

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

HPQ - HP's Exclusive Q&A after Moonshot Launch

EVENT DATE/TIME: APRIL 08, 2013 / 4:30PM GMT



CORPORATE PARTICIPANTS

Dave Donatelli *Hewlett-Packard Co - EVP, GM, Enterprise Group*

CONFERENCE CALL PARTICIPANTS

Aaron Rakers *Stifel Nicolaus - Analyst*

Bill Shope *Goldman Sachs - Analyst*

Trip Chowdhry *Global Equities Research - Analyst*

Kathryn Huberty *Morgan Stanley - Analyst*

John Roy *UBS - Analyst*

Amit Daryanani *RBC Capital Markets - Analyst*

Ananda Baruah *Brean Murray, Carret & Co. - Analyst*

Keith Bachman *BMO Capital Markets - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Stifel Nicolaus-sponsored conference call with David Donatelli, Executive Vice President and General Manager of HP Enterprise Group. At this time, all participants have been placed on a listen-only mode, and the floor will be opened for your questions and comments following the presentation.

Now, I'd like to turn the floor over to your host, Aaron Rakers. Sir, the floor is yours.

Aaron Rakers - Stifel Nicolaus - Analyst

Thanks, Dave. Good afternoon, or morning, everybody. So, I'm pleased to have with us today, Dave Donatelli, the Executive Vice President and General Manager of HP's Enterprise Group. Mr. Donatelli is responsible for HP's Server, Storage, Networking and Technology Services Solutions. And in particular, the Company's evolving converged infrastructure strategy.

I would also like to remind you that today's session may include forward-looking statements that involve risks, uncertainties and assumptions. For a detailed disclosure, please contact the Investor Relations team at Hewlett-Packard.

The topic of today's call is going to be HP's just recently launched Project Moonshot platforms. And what we want to do is keep this an open format Q&A session, so I'll just go ahead and kick it off. Dave, thank you very much for joining us.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Great to be here, Aaron.

Aaron Rakers - Stifel Nicolaus - Analyst

Great. So, obviously a lot going on today in HP's Server strategy. With the launch today of the Project Moonshot 1500 systems, Dave, I think the first question I seem to be getting is just how we should think about the ramp of these new platforms, in terms of the low energy, hyperscale market



opportunity that you're going after, how we think about that in the context of your traditional industry standard server segment? And also, I think on top of that, just maybe a quick line on the margin expectations on these new platforms.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Sure, so let me give you some context, everybody. Today we view as really an historic day in terms of servers and their history. If you look at the market very quickly, we had the mainframe that went to the mini computer, went to UNIX servers, which HP helped launch, and believe it or not, it was in 1989 that we launched the X86 Server. So, it was 24 years ago. Today, with Moonshot, for those who haven't seen the announcement yet, we're announcing servers that are built out of the same components that you have in smartphones and tablets, so really leveraging that ecosystem.

To Aaron's comment, what does this mean about the market and size and change? If you look at IDC numbers, about 19% of the market, according to their predictions, by 2016 -- so just in three years -- will be hyperscale computing. And we think the Moonshot servers we're launching today are built perfectly for hyperscale computing, and built perfectly for any of the major applications that utilize scale-out. All the words you guys like to talk about -- big data, mobility, web services, all of those types of applications.

With any new server transition, the whole market won't move overnight. As we talked about, 19% of the market, but we expect a rapid evolution just due to the fact of the great economics and power savings these servers offer.

In terms of margins, we see these margins being similar to accretive, again, depending which configuration you're talking about, to our current server business.

Aaron Rakers - Stifel Nicolaus - Analyst

Perfect. When we look at the platforms that were launched today, obviously you've got big data, hyperscale web services, et cetera, but do we think about this product platform as an extension over time into traditional enterprise workload environments? And if so, how do we think about that -- when that starts to evolve more holistically within HP?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Sure. If you're old enough, go back to 1989, and the whole idea of X86 was leveraging the PC ecosystem to build new servers. And at the time, everybody said -- gee, who's ever going to use a PC ecosystem to run their business? Now, industry standard servers are the number-one form of computing in the world. We see this evolution happening the same way, just at a much quicker pace, meaning that they'll start with scale-out applications and web applications today, but over time these processes are getting so fast, and so fast at a very rapid rate, that more and more of mainstream applications are going to be able to run on them at a development pace we haven't seen before.

It's our belief, we're going to be able to roll out new servers with this architecture three times faster than we have with X86. You're going to have a combination of faster processors, more combinations of processors. You think about GPUs, DSP chips, ARM chips, Atom chips that have never been seen before. So, very fast innovation, very fast roll-out, which will lead to more and more mainstream applications running on this type of platform over the next three to five years.

Aaron Rakers - Stifel Nicolaus - Analyst

Perfect. And before we kick it out to Q&A, given the time that we have with you, Dave, can you talk a little bit about flash? How you see flash in this whole platform that you've launched today, and obviously that seems to be a topic of much discussion in the hyperscale market that you're really going after. So, where does HP stand on incorporating flash in the Moonshot platform, and if not today, when should we anticipate to see that?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Sure. So, people -- let me just give a little bit of idea, the architecture, then it will make sense on a flash answer. The way you want to think about this is, we have a Moonshot enclosure, and you can put up to 10 of these enclosures in an industry standard rack. And then inside that enclosure, we hold what are called 45 cartridges. Those cartridges could have anywhere from one to four servers or storage on them, or other combinations of technology. The idea here is that we're going to build multiple cartridges that have different forms of technology. One of those forms would be flash. And so, you'll have flash support in here.

I think the second point is -- this is about convergence. So, the enclosure we ship today has networking integrated, has storage integrated, and has processors integrated. So, server, network, storage, all in one enclosure, which is, again, the converged infrastructure that we've been speaking on.

In terms of then once you incorporate the flash, the next question is -- what kind of software architecture would you run on top of it? In this case, HP has already shipped what we call a product called StoreVirtual, which is a full operating stack of storage software, everything from RAID to replication, to all kinds of feature function you need for storage, all available today. And that's the way we see it playing out. Flash is an option, as well as the software to run it.

Aaron Rakers - Stifel Nicolaus - Analyst

Okay. And so, in that context, you view HP as basically the intelligence, if you will, across this platform, irrespective of the storage that you're running inside of it?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

That's correct. And that's intelligence from a management point of view, as well as from the architectural point of view.

Aaron Rakers - Stifel Nicolaus - Analyst

Dave, why don't we -- operator, why don't we kick it out to the audience, and see if there's any questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

We have a question coming from Bill Shope with Goldman Sachs. Your line is live.

Bill Shope - Goldman Sachs - Analyst

Okay, great. Thanks. In terms of the workload you plan to support over the next 12 to 18 months, what percentage do you think will be addressed by Intel variants of Moonshot, and what percent will be addressed by non-Intel chips?



Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

I mean, I don't -- I won't break it down specifically. I will say the first variant we're shipping today is an Intel Atom chip, the S1200. We think atom has a very strong road map in terms of performance. We see that happening. We also in the future, will be shipping a Xeon version of this as well. I think Intel's got a strong play there.

Interestingly enough, on the webcast today, we had a person from the oil and gas industry, and their configuration that they're testing with us right now is ARM chips combined with DSP chips. I can tell you, there haven't been a lot of servers in the world built with DSP chips in combination with ARM. In their case for seismic exploration in oil, they think it's a great fit. You'll continue to see this evolve, in, I think very unique and different combinations that have not before been in the server market. GPUs will be a big factor, and that's why you see us have over 25 partners in our ecosystem that we're building. We're building a full ecosystem all different kinds of chips, different combinations than would have been seen in the Enterprise before.

Bill Shope - Goldman Sachs - Analyst

Okay. Thank you.

Operator

We'll take our next question from Trip Chowdhry with Global Equities Research. Your line is live.

Trip Chowdhry - Global Equities Research - Analyst

Thank you. A quick question, like if you look at the various workloads, there are some workloads which are very high input-output workloads, and in some situations, they are very compute-intensive workloads, and if you look at the ARM architecture, they are only 32 bits, so they're not ideally suited for compute-intensive versus Intel chips, which are 64 bit. Maybe 128 in some situations. Do you see any specific workload area where Moonshot will really outshine the Intel processes.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

I think have you to consider this, is where is all the growth, and with the growth is in in web-based applications, it's in big data, it's in mobility. All those applications are built for scale-out, and they're built from the ground up, so again, it's the concept that multiple chips on scale-out provide better performance. From there, we are very happy to see all the chip vendors compete with each other, to find out who can come up with the best architecture. You talk about 32-bit ARM, as you know, ARM is going to 64-bit. With ARM, there's multiple suppliers, and with their use in tablets and smartphones, you're going to see very, very fast innovation. Earlier, you heard me talk about Intel, and we think the Atom processor is an incredibly powerful processor with a great road map going forward, and we think they're going to have a lot to bring here.

So again, at the end of the day, I believe that by enabling multiple combinations of chips here, ultimately the customer has more options at a lower cost. And let me just give you some specifics, because it's important to know this. If you compare to our DL380 Server which is an X86 server we ship today, we're saying for equal computing power, these products that we announced today take up 80% less space, so what was in eight racks, I can do in one, take up 89% less power, so 89% less power to get similar compute, and then from a cost perspective, cost 77% less.

So the economics will drive the market there. Again, to be clear, not all applications will go there on day one. Scale-up applications, which are applications that run on single large processors, definitely will not go here day one, but over time, more and more applications will go here because of the compelling economics.



Trip Chowdhry - *Global Equities Research - Analyst*

That is good. I'm more trying to focus on the ecosystem that you have a huge opportunity to create. For example, in terms of development of cross-compilers, visual interfaces, I think if we move into that area, the next step, then you have a very strong chance of creating the center of gravity towards your ecosystem, versus one that's totally fragmented. We get some developer tools from ARM, some from Intel and the development community is totally confused.

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

I think you're right, I think that's a really good question. This is why we've built the ecosystem we've built and we have a whole partner program around this. If you look in the PC era, the PC era ecosystem was built, and that's why X86 became so popular. What we saw was in this new world, where you have multiple different underlying components, again multiple different chip types and architectures, someone had to build the ecosystem, so there was clarity in the marketplace, and so people could develop to a platform that they knew was going to be around. And that's what we're doing as part of this launch, is that HP is stepping out, which is what we believe leaders do, to build the ecosystem, to bring this computing to the masses.

Trip Chowdhry - *Global Equities Research - Analyst*

Excellent. All the best.

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

Thank you.

Operator

We'll take our next question from Katy Huberty with Morgan Stanley. Your line is live.

Kathryn Huberty - *Morgan Stanley - Analyst*

How big do you think the addressable market is, as a percentage of the total server market, and based on the webcast earlier today, it looks like customers have been involved early in the process. Did you already have revenue indications, and if so, how meaningful is that, if you compare it to what you think the addressable market is.

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

I say this. What IDC numbers have, the hyperscale market about 19% of the server market by 2016. We think just in hyperscale alone, over the next three years, people will be adding somewhere in the neighborhood of 8 million to 10 million servers, just to give an idea of the size. In terms of timing, I would say this. While we will certainly see revenue, this transition will take time. This will be, I think, for meaningful revenue, you're talking about for our fiscal 2014 versus our fiscal 2013, and that's just because customers, as you heard in kind of the earlier questions, they're going to go into their test phase. Once they get through a test phase, then they'll get into production.

I tell you, the things we're seeing are really amazing, even to ourselves. As an example, we installed these servers into HP.com. And what we figured out -- and obviously, we run on our own products, and we optimize them, but a Moonshot Server versus our X86 on HP.com, we figured out we can now run all of HP.com on the equivalent of 12 60-watt light bulbs, that's the power consumption, so compared to our servers we were running HP.com, that's a 90% savings in footprint and a 90% savings in power.



Kathryn Huberty - Morgan Stanley - Analyst

What do you think -- sorry.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Go ahead.

Kathryn Huberty - Morgan Stanley - Analyst

What do you think the maintenance attach rate is in the hyperscale market versus the regular Enterprise market?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Well, they actually do maintenance a little bit differently. The maintenance attach is actually very high. In many of these cases, you have to really segment the market from Server, service provider, to a standalone website. Standalone websites, typically we will engage in them on maintenance that kind of automates the process for them. They'll contract for us to do that, versus service providers who take more standard maintenance from us.

Kathryn Huberty - Morgan Stanley - Analyst

Thank you very much.

Aaron Rakers - Stifel Nicolaus - Analyst

Dave, this is Aaron Rakers real quickly, just to build on that discussion. Can you talk about where HP stands today in the hyperscale market? Is there any kind of contribution relative to what your industry standard Server segment is, a percentage of that business today being hyperscale, or is there a significant kind of incremental or adjacent market opportunity that we should think about over the next -- as we look into 2014?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

I mean, it's a little bit of both, as you can imagine. We've said cloud, I've got to stick to what we've said in terms of breaking down. We said cloud in general is a multi-billion dollar market for us. Underneath that will be what we sell into hyperscale as part of that number, so it's a decent number today. We do think that we have an opportunity to gain share here. So our hyperscale share, depending on whose numbers you look at, has grown about 4 points, but it's still only about 12%. With this type of technology, we think we have the opportunity to gain more share in that space.

Aaron Rakers - Stifel Nicolaus - Analyst

Operator, is there more questions in the queue?

Operator

We'll take our next question from Steve Milunovich with UBS. Your line is live.



John Roy - UBS - Analyst

It's John Roy. Two quick questions. One, if you're looking at this, this is more of a direct attach architecture, is that correct?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

Yes.

John Roy - UBS - Analyst

So how would you interface to a regular SAN, then? Would you just have to force feed it? Would that be a difficult fit, or is that something you're just not looking to necessarily accommodate with Moonshot?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

You can still do it, because what happens is there is -- within each frame, within each enclosure, there's networking uplinks, and then you just hook that up into your regular top of rack switch, and out to a SAN.

John Roy - UBS - Analyst

Okay. And the second question is in terms of the engineering talent that might be needed at a typical Enterprise and the time to market to get this going, what is your experience with the 50 beta customers? Is it pretty hard to actually optimize the workloads, or optimize the system for the workload?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

No, it's actually remarkably fast. I think, it's interesting, when we first started developing this, we really thought that your classic hyperscale customer and service provider segment would be the first to go after this, and they certainly have been. What we've been pleasantly surprised to see is how many Enterprises want in. Because they want to do big data, I'll give you some examples, here. They want to do big data, but in order to do big data, cost of computing has got to come way down, because they need to store a heck of a lot more data, they need to process a lot more data, they need better economics to make that happen.

Or anything around social and mobility, they need better economics in order to really bring that into their IT environment, so they've been very excited. We have what we call Discovery Lab, we have multiple labs where they can come in the, test their applications, see how they run, and then figure out how to deploy. As you heard today on the webcast we did, we already had multiple customers who had been through that process who have already done it. You've got to remember Atom is an X86 chip, so anything that runs on X86 is X86 compatible, so there's not a big change there.

John Roy - UBS - Analyst

And quick follow-on. Are you planning to have reference architectures, more like, hey this is tested and converged, and when do you think those will be coming out?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

They're rolling out today. What you'll see is -- I think the way you want to think about this is again, if you think of this enclosure that holds 45 of what we call cartridges, and cartridges are a Server or Storage configuration, what you should expect to see from us are multiple cartridges rolling out this year, and all those cartridges correspond to workloads.

John Roy - UBS - Analyst

Sounds good. Thank you.

Operator

We'll take our next question from Amit Daryanani. Your line is live.

Amit Daryanani - RBC Capital Markets - Analyst

Dave, I'm just wondering if you could talk about what do you think differentiates HP in this marketplace over the next 12 to 18 months? I'm trying to think about you're waiting White Box server vendors, or ODMs, won't be able to do exactly what you're doing for some of the larger customers, using Atom or ARM-based processes for them. Could you maybe talk about what differentiates you on that side, and secondly, when you think about the margin dynamics from these servers, are they in line to the traditional X86, or are they more dilutive to that process?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

First of all what I'd say is, particularly for the financial community, we get a lot of questions around White Box. Here's the deal. You heard me say earlier, we invented the X86 architecture 24 years ago. What White Box has done is come in at the end of kind of the life cycle of that from a new engineering perspective, and tried to optimize kind of the last bits of costs out of there. What we've done here really is reset the bar and we've applied a ton of research here, so we have either have been granted or have applied for patents that number in the hundreds. We're already on our second generation, and as you heard me say, we have multiple generations already under development coming out.

This is going to be a game of speeds, like anything else in technology. And typically when you are the leader, and if you look at X86, we were the leader there, and we've led that market for 67 straight quarters. When you're the leader and keep moving fast, things tend to do very well for you. In our case here, we've been at this for multiple generations.

We have multiple generations coming. We have lots of patents, and we have a lot of applied R&D. That's point one. Point two, the know-how in building the ecosystem here is going to be very, very important. In the X86 world, the ecosystem was very well kind of defined, and it was very narrow. This is going to be a very broad ecosystem, where you have to apply a lot of engineering in order to get the optimal results, and again, we have already taken steps to do that, and we will do that very aggressively going forward in the marketplace. Your third question on margins, I kind of answered earlier, which is, we view them depending on configuration, similar to accretive, to what we make in servers today.

Amit Daryanani - RBC Capital Markets - Analyst

Thanks a lot.

Operator

We'll take our next question from Ananda Baruah with Brean Capital. Your line is live.



Ananda Baruah - *Brean Murray, Carret & Co. - Analyst*

Just quick question on the go-to-market. Sounds like this is sort of off the bat more of an Enterprise focused product as you have it now, but to what extent should we anticipate you embracing the channel? Could you talk about what's needed both incremental in the channel, with the direct sales force and the go-to-market.

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

Great question. First of all, the channel will be able to sell this, just like they can sell our whole portfolio of products, so I think they're going to be very interested in that. Second thing is, I think again, broadly, we see three major segments for this right out of the gate. One are the big hyperscales, as we spoke about. Two are service providers. If you think if you're a service provider, you need to again have great economics to supply to the Enterprise at a low cost. That's very, very important.

In addition to that, what this enables service providers to do is, because of the granularity here, they're actually going to be able to host customers on single cartridges. So in essence, they can go to a customer and say look, we will give you your own private environment, but sold to you in a server, service provider manner. That really gives them a whole new business model, versus what they have had before. There's definitely a segment of customers out there who want to use a service provider, but still want to, for either security reasons or just their own peace of mind, have kind of dedicated infrastructure. This allows that to happen at a cost and at a speed that makes that possible for the first time.

The third segment, as you mentioned, is going to be Enterprises of all sorts, whether they're governments, small business, large business. And in our case, 66% of our revenue goes through the channel. The channel will be a big player in bringing these architectures to those segments.

Aaron Rakers - *Stifel Nicolaus - Analyst*

This is Aaron. Can I built on that? Have you built out a specific Enterprise-focused sales force around these platforms, or for that matter into the web hyperscale environment as well?

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

Today, already, we have a hyperscale kind of specific sales force for their -- because again, that's a very specialized need. You'll see us continue to build out specialization in this as you would expect as the business grows. They fall under our normal sales force. We have many groups who specialize in one product or another under the general sales force management team, and this will be the same way.

Aaron Rakers - *Stifel Nicolaus - Analyst*

Operator, any more questions?

Operator

We'll take the next question from Keith Bachman with Bank of Montreal. Your line is live.

Keith Bachman - *BMO Capital Markets - Analyst*

Dave, I had two. When do you think, given the ramp in the new technology, when do you think the servers will show up for investors to see? When will it be impactful? Is it more of the July or October quarters, or is it because it's a new technology, we should even be thinking a little bit more downstream than that?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

I think from a pure financial -- remember, we're \$120 billion Company, right? So a lot of -- takes a lot to make a --

Keith Bachman - BMO Capital Markets - Analyst

Sorry. You break out the X86 numbers. We'll see it I assume within that context.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

My view is this. You'll see the impact more in our fiscal 2014 than in our fiscal 2013. We are revenue shipping these as of this week, but as I mentioned, as you know, in the Enterprise, and even in the hyperscale, people want to go through a test cycle before they deploy volume.

Keith Bachman - BMO Capital Markets - Analyst

You bet. Dave, what do you think will be the OS that will be most commonly run on these systems?

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

I believe Linux. Again, having an X86 alternative says they can run pretty much whatever runs on X86.

Keith Bachman - BMO Capital Markets - Analyst

Yes.

Dave Donatelli - Hewlett-Packard Co - EVP, GM, Enterprise Group

But at least in talking to the early users we've been working with, most of them seem to be picking Linux, as where they want to go first.

Keith Bachman - BMO Capital Markets - Analyst

Thanks very much, Dave. Good luck.

Operator

Looks like we have one final follow-up question coming from Trip Chowdhry with Global Equities Research. Your line is live.

Trip Chowdhry - Global Equities Research - Analyst

A question, this is very good conversation, if you look at the operating system that is needed for hyperscaling, there's a non-shared architecture which is gaining a lot of prominence in the technology circles. For example, VoltDB makes everything in a non-shared architecture, but it really means is you have to modify the operating system so that each thread works in isolation on each code. That means operating system will need to be modified, and off-the-shelf operating systems like Red Hat may not really scale well towards these high performance scale-out architectures. Do you think down the road, HP may create its own version of share nothing operating system that goes with this new service?



Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

If we were to do that, I would have not announced that today. But I think to your general question is what we see particularly in the new world, and I think this is a really important point for people to understand. In the new world, and what I mean by the new world is the web-based world that's out there, everything is changing. The way infrastructure is designed is changing. The way applications are designed is changing. The way they're deployed is very, very different than what's been happening for the last 25 years.

What our strategy is, and you see it in our products, right? Today was Moonshot Servers. We've now done the same thing with software-defined networking. We've done the same thing in our Storage business is we have built an entire family of products based on this concept of convergence for where the market is going, versus where the market has been. And I think every supplier is going to be challenged to come up with their own architecture, to respond to this sea change in the market. We feel we're out front in doing that.

I think to your point on software architectures, they are changing. We have -- that's why we have our ecosystem. That's why we've been working with many very interesting software companies to get their software to really be optimized on this new type of infrastructure. So it's a big change in the marketplace. I think most people don't yet fully understand its implications. We have a very clear vision for where it's going, and we think where we're taking it enables the next leg of growth in IT. And to say it very bluntly, we invented the X86 Server, and our view is that it's going to run out of gas going forward, and in order to really run these next-generation applications, you have to do a fundamental reset, and Moonshot is HP leading that way to that fundamental reset to a new architecture, that enables the next wave of mobility, big data, you name it, going forward.

Trip Chowdhry - *Global Equities Research - Analyst*

Thank you.

Aaron Rakers - *Stifel Nicolaus - Analyst*

Dave, I think we've got maybe one minute or so left with you, and I appreciate the time. Just in that same context, when you look at the fact that HP has probably developed this Moonshot product over the last couple years, a lot of R&D dollar behind it, and you fast-forward to your converged infrastructure strategy, there's been some inklings about technology such as Photonics backing fabric architectures, Memristor, et cetera. How do we think about, if at all you can give us some context, of some of the things that HP's publicly talked about, as evolving in these platforms going forward? What are you most excited about?

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

Really, all the above. And I know that sounds like a very broad answer, but let me give you some more context to it. The whole idea behind convergence is, it's the third major wave of infrastructure. The first wave, if you look at business compute, started with the mainframe, and particularly in businesses back in the 60's, and that's was a predominant way people did computing all the way the to the 80s when I started getting into this industry. And right when I just joined, the mainframe was kind of waning, and people went to client server, which moved to best-of-breed.

As you saw there, that took a long time for that to play out, and best-of-breed is still the predominant way people compute today. About three years ago we called out, and said no, the world's going to convergence. It is much more efficient. It's much more cost-effective and it's much more simple to manage if you bring server, network and storage back together. My point with that is that, it is a profound change that you'll see through multiple generations of products. Today, with Moonshot being able to do server, network, storage together is a huge step forward.

To your point on Memristors and Photonics and all those other things, what they do is enable the next leg of convergence. And the big idea around Memristor that I think is really going to alter people's thinking is that the whole world has been built around a shortage of memory in servers. All software has been designed thinking there's not enough memory to process, and that's how software has been tiered for all of these years. When you get to Memristor, you get to nonvolatile, high-capacity storage and servers, all of a sudden that stack changes again, and that's again why you

need to rearchitect server, network, storage. That's fundamentally why you need to have the ability to architect all three together, and engineer them together, to make that work. So in the best of breed world, which lasted for a long time, it lasted because it was under the old model.

Now that we're moving to a new model of software, and a new model of the underlying components, think Memristor, you need to rearchitect. The only way you can really do that successfully is having all three designed from the ground up. That's exactly what we're doing at HP. That's why I'm so excited about the future. When you look at Moonshot itself, it I came out of HP labs, and we started working on this more than 10 years ago, and now you're just seeing the first of this, and you'll see many, many changes and new products coming in us on the coming years that build on these principles I just outlined.

Aaron Rakers - *Stifel Nicolaus - Analyst*

Great, I want to be cognizant of your time, and I think we'll just wrap it up with that. I really appreciate it.

Dave Donatelli - *Hewlett-Packard Co - EVP, GM, Enterprise Group*

All right. Thanks, Aaron. Great to be with you.

Aaron Rakers - *Stifel Nicolaus - Analyst*

Thank you, everybody.

Operator

Thank you very much, ladies and gentlemen. This concludes today's presentation. You may disconnect your lines, and have a wonderful day. Thank you for your participation.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2013, Thomson Reuters. All Rights Reserved.