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PRESENTATION

Simon Matthew Leopold *- Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. Well, folks, thanks for joining us. This is Simon Leopold, the infrastructure analyst here at Raymond James. We've got a fireside chat coming up with Dell Technologies. I'm pleased to welcome Yvonne McGill, SVP and Corporate Controller of the Infrastructure Solutions Group; along with her colleagues, Rob Williams, who runs the IR; and his colleague, Alfonso Chavez.

I've been entrusted to read the nondisclosures. So before we get into our discussion, let me just make sure everybody is aware that this discussion may refer to non-GAAP results, including earnings per share, unless otherwise indicated. For a reconciliation to the most directly comparable GAAP measure, please consult the slide labeled Supplemental Non-GAAP Measures and the performance review available on the fiscal 2021 Q3 Results page on investors.delltechnologies.com.

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So I got through that. So Yvonne, thanks for joining us.

QUESTIONS AND ANSWERS

Simon Matthew Leopold *- Raymond James & Associates, Inc., Research Division - Research Analyst*

Let's get into some of the Q&A. I've prepared some questions I wanted to go through. But I think given that you're positioned within an individual business unit, I thought it'd be helpful for our audience if you could maybe tell us a bit about your background and your responsibilities, just to set the context of what's in bounds.

Yvonne McGill *- Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Thanks, Simon, and I really do appreciate the opportunity to speak with you today.

So let me start a little bit about me. I've been at Dell Technologies for 23 years and serving in various finance leadership roles. Most of my time has been spent in business unit roles. I've been the CFO for Infrastructure Solutions Group for the past few years. And in that role, I'm responsible for driving and delivering against the ISG strategic objectives and financial commitments.

Starting at the beginning of this fiscal year, I took on the responsibilities around a Corporate Controller, and now I also have responsibility for our global accounting organization, our tax organization, treasury, as well as investor relations, from a Dell Technologies standpoint.

I work closely with Jeff Clarke, our Vice Chairman and COO; as well as Tom Sweet, our CFO, on pan-Dell Technologies growth strategy initiatives, like as a service or cloud, in addition to the normal cadence of running a very large public company.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

And maybe your responsibility in terms of business unit. Dell has the major reporting segments: ISG, CSG as well as the ownership of VMware. Can you tell us a little bit about the composition of the ISG unit?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Sure. I guess I'll start with telling you about ISG. From a trailing 12-month standpoint, it's about a $33 billion business. We have leadership positions in almost every category that we compete. ISG is comprised of 2 primary areas: server and networking business and then our storage business. And those businesses are relatively the same size.

Servers, it's about $17 billion on a trailing 12-month standpoint. We have the largest server -- we are the largest server by market share in x86 servers, both on a revenue and unit standpoint. We have a really broad portfolio of x86 products, targeting enterprises, hybrid cloud environments, high-value servers and for AI and ML workloads and edge computing.

Storage is, like I said, about the same size but $16 billion on a trailing 12-month standpoint. We have a broad portfolio there with many different solutions, so focusing on primary storage, unstructured storage, converged HCI, data protection, et cetera. Our primary storage area, we've got a number of offerings, PowerMax in the high end. PowerStore is one of our midrange offerings. We also have Unity XT in the midrange and PowerVault down at the entry level.

From a converged HCI standpoint, we focus a lot on our VxRail solution. And then from an unstructured or NAS standpoint, we've got PowerScale, Isilon, ECS, et cetera. And then in data protection, we have a PowerProtect.

I'd be remiss if I didn't hit on a lot of our #1 position, so #1 in external storage with 27% market share, #1 in storage software with 11% market share, #1 in all flash, #1 in converged, #1 in hyperconverged, et cetera. So basically we think we have a fantastic business in ISG with a lot of embedded IP that advance us in the marketplace.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. And so I want to reflect on sort of the path to kind of think about where we are. So fiscal '19, the business grew dramatically, up 19%. Fiscal '21, you were down 7%. You just reported your third quarter of fiscal '21. And obviously, we know this has been a bizarre year with the pandemic. Could you walk us through some of the moving pieces of what led to the decline in fiscal '20? And to what degree are we you sort of facing tough comps and suffering from the pandemic?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

I think it has -- you said it was a bizarre year. This is a bizarre year. I hope it's one that we don't repeat. But we really don't see, if you will, any structural shifts happening. We believe it's -- the changes in the environment, the differences in the growth rates are more driven by the macro environment that we've seen this year. It's been filled with uncertainty, and that's been contributing to weakness in infrastructure spending.

To provide maybe a little more context, we had a huge on-prem build that you referred to in FY '19, calendar '18. And we digested that, our customers digested that in the following year. And we expected this year, this FY '21 or calendar '20 to be a return-to-growth year. FY '21, certainly, has been softer than we expected. And as we talked about on the earnings call, the server market continues to be softer than expected. Although our team executed well within servers and networking, and we only showed 2% decline. Certainly, we want to show growth, but the 2% decline, we feel, is a strong performance in the marketplace and a sequential improvement over the prior quarter.

When you are seeing in calendar '20, what we think we're seeing is our customer is primarily focused on navigating the pandemic and really making targeted investments across their budgets and portfolios. In other words, I think we think the pandemic pushed IT budgets to other areas to mitigate the impact, thus seeing limited upgrades happening. Companies respond to the pandemic by really pushing their budgets towards 3 areas: business continuity, work from home and really strategic digital transformational activities.

2020 has simply been unprecedented or bizarre, like you called it before. Nobody could have predicted we'd be in the midst of this global pandemic. And so although it's been uncertain at times and a challenging year, one thing is really clear to us and that we feel we've really been able to prove this year is in regards to our incredible resiliency.

We were a different company than we were 4 years ago before we did the EMC acquisition, and our differentiated model allows us to really lean into areas of strength during times like this. I like to think of different areas of resiliency of evidence points, right? We've got our -- this diverse portfolio. Although maybe ISG spending was down, we've really been able to excel from a -- from CSG from a client standpoint.

Our global supply chain, wow, it's -- what a great year, right, mitigating really twin challenges: global trade tensions and global pandemic. Our diverse set of customers, we see across different segments, industries in 180 countries across the globe, so really that span has differentiated us. We have a wonderful sales organization. Our good market capabilities are top-notch in the industry, and we have direct relationships with our customers, coupled with a really strong channel relationship or channel environment, too.

The agility with which we have served our customers with flexible consumption solutions that we've had in place for a number of years through DFS has been a wonderful differentiator and as well as the fact that we now have deferred revenue balance of $28.7 billion and recurring revenue of $6 billion, which is actually helping to provide a lot of revenue stability.

So we have a history of navigating through challenging environments. This is certainly one of the best evidentiary points we've had. This year is a great example, and we really feel like this is highlighting our strong operational heritage.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

So with kind of that as the backdrop and we think about as we head into your next fiscal year and we head into calendar '21, granted maybe we don't know the precise timing of a vaccine, I think everybody has a sense things are heading towards improvement. And so what I'm wondering about is how we should think about the growth in your business given that it seems logical to expect some catch-up spend to maybe outperform, yet I think the outlook offered by most is GDP-like growth. Why should we have faster growth than the overall macro? Why should there be catch-up to make up for the activities that did not get done during calendar '20?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Well, that's a -- it's a great question, Simon, and I think that we do expect a very strong upcoming year. We think we're really well positioned for calendar year 2021, but the environment really remains pretty dynamic. We believe there's going to be a return to growth in ISG, for example. But as we mentioned a couple of weeks ago on the Q3 call, we're optimistic and feel aligned with IDC and their industry analyst call for the next year. We look at GDP expectations and IT spend, ex telco, IDC -- both IDC and Gartner see about 4% to 5% growth in 2021.

So we're looking at calendar 2021 where IDC expects mainstream server revenue to be, I don't know, around 4% and external storage to be about 5% growth and midrange up almost 8%. We do expect that as the market responds to COVID recovery, companies will begin to shift their IT budgets back to investments in the data center, and that leaves us really optimistic about the opportunities for next year.

I think we're encouraged by the areas of strength we saw in Q2 that we saw continue into Q3 with improvement in small and medium business customers. I think that's a great sign of that really return in the economy. We saw strong double-digit Q3 orders growth in government, education and in our consumer direct space, for example.

I think we saw transactional velocity improve month over month as we went through calendar -- fiscal Q3 and saw medium business and CSB orders increase double digits year-over-year, so again, another great sign.

From a server and storage perspective, we continue to see improvement in mainstream servers with PowerEdge orders growing sequentially. There's server CPUs coming out next year and processors and platform upgrades. They usually spark demand, right, and refresh and replacement, so again another sign of opportunity for us.

Storage demand has been mixed. We've had really high points with the high end in PowerMax, in HCI and our VxRail where we saw orders growing double digits in Q3. And we've seen doubling revenue orders in PowerStore, although certainly starting from a very small base since we just launched the product at the beginning of May.

So as we enter calendar '21, we know digital transformation acceleration is accelerating really broadly, and there's clearly pent-up demand. But you couple that with the pandemic recovery, the increased performance from new server platforms, and it makes return to growth in ISG reasonable to believe.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. I want to dig in a little bit on the storage part of the business now, in that, as an observer of the company, after EMC was acquired, it was a rocky period of integration. And all of that is normal, but it took longer. And I think we're out the other side. I think we've certainly picked up from our channel checks that the story is more cohesive, the go to market is more cohesive. But the fact is, is you had a period where there was some difficulty, and you lost market share. How do you see the trajectory time line to retake market share in storage? And what do you think contributes to that?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Well, I think I'd start -- I think you're spot-on. I'm glad to hear that there's an acknowledgment that there's been a change, right? So I think one of the ways we started right away really post-EMC acquisition was listening to our customers, listening to our sales teams, and they were all speaking very loud and clear. We needed to simplify our portfolio. Our portfolio become too complex with too many overlapping offerings, and we needed to take really long-term actions to address it. It's certainly not a quick fix to change over and refresh a portfolio.

So since then, we've really rationalized our -- all of our offerings, and we've simplified our storage portfolio with end focus on our customer storage needs. We've modernized the product lineup and launched -- or successfully launched our Power brand, right? So we've powered up across the portfolio. We think that the portfolio is better than ever, and we are, again, well positioned going into '21. But we're optimistic about '21, but we do recognize it's been a challenging environment in '20.

I think the -- I've mentioned a bunch of it already, right? But the main challenge has really been the soft storage demand environment, and we believe that was driven by more of the macro pandemic dynamics versus anything really industry-driven or systemic.

I discussed earlier IT budgets shifting to business continuity and really work-from-home remote capabilities. IDC again expects the external storage market to be down 7% in 2020 but expects that rebound in 2021 to almost a 5% growth. And so that's something we're certainly looking positively on.

we're the leader in storage revenue with 27% market share, which is almost 3x our nearest competitor. So long-term trends remained intact, and we're in a data era. Customers will need more external storage, and we expect data proliferation to accelerate post COVID-19. This current crisis certainly underscores the importance of a digital transformation for all of us, and we're optimistic that we will see this recovery in the next calendar year and remain focused on extending our leading position and growing our storage business.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Now I want to get a better understanding of how the product cycle, the PowerStore, which is the new midrange platform for Dell, how this is playing into the overall outlook for 2021. And in the spirit of full disclosure, when we talk to your competitors, they've been more active than usual in trash talk, which is I guess pretty standard for this game. But I guess we have to acknowledge we have a pandemic and a product cycle that's probably a bit late. But maybe if you could share with us some of the metrics and your thoughts on how this product is an enabler.

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Sure. PowerStore is certainly an important catalyst for us to change our trajectory in storage and in midrange in particular, but let me start by giving a little bit of context. Midrange is the largest piece of the storage market. Based on IDC's estimates, 50% of the external storage market is in that midrange price band. Midrange isn't a product for us. It's a -- and for the industry, it's really a band between $25,000 and $250,000.

we have a number of products that play in the space, whether it's the low end of PowerStore, Unity XT -- I'm sorry, PowerStore, Unity XT and the low end of PowerMax that fills into this upper bands of the midrange. I really do appreciate that our competitors are speaking about our product because that means there's something to it, right, if they continue to talk about, not only our PowerStore offering, but they will speak about PowerMax also.

As of calendar quarter 2, we had about 24% market share in midrange, and we recognize how important midrange is. That's one of the places where I think we had been slow to launch our new products, as we've acknowledged, right? So this PowerStore offering, we feel, is late to market. And we recognize how important it is.

So PowerStore is gaining traction. It doubled orders quarter-over-quarter in the -- in our third fiscal quarter, albeit we're still very early in the ramp and acknowledging that we launched the product on May 5, so didn't have much of a base to work off of there. But it's the first modern array in the marketplace. And one of the exciting pieces that we've been looking at is how fast is it ramping in relation to other groundbreaking architectures that we've introduced in the marketplace like XtremeIO, which was all flash; and VxRail, which is -- was our premier HCI offering. So PowerStore is ramping faster than those 2 products, and that gives us confidence towards continued success here.

One of the other really interesting things that really excites me, actually, is that more than 15% of our PowerStore customers have been net new storage buyers to Dell Technologies. So you can wonder what they were buying before, but we're excited that they've come to Dell Technologies.

Our internal teams certainly are helping our customers ramp their proof of concepts. It's been certainly been challenging in this environment to get everything done when customers aren't in their labs necessarily. But we're making sure that, that new architecture is being evaluated in the marketplace, and it's trending in the right direction. And I finally say that we expect it to ramp through the rest of the year, this fiscal year and through next fiscal year also. And at that point, I think we'll be at a good impactful trajectory.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. I want to pivot to some longer-term trends, but I want to address a question that was e-mailed to me from an investor regarding calendar '21 and expenses. I think the sort of premise here is that in the next year, we're going to see a resumption of travel and entertainment expenses as we get back to normal. There's some thoughts that DRAM pricing may increase, at least in the second half of the year. How are you factoring in some of these higher costs into your overall expectations towards profitability in calendar '21?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Great question, Simon, and it's certainly an area that we're focused on. You mentioned we've had -- and we've talked about it. We made some prudent decisions early during the COVID crisis, the pandemic, to reduce our spending in certain areas: travel, a very obvious area, but also in relation to suspending our 401(k) match in the United States. We suspended promotions and hiring and merit cycles. And in addition to that, we've seen reductions in health care expenses and other areas, right?

And so as we look forward, that certainly has provided a benefit to our operating margin results in this fiscal year. As we look forward to next year, we expect to reintroduce some of those things. We expect to add back the 401(k) match. We want to pay our team members appropriately to the market. We expect some of that health care to come back in. We expect some travel to come back in, too. But in addition to that, we've already talked about, we expect a rebound in ISG market industry opportunity, right? So I expect to have more growth come back into the portfolio as well as continued growth in our CSG space.

And so I think, overall, we'll balance that out. We want to make sure that we have a clear path. We're going through our annual planning process right now, but a clear path towards focusing on continuing investment in our R&D areas so that we can continue that innovation and focus in our go-to-market areas but making sure that we're balancing out the reintroduction of costs and pressure with other prudent automation, AI, et cetera, technology within our portfolio.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. So I want to pivot to maybe a longer-term secular trend, and this is not specific to Dell but affects all IT infrastructure. It's public cloud adoption. So sort of this concept that IT infrastructure is a melting iceberg and ultimately all workloads migrate to the public cloud, blah, blah, blah. I get it. How are you thinking about the particular trend of public cloud adoption, basically your customers migrating away from their own data centers? Where do you see that secular trend? And how do you think about that affecting your business?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Well, I think moving to the cloud is really good for Dell. Customers who've moved to the public cloud, which is where they generally start first, quickly find out that cloud is an essential part of their IT strategy. And then I think they quickly find out that cloud is an operating model and that cloud is actually many clouds. Very few companies have just one cloud. In fact, they want more and more clouds.

IDC recently published that 92% of enterprises already have both public and private cloud, and 88% are working with more than one cloud provider. Other industry research from a wide range of firms shows customers' workloads are expected to reside in a hybrid cloud, 40%, 50%, private; 30%, 40% public; and 20% to 30% in traditional.

So it's a hybrid cloud environment. And we view cloud as an operating model: moderate consumption, delivery and support, working to solve disparate tools, SLAs, operations, providing simplified management and consistent automations. So that's what we believe we are uniquely doing at Dell Technologies, and we continue to see evidence of investment in technology for hybrid operating model.

As I think from our perspective, we're seeing an acceleration of the digital transformation. In October, we released our 2020 Digital Transformation Index, where we've been tracking digital transformation patterns of more than 4,000 enterprises since 2016. Our 2020 index actually revealed that 80% of organizations globally have fast tracked digital transformation programs with the majority of investments going towards edge, distributed work and modern consumption, cybersecurity, 5G infrastructure, digital experiences and data management. And together, these trends are taking us to the future that's highly distributed. Distributed workforce that we've all experienced, distributed learning, distributed health care, all of this is enabled by distributed technology infrastructure: computing, analytics and real-time outcomes at the edge. All technology trends that align very well, all of these to our cloud strategy, to this multi-cloud world and the capabilities we continue to build on.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

So that sort of leads nicely into kind of my next question in that cloud economics don't work for everything. And so I'm also a big believer in this concept of multi-cloud. So what does that mean for your customer? Your customer basically is looking to Dell as a partner to be the neutral arbitrator when they're choosing which public cloud to use and how to use them. Help us understand what you're actually selling and how you're monetizing this multi- or hybrid cloud environment.

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Sure. I mean if you look at the most defining characteristics of what cloud is, I mean, it's infrastructure to run workloads. It's delivery of resources and services. It's scalability, and it's elasticity. And it's a massive simplification of IT for our customers. So if you think of that as the most basic definition of cloud. Then hybrid cloud or private cloud data center, it can deliver that simplicity and convenience.

So now customers are embracing hybrid cloud strategy. They want to avoid lock-in. They want to have access to their specific service needs, access to their data, have a secure environment and really have that performance and specifically referring to really low latency. We're committed to bring these benefits in the hybrid cloud operating model to wherever our customers' workloads reside.

So our Dell Technologies cloud allows customers to operate on-prem and off-prem environments seamlessly from one control operations hub. And we are uniquely positioned with that industry-best hybrid cloud solution that's really ready -- already ready to span both public and private clouds. You think Dell EMC is #1 in traditional IT, and we're also #1 in private cloud infrastructure. VMware is #1 in cloud management and a leader in the container orchestration. We have 4,200 cloud service providers and partners. We have the most diverse portfolio of solutions and delivered as a service already. And we have our DT, our Dell Technologies Cloud Console, a self-service experience to manage that cloud journey.

Customers have responded incredibly well and really are adopting that hybrid cloud strategy. Performance in HCI is evidence of this, as is our VxRail product, paired with VMware Cloud Foundation software. And we see that as the core to our cloud offer.

And as I mentioned earlier, cloud is now expanding to the edge to enable real-time compute and analytics, and this is one of the fastest-growing opportunities we see. According to IDC, the edge computing market will reach $251 billion by 2024 with a compounded annual growth rate of 12.5% over the next 5 years, pretty amazing. We are super excited about the edge given our expansive footprint and the cloud strategy, and we're starting to see momentum build.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. I want to ask you one question that's a little bit out of scope. I want to touch on the CSG product group. That's the PCs, laptops, desktops. Last quarter was outstanding. 2020 has been a good year. Everybody needed a new laptop. Me, too.

So I guess I've been struggling with the outlook. Because I'm aware that IDC is predicting 1% growth in the next year where the discussions I've had with investors all argue that purchases have been pulled in, who needs to rebuy their laptop. Can you help me understand the disconnect between the idea that sales have been pulled into 2020 and therefore out of 2021 versus this forecast that this business can continue to grow?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Sure. I mean this year has proven that the PC is an essential device in forming our work-from-homes, school-from-home, stay-at-home economy. As you mentioned, Q3, we are so proud of the performance of our CSG business. We had record shipments, record revenue, record profitability. And we do expect to see continued strength in client demand and expect it to continue, at least through the first half of next year. So you're right. IDC did point to the 1-ish percent growth. I think it will be interesting to see how that plays out next year.

Factors that are driving the strong demand, home usage is shifting to at least a 1:1 person-to-PC ratio. I know we have a little bit higher ratio than that in our household, but I do work at Dell Technologies, so I had something to do with it. But having a PC or 2 in the household historically had been okay.

But this is giving us a really broad usage pattern that we expect to continue post-COVID. This hybrid remote world, we think, is here to stay, and we expect that strength to continue for really the indefinite future. So if we use Dell as an example, we are expecting a significant portion, up to 60-ish percentage, maybe more, of our employees to continue to remote -- work in a remote or hybrid fashion, going forward, even after we are able to return to office.

That aged installed base continues to need to be modernized for the work-from-home, learn-from-home environment. Industry's installed base of, I don't know, about 1.7 billion units, and of those, 700 million of those are at least 4 years old and older, which is just a really exciting refresh opportunity, we believe.

The public sector has been roughly 50-50 desktop-notebook. And certainly, we saw a quick movement this year to a more notebook-heavy mix and that larger notebook mix equals a faster replacement cycle. Notebooks are replaced about 1.5 years faster than a desktop, so we see that as opportunity.

And commercial transactional demand continues to improve. Large companies are also investing to keep systems current for demands, users to do things on Zoom, on Teams and make sure that you can have all the cybersecurity, et cetera, on your system to keep your data environment and companies secure. So IDC's forecast PC units to be up almost 2% in the calendar year 2021 to 300 million units. So that's a lot of opportunity there, and we feel really good about our continued success in the CSG portfolio.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Great. Thanks for that one. I want to get back to kind of the big business trends, and one of the themes that we hear about are alternative consumption models are moving to as a service. And so from a stock perspective, we get it. That leads to higher multiples. But I guess what I want to understand is, for Dell what's different about your as-a-service offering? And how are you taking this into the marketplace?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Sure. Well, I mean let me start with highlighting that, for a really long time, quite a long time, Dell customers have been able to enjoy flexible consumption solutions across our portfolio. We give them the capability to select solutions they need and payment method they desire, whether it's paying upfront or financing over time.

We just announced a project, project APEX, in our Dell Technologies World, and that project really goes much further than the offerings we have in place. Project APEX is going to bring forth a forward-looking vision for our as-a-service capabilities and will really simplify how customers access our technology. Project APEX brings together our as-a-service and cloud strategy offerings and go to market under a single unified effort which is going to be wonderful for us. It should accelerate our efforts and align our organization internally also. APEX will deliver new turnkey as a service solutions that will be enabled within our as-a-service vision. It will deliver outcomes that our customers are expecting, and they'll only need to pay for the resources they use.

Four key tenets of our as-a-service vision are deliver IT resources on demand, will -- the infrastructure will be managed for you, pay for only what you use; and we'll build it on a foundation of trusted technology or our technology. Our number 1, our first standardized new turnkey solution will be storage as a service, and that will be available in the first half of next year. And there'll be more to follow on to that.

So part of our APEX is our Dell Technologies Cloud Console, and that's what we're going to use to deliver this simple, seamless experience for our customers to manage their entire cloud and as-a-service journey. In just a few clicks, the customer will be able to browse the marketplace, answer simple questions on configs, order an as-a-service offering, deploy their workloads, manage their multi-cloud resources, monitor their costs in real time and add cloud services also.

And there's a significant opportunity for us to expand this existing as-a-service portfolio and footprint and capabilities that we have. IDC predicted that, by 2024, over 75% of infrastructure at the edge will be consumed in as a service. And more than half of that will be in the data center infrastructure. By 2023, Gartner believes that more than 40% of new storage will be delivered as a service.

So we expect edge will be a big driver of growth in incremental workloads consumed in as a service. And with project APEX, we believe we are well positioned to support our customers as they grow and they need to consume more and more IT resources as a service.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

So we're just about out of time. I want to sneak in one more question, if I might. You paid down quite a bit of your debt, and so it sounds like we're getting in kind of the targeted range. What can you tell us in terms of when you would expect the rating agencies to potentially make a change in the credit quality for debt, yes?

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Simon, thanks for calling out. We do -- we're really proud of the progress we've made on our debt paydown. In Q3 alone, we paid down $4.6 billion of debt. Of which $3.1 billion, we used to pay down core debt.

We're now down slightly below that 3x adjusted EBITDA leverage ratio based on our calculations, which was an important milestone. But that leverage ratio, we believe, is only one of the elements that the rating agencies are going to look at in terms of total credit rating. So they're obviously thoughtful about the macro environment. We've talked about a lot of that over the last minutes on this call, the pandemic, et cetera. And there's also the potential VMware spend that they're evaluating.

But we're in regular conversations with all 3 agencies, and we continue to share our perspective, our outlook on the industry and on our performance. But we recognize, ultimately, it's the agencies' call on when they might make their determination to upgrade us in our ratings.

So as we mentioned in our Q3 earnings, we expect our debt paydown to be at least $2.4 billion of core debt in Q4 which will allow us to keep that commitment that we've been targeting for this year of $5.5 billion paydown. And we're delivering that despite navigating this pandemic, so we feel good about our progress and feel like the -- it's -- we're on the cusp.

Simon Matthew Leopold - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Well, great. Well, we covered a lot of ground here in our time. So I want to thank you for joining us. Yvonne, Rob, Alfonso, folks, thanks for joining Dell Technologies in this fireside chat and participating in the Raymond James Virtual Tech Conference. Thanks a lot. Signing off.

Yvonne McGill - *Dell Technologies Inc. - CFO, SVP of Infrastructure Solutions Group and SVP of Global Financial Planning & Analysis*

Thank you, Simon.
