPS in the dollar fifty to dollar fifty five range.

We expect free cash flow to be approximately a billion dollars in line with our original expectations and normalize free cash flow to be approximately \$2 billion. Now, before you ask the question about why is free cash flow not growing faster than what we anticipated given the out performance in operating profit, I'd like to point out as Antonio said, that we continue to make select investments in our HPE next program to fuel profit growth for the years to come. There will be more on that later.

Finally, we continue to maintain a solid balance sheet and deliver significant value to shareholders. For FY '18 we expect to return \$4.1 billion to shareholders in the form of share repurchases and dividends. That's about--that's over actually 60% more than our original commitment. Let's take a deeper look at our financial performance and what it means on a forward looking basis.

Our strategy is working and our business fundamentals are strong. Look at the HPE portfolio. HPE is well diversified and has a high mix of recurring revenue and profit. Our revenue spans across a number of large markets where we have leadership positions and within each of those segments we're shifting resources and strengthening our portfolio in key growth areas such as high performance compute, hyper converged, storage and at the edge. Also Pointnext and financial services make up approximately one third of our revenue and most importantly, 75% plus of our operating profit on a recurring basis, which provides good visibility into fiscal year '19.

Let me elaborate that. Approximately 75% of Pointnext is from recurring profitable operational services contracts with three year terms on average. Financial services also offers lease terms that are averaging three years. So when you take the two of them together, Pointnext and financial services

provide highly predictable and recurrent revenue and profit streams. In addition, Antonio talked to you about HP Green Lake. HP Green Lake is our new consumption model. It has been growing at strong double digit rates, securing 450 customers for an aggregate \$2.1 billion in total contract value. The key point to take away here is that our business has a foundational building blocks to pivot towards a consumption model for our customers and the resilient support level of cash flow generation to cater for changing market dynamics.

Antonio spoke to you in detail about our strategy and the progress we've made so far. Let me share more data and highlight how the strategy is working and generating results for our investors. Number one, we have an unmatched portfolio of products across edge to cloud that I believe we can unlock for even faster growth. Number two, we are competing and winning in markets that are high growth, high margin, with strong services attach rates. Number three, when you look at our portfolio, we're seeing the most growth in higher margin businesses like the intelligent edge and our value portfolio in hybrid IT.

Now, going forward, we are accelerating market leadership and growth in the intelligent edge. You've heard that from Keerti. It was very clear in his presentation. And from Phil in Hybrid IT you heard that we will drive profitable growth in value products where we have grown 8% year over year and optimized profits in volume products where we have grown 7% year over year. In Pointnext Services and as I previously mentioned, we are driving growth with HPE Green Lake, our new consumption model and also with high profit operational services where we benefit from stronger services intensity and services attach rates.

So in summary, our strategy is to accelerate the digital transformation of our customers and pivot them to a consumption model with higher value add products and services across our portfolio. Now, with that context in mind, let's discuss the key assumptions underpinning the FY '19 financial outlook. This is the slide you've been waiting for. From a top line perspective, we expect to grow our revenue once we adjust for low margin tier one accounts and currency fluctuations. We are expecting just over one point of headwind to revenue growth from currency fluctuations based on current rates. Tier one sales will continue to be a small

drag of close to two points to total revenue growth as they represent a declining portion of our revenue mix going forward, dropping from roughly ten percent to mid-single digits of our total compute revenue portfolio.

We will continue to see strong growth in the edge with Aruba, high performance compute, hyper converged and HPE Green Lake. Now, there is a reference here for a pension adjustment. Let me explain that to you. New accounting guidance requires movement of non-service pension costs or benefits from operating profit to other income and expense. Similar to several of our peers, we've decided to move these non-services costs and benefits that are nonoperational in nature to GAAP only and out of the non-GAAP operating results starting fiscal year '19.

To give you a sense of magnitude of the change, non-service pension costs generated benefits of eight cents per share in fiscal year '18. Operating profits will further improve throughout the year as we continue to recognize the benefits from HPE next cost savings. Overall, we are targeting operating profit growth of six to eight percent in FY '19, above our long term target of four to five percent. Now, looking at nonoperational assumptions, we expect other income and expense, which includes our equity interests in H3C and net interest, to be approximately at \$250 million expense in total in fiscal year '19.

Turning now to tax rate, there is a little bit of explanation I need to give you here. Effective from fiscal year '19, HPE will report its non-GAAP effective tax rate based on a structural tax rate expectation utilizing a three year rolling forecast. The forecast structural rate for FY '19 and moving forward is 13%. We expect to confirm this expectation in the first quarter of fiscal year '19. Let me give you a little bit more color as to why we've taken that step. The structural rate will be HPE's non-GAAP effective tax rate for each quarter going forward unless there are material changes to our business or our worldwide tax profile. Post tax reform, we believe it's appropriate to begin utilizing a structural effective tax rate for non-GAAP reporting purposes for several reasons. First and foremost, the convergence of tax rates between US and non-US operations for US tax purposes and also quite frankly to give you better long term guidance as you compute your projections. Lastly, we expect diluted share count of just over 1.4 billion shares

outstanding. If you take all of that into account, the math points to non-GAAP EPS to be approximately of \$1.51 to \$1.61 per share.

I'll talk more about our capital allocation program and cash flow in a minute but on a normalized basis, we expect normalized free cash flow to be between \$2.1 and \$2.3 billion in line with earnings and actual free cash flow to be between \$1.4 and \$1.6 billion. Now, let's take a look at the FY '18 to FY '19 non-GAAP EPS bridge. As I mentioned in the previous slide, there will be a pension accounting adjustment of approximately eight cents for those non service pension benefits and costs that we will reclassify to GAAP only when we restate our fiscal year '18 results next year. Also, we will have an impact from taxes of approximately three cents per share as our tax rate will be going up from 11% in fiscal year '18 to the normalized structural rate I spoke about a moment ago of 13% in fiscal year '19.

Therefore, our FY '18 non-GAAP EPS outlook starting from \$1.50 to \$1.55 and adjusted for pension accounting and taxes takes you to a normalized value of \$1.42 per share at the midpoint. So let's start from that. So starting from \$1.42 per share after the pension and tax adjustments, we expect approximately 14 to 18 cents per share benefits from operational improvements. This includes HPE next net savings and everything we're doing that is favorable from a product mix perspective towards our value portfolio.

Currency will be a headwind in FY '19. We estimate the headwind to be between four and six cents per share as some of the major currencies such as the Euro and the British pounds have moved unfavorably relative to fiscal year '18 levels. Operating income and expenses will be an eight to ten cents headwind primarily due to favorable onetime gains from our balance sheet hedging program in FY '18 and also higher interest expenses in fiscal year '19 due to the rising interest rate environment and lower interest income as we return significant cash to our shareholders.

Finally, we expect a significant reduction in our share count as we bought \$3.5 billion worth of shares this year and expect to buy another \$2.3 billion in fiscal year '19, which should benefit our EPS by 11 to 13 cents per share. The net of all of this is that our fiscal year '19 non-GAAP EPS outlook will be in the range of \$1.51 to \$1.61 per share,

delivering an EPS growth rate of approximately ten percent year on year after normalizing for pension and tax.

So turning on to free cash flow. We are already delivering normalized free cash flow of approximately \$2 billion in fiscal year '18. As Antonio highlighted earlier, we have been making strategic cash investments across the business, primarily for the HPE next program that is delivering strong returns while setting the foundation to continue to grow cash flow in outer years. As you can see in this chart, the required investments decline over the next couple of years while our cash flow increases significantly over the same period, illustrating how the investments we make today increase our future cash flow generating power.

We expect free cash flow to be approximately a billion dollars in fiscal year '18 and to improve 50% year over year to approximately \$1.5 billion in fiscal year '19, due primarily to improvement in operating performance and lower separation and restructuring payments. For fiscal year '20, we expect free cash flow to be approximately \$2 billion, just below normalized levels as we will continue to seek opportunities for additional savings and invest in growing future cash flow. The net take away is that we are doubling free cash flow over two years by fiscal year 2020.

Now, let's discuss our balance sheet. Our balance sheet, simply put, is pretty robust. Let's take a moment to review this slide. It's important to distinguish between the operating company and the financing company capital structures. Looking at our operating company, we like to run the operating company net cash neutral to positive over time from a capital structure perspective. Right now, we have a very healthy net cash position of \$3.2 billion much of which we will return to shareholders by the end of fiscal year '19. Turning to the financial company, HPEFS, most of HPEFS net debt is associated with the financing of receivables and very little cash is required to run this business given the very solid underwriting performance with bad losses below .5% of average net receivables. This is world class performance. Very few companies achieve these levels of low bad debt.

HPEFS net debt is backed by this \$13 billion of high quality receivables and it has a self-sustaining operating model that generates double digit returns on equity. As Antonio said, HPEFS is an integral part of our strategy. It allows us to

pivot our customers toward consumption as it enables them to accelerate their technology transformation to the next generation technology in an affordable manner. From a ratings perspective, we remain committed to maintaining our existing investment grade credit rating and strong liquidity profile. So overall, our healthy balance sheet combined with robust cash flow enables us to make disciplined investments and generate great value for our shareholders.

Let's discuss how we allocate capital. We expect to operate within our existing return on investment based capital allocation framework as we evaluate investments in growth areas and returns to shareholders. When investing in growth areas, we take a three pronged approach. First, we look towards organic investments. Where we do that well, it's a great return on investment and it's good for customers and it's good for our employees. Second, we use our venture program that you heard about from Phil to consider small equity investments that enable us to test newer technology and see if they are enterprise ready before going all in on a company that may - - or quickly become obsolete. Third, we look at acquisitions that provide complimentary portfolios, drive our strategy and can leverage our global distribution to accelerate profitable growth.

More recently, given our cash position and the underlying strength of our normalized free cash flow engine, we committed to returning \$7 billion to shareholders in '18-'19 in the form of buy backs and dividends. As you already know in fiscal year '18, we will return \$4.1 billion to shareholders, more than \$3.5 billion in buy backs and approximately \$600 million in dividends. In fiscal year '19 it will be similar. We're committed to completing this capital return program, returning close to \$3 billion to shareholders; \$2.3 billion in share repurchases and again \$600 million in dividends.

We believe we are returning substantial amounts of cash to our shareholders. Let me help you put that in perspective. Let's take a moment and review the share repurchases and dividend payouts across the S&P 500. If you look at the left hand side of this chart, you will see we expect to repurchase over \$11 billion worth of shares by fiscal year '19. That is seven percent to 16% of our market cap each year since fiscal year '16. Now, when you look at all the companies in the S&P 500, we are returning two to five times more than the median

company. And with regards to dividends, HPE also steadily increased its payout. We increased dividends by 50% this year and our yield is 1.3x the median yield of the S&P 500. Overall, since the separation from HP, Inc., and through the end of fiscal year '19, HPE will have returned over \$13 billion of cash to shareholders and is in the 95th percentile of the S&P 500 in terms of capital returns.

So before we move back onto Q and A with the management team, let me just recap. Overall, FY '18 has been a very busy year for HPE and a year that has delivered significant shareholder value. Looking to fiscal year '19, we're focused on accelerating growth in the intelligent edge, driving profitable growth in the hybrid IT segments, and continuing to grow operating profits and deliver margin expansion through HPE Next and also the favorable mixture to our value portfolio, targeting at least four to five percent longer term operating profit growth. All of these actions combined will fuel our free cash flow growth, which should deliver EPS expansion of seven to nine percent over time.

Let me close by reiterating that I'm very excited to be a member of this team as we execute against our fiscal year '19 plans. In fact, having listened to my presentation, I'm even more excited now than at the beginning. So we feel very good about fiscal year '19. We think HP Next is a game changer and I'm very confident the team will execute against our plans to drive longer term shareholder returns. With that, I'll hand over back to Andrew to start the Q and A. Thank you.

MR. SIMANEK: Great. Thank you, Tarek. I'm more excited about fiscal year '19 as well now. But so we're going to pause just a second as they reset the stage here. Then we'll bring back all of the presenters. Like I said, we'll also have Irv Rothman from the HPE financial services team as well. And also so just as a reminder, so the slides that Tarek just presented, should be posted or will be posted very shortly on our IR website if you want to review those in more detail. With that, let me welcome our presenters back to the stage. Antonio, Keerti, Phil and Tarek and I know Irv is around here somewhere. There he is. You guys can grab seats. All right. Excellent. Well, thanks guys, for coming back on stage.

So I thought, Irv, with you here, you know, we don't get a

chance too much to interact with investors. So I thought maybe we'd start off with a question for you before we turn it back over to the audience. So I think, you know, financial services has had a good year, strong growth from a volume perspective, so maybe we just want to hear from you kind of what you expect in fiscal year '19, what your strategic priorities are?

MR. IRV ROTHMAN: Right. Thanks, Andy. Hi, everybody. So HPE financial services is really the enabler of the customer's transformation journey. So we provide through an integration of our asset management capabilities and financing skills the kind of investment solutions that customers need. You know, Antonio talked about this. He showed the marketing narrative that included technology people and economics. Phil reiterated it. We're the economics part of that.

Now, customers, you know, used to think about 70% of their assets are invested in a database, 30% of their budget is available for innovation. We're showing them a way to incorporate both the 70 and the 30 and to find the way to fund the transformation by monetizing the assets they have on the books. That solved some of the problems that they have immediately because as we all know, information technology budgets are not growing and, in fact, for the most part, they're probably shrinking a little bit.

And then through our ability to integrate asset management and financing, we're also providing what customers need for tomorrow which includes information technology infrastructure that's agile and flexible and gives them the capability to respond to disruption if they're not becoming a disruptor themselves.

And lastly in the future, the future's not exactly crystal clear. So we're talking about business model innovation and we're talking about real usage based models because devices are certainly going to be part of the future in some way, manner, shape, or form.

And it's our ability to provide them with that kind of, in the absence of certainty, what they're looking for is flexibility and we've got the ability to provide them with that. And I would add that we operate in 54 countries, we cover about 95% of the parent companies' total addressable market.

We roll out all these product services and offers on a consistent basis across the world. We've long had a one company on a worldwide basis operating philosophy, and our customers tell us that one of the most important things about doing business with us is that ability to do business consistently around the world.

As for our '19 priorities, well we've got lots of opportunity provided for us to grow our financing volume by Phil and by Keerti, and we're certainly looking to align more closely with them and grow our financing volume accordingly.

We're going to continue to build our as a service capabilities. Phil and Antonio both mentioned Green Lake. We're actually the financial engineers behind Green Lake, not to mention the funding source for Green Lake, but we have other as a service as well, including device as a service and managed print services as we support HP and their go-to-market activities as well, not to mention what we do for service providers.

And lastly we're going to continue to invest in our very important asset management business. Antonio made mention of this before. That simply is the most profitable part of our business as it is with almost any company in our part of the spectrum.

So we've been building this asset management business, it grew 27% revenue this year at 30% margin, and we're looking to continue to make those investments and build on the good momentum we've got going there.

So that's where we are.

MR. SIMANEK: Great. Thank you.

MR. ROTHMAN: Thanks.

MR. SIMANEK: Thanks, Irv. So we'll go ahead and open it up to the floor. If you just raise your hand and we'll have somebody come around with a microphone to you. So maybe we can just start here in front.

MS. KATY HUBERTY: Hi. Katy Huberty [phonetic], Morgan Stanley. You talked about growth in fiscal '19. I wonder if we can get some color around that. If you look at fiscal '18, you grew 6% revenue, 7% ex-tier 1. IT market we think is growing about 5%, so you're a little bit faster if that's the case.

Is that the right ratio? If we grow 5% in IT spending next year, do you think you can pace or even outpace the market, and maybe comment specifically on intelligent edge and hybrid? For each of those do you think you can grow faster, same or slower than the market? Thanks.

MR. NERI: Yeah, thanks Katy. My answer to that is let me start at the edge. We expect to continue to grow double digits. That's our strategy. We're very confident to continue that journey. In the core business, obviously we are focused in the areas where we want to pivot.

Obviously we expect to continue to drive our hyper converged business including composable in the high double digits or even triple digits for that matter. Obviously high performance computer is a very attractive market for us, and it's going to come down to how the volume business is going to do.

I mean, fundamentally everybody was a little surprised this year about the volume business. Our strategy there is to drive profitable growth. Where there is an opportunity to drive also services intensity in attach, not what I call low-calories or no services attached. But also the storage business is very, very important to us.

And we believe with the portfolio of hyper converged, 3Par, Nimble intelligence-, intelligent storage, plus the fact that now we have more investments in the go to market, that will continue to be a growth area for us. And obviously the mix of all of this plays a role.

As Tarek said, obviously there's a little bit of drag on currency. We will continue to take down that tier-1 business. Let me remind you that at the peak, the tier-1 business was almost 20% of our compute revenues, and it has proven to be the right strategy, because in the end, growth with no calorie makes no sense.

So I think that's the macro level. I think our portfolio is very different than the other companies used to back it to 180 number. But that's how I feel about it, and the more we accelerate the strategy, the more long-term growth we're going to drive in our portfolio.

MR. MELKOTE: So on the Edge side, just a little bit more color. The market for connectivity and security overall is in the

low single digits from a CAGR perspective and we expect to do double digits, and we have consistently done double digits. So we're gaining share overall.

And given the software defined nature of the portfolio, it comes at 60% gross margin, so better. So, and the secular growth in the edge opportunity overall is what is exciting all of us, so that's why we've chosen to go invest more heavily there.

MR. Davis: - - and Antonio hit most of the portfolio. I think the key for us executing in FY'19 really does go back to those super six. If you look at that from the customer lens and then our capabilities, we are really uniquely positioned in the market.

Other competitors might have two or three pieces of the six but nobody else can do that end to end. So I think the key for us in FY'19 is executing that playbook just like we did in FY'18 with the new super six.

MR. SIMANEK: Great. Thank you. Front here.

MR. WAMSI MOHAN: Thank you. Wamsi Mohan from Merrill Lynch. I was wondering maybe Tarek you can double click a little bit on the 14 to 18 cents of operational improvement that you had in your EPS bridge, and talk a little bit about what that's composed of, what level of investments you are making, and then the cost savings, for instance, in HP Next. If you could size that for us for this year and how close did you come to meeting the cost savings that you had set for fiscal '18 as well that would be great. Thank you.

MR. ROBBIATI: Yeah. So our operational improvement that we foresee for fiscal year '19 essentially has two components. Number one, HP Next, and number two, as we pivot the portfolio of products and services, a mixable change and because the mix is richer in margin, you're going to see an operational profit, improvement.

With respect to HP Next, the commitment was to spend \$800 million over a three-year program. We stick to that commitment on a net basis. The key word is net \$800 million.

So now we're spending a little bit more but we'll still stick to the net 800 million because we have found ways to offset the incremental expense so that we get back to where we said we would go, i.e., net \$800 million.

The program from what I've seen is delivering roughly 800 million of run-rate savings, recurring run-rate savings. Right now with the additional investments that we have offset, we are on track to exceed that, north of a billion dollars of run-rate savings.

But again it's a three-year program, so when you look at our cash-flow chart that we showed you, you can see that investments haven't happened only in '18. They will continue to happen in '19 and in '20. That's why you have that chart that shows you how the reported cash flow will grow, and also the total normalized, or if you wish, excluding those investments, normalized free cash flow continues to grow.

The gap between the two will close, approaching normalized levels in fiscal year 2020.

MR. SIMANEK: Great. Thank you. Down here in the front?

MR. ROBBIATI: Then we go up that way.

MR. SIMANEK: Well yeah. We'll go that way. Seems like all the sell side's sitting over here so we'll...

MR. CABRAL This is Matt Cabral with Goldman Sachs. Thank you for taking my question. Two questions if I may. First I wanted to talk about server unit and ASP trends. You talked about units stabilizing in Q4 offset by ASP growth. Could you give us an update on that and talk about your expectations heading into next year?

And then secondly I also wanted to talk about free cash flow. You got it for a billion dollars in fiscal '18 - - in the first three quarters you have it about 560 million from sales of PP&E. Now you've got it for 1.5 billion in the FY'19. Could you talk about how much of that will be contributed by PP&E?

MR. NERI: Why not take the cash flow first and I will talk about the server.

MR. ROBBIATI: Yeah. So you're correct in your calculation of free cash flow based on what has been reported. We're still targeting a billion. Typically if you look at the seasonal profile of cash-flow generation in the company, typically our first quarters are poor in cash, and then quarters three and four start to be delivering a lot of the cash flow.

And we are on track. Also there are some transactions that we took the opportunity to close and realize that give us that extra money that we needed to fund the extra investment as I said to your colleague before. All in all, one billion is the number we're comfortable with for fiscal year '18.

MR. NERI: Yeah. We're totally committed to the \$1 billion, and again, the way I think about it is in the first half we spend, in the second half, you make money. And our cash conversion cycle gets in the negative up 20s, close to 30, and that's why we have seen this before and we feel very confident about that. But ultimately, next year is 50% growth, and two years from now it's 100% growth.

In terms of the ASPs and the units, as we said before, we expect the units to normalize, particularly on the volume side. Obviously on the value side they are all growing, and that's what we expect going forward.

Our goal is to drive profitable share. No share for the sake of share. We talk about the AUPs be more stable because of the commodity pricing, but let's remind ourselves that two-thirds of that AUP is structural. Which means as we see these platforms being shipped to customers, more and more options being attached which means it's not just the quantity but also the capacity of these options.

So now a year ago maybe you used to drive 16 gigabytes, 32 gigabytes so maybe right now we're driving more 32 gigabytes, 64 gigabytes, maybe 128 gigabytes. The density of these products with SSDs and drives are getting denser all the time. So that's the structure.

And Gen10 gave us a great platform to attach more options. And so that's why we are very confident in that two-thirds structure approach. But obviously over time, we expect the units to grow. But again it comes down to that volume unit not the value of unit's side of the house.

MR. SIMANEK: Great. Thank you. Yeah. In the front here? Tony, I think it is.

MR. TONY SACCONAGHI: Yes. Tony Sacconaghi from Bernstein. I just wanted to revisit the cash-flow question and guidance. So last year when you provided cash-flow guidance for fiscal '19, you were expected to be 300 million below normalized. This year you're 700 million below-, your guidance for fiscal

'19 is 700 million below normalized. And in fact your fiscal '20 where there was an expectation that free cash flow would be in line with normalized, you're now saying we'll be 400 million below normalized.

So it's been pushed out arguably by more than a year. And Tarek, you mentioned that there's incremental spending but you were kind of able to make it up so there's no new incremental spending in Next.

So sorry, long-winded question, but the question being why do we continue to see cash flow relative to normalized levels disappoint relative to a year ago? Same thing happened last year and it looks like it will happen again in '20. What's ultimately driving that? And if this is the ongoing cost of doing business, which is we have to invest to drive efficiencies, do we have any confidence that free cash flow will ever approach normalized levels?

MR. ROBIATTI: Okay. So the investments that go into the free cash-flow calculation, there's a reference on the presentation you can refer to, are three guides. There is HP Next, there is also the investments we make in all the platforms that we decided to continue to invest in to grow the business in the future. There's also an element of tax that expenditure that is factored into our guidance for fiscal year '19.

Now you understand the debate between normalized and reported cash flow, but the reality and the practical reality in many companies, you never close the gap between normalized and reported free cash flow. There is always the need, and I think it's a good discipline, for management to just go and rethink this, finding ways to be more efficient.

There's always ways to be more efficient. And it is a fitness test, essentially. If you have the opportunity to invest or take cost out, you should do it. Look, I came from a company who didn't have that fitness test mentality. What we ended up doing is having to take \$6 billion of opex in nine quarters. That is pretty painful.

So it is very good that we continue to look for opportunities to take cost out and look for opportunities to invest to fuel growth.

Now the question is how big is that delta between normalized

and reported free cash flow? Is it something that we are controlling or is it something that we don't control? Here we have a very clear plan with HP Next. It's something that we've declared, it's going very well; the benefits are really tangible. You can see the reduction in platforms that Antonio pointed out in his presentation. I feel very comfortable with that program, and over time we're going to get close to the point where reported free cash flow will be closed to normalized as I've shown in my chart.

But it's not really reasonable to say that normalized free cash flow never has a gap with reported free cash flow. It's not the way companies should manage themselves.

MR. NERI: And by the way, Tony, I will add one thing. So obviously we came from a significant transformation and obviously a number of restructuring programs. Here it is about running the business for the future. And what Tarek just described is exactly how we think about it: how we drive shareholder value both by investing in the future and by continuing to make the company more efficient.

By 2020 which is what we told everybody here in the room, we're going to be very close to that. But as we see opportunity and we see value creation, we will have to do what is right. And honestly, if I look at this year and we go to 2020, that's going to be double. And we already declared to you we're going to return 75% of that cash flow to shareholders.

And so when I think about 2018, 2020-, '18 and '19, we're going to return at 7 billion to shareholders. We made that announcement in Q1, 7 billion. We already did 4.1. We committed to do 2.9. Two nine is almost twice the amount of cash flow we're going to generate next year which we got at 1.5 billion.

By the time we get to 2020, it's going to be close to \$2 billion, and 75% of that will go to the shareholders because the reality is we do not need all that cash to run the company. But our discipline to stay ahead of the game, to focus on efficiency, to focus on the areas of investment whether it's the Edge, whether it is services, that's the discipline we want to instill and that's how we're going to do because ultimately that's good business management.

MR. SIMANEK: Absolutely. Thanks. Great Tony. You had a

question here in the front, Shannon?

MR. NERI: I think Shannon.

MR. SIMANEK: If someone could get a mic there.

MS. SHANNON CROSS: Thanks. Shannon Cross, Cross Research. Looking at the presentations, you had a lot of market opportunities and I think a \$300 billion market and you went through all the different segments of that. I guess what I'm trying to understand is I've seen a lot of this at Microsoft analyst days, I've seen it at Dell analyst days.

Everybody's sort of talking the same intelligent Edge and hybrid IT.

MR. NERI: They are copying us.

MS. CROSS: Yes.

MR. NERI: So you know. We already came with the story many months ago, just to be clear.

MS. CROSS: But I guess at the end of the day, what differentiates you? When you go into a customer, what makes them say, "We're going to pick HPE" over one of the competitors? What makes them pick multiple products as opposed to just say Aruba or something? How do you dig deeper into the customer? Is it just price, or is there something that differentiates it?

And then within HPE Next and some of the changes you've made, is there anything you can point to where you're winning today where maybe you weren't winning prior?

MR. NERI: Sure. I think it's a great question. So we have, I believe we have the most comprehensive strategy in spite of everybody using the same word. And to be clear, we said the world would be hybrid three years ago and everybody comes with that word.

We laid out this edge to Cloud [phonetic] strategy many, many quarters ago, and our differentiation is the ability to provide that edge to Cloud architecture that customers need going forward. And at the core of that architecture is the experience and is the data.

And it starts with the Edge, and I think our Aruba platform is incredibly differentiated because it is not about

connectivity per se, it is about delivering an experience. At the core of that experience is the software differentiation that Keerti and the team have been driving for now a number of years.

That coupled with a go to market gives us a tremendous differentiation because as Phil said, 70% of our business goes through the channel, and we see tremendous momentum there. That's one aspect of it.

I think the other aspect here is the fact that we continue to drive innovation. No packaging what everybody else does, and we have a long term of the future as well which we didn't talk today. But think about how we think about compute in the context of a data-driven approach. And that's what customers want to see.

They want to see not just a vision but a roadmap that's mapping that vision. And I think our roadmap is incredibly strong, and obviously you need an ecosystem or partner to drive it.

I think our people make a huge difference. I would not put aside the people aspect of this. Our people are incredibly customer centric. Our people will do all sorts of crazy things to meet the customer needs. And I think it's a creative differentiation. And last but not least, in our go to market, the channel side of the house, we continue to get the top ranking when it comes down to working with our partners hand in hand to deliver a compelling value proposition.

So whether it's technology, roadmap driven, or future driven in terms of a vision and our people, those are the ingredients we bring to the table. And as you saw in those use cases whether it's Phil or even Keerti, these are end-to-end use cases, right? So we can provide the full solution, and our services team are able to construct that based on the customer needs.

So I feel pretty good about differentiation, and again, people make a difference.

I don't know if you guys want to add anything on your side.

MR. MELKOTE: Sure. I can just quickly give you a little bit more color on the Edge side. If you look at our core differentiation when we go to a sale, we approach the Edge

with a mobile-first mentality which means if you're a customer that is looking to refresh the Edge and modernize your user experience, whoever the users are: employees, customers, students, etc., we basically talk about reducing the footprint on the wired side and dramatically increasing the footprint on the wireless side. And that not only improves the experience, but also lowers total cost of ownership.

So it's not price for price's sake, but you have to have both come together: the user experience has to be better, and the TCO has to be better for the customer.

And our competitor, for whatever reason, they may have the technology, but they don't approach it that way. And I contend they don't have the technology, they'll tell you they do, but let's call it a wash.

In terms of making it real for the customer, we make it real from a mobile-first standpoint, and that is going to hold us in good stead as we expand the Edge opportunity to now include things like IOT where the overall experience, it's not just what you experience on your device, but your experience as you walk into a store as a shopper is going to be different. So that's what we're going to focus on.

MR. DAVIS: I think maybe a couple of other things to add. I think if you look at where we are, and Antonio mentioned this, this is the company that we're going to be. I mean, this is it.

A number of our bigger competitors are still going through a lot of shall we call it transformation right now or financial reengineering or whatever it is they're focused on, but it doesn't seem to be as focused on customers. And so I think that's a differentiator.

I think also we're expanding our storage portfolio. Other competitors have come out and announced they're actually rationalizing and cutting down on the portfolio.

The third one, if you look to the Canalys event in EMEA here just recently or a partner round table I was at about three weeks ago here in the U.S., we're consistently hearing about some of our competitors actually going back to their old ways and taking deals direct which really alienates the channel.

Channel really trust HP and that I think is a huge

differentiator that they know that we're not going to take it direct, they know we're not going to flip the deal, and they can trust us to live or die with them. And I think that's a big deal, that's a big differentiator, frankly.

MR. NERI: So the last word I want to leave with you, Shannon, is which I think sometimes people underestimate, is stability. I mean, listen, maybe a little bit boring for people, but we've been pretty stable. And in the last three quarters now, almost the fourth quarter, we have been focused on executing.

Very consistent on our message, focused on the customers and partners; stability matters. And customers want to work with a partner that's stable, that has a clear understanding what the future looks like, and then executes, executes along their journey.

So I think for us is the predictable consistent execution with innovation and the talent is going to be a key differentiation.

MR. SIMANEK: Great. Thank you. We'll get - - here in the blue shirt.

MR. MISCIOSCIA: Thank you. Lou Miscioscia, Daiwa Capital Markets. I was going to ask you about Point Next. Obviously there's two halves to that. The maintenance support side your orders were up last quarter even though the growth because obviously you've mentioned you were exiting countries and exiting some customer contracts. So what would you think about that from a growth standpoint in fiscal '19?

And then to add to that on the other half, the advisory side, given the transformational digital, so many companies are growing at least mid-single to high-single to double digits, and I'm not sure exactly if it covers what you all are grown or do you think you could also get to double digits for that or what would you have to do to do that? Thank you.

MR. NERI: Thank you. So let me start with the advisor and professional services. If you go back in history, we have been in 170 countries; 170 countries, we were too diluted. That was not the focus we wanted, and as you know, that's a very people-intensive business.

And when we look at the composition of the business, we decided to retrench the business in only 22 countries. And

that drives the vast majority of what we do there. And so we can now scale it for the areas of skill sets that we want. And so acquisitions like Cloud to Knowledge, you probably remember Red Pixie, built more capability in what we call the high reward. Obviously the Edge solution. Many of the deals that Keerti drove in the last two years, including Home Depot and others, actually it was because our services capability up front to help guide, design, and implement those solutions.

So in that business we have intentions to shrink that revenue to refocus in fewer countries and then reinvest in those countries where we actually can get what are called the pull through.

I refer to these as the Wheel of Fortune; you spin it, and for every dollar we drive in the front it drives a number of dollars on the infrastructure, a number of dollars on operational services. It is not the typical advisor services you know, just to advise whether, as you know, Accenture or whether it's PWC or any others.

We think about this as a way to drive the solution that drives the rest of the portfolio, and so that has been our strategy. So obviously we expect the business to, as we stabilize it, now for the footprint to grow over time because obviously the opportunity is there.

As the operational services, we're going to finish this year. Obviously we are not done here. In the middle single-digit growth which is good for the operational services, and as you know that's a reflection of the health of the business going forward.

But in that we are really focused on a few things. One is attach. How I drive the bundle of attach with our business and there is an opportunity to do a better job. That's one aspect.

Number two, to improve our renewal and conversion rates. When you attach, there are two steps that take place. One is the conversion of the attach into a contract, and then a renewal of the contract over time. And with a new way to modernize our process, we're going to get even better data and then help our partners drive that ability to renew and convert.

The third piece of this is obviously service intensity. We talk about services intensity for quite some time here. And the services intensity has been growing. Part also because the unit went down, but as the options grow, obviously we need to drive more services attach.

And then we talk about Green Lake. And Green Lake, so you know, today is 450 customers and \$2.1 billion in total contract value. So that's a very large business out of zero a couple of years ago.

So for me, this is a huge recurring revenue opportunity as we go along. And in Green Lake, actually you drive 100% attach because every time we deploy that service model with a customer, which includes obviously infrastructure and the financing that Irv does for us, the services piece of this is 100% attach. And so the more we drive that Green Lake, the better attach we drive with the rest of the business.

So that's how we think about going forward, and obviously on the go to market, Phil has done a couple of changes which I believe drives a better integration between the hardware and the services to drive that bundle and the first sales, but also the incentives promise on the back end for our channel partners.

MR. SIMANEK: Great.

MR. NERI: Thanks for the question.

MR. SIMANEK: Go to Jim.

MR. JIM SUVA: Thank you. It's Jim Suva from Citi Group.

MR. NERI: Hi Jim.

MR. SUVA: It's pretty rare in technology that we've seen companies go through ERP system consolidations without oops, hiccups, extended cost, consultants need to be there longer. I think you said you're going from seven down to one.

MR. NERI: Eleven.

MR. SUVA: Eleven.

MR. NERI: Technically it's 10, but there is one hanging there, but it's 10.

MR. SUVA: So let's call it from 10 to 1, have you started yet?

If so, how far along are you? Are you going to run duplicative systems for a couple of quarters or how can we be sure that we don't hit some major hiccups that a lot of the technology predecessors have done?

MR. NERI: Sure. And I think you describe it extremely well. Let me start by saying we have a fantastic CIO, Archie Deskus which is not here today. But the reality is we have been on this journey, Jim, for some time, and we already have done the first phase of the ERP implementation.

Let me walk you how I approach this strategy which is a little bit different than traditional ERP transformation. This company, if you go back 18 years ago through the merger of Compaq and HP, had never really transformed the application side.

Yes we reduced number of data centers, yes we reduced number of apps, but we never transformed the app and the infrastructure. So one of the big challenges we have had is the number of data masters.

Data master is key, it's strategic for what you do in the company. You can't run very efficiently when you have multiple data masters because ultimately this data doesn't give you the insights you need. And by the way, you're always patching things and views to come to an outcome.

So the first step we have taken which is completely done as a part of HP Next is basically the data master. Now we have one common data master across the company.

The second step we have taken is bring the finance side under one common ledger. That's done, and we have done multiple tests, obviously, what we call mock-up closes and parallel closes. And so we are now done and starting Q1 in November we actually, Tarek's team is going to close in the new system. It's based on S4, one single system, and it's ready to go.

That's what we call the version 1.XXX. Now as we go through March 2019, we're going to deploy now the second phase called a version 2.XX which is what we call the quote to cash. From how we used the tool in the front end whether its channel driven or direct driven, how we drive the order into the ERP system, as four, again. And then how we do the shipping of it, of the product and ultimately the closing of the

financials, which will be already in place in November.

So that's going to be between March and the end of the year, but our approach is not a big bang. We're going to take number of countries by quarter and number of revenue percentages and we're going to flip them over time. And the reality is that we will be done sometime in the middle of 2020.

At the same time, we're going to deploy one common, one single e-commerce platform which will sit on top of that, and that will help us on two fronts. One is to drive what we call with feel [phonetic]; the low-touch, no-touch transactional business. This is for the volume business, whether it's channel driven or SMB driven, there is a big opportunity for us there.

Because today we are not as efficient as we could be in that size of the market, in this segment that we participate. So that's one.

Second part is on the enterprise side, we're going to have what we call the B2B engagements. We already have one, but the ability to do dynamic configuration or real-time demand generation will be available there also because the marketing team already went on and already implemented the digital marketing platform.

So this has been very well crafted and articulated. As you see here me speaking, I know every system in the company. I've been in the company 24 years, and I know exactly how it works. So I'm personally driving this with my CIO because I believe it's not just necessary from the execution perspective, but it's actually a big change in the culture of the company.

And so this also will improve employee productivity. Everywhere I go, the employees are incredibly excited about what we're doing, and they're working incredibly hard to make this happen. But obviously we're staying close and one of the principles I established is that we are not going to do customization of anything.

We're going to deploy out of box as much as possible, and we want to be only within a 5% range, and ultimately use industry-standard process to do it. I have to tell you this is one of the most exciting things, even though people don't

believe that, it's an exciting thing you can do to really transform the company within.

MR. SIMANEK: Great. A question there in the middle?

MR. PAUL COSTER: Yeah. Hi. It's Paul Coster from JPMorgan. Just looking at macro external risks for a moment. First up, next year in addition to upgrading the ERP system, you're also going to be transforming the supply chain and you're going to be changing your geographic footprint, and that coincides with potentially dramatic changes in the trading systems globally.

So it feels like its taking place at a time of great change and uncertainty and so there's risk there. I'd like your perspective on that and how you're going to mitigate.

MR. NERI: Yeah.

MR. COSTER: And the second-, the other question, I'll just wrap it up now, for the financial team is that until two days ago anyway, looked like interesting rates were going up. Assuming they do continue to go up, what has already changed in terms of your customers' purchasing behavior, and what do you think will change as a result of higher interest rates, if that actually happens? Thanks.

MR. NERI: Yeah. Thanks for the question. So listen, a year ago I was exact-, well not here, in San Francisco, and when I announced HPE Next, everybody was "Wow. That's a big change for the company." Everybody was, you know, "Can you guys do that?" And I hope you see we are doing it.

The fact you eliminated two maybe three layers in the organization, particularly on the go to market and now losing the bid, is pretty remarkable. And so we are very confident we can execute through this. But let's be clear, the supply chain is already kind of there. What we are doing is just streamlining, consolidating, and outsourcing to the two partners we are working with, and it's just we need the IT system to make it happen.

So the moment we do that is already ready to go. The problem is we need the IT to build what we call the pipes, to be able to drive the next level of consolidation. So that's one aspect of this. And so we go, "Yes. There is one ERP but also enables platforms 17 to 7."

The country footprint, we - - pretty much done now. I mean, we're just finishing the final touches. We went through what I call the basket of countries that we completed and we have awarded the channel partners we want them to be our franchise in those countries. And the reality is that we have done, whether it's Middle-East or whether it's Africa, or whether it's some of the other geos where we felt we didn't need to be really present ourselves with a legal entity, that's been executed.

So this has been incredibly crafted. Obviously there is always risk, but we have contingency plans to go along, and then listen, the micro external risks, we live that every day, I guess today. And the good news is that we have an incredible team that's obviously focused on what is the alternative to that if that something happened, and obviously what those are.

But we believe we are very well positioned to execute this with a high level of confidence, and we have the proven facts that we have done it before. And this is a team that has tremendous experience.

MR. SIMANEK: Irv, if you want to hit on interest rates, there's a question around interest rates, impact on customers.

MR. NERI: Interest rates. What happens when interest rate goes up?

MR. ROTHMAN: What happens when interest rates goes up? We're going to be very happy. When interest rates have been as low as they have been for the last seven or eight years, and you try to charge a customer some spread over the interest rate, you know, I mean, there's almost no difference between using us and paying cash. And also it inhibits our ability to grow revenue as well.

So it's not that we want a really high interest-rate environment, but a moderately higher interest-rate environment wouldn't really be so bad for us because then customers look for an alternative source of capitalization.

But additionally, you know, it's not so much about the rate the customer is paying as what are the products and offers that we're providing to them to meet their needs as they go through this transformation activity that they're going through. And today every customer we talk to wants to talk

about the use of technology rather than the ownership of technology, and even if a lease is not exactly ownership, it's a proxy for ownership.

So our as-a-service business which maybe two or three years ago was 2% of our total financing buy, and we did 6.5 billion last year, it's now grown to be 18% forecasted for fiscal year '18.

So a lot of changes in the marketplace but a higher interest-rate environment is not something we are afraid of at all, in fact we would welcome it.

MR. SIMANEK: Great. Thank you. Now I think we've got time for maybe one more question here.

MR. KVAAL: Great. It's Jeff from Nomura Instinet. And Keerti, well, I might sneak to kind of in one. Keerti my question for you is on the switching side. It seems as though Arista and Juniper are both more interested or more excited about the campus environment than they've been historically.

Can you tell us a little bit about why you think there's a draw into that market in general, and then does your differentiation versus Cisco that you mentioned apply equally well to them?

Then my second question is just a little nervousness about the macro climate out there, and you speak to a lot of CEOs, so any commentary on that would be great. I'd be grateful.

MR. NERI: I will answer the second one and give the others - - .

MR. MELKOTE: Yeah. Sure. Happy to take the first one on switching. Look, our differentiation, as I said, is that we've integrated our mobile-first portfolio, and we have a very prescriptive particular approach to campus architecture which is go with mobile. That's where your users are. That's where the architecture should be as opposed to a switch for switch's sake.

It's not about-, because I'm running a switch with certain operating system in my data center, why not use the same thing? There is some IT operational benefit to that saying I'm educated, I know how to operate this environment so I'm going to replicate that in the campus, but more and more the data center environment have more in common with servers and storage and applications running in a data center as opposed

to users and IOT devices and mobility which is what is driving the growth at the edge.

So we see the switch, nature of the switch in terms of its personality and its software-defined capabilities is driven more by mobility and IOT at the edge as opposed to servers and storage in applications.

So that's a core differentiation. Will they have some crossover appeal from data center into campus? Yes. For some of the hard-core customers, they might be able to get some wins. But in the macro sense at the market level, we feel very good about where we are and how we're differentiated against all of them.

And the other big point of differentiation is the strength of the channels that HP has. Back in the Aruba days, that was always the question saying do you have the distribution? Now we do on a global basis that nobody else has.

The only person that can rival that is Cisco, and so we see it as a two-pronged battle: Cisco versus HPE Aruba as far as this goes.

MR. DAVIS: Well and just to elaborate a little bit on that. When we compare it to hundreds of examples where either we as a traditional server storage vendor weren't able to get in or then Aruba is the entry into the customer, and there was a question about differentiation. That's a massive gap for Dell in terms of their edge, in terms of connectivity, in terms of a mobile-first strategy; it doesn't exist.

So back to a differentiator for us, you happened to mention two pure plays in the networking space. They're a little light on server and storage capabilities. So then on the flip side, we're able to leverage our footprint as we showed in many of the examples, to then leverage the Aruba. So that's strength of not just the channel, but that over portfolio, and once again Cisco came up very gapped on storage, very thin on what they do in compute, and seemed to be falling further and further behind on UCS.

So I think there's real gaps in every single one of our competitors, and I think that's a real powerful capability of Hewlett Packard Enterprise.

MR. NERI: So to wrap this question, neither of those two companies you described have a channel strategy. That's a

fact. So that's our strength. So that's one.

I think he described extremely well what's happening in the core campus and ultimately what's going to happen with Wi-Fi and other means to connectivity.

I think if you look at the transformation of what's happening in the connectivity in the data center, what we believe there is going to happen is the collapsing of the top rack, what we call the top rack, so Edge, with the rest of the resources. Because the fact of the matter today is when you deploy cloud in the data center, the biggest inhibitor to move at the speed of what people call the cloud is the networking. It takes an enormous amount of work, an enormous amount of friction.

We believe that - - could be resolved with software defined resources like - - computer storage networking. And that's why I made an acquisition called Plexi. Plexi allows us to treat a networking resource exactly the same way compute and storage. And if you think about the convergence and then later on the desegregation of resources, that data fabric which is the core of what we do, is going to be foundational.

Today everything we do technically goes north and south, and then comes back the other way. And so now we're going to go east and west and that's a unique opportunity of differentiation we can drive because ultimately applications and VMs and containers can talk to each other in a way we haven't been able to do today.

So that's on that one. On the micro economic environment, I believe, listen, we're going to see in the next year, but right now it feels good. Right now is still solid. We see good momentum whether it is obviously the momentum we see at Edge or even in the core business. And so that's good.

Whether or not it's going to change after elections, after what's settle with tariffs and whatnot, we will see. Commodity prices have been stable, in fact in some cases are going down now. But again, in terms of AUPs and he asked the question, this is more structural than just commodity prices.

I always refer like commodity price is like taking off and landing a plane. When it goes up, it goes up fast. When you land, it takes a little bit longer, right, and it's a longer time to get on the ground. And so I think, again, we'll see

the demand from the GDP standpoint. But when you look at the data, the data is exploding. And that data has to land somewhere, and it has to be processed.

It's not just about what's happening in the economy. And so how you drive efficiency is going to be very important.

MR. SIMANEK: Great. So I appreciate all the questions for sure.

MR. NERI: Yeah. So maybe I just--

[Crosstalk].

MR. NERI: I really appreciate you coming to see us, to listen to our story. As I said before, I think the catalyst for Hewlett Packard Enterprise is consistent predictable execution. Our strategy is very clear; it's to accelerate the growth of the Edge, to drive profitable growth into hybrid IT, and to continue to expand margins and profit both by investing in the future and by continuing to take cost out of the organization through HPE Next.

The combination of these three things will drive cash-flow growth and as we discussed, we believe cash flow will double between now and 2020. And as you know, we committed to return 75% of that to our shareholders.

And I think we have the right team, we have the right strategy, and the customers are betting with their dollars. So with that, thank you very much and I hope to see you soon.

MR. SIMANEK: Great. Thank you guys. Appreciate it.

[END RECORDING]