Rackspace

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Simon Flannery: Okay. Good afternoon, everybody. It's my great pleasure to introduce Rackspace and their CEO, Taylor Rhodes. Thanks so much for coming to San Francisco. I guess you've got a big event with Solve tomorrow. So we'll talk a little bit about that.

Before I get started, please note that all important disclosures, including personal holding disclosures and Morgan Stanley disclosures, appear in the Morgan Stanley public website at www.morganstanley.com, (inaudible) our research disclosures, or at the registration desk.

So we can close the books on 2014. It was quite an eventful year, so to speak. But you put out some encouraging guidance for 2015. So why don't you talk about your priorities for the upcoming year?

Taylor Rhodes: Sure. Thanks for having me, Simon. So for those of you who know Rackspace or don't know Rackspace, we're playing the segment generally called the cloud category. Right? Cloud is everything these days. But we really mean by that is customers who choose to buy computing as a service. And we're seeing the cloud market split into two very identifiable markets or subcategories that we call unmanaged cloud and managed cloud.

And our priorities are about establishing our leadership position in the managed cloud side of the market. The differences are really about infrastructure on the unmanaged cloud side, which you have to figure out how to manage yourself and make work, which plays into access to the right skills in the cloud era.

And the managed cloud model is about infrastructure choices, hybrid cloud, plus the expertise to make it all work. And what we want to do is continue to educate the market that they are two very valid, but different models. They offer a different value proposition for a different buyer.

When we look at our market, Gartner, who is kind of the Consumer Reports of our industry, divides the market into the IaaS only market, which AWS leads, and into the managed-cloud market which we lead. And our priorities are about continuing to define our leadership in that space, invest in our product capabilities so that we can solve hard problems for our customers in that space, and ultimately take advantage of the skills gap that is opening up in the market. As cheap infrastructure spawns more and more software and tools, companies are going to have a challenge navigating those choices and finding the right skillsets to operate those technologies.

And we have an opportunity to build economies of expertise around them for our customers. So that's our main priorities.

Simon Flannery: Great. So I think one of the things that's helped the stock recently has, since probably the middle of last year, you put out mid-teens type revenue guidance. And I think 14% to 18% constant currency for this year. Margins seem to be on an uptrend. I think your Q4 was up over 200 basis points year over year.

Capital spending is settling in. So can you just talk about how that's all coming together and what your priorities are to make sure that the opportunity is also delivering financially?

Taylor Rhodes: Yes. Well I think for us, in 2014, it was about the year of disproving the bear thesis. Right? The bear thesis was Amazon is going to drive all value out of cloud. It's going to be commodity. Clouds take care of things, so humans aren't necessary. And so therefore, Rackspace is kind of left with an infrastructure rental business going to zero.

And our job in 2014 was to go out and debate that and say, look, you're wrong. Cloud doesn't solve for the need for people to make it work. And public cloud doesn't solve all use cases. You need a hybrid cloud to do it. And to prove also that we could grow revenue and do it profitably that there was a market out there of value buyers who are willing to pay a premium and on top of infrastructure for making critical workloads like ecommerce and content management and big data actually work for their businesses.

So what we I think proved in 2014 in the midst of lots of headwinds, was that there is that big market out there that we can be a leader in it, and that we can grow profitably while we're doing it. So we have the opportunity as we continue to move further up into the enterprise, to win more and more of these larger deals for these larger workloads, which are good profitable deals for us. So we feel good about our guidance for 2015, which is about steadily better revenue growth while we're having stable to improved margins.

Simon Flannery: So what sort of inning do you think we're in in terms of the growth in this market?

Taylor Rhodes: You know, it's very early innings, I think. There's a new report out this week by the 451 Group called the Total Addressable Market of Managed Cloud. And it takes a look at what's driving the mainstream into cloud. And as I said before, cheap infrastructure ubiquitously available is actually increasing the size of the cloud pie, because it's drawing more and more people out of the corporate data center, into cloud models.

And so we think it's very early. The mainstream adoption is just really starting to move. The vast majority of IT in the world is still running old IT models inside the corporate data center. And as cloud models mature and become more appealing economically as well as nimble and speed-to-market and compliant, you're going to see the cloud pie getting bigger. So I think we're in very early innings and the market is again clearly separating into these two models.

Simon Flannery: Okay. You talk about defining leadership and I think when you do customer panels, it's pretty clear that many of your customers are really very attached to the services that you provide. But I think you define. You need it to kind of get the message out about your mousetrap to some extent, and Solve is part of that. So can you just enlighten into how that's going, and what you've got lined up tomorrow in San Francisco?

Taylor Rhodes: Yes. Rackspace Solve is our roadshow where we are going to major cities and having our customers really tell our story. So our first of Solve of 2015 is this year in San Francisco tomorrow. It's at the Palace of Fine Arts in the Innovation Hangar. And on stage you'll see companies, established giants like Wal-Mart Labs and born-on-the-cloud companies like Tinder, come and talk about very specific use cases in big data ecommerce OpenStack private clouds, and why they choose the managed cloud model.

All of them could easily operate their own technology. These are companies who we're trying to prove the point that this is not a cloud-for-dummies model. It's actually a business choice model. It's companies who say, look. Here is what's core and differentiating for me. I have a marginal dollar of spend. I want to go hire another software engineer that's going to write code and ship product for me. Or I want to hire another marketing person that's going to position our product well.

I don't really want to hire engineers on my payroll that are non-differentiating. So these companies are out telling the story about why they choose managed cloud versus unmanaged cloud, and why they choose Rackspace among the various managed-cloud providers.

So tomorrow we'll have a full day. It's about 800 registrants so far. And I think it's going to be a great show that gets the Rackspace message out there.

Simon Flannery: So how does the pipeline look now and the prospects and the bookings in terms of-- and I think you just put a new head of revenue in place, Todd Cione, in terms of really getting a lot of new logos on board.

Taylor Rhodes: We feel good. I think the secular moves that I'm describing open up a lot of that opportunity for us. And as we've gone for more of what I would call a horizontally focused value proposition, hosting or cloud, to a very solution-oriented focus and targeting very specific workloads that CMOs and CIOs care about. We're getting more effective at marketing to those types of targeted users in the communities they reside in.

And we're also getting to come flywheel effect in areas like digital, where we're winning more and more of these large ecommerce workloads for very referenceable brands. And when you get into that kind of a community and you do well, you start to pick up a lot of self-referenceability. So we feel good about that.

Simon Flannery: Okay. And you talked about not really competing directly against AWS. So who is your competitor set?

Taylor Rhodes: Yes. If you look at the two Gartner quadrants, right one it's the IaaS only which is multitenant public cloud. And there AWS is the leader. And we're in the pack. If you look at the other, which is hybrid infrastructure options, plus managed services, we're in the high end right. And on that quadrant you have traditional large players like IBM and HP. You have your telco providers like CenturyLink, and sort of what I would call the more traditional large tech OEM plus services type companies.

And it's interesting to watch what's happening in this space. Because the cloud model is very disruptive for large, established businesses. And you see some of that chaos showing up in their earnings, in their reorganizations and leadership turnover. And so for us, that is a great space to be in. Because our fanatical support is a differentiator, really stands out against a large slow-moving legacy IT provider. And so those are the folks we compete with and do well against.

Simon Flannery: Okay. And I think you referenced on the call some of those are companies that are going through restructurings and so forth, which may create opportunities for you.

Taylor Rhodes: Yes. If you're a salesperson at one of those companies, you are probably not feeling great about what the next three years of turmoil look like. And so they're seeing some natural headwind.

Simon Flannery: So how should we think about pricing in that environment? Obviously you want to lead with service. But everybody wants a good deal at the same time.

Taylor Rhodes: Yes. I think Simon, you're familiar over the summer when we re-launched the managed cloud strategy, we also strategically redid our pricing model to kind of unbundle the infrastructure component from the service component. And that was a very deliberate move. To be able to help people answer the question, first of all, am I paying a fair price for a commodity infrastructure? And the answer that we want to put on the table is yes. Here is the price for infrastructure. Here is the price for fanatical support and the things that we do.

And when you're talking to a company that has a really critical big data problem or an opportunity, having that ability to focus on the value gets you out of arguing about is it $0.30 or $0.31 per gigabyte hour. We don't want to have that conversation. We want to say it's a fairly priced infrastructure. If we can help you run Mongo or Redis or MySQL much better, which adds value to your product teams or your CMO, then we're in the conversation about value.

And interestingly for us in those conversations, price is always in the top five. But it's usually not the one or two driver on the decision matrix for those types of deals.

Simon Flannery: Okay. And I think you're talking about the infrastructure layer. I think you've talked on a number of occasions about sort of asset-light model, where you would manage somebody's data center with OpenStack. What's the latest on that?

Taylor Rhodes: Yes. I think you're referring to our opportunity to take OpenStack as a private cloud option, and manage it inside of a customer's data center. And that, OpenStack for us really showing a lot of strong demand signals in the private cloud incarnation. That I'm a CIO. I want to start to get off my current stack. I need to start running tens or hundreds of OpenStack nodes to start to see if that's a good model for me. But I want to run it at my place. And so our motto is to offer our version of OpenStack and be able to provide remote management and operation of that cloud for customers. And we're seeing a good uptick in demand from that as we go into 2015.

Simon Flannery: Okay, that's the top line. If we think about the margins, you'd invested a lot for growth. And it's always a balance between growth and profitable growth. There's a lot of people required in your business. So how are thinking about that 33% to 36%. That's a wide range. So what are the kind of drivers there and how variable is your sort of cost structure?

Taylor Rhodes: Well, look I think one of the things that we're able to do right now is to reap some scale benefit off of past investment. And that's what driving some of our margin improvement today. So for instance, in the early days of OpenStack from 2010 to 2013-2014, we had to go build a product organization from nothing.

So we went from no software engineers to hundreds of software engineers during that time. So our pace of investment there was very steep. And now today we continue to invest in those skills. But we don't have to do it at the same steep line. So we get to harvest some of the scale off of those past investments, similar to a lot of the data center capacity we’ve put online in 2013. We're able to now drive higher utilization across those.

So we feel pretty good about the foundation of our margin improvement. We want to continue to invest though for growth. We're playing in a big, early stage market. So our goal is not to optimize for profit right now. Our goal is to operate the business at historical margin levels while we're reaccelerating revenue, and we feel like we can do both.

Simon Flannery: You touched on the data center utilization. Q4 I think there was 61%. That's a pretty low number. You see a lot of the (inaudible) guys running at 80%, 88%, whatever. So is that something that you can-- can you run that hotter over time?

Taylor Rhodes: Yes. If you remember in 2013, we laid on data center capacity in Asia. We laid it in Northern Virginia and in the UK. And so that just happened to be a year of significant investment while revenue growth was slowing. And that's what kind of busted our capital, our target capital model during that year.

Historically, we'll run data centers closer to the high 60s to low 70s in terms of utilization overall. And so yes, so this year you're seeing us fill up that capacity and be able to drive utilization up.

Simon Flannery: Good. And a lot of that is leased--

Taylor Rhodes: Yes. We work with DRT and DuPont and others who do that.

Simon Flannery: You talked about international. We've got some FX headwinds, but generally some good growth trends. We heard earlier today you opened a new office in Mexico City. So can you talk about the international opportunity? It seems like most of your focus has been domestic. But you've started to move overseas.

Taylor Rhodes: Yes. We have about 30% of our revenue overseas and it's growing well. It used to be a predominately UK-based business. Now it's diversified into the continent. We've launched our offers in Asia Pacific.

I think the new international focus for us this year will be Latin America. It's an evolving early-stage market that is going cloud. And we have an adjacency that is an advantage. Because being in Texas with a lot of Spanish-speaking rackers, data centers that are close enough for a latency acceptability and time zone, we can get into that market quite well, without having to do a lot of CapEx initially.

We've got a good base of customers growing there. They create a tailwind for us. And want to pull us in further. So LATAM will be the newest set of markets.

Simon Flannery: And is that Mexico first, or you can tap the whole of Latin America?

Taylor Rhodes: Well, Mexico and other Spanish-speaking countries first. Brazil would be a different model due to both language as well as some data sovereignty rules that would require you to have your data potentially in Brazil.

But we do actually see quite a bit of demand (inaudible) out of Brazil. We do serve a number of customers out of Brazil. And we have a growing number of partners there. So our strategy would be to build a base of business that is happy to be in our data centers in the US, and then invest more fully later, when the business case warrants it.

Simon Flannery: So what does your typical customer look like? I mean I think in your early days, it was a lot of swiping a credit card. And it's pretty small customers. But you're now talking about Wal-Mart. But then Tinder is kind of a different animal, so to speak. But are you really seeing kind of Fortune 500 companies? Is that the bulk of your growth at this point? Or how should we think about it?

Taylor Rhodes: No. I wouldn't say Fortune 500s. When we engage with a Fortune 500, it's on a very targeted in our practice area. So we never want to go play the IBM game that says, let's just take over your mess. We want to be very focused. We always focus first on what I call the revenue side of IT. Let's go talk to things-- talk to the CMO about his ecommerce side. Let's go talk to the Head of Dev about their big data problem, et cetera. So when we engage in a Fortune 500, we want to be very targeted, where we can arguably be the very best solution with lots of referenceability.

But outside of the Fortune 500, into let's say the Fortune 2000, there's a big market out there that is really trying to understand who its best partner for the cloud is. Some will prefer the AWS model. But many of these mainstream companies are really feeling the draw toward cloud, but they're feeling the sort of-- how do I manage it? Where do I get these skills?

If I'm a retailer, and I'm making the choice between spending money on something that is differentiating for me or picking whether Mongo or Redis or Gluster is my next technology tool, that's a tough proposition for a lot of these companies. So we're feeling it draw into that what I would call, mid and small enterprise, is where we're generating a lot of our business.

Simon Flannery: Okay. And one of the nice things about 2014 was your capital intensity came down. And you had some really nice free cash flow quarters over the last couple of months. Help us think through, 25% of sales, how much of that is growth CapEx? How much of that is sort of maintenance? What's the--

Taylor Rhodes: Yes. I would refer everyone to our IR site where we published our target model. And in the target model, we estimated a range of kind of what call maintenance CapEx. And it's somewhere between 8% and 12%.

And our business has always produced a very healthy level of embedded free cash flow, which historically we reinvest for growth. And in our target model what we've done is we've said, look. If we get to a point where we're a mature low-growth company in low single-digits. That after-tax free cash flow margin goes somewhere between 25% and 30%.

And so the model is out there. We want to keep reinvesting for growth. We think it's the right thing. We think it's what our shareholders want us to do right now. But historically it's interesting. Rackspace has ever only really raise $40 million of outside capital. We did an IPO. We put the money on the balance sheet. And the $40 million has now turned into a $2 billion asset base. And so we have very strong, healthy embedded free cash flow in our business model.

Simon Flannery: So you committed to give $500 million, I think, of that cash flow back. You did a couple hundred million authorized share repurchases. I noted it was $213 million on the balance sheet as of yearend. The stock's done nicely here. So how do you weigh stock price, completing the program, (inaudible)?

Taylor Rhodes: We wanted to take the opportunity when we had made the pivot in mid-2014, and felt the strategy was evolving nicely. We felt like the market was still under-appreciating the opportunity. And so we had a good sequence of being able to make a statement about our bullishness for the future, as well as being good investors in our stock price at the time. And that's why we did the initial $200 million ASR. We authorized up to $500 million.

I think going forward, you will look for us to be good investors. If there's ever the right entry point for us to be smart investors in our stock, you'll see us move that way.

Simon Flannery: I think some would say, given the predictability and your low churn rates in your business that running a net cash balance is sub-optimal.

Taylor Rhodes: Absolutely, yeah. We want to go invest it for growth.

Simon Flannery: Right. So how do you think about the-- adding some leverage. I think that was one of the debates last year.

Taylor Rhodes: Yes. I think first thing first is as new guy CEO, my job is to go figure out the best growth opportunities. And then we will use the cash preferably to invest for growth. And where we have attractive debt options that we figure out, hey, here's a great use of $500 million or $1 billion, then certainly debt is an attractive way for us to lever the balance sheet up, and go for that.

But our primary vector at this stage is to be a growth-oriented company, and not really focused on returning a lot of that cash to shareholders. We want to go find good ways to deploy it for growth.

Simon Flannery: So you've done a number of deals to add capability. But we haven't seen anything of significant scale. And then obviously you were going through a process. But is that something that we might-- are you starting to sort of comb through opportunities, looking for--?

Taylor Rhodes: We think that as usual in our past history, we have done targeted kind of either technology or technology and talent acquisitions. When you think about those focus practice areas for us, we see good opportunity in the market to do inorganic growth moves there. We're evaluating those.

Clearly those are at expensive prices these days. But I don't think that we would ever want to go do a large, messy acquisition to get into buying revenue and buying customers. Those come with a lot of brain damage and post-merger integration risk. It doesn't mean we won't do larger acquisitions than we've done historically. But they will stay focused on technology tools, talent that really advance our capabilities of being the best in the world in our focus areas.

Simon Flannery: So you referenced fanatical support before. And it's always an experience going down to visit the Rackspace rackers and see the enthusiasm that they have. So for those who aren't familiar with the fanatical support story, if I'm a customer, what do I experience that I don't get if I use one of the other kind of older line tech companies?

Taylor Rhodes: Yes. Our culture, early in the Rackspace days, the founders actually founded the business model on a service avoidance model. Graham Weston, our founder, came into it with a real estate background. He said, this is just like real estate. We're going to go lease something. We're going to buy some servers, and we're going to then rent them out for an OpEx stream. But we have to avoid service, because that drains your profit margin away.

And very early, we started hearing from customers who said, you know what. I actually will pay you more if you'll really take charge of my technology problems and solve them for me. Just don't put a server and a rack, and tell me to take care of the rest. And this division in the market started opening up where there was clearly a premium positioning and a profitable way to go be the company that would deliver those service outcomes.

So early in the Company's history, spotted the opportunity, coined the phrase fanatical support. And really fanatical support means we want people working for Rackspace who will run through the wall for our customers. And when you come down to visit us, our headquarters is in an old shopping mall in San Antonio, Texas in the Rio Grande Valley, not the Silicon Valley. And it's a weird and strange and wonderful place. People are free to be themselves. They're very smart. We decentralize authority. And people are serious about this mission of creating great customer outcomes.

They feel empowered to do that. They feel rewarded. We sort of built our whole culture around celebrating that. And for a customer, what you're going feel very differently from what I would call the usual outsourcing call-center model, is we tell you from the very start, it's an all-you-can-eat model. We're not going to charge you by the ticket or the phone call. We're not going to route you to an L-1 tech first who will work until his mean time to handle metric expires, and then he grudgingly passes you to an L-2 tech.

It's an all-you-can-eat model. Here's your dedicated team. Here are their credentials and credibility. Here are all the other resources that are you're to support you. And we are an extension of your team. Put us to the test.

And so we are going to be-- we're going to treat your business as if it's our own. And that's kind of our mantra. That's what we mean by fanatical support.

Simon Flannery: And you pay a lot of attention to Net Promoter scores. So how's that looking these days?

Taylor Rhodes: The two holy grail metrics for us are customer loyalty measured by NPS, and really the net installed base growth. The ultimate compliment is the customer staying a buying more from you. And so for us, we are world class in our NPS, in our industry.

The two things you want to pay attention to in NPS are the trajectory of the score and the distance between you and your closest competitor. And when we compete with the companies I named before, we show quite well in terms of the NPS in customer loyalty. And I think that's why our churn has stayed industry-leading and remarkably stable, even through periods of turbulence for us.

Simon Flannery: Great. Okay. Well, with that, we've got time for a couple of questions from the floor. We have some mics in the back (inaudible). Up front?

Unidentified Audience Member: Are we going to race? Hey Taylor. So apologies if this is a simple question. But you describe Rackspace as being a company really of support and service, and not so much one of being-- one of an infrastructure company. If I think about IT outsourcing or the IT space of the last 10 years, lots of other companies that merged that have provided service. So why is it that the shift to the cloud is benefitting you, and it's really creating problems for companies that have historically been service companies, like IBM?

Taylor Rhodes: So let me comment. IBM has-- because they're a service plus a product company, their service model is being disrupted because cloud service is very different. But even more importantly, their product model is being massively disrupted. And you see that's very widely known. Most companies are trying to shift into SaaS business models.

When you're used to selling a license and getting a maintenance stream forever that has a 90% margin, and your market says, I don't buy that way anymore. By the way, you need to deliver it to me in a SaaS cloud model. The economics on that model are different. The cash flow gap that you have to cross over to convert that model is very hard for companies to let go of. The way that you have to compensate your salesforce is very different. And so almost everything about that business model is the innovator's dilemma. How do I jump curves to the next thing, and do I have the stomach for interruption to our business performance in the interim period of time.

So you see that happening arguably with not only IBM, but HP is trying to figure out their strategy in this. And you see it with most large people. It's primarily because those companies are a combination of product and service. And it just really hits their whole stack.

Unidentified Audience Member: Have you seen IBM's offering be more competitive after their acquisition of SoftLayer?

Taylor Rhodes: You know, Lance Crosby has left IBM, and a lot of the SoftLayer folks have left IBM. And that's usually what happens when a small thing gets bought be a big thing. And so I think I haven't seen it make a huge, huge difference. I think SoftLayer is a very competitive offer. I think IBM is still trying to figure out all the culture clash and system clash that happens between something that is big blue, and something that is not. So I think there is predictable disruption afterward. And we'll see if they're able to sort that out.

Simon Flannery: In the back?

Unidentified Audience Member: Yes. You described various changes in your business in the last couple of years, heavy investment in both data centers and engineers. How has the dedication of Microsoft, Google as well as IBM into this space changed your competitive positioning now versus two-three-four years ago, if at all?

Taylor Rhodes: No. It has. I think, look, it's a crowded space, right? And it's a confusing space. Because everybody wants to call everything they do cloud now. So you have a lot of education to do in the market. Well, what does cloud mean? And so I think it's made it a crowded and confused space, which can affect your sales cycles. It can affect your positioning of your product. It can affect your perceived competitiveness.

But for us, the name of the game there is we have two opportunities. One, in and of our own right, we're faster, more nimble, and more cloud-relevant than a lot of those folks. So we can move faster and do well from a really being best at this, and creating a great service model around it.

But two, the other opportunity for us is that big software providers have to monetize their products now in a cloud services model. And a lot of those companies, like Microsoft, have historically done this through a channel-enabled model. They don't really want to go invest the CapEx and the OpEx to build their own service model.

And so this opens up opportunities for us to partner with companies like Microsoft and VMWare, et cetera, in new ways. Because they need their stuff to be delivered in a cloud service model and that's what we do.

Simon Flannery: Okay. In the back, there?

Taylor Rhodes: We have one right here I think.

Unidentified Audience Member: So it sounds like you're sort of sliding towards an all-services model. And I may be the only person in the room who believe that that's a good idea. But why not just go whole hog and do kind of a hard cut in that direction, rather than this kind of tiptoe down that path?

Taylor Rhodes: What do you mean by an all-services model, compared to what we've historically done?

Unidentified Audience Member: Versus much more the server rental and actually having some kind of an offering on the back. Because I think the future here is pretty clearly going to be a services model bolted on to a public cloud, because they have better scale. So why not just go there?

Taylor Rhodes: Well, I think you could probably have a reasonable debate about our success over time being connected to being able to control the stack for our customers, being able to really say, based on our experience of doing this 1,000 times, here is the right reference architecture for you. It might be multitenant. It might be single-tenant. It may be hybrid.

And because we control that experience and operate it and the application for you that really helps us produce part of that higher quality experience that earns you the premium back. In an all-service model, for instance, where we were simply the service layer on top of other people's stuff that is certainly something we're investigating and checking out. But we have to go figure out how to make that model work.

That is that you can imagine that if you did that poorly, your economics would be subject to the whims of pricing at those folks. Because what are you going to do when they cut their price 10%? You're just going to take a 10% down draft on revenue, right? So that's only one example.

You also have to figure out how to integrate well, so that you can create a fanatical experience. So those opportunities are certainly out there. But they're nowhere near as simple as sort of just go do it. They have to be figured out. We have to go figure out how to make them an acceptable model for enterprise customers who want to hold us accountable for the entire outcome.

I If we said, hey, it broke. We don't know why. We'll call you when we know something. It's not going to be a very good model, right?

Simon Flannery: Maybe last question over here.

Unidentified Audience Member: Yes. Can you talk me through the evolution of OpenStack? It seems like everyone wants to be the Red Hat of cloud, including Red Hat. And how does that work with all these very big players trying to play that game?

Taylor Rhodes: I think there are three business models around OpenStack. There's the Mirantis model, which is more PS, front-end heavy, let me design and deploy for you. There's the Red Hat model, which is I want to make money selling my own version of software. And then there's the Rackspace model, which is we want to run and operate these things for people in a hybrid context.

And I think right now the community needs a galvanizing force, a benefactor to step in and really drive the enterprise-grade open kernel that is scalable, secure, adoptable with telemetry around it, et cetera. And I'm concerned right now that the community is bumping around a bit, and being dominated by the Red Hats and the Helions who really, I think, want their own version of OpenStack.

And so my ambition for OpenStack is that we will participate with other parties who have a like-minded interest, is to go out and drive toward-- and job one, get OpenStack adopted widely. Then job two, people who want to make money selling their version of OpenStack software or doing PS or running it, can actually step in and make a lot of money doing that.

So that's where I think it is. It's a massive effort. I think it's a foregone conclusion that OpenStack will emerge as the third stack. But I think the velocity of that will be determined by how well the community works together.

Simon Flannery: Great. Taylor, unfortunately we're out of time. We appreciate it. Great discussion.

Taylor Rhodes: Thanks Simon.

Simon Flannery: Thank you.

Taylor Rhodes: Absolutely. Thank you. Appreciate it.