

FINAL TRANSCRIPT

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HPQ - HP Innovation and Trends in Industry Standard Servers

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PRESENTATION

Amar Maletira - *HP - Director, Investor Relations*

Hello, and welcome to the webcast on HP Innovation and Trends in the Industry Standard Server Market. This is Amar Maletira from HP's Investor Relations. We appreciate you all joining us today.

The dynamics in the industry's standard server market have been of interest to many of you in recent months, so we hope to spend some time discussing both the trends in this market and innovation that HP does on top of industry standard platforms. Our format today will be a 20 minute presentation, followed by a Q&A session. We will accept questions through the Web. You can send in your questions using Ask a Question field below the slide window.

Now let me introduce our speakers for today's call. Our first speaker is Christine Reischl. Christine is the Senior Vice President and General Manager of the Industry Standard Server Division in the Enterprise Business group of HP. In this role she leads both strategic and tactical management of HP's ISS business worldwide.

Our second speaker is Mark Potter. Mark is the Senior Vice President and General Manager of the Infrastructure Software and Blades organization in the Enterprise Business group of HP. In this role he leads an organization responsible for developing differentiated offerings, such as the award winning HP BladeSystem and, Insight, management software portfolio of products and solutions.

Christine, with her experience in running HP's ISS business, will discuss the solid momentum in this business with the launch of HP's sixth generation ProLiant server product line, while Mark will discuss HP's innovation on industry standard platforms to bring to market differentiated product offerings, giving HP a sustainable competitive advantage.

Before I turn it over to our speakers, I'd like to remind the audience that today's call will pertain primarily to the topic of HP innovation and trends in the industry standard server market. No new information on HP's financial performance during the current quarter or future periods will be provided. Some of the information provided during this call may include forward-looking statements that are subject to risks and uncertainties, and actual future results may vary materially. Please refer to HP's most recent Form 10-Q for a description of these risks.

With that, I will turn it over to Christine.

Christine Reischl - *HP - SVP, GM, Industry Standard Server Division*

Thank you, Amar. Good afternoon. My name is Christine Reischl, and I have the privilege to lead the industry standard server team worldwide for HP. And when some people hear the term industry standard, they may think about off the shelf components, microprocessors, chipsets.



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And yes, we -- in the ProLiant industry standard server team, we actually do use those standard components and we leverage the massive scale of those, but we are doing much more to our industry standard servers than that. We actually pride ourselves in delivering innovation and IP unique and differentiated on top of our standard components.

So, to actually highlight our advantage in the industry standard server market, I'd like to talk to you about the momentum we generated with our most recent launch, and that is the generation six -- or sixth generation ProLiant server launch, or G6 launch, which was -- we did here about six months ago. And the important part of it is that, with that server launch we actually created a momentum, which was the strong result of execution and innovation, which we brought across all our form factors of servers, blades, towers, and racks.

And what I would say is that HP trailblazed the market here with the introduction of the G6 product family. And let me explain what I mean by that. We actually launched 25 new server families -- or server lines in 73 days. That is the biggest launch in HP history. That is the biggest launch in HP history. And we have heavily invested for that launch, and that was during a relatively hard year from an economic perspective.

Now, what do we mean when we talk about trailblazing? We mean that we were the first ones to the market with Energy Star certification by EPA. We were the first ones to the market with groundbreaking technologies which are unique and differentiated, such as Virtual Connect, which is virtual I/O -- sea of sensors, thermalogic, which is optimizing power and cooling. And then we are the first tier one vendor with a dedicated cloud line. And last, but not least, we led the transition for shipment of most Nehalem processors and the transition to the DDR3 memory platform.

Now, what is the driver behind that momentum? And the driver behind that momentum we have generated is really to address and focus on our top customer challenges and people. And for that purpose we actually designed, from the ground up, the G6 -- Generation Six ProLiant server line, and that is to address our customers' tough challenges, such as management, power and cooling.

And I could actually speak to you about all the actual innovation which happened in our labs -- our engineers brought up to the G6 generation launch, such as sea of sensors. We can talk about Virtual Connect, onboard administrator, power capping, and so forth. But what I'd really like to do is actually connect those particular innovations -- those unique and differentiated innovations to the top customer challenges and how those innovations solve the top customer challenges and pain points.

And let me first talk about power and cooling. Power and cooling and admin cost is now 75% of the datacenter spend. That is a huge spend. And with the sea of sensors we introduced with the G6 servers, we actually have placed strategically 32 sensors on our servers -- on, around the motherboard, and those sensors actually harvest the thermal information of our servers. And then, according to that information, speed up and down the fan -- actually optimize the power consumption, because we now no longer have to speed at maximum level, but at optimized levels.

And that is a unique differentiation in the market with our sixth generation. And that -- not only are the sea of sensors doing that -- by optimizing the fan speed up and down, according to where the heat is generated and where the cooling is needed, but also, detecting slots not used and shut those slots immediately down.

Now we can talk about power cooling some more. HP helps not only reduce our customers' power consumption, but also helps them to reclaim capacity and power and extend existing datacenter life. And here, specifically, we talk about our thermalogic technologies, and with the thermalogic technologies, our customers can confidently put in twice the amount of servers on the same power circuit. And that's why we're talking about extending the datacenter life.

And then, in the design and delivery of our G6 products, we're not only able to create these but we were able to create these innovations without any price or performance compromise. Indeed, our new G6 platform provides 20 times the performance per watt and a three month ROI, compared to G4, which was two generations ago.



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Now with this momentum, clearly, our customers have recognized the innovation and the value position of our G6 product, but I'd like to actually talk to you about the impact to the business, which is just as important. And here, I'm very pleased to report that both the ramp and the rate of transition of our G6 product line is faster than any previous transition -- much faster. Indeed, this transition is three months ahead of plan.

In addition to that really fast ramp, this product has a higher option attach rate, of options such as memory, hard drive, software, virtual connect, which is leading to higher averaging selling prices and which does actually benefit not only the top, but the bottom line.

In summary, with the successful product launch, and the momentum we have created for this business, HP is best positioned in the industry to take advantage of servers refresh cycles as they are kicking in right now and in '10 and beyond. And now, I have talked to you about the operational execution model, which led to the G6 momentum and the transition we have experienced here and the big opportunity for us.

And I'm going to turn it over to Mark Potter, who is going to walk you through a series of differentiated innovations across BladeSystems portfolio that HP has been investing for years, which are driving strong market leadership today and we are now in a strong position for attack and lead the next inflection point to converged infrastructure.

Mark Potter - HP - SVP, GM, Infrastructure Software

Thank you, Christine. This is Mark Potter. I'm going to take you through, if we can transition to the next slide, just kind of some stage setting for why we're doing what we're doing in the innovations and how we're bringing all this together, and kind of build on what Christine shared with you.

At HP we're incredibly blessed to have deep customer relationships, and with them, we're in their datacenters every day, all over the world, and we see today's reality of the siloed management - manual, inefficient, underutilized resources. And what that means from a customer perspective is that their operational costs are already 2X of their actual server equipment spend, and that's growing.

And we hear a lot about virtualization, and what is ironic about virtualization is a new term is being talked about with -- by customers. They're talking about virtual server sprawl, and it's not really addressing the issue, per se. As a matter of fact, if you look at IDC's projection, by 2012, there will be an additional \$1 billion cost on just managing the operations of the datacenters.

And so, when you take a step back, what customers really want their dollars to go for -- they want them to be able to deploy new applications to help them become more competitive. They want to help their businesses transform. They really want their businesses to be much more flexible to helping IT get to where it needs to be. And so, that frames up, kind of, the challenge that HP sees in relation to our customers, and it's also a huge opportunity for us to actually reunify the datacenter.

HP is going to lead this and lead it via converged platforms that pull together the best of storage networking. Servers with deep awareness of facilities, all wrapped with management, to help our customers deal with this sprawl and get more out of their servers. The converged market is a \$35 billion market, and if you look at that, combined with a server virtualization management and the blade markets, you can see that HP is very well positioned here to take advantage of this market trend.

We go to the next slide. We see that, as part of this, HP has been on a methodical march over the years to redefine the infrastructure economics and deliver a different outcome for our customers. Seeing this trend, being so close to our customers has enabled us to really take a step back and say, if we designed infrastructure to be converged from the beginning, if we thought about server storage, networking and facilities all at the beginning of the design instead of patching it together in their datacenter, we could really radically change the economics for our customers.



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And that starts with our position and, as Christine said, our skill in industry standard server space, our heritage of innovation to deliver kind of groundbreaking capabilities. Example of that is BladeSystem c-Class. Today we're over half the market in blades, but the real important thing, from a customer's perspective, is -- saves them a tremendous amount on their overall solution costs versus traditional IT. And when you look at just the momentum we have in blades and the savings for customer, the economics are very compelling.

Another great example of that is HP leading the way on converged fabrics and really taking a look at what networking really needs to be when you marry it up with servers. And so, in 2007, we launched Virtual Connect, which really was the first main virtual I/O module that seamlessly linked servers and fabrics together to deliver a better way for storage admins, networking admins, and server admins to work better. But from a customer perspective, significant savings in their datacenter, 75% less NICs and switches.

And when you look at c-Class and Virtual Connect, it really provides a key foundation for our customers in us delivering a different solution and outcome for them. You marry that with our leadership in infrastructure management, insight software, over four million licenses, it helps them not only deploy, but manage a complete life cycle of our solutions, giving them 12X faster deployment times, seamlessly connecting them into HP services for quick resolution of any issues, automatically updating their infrastructure or new capabilities that they may need.

And you go and look at the two-in-one blade. This is unprecedented compute watt efficiency. This is delivering, really, a customer almost two datacenters in one by providing unprecedented performance per watt efficiency, and you married that with high performance, low latency fabrics. It is really the backbone of many of the world's high performance computing infrastructures.

That same BladeSystem infrastructure also can operate in a mission-critical environment when we look at NonStop. NonStop blades -- the same architecture running many of the world's stock exchanges and many of the world's financial transactions, able to be delivered on BladeSystems, doubling the performance of the prior architecture, doing that in half the footprint, with lower energy, and still maintaining all the nines of availability in mission-critical.

And then, finally, a virtualization blade, purpose-built in that same infrastructure, allowing our customers to take one configuration, and whether it be physical, hardwired to the operating system environment or a virtual operating environment, that one configuration could take the place of up to six different rack mount servers and give a much more flexible and energy efficient configuration.

If we could go to the next slide. And when you marry up this capability and look at the solutions -- when you put it all together and look at -- what we talk about is blades having unprecedented offerings from NonStop all the way to desktop, driving converged infrastructure to multiple markets. Virtual desktop workstation -- we believe that the next wave of desktop updates, there's going to be a lot of companies looking at delivering those desktops to be a virtual infrastructure.

And so, HP really kind of broke a key barrier there to deliver a workload optimized solution on blades, using c-Class, using our virtualized optimized blades and Virtual Connect to give unprecedented cost performance and married with rich remote graphic solutions in our thin clients, giving our customers breakthrough solutions.

And it's not just about client virtualization. We have optimized solutions for small and remote sites, optimized for the power configurations of a back room in Home Depot or Wal-Mart, being able, again, to deploy the same solutions in any environment. Telco is another great example.

We talked about the massive scale out of the two-in-one compute blades, but c-Class, an HP BladeSystem, is an unprecedented 200 plus of the top 500 supercomputer configurations in the world, and that's actually growing. And no other platform has ever had such a place in that top 500 list as one platform as does c-Class BladeSystem.



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But you look at the server side, we also have built incredibly scalable storage solutions on that. Unstructured data is exploding. I mean, if you just look at the day after Halloween, on Snapfish alone, we had over 22 million photos uploaded. And so, the massive scale of unstructured data in the world really requires a different storage offering. And so, if you look at the StorageWorks X9000, we're talking about a petabyte scale storage depot with one management interface that is all built on that same BladeSystem architecture, hitting cost points for our customers that are unprecedented for enterprise class scalable storage.

And then, finally, we look at the Integrity NonStop. That is really a great example of an operating environment, married with a high availability fabric, married with applications and compute to deliver a mission-critical solution. And more recently, we announced on the same infrastructure, BladeSystem Matrix. So, if we could go to the next slide.

We think BladeSystem Matrix really is a great example of what our customers are looking for in this converged infrastructure market. It allows for a shared-services model in a virtualized platform that has storage, networking, compute -- all the resources built in that allows a customer to basically check in and check out resources as they need and to have repeatable process. So as to go back to what we talked about to begin with of -- their customers' operating costs are 2X of what their actual equipment spend is. What they really need help with is HP and, as you can see, our deep partnerships, to deliver a shared-service infrastructure that allows them to have a repeatable process.

Matrix can deploy a complete application with storage, networking, servers, and all the patches in 108 minutes. And the typical deployment in a datacenter for a customer -- that same process could take up to 33 days by the time all the different organizations get involved, they find the equipment, they deploy the servers, the hardware, reconfigure the network, and do everything they need to get those applications deployed. So quickly deploy and manage the life cycle of the service using BladeSystem Matrix.

So, in closing, what I'd like to do before we get to the Q&A is -- you can see that HP is incredibly well positioned to take advantage of any refresh cycle out there. We have solid momentum and, as Christine said, a G6 TCO that is incredibly compelling. And you marry that with the industry's broadest portfolio, we're very well positioned in this space.

And you couple that with our skill, our leading enterprise services, a heritage of innovation, the deep customer relationships, and our industry partnerships, and I have to say we have the strongest hand in the industry, and our competitors are going to continue to react to what we do.

And finally, we're helping our customers today, through leading converged infrastructure solutions, like Matrix, like BladeSystem -- the NonStop BladeSystem, where it's addressing their key pain points of operational costs and datacenter sprawl.

And we're able to deliver that today because of our deep datacenter design expertise, our deep storage expertise, our history and innovation in networking, our leadership in management, and clearly, what we shared with you today and what Christine shared, our industry standard server -- mission-critical server depth. You'll see us continue to methodically march forward in 2010 and continue to lead the market, and HP will be known for reunifying the datacenter and addressing our customers' biggest pain points.

Christine Reischl - HP - SVP, GM, Industry Standard Server Division

Very good. So you have heard about our G6 launch and the momentum generated and the innovation with unique differentiated IP we're bringing to the market to actually solve and address our customers' top pain points.

And with that, I would like to invite and open up the Web and phone for questions.

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QUESTIONS AND ANSWERS

Amar Maletira - HP - Director, Investor Relations

All right. Again, as a reminder to everybody on the webcast here, we'll be taking the questions through the Web. You can send in your question using Ask a Question field below the slide window.

And Christine, we have the first question for you here from a buy-side investor. What kind of constraints are you seeing from memory? We have heard that DDR2 memory is in short supply, so what kind of constraints are you seeing in memory?

Christine Reischl - HP - SVP, GM, Industry Standard Server Division

Yes. So DDR2 memory is tighter, but we are relatively well positioned as a company and as industry standard server group within the Company, given our scale and the skill of our supply chain team and the strategy of our supply chain team and the management we have there. And all impacts, including pricing and availability are included in our outlook today.

Amar Maletira - HP - Director, Investor Relations

Thank you. The next question, Mark, goes to you from Ben Reitzes from Barclays. What do you feel are HP's advantage over Cisco's UCS specifically? Name the features, please. Also, please work in Virtual Connect and other ways HP reduces other Cisco related expenses. So the key question is, what do you feel are HP's advantage over Cisco's UCS?

Mark Potter - HP - SVP, GM, Infrastructure Software

Yes, that's a pretty easy one. There are a lot of advantages over Cisco's UCS. I mean, customers look at this, and we certainly look at it as well. When you look at connectivity, power cooling, interoperability performance, operating system support, remote management, I could go on. HP's offering is far superior.

But let me give you some specifics and kind of frame it up for you. First is -- customers are looking for help with converged infrastructure, and when they're making that decision, they need to know that that converged infrastructure is going to go wherever they need it to go.

One size doesn't fit all. And what I shared with you is when you looked at HP's BladeSystem can go from NonStop mission-critical, all the nines of availability that they need, all the way to the world's best virtual desktop infrastructure, desktop to NonStop, and it has support for Telco. It has leadership and high performance computing.

So first, it starts with just the portfolio and the breakthrough solutions when you look at our management plus our Virtual Connect plus our server technology, not only in the industry standard space, but also the mission-critical space. All those create an advantage from a portfolio perspective and what we're able to deliver to customers. And it matters, because customers are making a bet with their hard earned dollars that they need infrastructure that can go with them. You compare that to Cisco -- very limited offerings, very limited capability to ours.

Second is just what I'll call customer benefit driven innovation. If you look at -- with Virtual Connect, our converged fabric offering works both in physical environments and virtual. We have -- if you compare apples to apples in looking at a rack of 48 servers of BladeSystem versus 48 servers of UCS, BladeSystem gives you 25% space savings, and that same configuration, three times the total bandwidth of Cisco UCS. Bandwidth matters, because you've got to balance I/O with compute.

It gives -- does this at half the number of cables, so we're able to do that with lower cost in the datacenter from a connectivity in a simpler configuration. And we do it with a lower energy footprint as well, and we do it at 40% less money, if you look at list

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price to list price. So, less space, less power, less cables, three times faster performance, better management. I could go on and on and on, but that's why customers are choosing BladeSystem, and they'll continue to choose it.

And proven results. Customers know that they can rely on our innovation that Christine talked about -- our rich history in all these areas, not just industry standard servers, but mission-critical servers, our management, our enterprise services. All that matters to customers, and they see it come forth with BladeSystem, and that's why we win.

Amar Maletira - HP - Director, Investor Relations

Along the same line, either Christine or Mark, you can take this question. It's from Aaron Rakers from Stifel Nicolaus. Can you talk about the adoption you have seen in the BladeSystems Matrix today?

Mark Potter - HP - SVP, GM, Infrastructure Software

Yes, I'll start, and then Christine, if she wants to add. So very strong adapt -- interest, I would say, in BladeSystem Matrix, and of the customers that are going through the proof of concepts, very positive results. And so, we're very pleased with the momentum we're getting. We have customers in all three regions.

We have gotten very positive feedback, and it -- I'll give you a perfect example of a customer and the kind of feedback we're getting is the CIO of Stein Mart approached us, saying, really they needed to be able to rapidly continue to grow their retail presence in the US. And what he said is, I have 15 people, and I need to be able to scale those 15 people. And his comment was, I need the IT to work. I need it to be in the corner. I need it to work. I need it to do what it's supposed to do, and I don't want to hear about my technology.

I just want to be able to double my stores. I want to be able to do that with the current staff. And so -- great customer. They deployed Matrix -- faster deployment, greater than 50% improvement. They're able to kind of manage their store growth now with the same staff, and they're able to do it in a repeatable way, having a shared-services infrastructure built on the industry's leading bladed platform.

Amar Maletira - HP - Director, Investor Relations

Thanks, Mark. The next question to you, Christine. Can you provide more color on the ROI of ProLiant G6 versus G5 and G4? Does this timeframe account for salvage value of the older servers' asset? In other words, is it all in? This is from Jeff Fidacaro.

Christine Reischl - HP - SVP, GM, Industry Standard Server Division

Okay. Yes. Very good. So let me talk first about what actually constitutes the ROI and how the benefit to the customer actually adds up to it. There's really the first one, which is power and cooling savings.

Again, I talked about the power and cooling and admin costs up to 75% right now for datacenter spend, so huge part of the spend envelope, and therefore, we have actually created unique and differentiated technologies, which actually reclaim, extend, and reduce power consumption. So when I say extend, I mean extend datacenter life of existing datacenters, reclaim capacity and power, and then reduce power.

I talked about the sea of sensors technologies, which actually go along that way, power capping, which actually is extending the datacenter life, and then we have additional IP and differentiation, which actually adds to the power and cooling savings. That's one big component of the ROI -- a big component.



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Then second component is also the operational costs -- the ongoing operational costs is our management tools we have in place, to be actually helping both virtually and physically to actually reduce the amount of resources needed to actually manage the environment in the datacenter. That is the second component.

Now we also can talk about the third component, and here it is about the license fees, the consolidation, the reduced number of -- increased performance, and so forth; all of that adds up to the ROI. And now let's think about -- the timeframe. And we say we compare our new G6 to our G4; what we are comparing is actually is a life -- a time period of about four years, roughly, approximately.

So for those servers, G4 to G6, we have a three month ROI. That is within a quarter budget cycle, and that is a significant value proposition for our customers. I hear it over and over again when I go through the pain point and then the answer in solving those pain points at our differentiated technologies and then the impact on our customers, I hear over and over the positive response to it.

And then, secondarily, if you compare it to a generation ago, which is the G5 servers we had launched, which is two years, approximately, time period, there we're talking an ROI within 12 months. So, again, within one year of budget cycle, you have an ROI there as well. So, very, very compelling, not just two generations ago, but even [one] generation ago.

Amar Maletira - HP - Director, Investor Relations

Great. Thank you very much, Christine. We have the next question. I think, probably, Mark, you can lead with this. Even Dell and IBM talk about savings in power and cooling, and reducing the OpEx for customers. What is different about HP's offering? Coming from a buy-side investor.

Mark Potter - HP - SVP, GM, Infrastructure Software

Okay. Well, the -- I think the first thing that's a little bit different is HP kind of thinks about this all the way from the chip on the motherboard to the chiller in the datacenter. So, chip to chiller, we kind of view this, and then we tie the technologies together to deliver, really, very unique customer solutions.

The first -- just kind of think about this in the form of what we call our thermalogic technologies. Thermalogic technologies is how we put a bunch of different capabilities in order to deliver breakthrough solutions, one of which is the ability to dynamically power cap servers and protect our customers' electrical circuits, allowing them to confidently provision infrastructure in racks in their datacenters and know that they don't have to continue to over provision power at every single rack, because HP's management solutions our Insight Control and our Insight Dynamics will protect their power budget that they've allocated; we're unique there.

And what that means from a customer is they can get 2X to 3X more capacity in their datacenter by reusing that over provision power and really deploying more gear. That is a huge savings and a capital benefit for our customers for deploying our G6 server technology and BladeSystem.

The other is the things that Christine talked about -- sea of sensors. It's all back down to the -- at the chip level, we know exactly what is going on with 32 different sensors on the system to optimize the fan and feed that back in, so we know exactly what is going on from a workload perspective at any time to constantly adjust. You tie that to the ability for what we call dynamic power save, we're actually optimizing the power supply, and we're unique here, from a BladeSystem perspective.

We have a shared power infrastructure for all of our blades with redundant power, and we're actually able to get rid of extra power dynamically, always keeping the power supplies optimized, where someone like IBM just fundamentally can't do that, based on their architecture. So it doesn't matter how the workload varies over a 24 hour period. Over 365 days, HP's thermalogic



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technologies will always keep the power supplies operating efficiency -- efficiently through our sea of sensors and our dynamic power savers.

We also have ability to look across the datacenter with our Datacenter Environmental Edge technologies. Able to monitor the datacenter and look at thermal hot spots, and when you tie that to our capacity advising, where we can actually monitor workloads and look at the CP utilization, the memory, the power, et cetera, over a period of time, we allow our customers to actually look at real workloads. And our capacity advisor will tell them exactly the amount of powers running and make real recommendations for them on how they can further optimize their datacenter.

They can basically put a scenario into the capacity advisor and Insight Dynamics, go to lunch when they come back, we'll actually tell them how to better consolidate their datacenter using all these technologies. And we have power advising tools for our customers to help them plan and deploy. So all these things are part of our technology.

But we also have expertise that no one else has with our mission-critical facilities in EYP through that acquisition. We're the leading datacenter design Company in the world, and we can also help our customers get their datacenters lead certified for power efficiency as well. So help them transform their current datacenter to be more efficient and get it lead certified. So expertise all the way from the chip, all the way to the chiller, and the expertise to help them with any aspect in their datacenter really is a unique ability of HP.

Amar Maletira - HP - Director, Investor Relations

Great. Thanks, Mark. Next question is from -- for you from a buy-side investor. Industry Standard Server Group had a strong revenue quarter, and IDC Data also showed a strong sequential growth in units. Do you think the enterprise market is improving and the enterprise refresh cycle has started?

Christine Reischl - HP - SVP, GM, Industry Standard Server Division

Yes. ISS did have a solid quarter and good sequential growth and gaining share on the strength of our G6 -- our product launch. Now we may be seeing a start of a refresh cycle. However, it is hard to make a call, since our performance may also be based on, and be a function of, the very strong G6 product line that we have and, specifically, the compelling customer ROI dynamics and the customer ROI benefits there is, rather than a material improvement end demand.

And as you saw with our sequential improvement in operating margins, we [get a nice] operating leverage in this segment when business picks up. So, we're looking forward to that.

Amar Maletira - HP - Director, Investor Relations

Thanks, Christine. Next question, again, from a buy-side. Does virtualization mean fewer servers and bad for HP? Mark?

Mark Potter - HP - SVP, GM, Infrastructure Software

Well, no. I mean, you got to take a look at the -- from a macro perspective, the need for compute and the massive growth of storage out there is going to continue to drive a very healthy need for more compute capacity, more storage capacity out there.

The other aspect here, kind of in the macro view, is virtualization demands richer configurations. More CPU power, more memory, more 10 gig. For example, in our c-Class G6 blades, we put 10 gig Flex-10 networking pretty much standard across many of those blades to increase the I/O and increase the memory capability for those more demanding workloads. So we continue to see good growth, richer configs, and a macro need for more compute and more storage out there.

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Amar Maletira - HP - Director, Investor Relations

Thanks, Mark. Actually, along the same line, we have Wamsi Mohan from Bank of America. As more servers run in virtual environment, how do you view your software stack position with OpenView and Opsware related to the software stack and management tools that VMware is building?

Mark Potter - HP - SVP, GM, Infrastructure Software

Well, I think -- so I'm assuming that's for me, Amar?

Amar Maletira - HP - Director, Investor Relations

Yes, that's okay.

Mark Potter - HP - SVP, GM, Infrastructure Software

All right. Well, that's a -- I think we're very well positioned, and not only from a HP perspective of the assets we have, being a leader in infrastructure management with our Insight portfolio, but also, when you look at HP software, our business technology optimization portfolio, very strongly positioned there for ultimate application and service level management.

But our partnerships are critical, and so, as VMware continues to grow their market, what we have done with our Insight portfolio is tightly integrated Insight control within the VMware vSphere infrastructure. So our customers can get all the benefits of HP's management, from the deep infrastructure management that Christine and I talked about, all the way up to the application management and the service level management of HP software all through one seamless, well integrated solution from VMware and HP.

And we're unique in that, and we're going to continue to build on those groundbreaking innovations that we have together with VMware.

Amar Maletira - HP - Director, Investor Relations

Okay, great. I think we have probably time for only one question. So what sort of -- and this is for you, Christine, from -- again, from a buy-side investor. What sort of compelling TCO advantage, if any, do you have with competitors now in the server space?

Christine Reischl - HP - SVP, GM, Industry Standard Server Division

Yes. Let me talk to four major things in this context. So, the first one is really about the scale, and we have -- within industries and observers, being number one leader in the market since 20 years. But then also, the scale and the scope that our entire company provides as help to the industry standard server needs. That is another great leverage point.

But let me talk about the depth of our innovation, the differentiated IP we have. We talked through the power and cooling innovation we have. We talked through the management innovation we have. We talked through the virtual I/O -- the Virtual Connect innovation we have and we all bind this together with deep innovation and, this leads to TCO advantage for the customers, which you saw in Mark's comments.

But then, let me talk next to the breadth of the portfolio, not only within industry standard servers, where we have the broadest portfolio, including management and Virtual Connect and the power and cooling aspect and the thermal logic aspect, as well

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as all our form factors and (inaudible). And also, within the Company, when we talk broader, in terms of datacenter environment -- the breadth of portfolio, and then we can add on services environment, and then we can talk to the networking environment, et cetera. So, that is the breadth of the portfolio advantage.

Then we talk about the credibility we have in the market. The 20 year leadership, which is clearly giving our customers the experience level with us and help from that front as well. And then, to close it all out, I would say we have hardware and software and services portfolio. We have the scale and the scope, and we have the breadth of the portfolio and the credibility. Those are to -- leading to which the converged infrastructure which we are delivering today.

Amar Maletira - HP - Director, Investor Relations

Okay, great. I think we time for just one last question if I can get to the question very quickly here. The question comes from Keith Bachman of Bank of Montreal. You have talked about importance of virtualization, Mark. Have you seen any adoption of Hyper-V?

Mark Potter - HP - SVP, GM, Infrastructure Software

That's a -- thank you, Keith, for that question. Microsoft has made really good progress with their virtualization technology, especially with the recent announcements of Hyper-V and the R2 release just recently, and they've added key capabilities that customers were asking for them. And HP is excited to see that come out from Microsoft. We are seeing good customer interest for that, and what is exciting from my perspective is that we're very well positioned with both VMware and Microsoft in the virtualization space. We lead in the number of deployments in both those environments with our industry standard portfolio and BladeSystem.

And just like we talked about deep integration with Insight management within vSphere, we had a similar capability with Microsoft Systems Center, where we have Insight Control deeply imbedded in a great partnership there as well. So as Microsoft continues to add capability to Hyper-V and that customer interest grows there, we're going to be very well positioned to take advantage of that with our ProLiant and BladeSystem portfolio.

Amar Maletira - HP - Director, Investor Relations

All right. Thanks, Christine, and Mark. Thanks for taking time today. For those on the call, please contact HP's Investor Relations with any follow-up questions from today's call. We appreciate your participation and continued support. This concludes our call today.

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