Rackspace

March 01, 2016
07:35 PM EST

Simon Flannery: All right, good afternoon, everybody. It's my great pleasure to welcome Taylor Rhodes, CEO of Rackspace. Welcome, Taylor.

Taylor Rhodes: Thank you, Simon.

Simon Flannery: Before we get started, please note that all important disclosures including personal holding disclosures and Morgan Stanley disclosures appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosures or at the registration desk. So, the conference, the last couple of days here, the cloud has been a huge theme. Everybody is talking about the impact that the scale of the adoption here and you're right at the center of all of that. So, you recently put out your guidance for 2016 and updated us on the AWS customers, etc. So why don't you just give us your priorities for the year?

Taylor Rhodes: Sure. So I don't think you have to convince anybody anymore that cloud is here and cloud is getting bigger. I think from 2007 to 2014 was really -- Amazon proved the model. The first phase of cloud was Greenfield development of new applications in the cloud. I think in 2015 we saw the real earnest intent for legacy application migration out of the corporate data center into clouds is really on. It's on with a vengeance. So, what we see is that that herd mentality now of the mainstream market is really starting to move. You've seen companies like GE as a standard (inaudible) saying hey, we're putting 60% of our apps in public clouds.

So what we're seeing right now is a big movement, which then creates an inflection for us, which is scarcity of skills, right. So the recent RightScale report highlights that the number one barrier to adoption for CIOs today is a concern that I won't have access to the skills that can help me migrate to and operate these clouds. If you look at the history of Rackspace, whether it was the move from no internet, to internet, then Linux, which was our first evolution, created a herd movement and then a shortage of Linux skill sets. That's really what Rackspace started with. Then you have VMware hit, created another inflection and its scarcity of skill sets. Then you had public cloud.

Now we sit on this other point where the movement's going to start happening. The scarcity is now skills.

So for those of us who don't know Rackspace very well, we've always added value through two things. It is expertise at scale, which means we run technology for people better than they can run themselves, because we have scale, we have depth of expertise we can turn into an OpEx strain. But the second is choice of leading technologies. So in 2015, one of our big priorities was to broaden our product portfolio. So we have now launched what we call Fanatical Support for AWS, launched Fanatical Support for the Microsoft cloud. These are two really, really large [bans] and there's no at-scale players in the managed service ecosystem there.

So our top priority, Simon, is to absolutely become number one in the managed cloud ecosystem for those two cloud stacks. Our second priority is to manage our core business well. The guidance range this year really is a reflection of the growth rates of our core business, $2 billion. We want to manage that very well. We want to make sure that our customers remain sticky. Our customers there are on recurring revenue contracts. Churn has been very low. They grow on a normal basis. So that core business is sticky and growing and produces attractive free cash flow. We'll put operating leverage on that business to fund the new businesses. Then outcome of those priorities is that our capital intensity will go down and our free cash flow will go up. So those are our top priorities for 2016.

Simon Flannery: So if you are here in five or ten years, how would you -- what's the end state that we're going for? Will you be entirely asset light and you'll be managing the public clouds? Or do you envisage where you're always going to have your own private cloud and business as well and the mix is just different?

Taylor Rhodes: I think in the five-year time horizon there will be still a large market for private clouds. We are the number one dedicated or private cloud hoster in the world. That's the significant proportion of our revenue and in a ten-year view you might argue that everything's in a public cloud. But I think if you read the analysis, the primary research pieces that have come out, in that five to seven-year period of time, the volume of new apps will go to public clouds. But there will be 20% to 30% of the market that will be in private clouds or dedicated. So in five years, we'll be the world's number one dedicated private cloud hoster. We will be number one in the managed services space around the leading public clouds. What's the mix of revenue? We're early days. We'll keep you posted on that. But ideally, when you look at that mix of business, our corporate economics look like free cash flow margins that are significantly higher than they are today. That is because of the capital light nature of these new businesses.

So what we see in our first four or five months in the market is our first 100 customers on the AWS business model are customers who are primarily new to Rackspace, good sign. We're expanding our market. They are primarily buying our highest service level, which is a great recognition of the value of what we do for them. They are primarily customers who are already using the AWS cloud and have decided that managing it is not a good business for them to be in. We're starting to see an uptick in customers who have an intent to get to the AWS cloud but were stuck on their own and really were looking for the right partner. Importantly for us also, our install base customers are buying the offer as well. So our existing customers are buying and they're bringing new workloads to Rackspace.

Simon Flannery: In a hybrid model where they'll stay with you as a private -- it's not a --

Taylor Rhodes: That's right.

Simon Flannery: Migration.

Taylor Rhodes: So the good news is the significant majority is -- it's a new workload. It's not simply a cannibalization of my dedicated hosting footprint with you. You know us in the days when we were really cooking, one of our biggest growth drivers was install base growth. The growth used to be at half a point to a point a month. Over the last several years, more and more of those incremental workloads have gone to AWS and we've missed out on that growth with our install base customers. They've kept what they had with us but given us fewer new workloads. What we want to do is take these new offers back into that base, which is really tens of thousands of customers in [win-do] workloads with these new offers.

Simon Flannery: So how are those new customers, under new customers, how are your sourcing them? Is that people just going online and say, have you got a dedicated sales force? What's the discovery mechanism there? There's a lot of players trying to attack this space. Obviously you've got great credentials here, but you know they've got to find their way through to --

Taylor Rhodes: You know there's been some players in this space longer than we've been there. Companies like Datapipe and Cloudnexa, 2nd Watch. So the category I think is still new. There's actually evidence on Google search that shows that the category of managed cloud is still an evolving category. So part of the market doesn't even know it exists yet. So part of our job is to raise the awareness there both through working directly with Amazon and through our own marketing.

But the good news for those first 100 customers, we really haven't started to market that scale yet. There's pent-up demand out there for customers who are aware of the category. Those customers largely came to us through word of mouth and through being at reinvest or what have you. As we look forward, I think there's three large lead sources. The first and best will be AWS's field sales force. The AWS field sales force is running into customers more and more who are mainstream who say, to get on your platform I need help architecting. I need help migrating. Then I'm going to want help running and operating and securing these. So the AWS field sales force will be a great lead source for us.

Simon Flannery: Are they -- do they get commission from you or how do they select you versus one of your competitors?

Taylor Rhodes: Well like, what'll end up happening ultimately over time is that we will be a premiere partner. We will be well established in our base. Ultimately, though, what ends up getting a sales person to choose somebody is, is it trustworthy?

Simon Flannery: Yes.

Taylor Rhodes: Does it help me or do I give you an opportunity? You either fumble it or you close the customer but you can't serve them well enough and pull back yet. So ultimately we feel real comfortable with our scale and expertise and our service record that we'll see favoritism in that field sales force, cause we'll just be the best at what they -- at what we do.

Simon Flannery: Okay. So you've mentioned three lead generation, AWS sales force--

Taylor Rhodes: And then our own direct mainline sales force, which we stimulate through traditional marketing techniques as well as channel partners. Then we do have a specialist team. We have moved a significant amount of resource into product specialists around AWS and Microsoft and they go out hunting as product specialists. Then they also get engaged by our mainline sales force. So those will be the three primary lead forces.

Simon Flannery: Okay. So what's your vision for, I mean you mentioned you're supporting Microsoft Azure as well. Google has put in some more emphasis into this. You know again in this five-year view, are we looking at half a dozen or you really think it's going to be two or three? And will you support every or the major ones? How does that work?

Taylor Rhodes: No, we usually wait until there's a significant enough market, right. We usually get in when there's two things happening. One is that our install base customers pull us in, right. And the second is where a market has developed. So for instance right now, Google, I think Google's going to make a run at public cloud. I think they're very serious about it. I think they have good technology. I think they're starting to really focus on how do they commercialize it? How do they develop enterprise routes to market? If that became one of the world's leading public clouds, then we certainly have room under our strategy of choice of leading technologies to support them. I don't think the world needs five or six at-scale public clouds. I think the world will want and need a few. It'll be a duoplopoly or an oligopoly. We will want to support the leading platforms out there.

Simon Flannery: Okay, so that sort of brings up your public cloud and I think you made some comments on the call. I think you recently reassigned some people. So if you can just update us on what we should be looking for there?

Taylor Rhodes: Yes, our open -- when we founded OpenStack, our initial vision was that OpenStack would be an at-scale public cloud platform. It would run, at Rackspace, it would run in multiple service providers and it would provide an open source alternative for public clouds. What's really happening is that because Amazon has taking such a lead in this market and is so far ahead, it doesn't make a ton of sense for us to go try to close that gap with our own public cloud. We have a significant amount of business on it. We have very happy, sticky customers who've been with us for a long time. Those customers are primarily what we call support seekers. They came to Rackspace less because of the underlying technology and more because they were looking for someone to run and manage their cloud.

So, you should look for that OpenStack public cloud to continue to grow, primarily through install base upgrades and expansion. We said on the call that it will decelerate but I want to be very clear, it is still growing. What we do well at Rackspace, as you know, we have a very high net promoter loyalty scores and very low churn. So we have confidence that we can keep those customers, help them move if and when they need to in the future. But we really want to be very strategic about leading with private clouds and leading as the number one managed service provider on public cloud.

Simon Flannery: Okay, so you really won't be going out and trying to get new customers for that?

Taylor Rhodes: If they really want OpenStack and there's a great reason for them to be on that solution, we certainly wouldn't stop them. But you'll see most of our go-to-market motion around the overall value proposition of Fanatical Support for the world's leading clouds and helping advise customers based on the application, is this better in a private cloud? Is this better in a public cloud? Between the two public clouds, do we have an opinionated fact-based view on is it better at AWS? Is it better at Azure? That will be our primary motion.

Simon Flannery: Can you still provide the same hybrid functionality by bringing AWS as your --

Taylor Rhodes: We'll develop it, right. So one of the advantages and one of the other reasons our customers are sticky on our own public cloud today is many of them are hybrid use cases, meaning they sit on our public cloud but they direct connect into our dedicated servers by a product that we call RackConnect. Those are actually among our stickiest and growthiest customers. In the future, if the demand signal develops, we would develop a similar capability for AWS customers to direct connect into a private cloud at Rackspace. We think that'll happen.

Simon Flannery: So, you talked about private cloud having some pretty long legs here. So I think you'd said it's growing, you know is it high teens, something like that?

Taylor Rhodes: High double digits, so think -- 9%.

Simon Flannery: Yes.

Taylor Rhodes: Something less than a hundred. No, it's growing quite well.

Simon Flannery: That's something where you still see strong -- in a world where AWS has momentum, there's still room for a private cloud. Is this for people who have regulatory requirements or is it --

Taylor Rhodes: It's for people who have a bias toward environments that are predictable in terms of resource availability and performance, predictable in terms of cost, predictable in terms of security and compliance wrappers, etc. I think there's been a number of research reports out recently that estimate that private clouds will make up some of between 20% and 40% of the market. Again, in the nearer term, we see private clouds being a predominant next step for a lot of companies who are used to running dedicated environments. You put a software layer on top, it becomes a private cloud. The big question in the market isn't that a transitionary platform, on the way to everything going public or is it a forever platform? We don't know. We don't particularly care because in our pipeline right now we have large chunky deals. These are companies in the financial services verticals and other key verticals. If we do well with them on a private cloud, we'll have a chance to modify for the second time as they get ready to move to public cloud. So for us, we feel like it's a very good business we can make good money on, in the next five to seven years.

Simon Flannery: Okay, great. So I think one of the things that investors struggle with is, you're going through this transition. Revenues have been decelerating. Sounds like you're implying there will be some more deceleration through the course of this year. Then presumably you'll pivot and not only will the top line reaccelerate but you'll get the benefit of better cash flow margins etc. But it's always a -- if you can talk as before the (inaudible), so help us through the milestones. You know when do you think we see that kind of hockey stick, that inflection point?

Taylor Rhodes: Well look--

Simon Flannery: Or at least some evidence that we're kind of through the public cloud's deceleration and AWS picking up?

Taylor Rhodes: What we said this year is that our core business, our $2 billion core should grow somewhere between 6% and 10% on constant currency basis, right, which is a deceleration. We said that this year the new businesses, the AWS, the Azure, etc. won't make a material impact on revenue. As you would expect, it'll take some time for the revenue to get big enough. But what we do expect this year, Simon, is they will become a disproportionate percentage of our new bookings. All right, so, you heard us share traction metrics on the first call. What we want to be able to see is that every single quarter we are playing a hyper growth traction game. How many new workloads did we win? Are they are new customers? Are they current customers? Are they cannibalizing or bringing new workloads? What service level are they buying? So that's our primary goal this year is absolute focus on traction, right. We have this moment in time when the move is on and this ecosystem is fragmented, full of smaller players and we have this moment in time to step in and really make this our future business. So that is our number one priority.

When will it turn into material revenue? Well we hope it does in 2017 and beyond. In the meantime, what we want to communicate is that this core business is stable. It's sticky customers. It has attractive economics. It produces a lot of free cash flow. So, as we go through this, we will offer our shareholders in return cash back for them through the buyback, but we'll also be doing that while our free cash flow production is going up. So this accelerated benefit of free cash flow to equity is part of the value proposition to our shareholders.

Simon Flannery: So by deemphasizing the OpenStack cloud, presuming that's going to benefit your CapEx intensity?

Taylor Rhodes: Well I think as our -- what we've always said is that our core business slows, 70% of our CapEx in our core business is customer year, right. So as we have to buy less customer year, the capital intensity slows. Free cash flow production goes up. Then the second factor will be as the new businesses become a bigger mix, then that is the second factor of decreasing capital intensity. So we feel very comfortable saying that, in the coming years, you should see lower capital intensity, high free cash flow margin. If you do the math on our guidance for 2016, we said if you look at adjusted EBITDA minus CapEx, as a proxy you know we're guiding that that should increase north of 20% year over year. It increased 21% in 2015 over 2014. So that's the power of the business model starting to work.

Simon Flannery: You talked about a lot of the AWS customers taking the top tier product offering. So how has your visibility improved in terms of the economics of that product?

Taylor Rhodes: We are very satisfied that the unit economics on that product are attractive for us. So what we've said is that, of course, because these require no substantial capital, it will be at a lower EBITDA rate because D&A is really not a factor. Therefore, we said is that it will be similar if not more attractive at the EBIT level and clearly higher free cash flow margin business or at least you know same. So, what we like is that we are satisfied in the early days that the economics are proving out. We don't see pricing pressure, as the number one factor at all. It truly is show me at what kind of expertise you have. Show me that you can actually deliver these services and again the output of that is that nearly three-quarters of the customers are buying the higher service level, which is substantially higher priced.

Simon Flannery: Remind me, is it a percentage of their AWS bill? Is that how you do it?

Taylor Rhodes: Essentially we have bands. The revenue model works in two ways. One is that we resell the AWS infrastructure and we get gross revenue and we get a margin back on that, which is pure pretax profit for us. Then our pure services revenue, that's 100% Rackspace revenue, is driven by a band of AWS infrastructure usage and, of course, then the service level that the customers bought.

Simon Flannery: Then you're basically applying people to (inaudible) that's OpEx --

Taylor Rhodes: People--

Simon Flannery: Technology, yes, but not much CapEx?

Taylor Rhodes: You don't have to provide the servers, the networking gear, the storage gear, the data center. So that's where the real capital savings comes. But, part of our real opportunity and if you go to our site, rackspace.com/AWS, you'll see a very productized approach where we are developing software and tools around the AWS cloud, around the Azure cloud. That's all pain points for customers and make it actually easier to use that cloud. So we will both put our expertise at work and like we've always done, we'll develop value-enhancing software around it that makes it easier to consume as a service.

Simon Flannery: So I think one of the questions that came up on the call is you've got a lot of latent data center assets. You know your utilization is 60%, something like that. So, you know as you move to this asset-light model, is there a way to recapture some of that to -- and you've probably got some long-term leases, but to sublet it or another way kind of --?

Taylor Rhodes: We will. You saw this year that we did a major consolidation of data center space in our UK footprint. We consolidated from three to one. It took a lot of service and capital out of commission in the back half of the year. As we look forward on this, you know one of the challenges of being a growth company is that you need to have available capacity in lots of different places. As we get into this model and we can use AWS' data centers, Azure's data centers, etc. that will be give us opportunity to look at not needing as much of our own capacity and potentially there is a market out there for returning capacity etc. So I think we will have future opportunity on that.

Simon Flannery: So your margins in Q4 were pretty good. I think you've guided to pretty good margin.

Taylor Rhodes: Yes.

Simon Flannery: But presumably we're going to see those margins start to, I guess as the revenues accelerate, the margins will likely come down, but the CapEx will also come down. Is that right? So--

Taylor Rhodes: Yes. Well we feel pretty good that you know overall the corporate economics will remain pretty intact over the next two to three years, right. The effect of a lower EBITDA margin from these new businesses will obviously take time to show up in the corporate economics. But in the near term, what we're finding is that we have lots of opportunity to drive operating level in our maturing businesses. What you're seeing is our guidance range for margin in 2016 is very similar if not slightly better than historical margin. Under the covers of that, we're actually investing heavily in these new businesses. So we're really looking at ways we can drive efficiency in the core. That's an important part of the value for us.

Simon Flannery: So you've done quite a bit on the buyback front. You've got plenty more capacity. How are you thinking about you know executing the remainder of the authorization?

Taylor Rhodes: Yes, what we've done is, the board has authorized a capital policy, which is as you know, it's about 0.75X of LT and EBITDA. We're essentially at that leverage ratio today with the buybacks we've done. What'll happen is we'll keep growing into it as revenue increases, free cash flow increases. So we said we would finish our first $500 million by May of this year. We're on track for that. So you can expect us to complete that. That leaves us the remaining $500 million authorization to complete through mid-2017. We will fulfill that obligation and report on it on a quarterly basis.

Simon Flannery: Okay. So in the managed hosting, you know how is that competitive environment? How is that pricing?

Taylor Rhodes: You know that we win new customers and new workloads on our managed cloud, on our new dedicated hosting business every month, every quarter. There is a whole class of applications in the world that will not, either not get re-platformed for the public cloud and, therefore, they'll stay in dedicated or there will be a class of applications, I should say and, who are specifically designed for single tendency because they perform better. So our business continues to grow. I think we said on the call it's growing at market rates, which are mid to high single digits. Churn remains remarkably low and stable. Customers who are looking for dedicated servers found Rackspace, cause we are the number one in that space.

Simon Flannery: But it seems like some of the teleco's, I know they played in some of that field. They're getting kind of second thoughts maybe about (inaudible). They're having the same conversation at AWS maybe that you did. Are you seeing them maybe stepping back a little bit and helping you (inaudible)?

Taylor Rhodes: Yes, I think that you're seeing a lot of pressure on people where this isn't their core business, right. If you're not a specialist in this and you're not really in it to win it, it becomes a very unattractive space because of the Amazon effect. So we're seeing the teleco's, we're seeing regional hosters and others start to show signs of getting out of the business. So, that means that our number one position in that space should allow us to take more market share there over time.

Simon Flannery: Okay, great. Well we've got time for a couple of questions from the audience. Let's just wait for the mike up here in the front.

Unidentified Audience Member: Can you help me understand when you say high double digit growth for private cloud, the number one private cloud hosting, does that mean Rackspace's OpenStack-based offering or does it mean managed services for Microsoft private cloud or VMware private cloud?

Taylor Rhodes: Great question. Thank you for clarifying. Specifically, I'm talking about our OpenStack private cloud product. So what we see with OpenStack is that it's simply changing shape in the market, right. What we're seeing the demand signal is make OpenStack into an enterprise-grade private cloud for me, deliver it to me as a service, put SLAs around it. That's the market that I'm speaking about on that growth rate.

Unidentified Audience Member: Hi, there. You mentioned 100 AWS service customers now. Just, can you give us a sense of revenue per customer and the size of that business and where it would be reasonably in a year or right now, you know just how that is going to ramp?

Taylor Rhodes: Yes, this is what Simon was asking and what we said on the call is it's the first four months, right. So what are we seeing? We're seeing S&B customers. We're seeing large enterprise customers. We don't know yet whether this breaks to be a high volume S&B play or a lower volume super RPU enterprise space, just too early to tell. It also is too early to tell you what percentage of our revenue it will be over what time. That's simply spreadsheet math right now. But what we will do, is we'll update you every single quarter on how many customers have we won, what are the characteristics of those customers, etc. But too early to tell you that right now.

We said on the call that we've won our first six-figure-a-month customer. So, you know, that is certainly not the load within the set, but this opportunity here is very skewed toward midmarket and large enterprise. If you talk to the AWS field sales force, that's really where they're seeing the greatest need for these types of services.

Unidentified Audience Member: So, the concern I have more is when you guys did the whole original Rackspace thing, you were able to productize a certain set of things and then got a lot of bodies to just lather, rinse, repeat on that simple skill set.

Taylor Rhodes: Yes.

Unidentified Audience Member: Where are you in the context of AWS, both number one productizing and then more worrying to me is getting enough bodies behind it in a market where AWS skills are extremely hot? So, can you walk me through how that works on the delivery side?

Taylor Rhodes: Yes, I'm very excited those are your two biggest concerns in all honesty because that's what we're actually really good at. So, I would encourage you to go, if you really want to see the productization, just go to rackspace.com/AWS and you'll see a very productized approach where we have top engineers and we've hired many who are sort of AWS experts to help us develop. You know one of the key friction points in using, and this is just one example, using the AWS cloud is storing your keys, right. Developers have to have a key to get into the cloud. Then they have to figure out, companies have to figure out where to securely store those. They have to make it auditable. They have to do it on a basis where these keys are accessed and really used on a very regular basis. That's just one example of the pain, if you're operating AWS yourself. So we have developed product capabilities around how do you securely store keys? How do you make them accessible and reusable? When do they get deleted? Things like that. So we've take a very, very productized approach both to software, value-add around as well as the service levels. You know that's what we've always been good at, is being very focused.

The second thing is we've always been very good at creating technology skill at scale. In fact, that is our number one value proposition. We have a capability called Rackspace University. Over time, as the market has switched from Windows to Linux to VMware to OpenStack to whatever it is, we have been able to reposition technical skills quite quickly. So what we said on the call was already four months in, we've achieved 240 technical certifications at the highest level on AWS and we've already achieved 1,100 plus business and technical accreditations. So that already puts us in (inaudible) in terms of the ecosystem out there. We'll keep doing it.

Simon Flannery: That's mostly existing employees?

Taylor Rhodes: Those are mostly existing but some hired from outside. But this ability to reposition over time as these technology changes take place is one of our core competencies.

Unidentified Audience Member: Have you or your colleagues purchased stock in the last three months? Do you have any plans to do so? Cause I think you were selling last December all the stock (inaudible)?

Taylor Rhodes: Can you just repeat that last part, sorry?

Unidentified Audience Member: I think management was selling stock in November, December, 2014?

Taylor Rhodes: Yes, so our company has had an overly conservative policy in place for a long time that we've now changed very recently with our new general counsel coming on board, which was a sell for, (inaudible) invested we sold for tax purposes, right. So any sale you've seen is, has been a pure tax sale. I haven't realized the dollar of it, right, but it's still is an optic we wouldn't like in the market, right. The other thing that we have to, as we've changed the policy now, is I don't remember the name of the rule, what's the rule? The short-swing rule, which says you know if I go buy stock now, because I had a tax sale in the last six months, I have to [discourge], which is crazy. So we'll work our way out of that. We have a lot of people at Rackspace who want to buy stock. You've seen some of our leaders file a form for recently. But you know you'll see the form for it. They've publicly available.

Unidentified Audience Member: Do you have agreements in place with Amazon that would prevent them from taking products that you develop and then selling them to their customers under their support network?

Taylor Rhodes: Do we have a what in place?

Unidentified Audience Member: Do you have an agreement or some kind of--

Taylor Rhodes: Well, it's part -- yes, as part of the partner agreement you have the usual sort of Ts and Cs around protection of IP etc. Doesn't mean they couldn't observe what we were doing and go develop something themselves. In fact, they do that quite frequently. So for us, what we've always done, always, is we've found ways to keep moving up the stack. A good way to measure that for us is revenue per server. Right, we've constantly been able to increase revenue per server. That's just a good proxy for continuing to find value-added services that enhance the value of infrastructure and make the commodity part of our business less of our revenue stream. We'll keep doing that. Every single customer interaction for us is a learning of where pain is for customers and then we'll develop that into capabilities. You've got to keep moving. You always have to keep moving in this industry.

Simon Flannery: Maybe just one--

Unidentified Audience Member: So Hewlett-Packard Enterprise and Microsoft announced partnership that included a couple of Centers of Excellence and joint development for services that HP would provide on Azure. Is there anything special about that arrangement and compared to what you have with Microsoft?

Taylor Rhodes: You know I think the HPE target market will be probably 1,000 accounts. It'll probably cover their large fortune X install base and that's where they are naturally incumbents. We tend to do better in the, into the Fortune 2000 and certainly into the midmarket. So part of what Microsoft does, as you know, is they pick different partners to cover different parts of the space. We are their largest service provider channel and we are five-time hosting of the year partner award with them. So when we tend to focus on the market, it's not a Fortune 50 bank. Tends to be a Fortune 2000 or a midmarket size company and that's where they tend to focus on the go-to-market with us.

Simon Flannery: Great. Taylor, very interesting discussion. Thank you for your time. Appreciate it.

Taylor Rhodes: Thanks.

Simon Flannery: Have a great evening, everybody.