

BLN – Cloud Computing



RESEARCH

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What's happening?

European stock markets by sector ranked by year-to-date performance
(Euro terms – subtract ~7% for USD YTD performance)

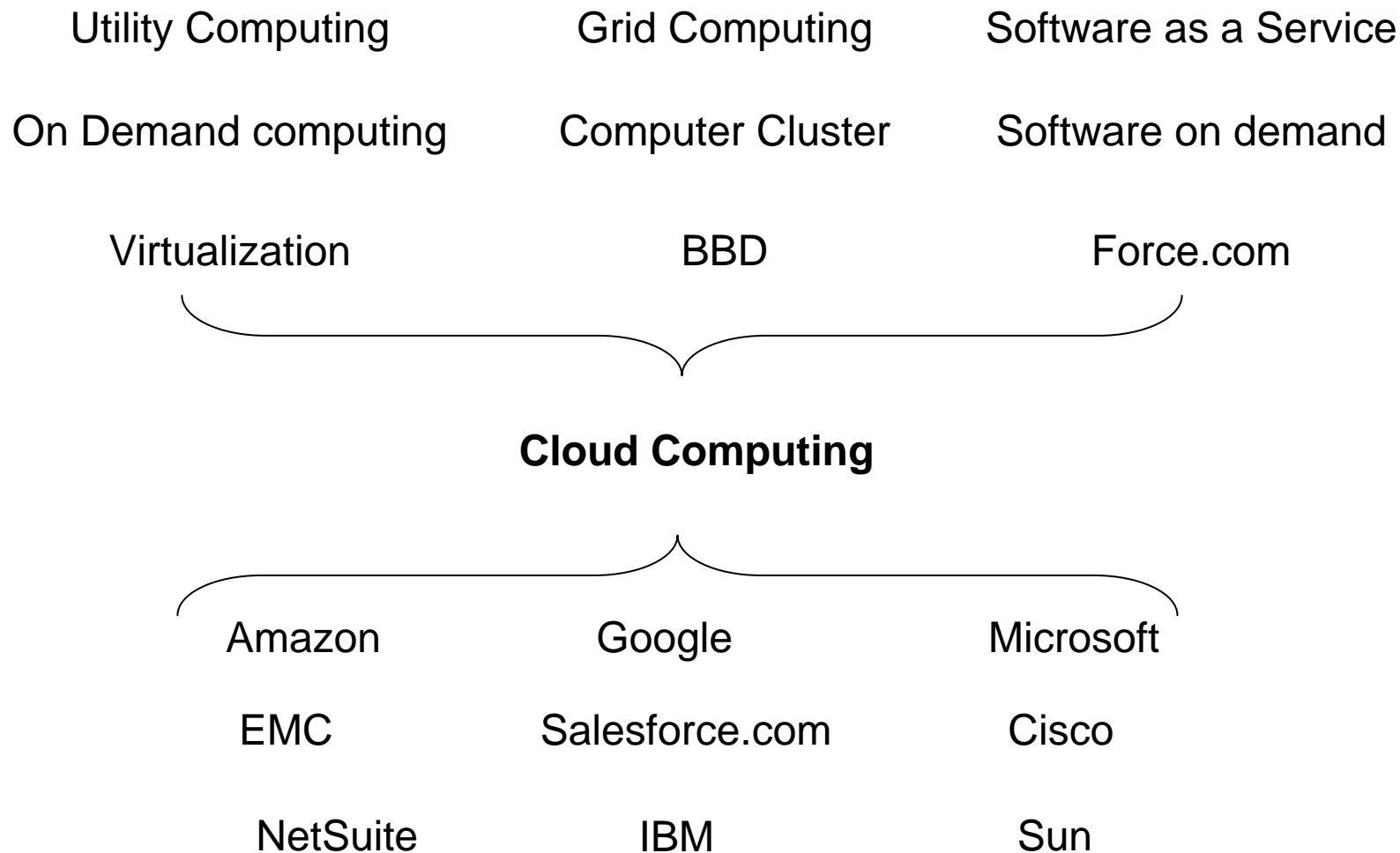
Sector	MV EURbn	% Mkt	% Change				
			-1wk	-1m	-3m	-12m	YTD
Basic Resource	216	4%	10%	-7%	-2%	-67%	2%
Retail	193	4%	8%	-5%	-2%	-33%	-2%
Technology	152	3%	12%	-4%	-3%	-36%	-3%
Telecom	404	8%	6%	-4%	-8%	-28%	-7%
Pers & H/H Gds	232	4%	7%	-6%	-7%	-36%	-8%
Food & Bev	336	6%	5%	-5%	-5%	-32%	-8%
Chemicals	147	3%	6%	-9%	-6%	-40%	-8%
Financial Svs	176	3%	10%	-7%	-12%	-49%	-9%
Inds Gds & Svs	430	8%	8%	-9%	-8%	-46%	-10%
Internet	6	0%	10%	-8%	-3%	-41%	-10%
Travel & Leis	82	2%	7%	-7%	-10%	-41%	-11%
Media	122	2%	5%	-6%	-11%	-41%	-11%
Health Care	461	9%	4%	-11%	-9%	-16%	-11%
Market	5,303	100%	8%	-8%	-12%	-46%	-12%
Con & Mat	147	3%	11%	-9%	-13%	-51%	-14%
Auto & Parts	140	3%	9%	-9%	-20%	-40%	-14%
Real Estate	85	2%	10%	-10%	-16%	-60%	-16%
Utilities	476	9%	3%	-10%	-17%	-44%	-21%
Banks	559	11%	22%	-7%	-27%	-66%	-24%
Insurance	214	4%	15%	-19%	-31%	-54%	-31%

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Tech relative to market

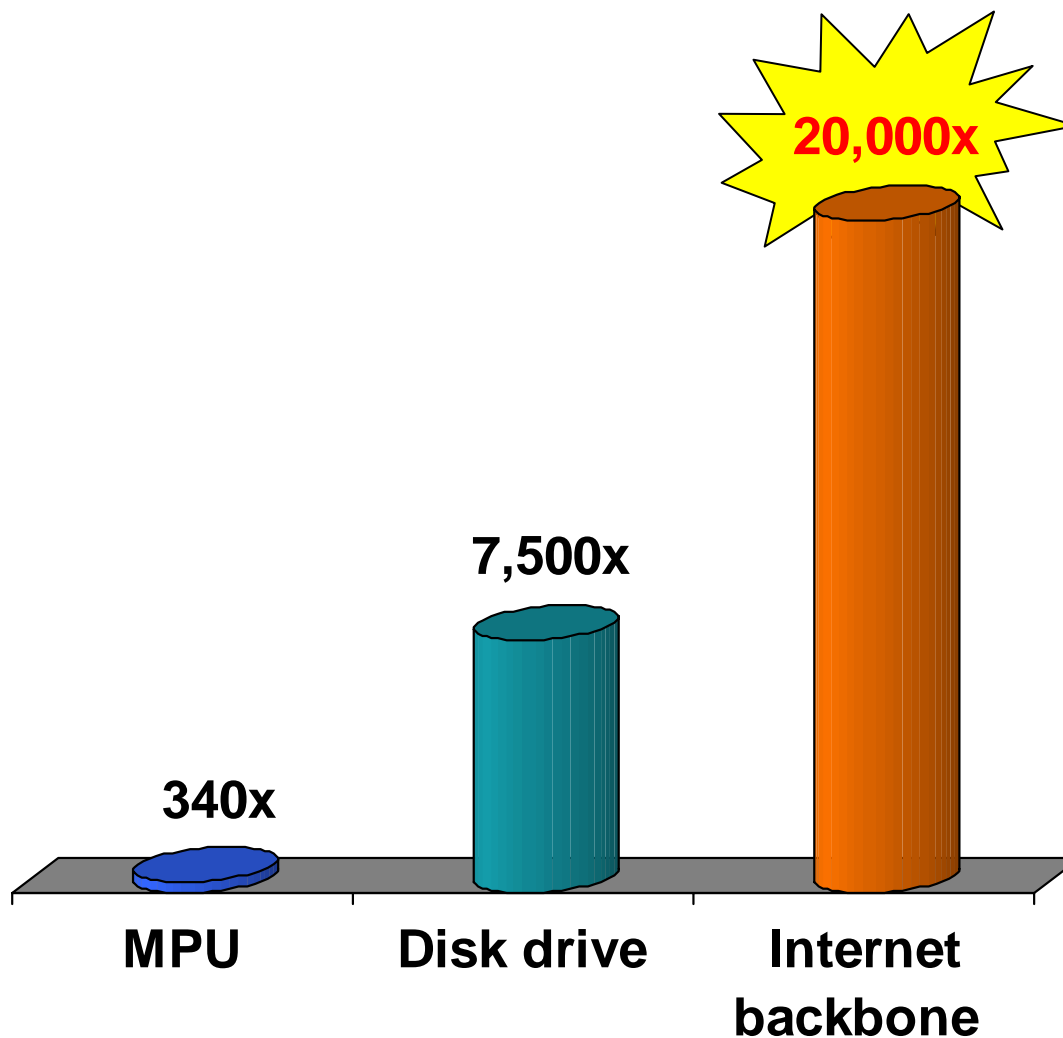


Just another buzz word?

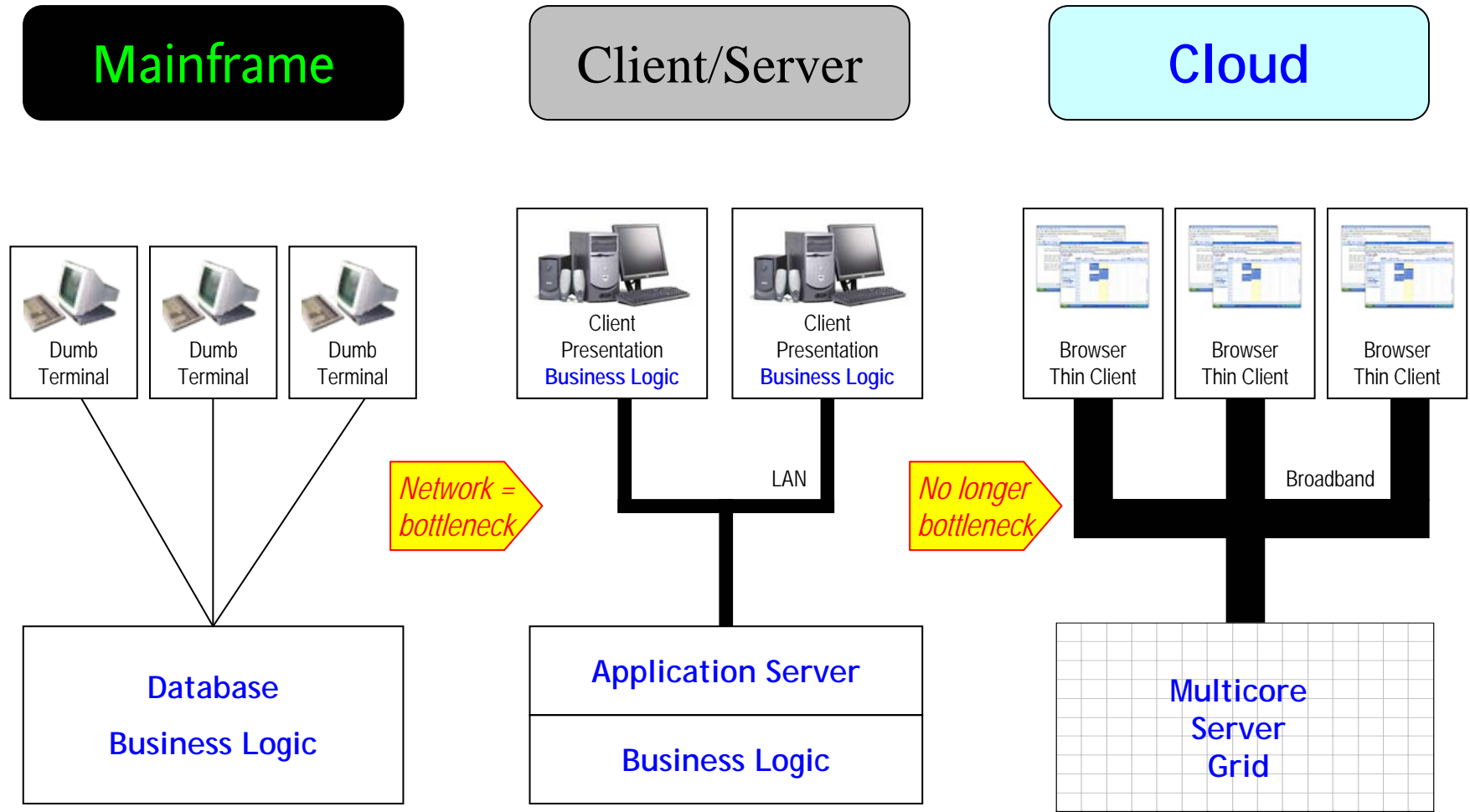


Changes in technology...

Price performance – 1991 to 2006



... changes in compute architecture

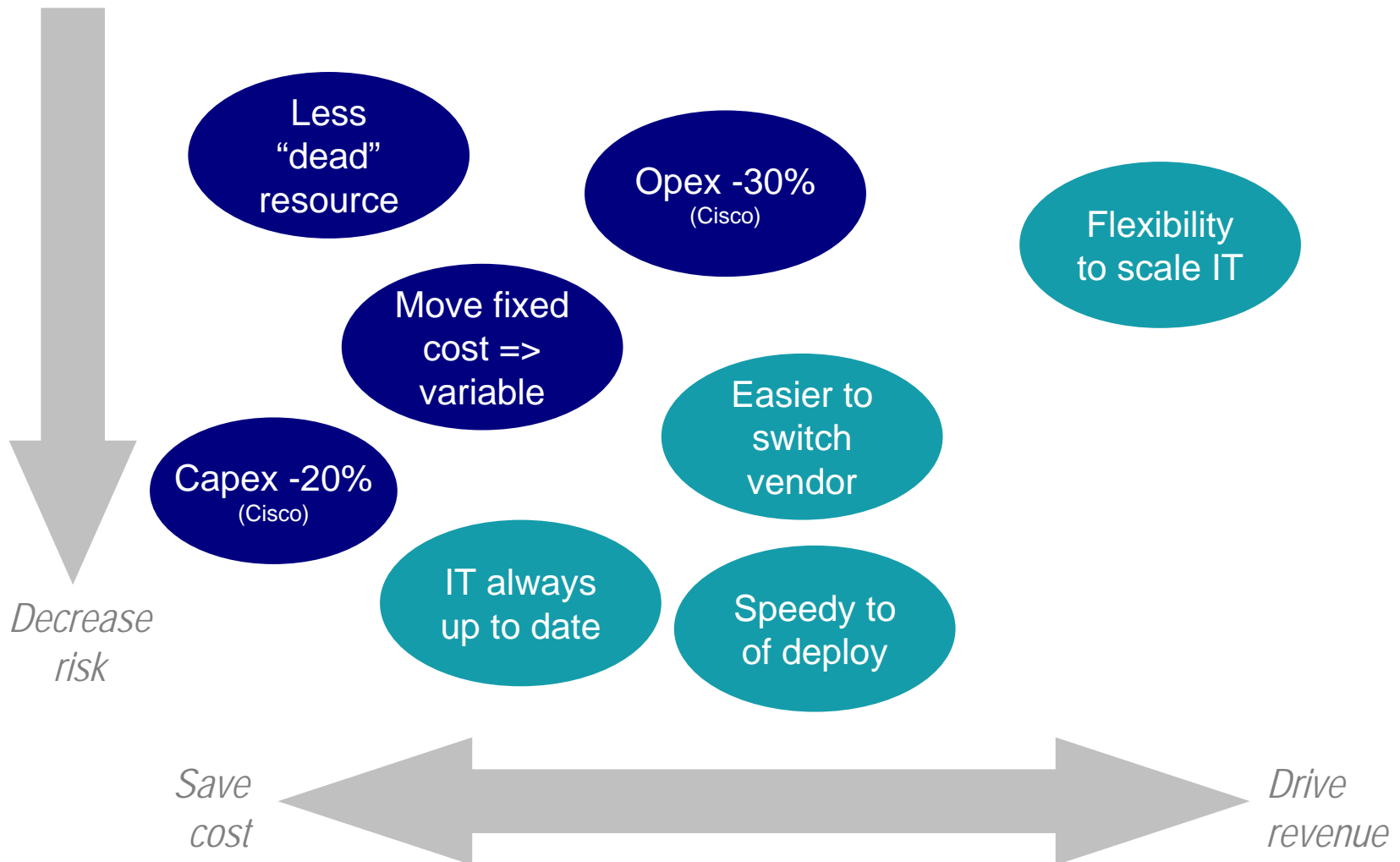


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The cloud in reality



What does it mean for the customer?



The cloud and the credit crunch

Positives:

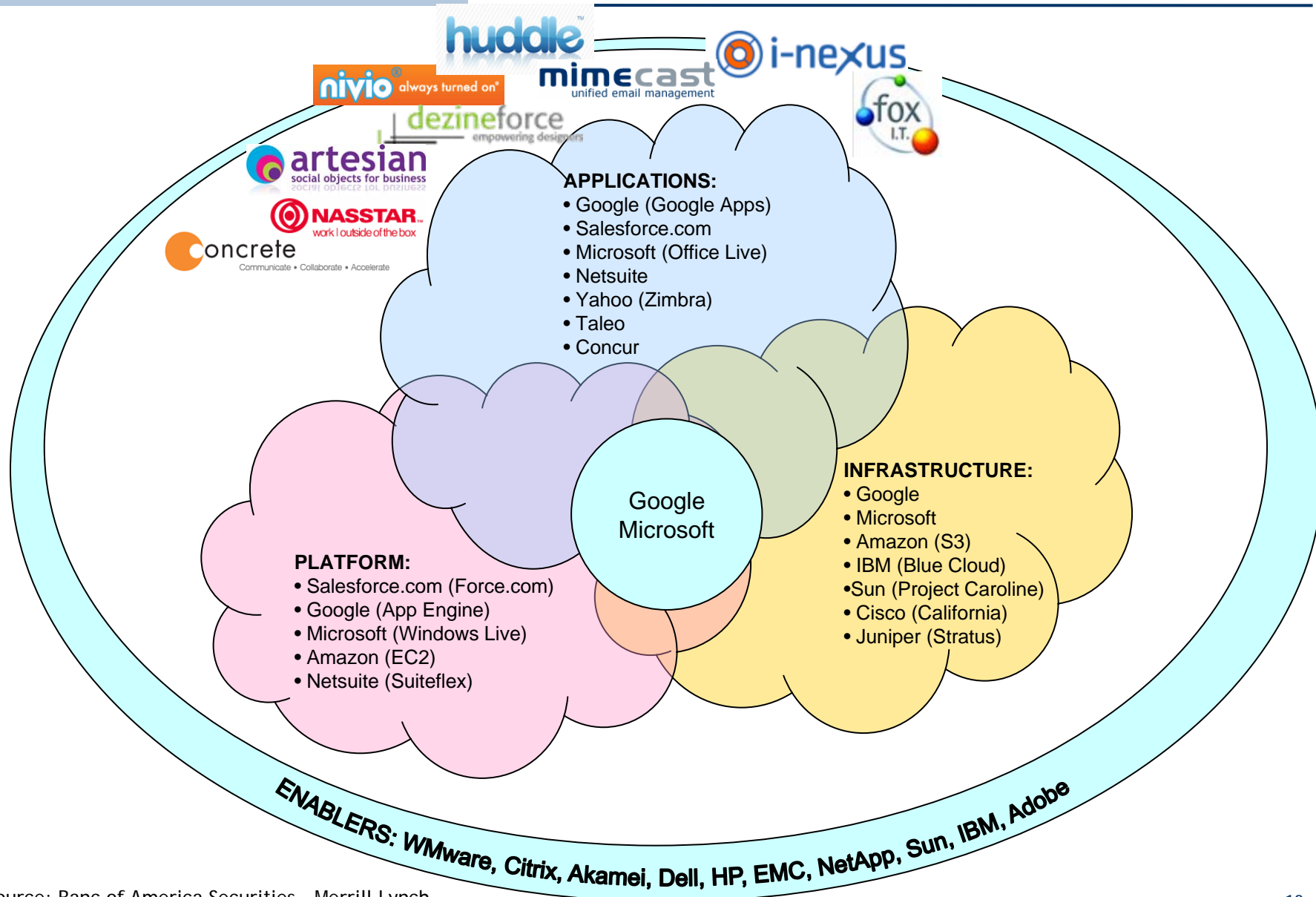
- Customers focusing on cutting costs - good for cloud theme.
- Longer term, cost of capital is structurally increasing. Means will be ongoing focus on lowering TCO for IT.
- Failure of risk controls highlights need to structurally address IT complexity.

Negatives:

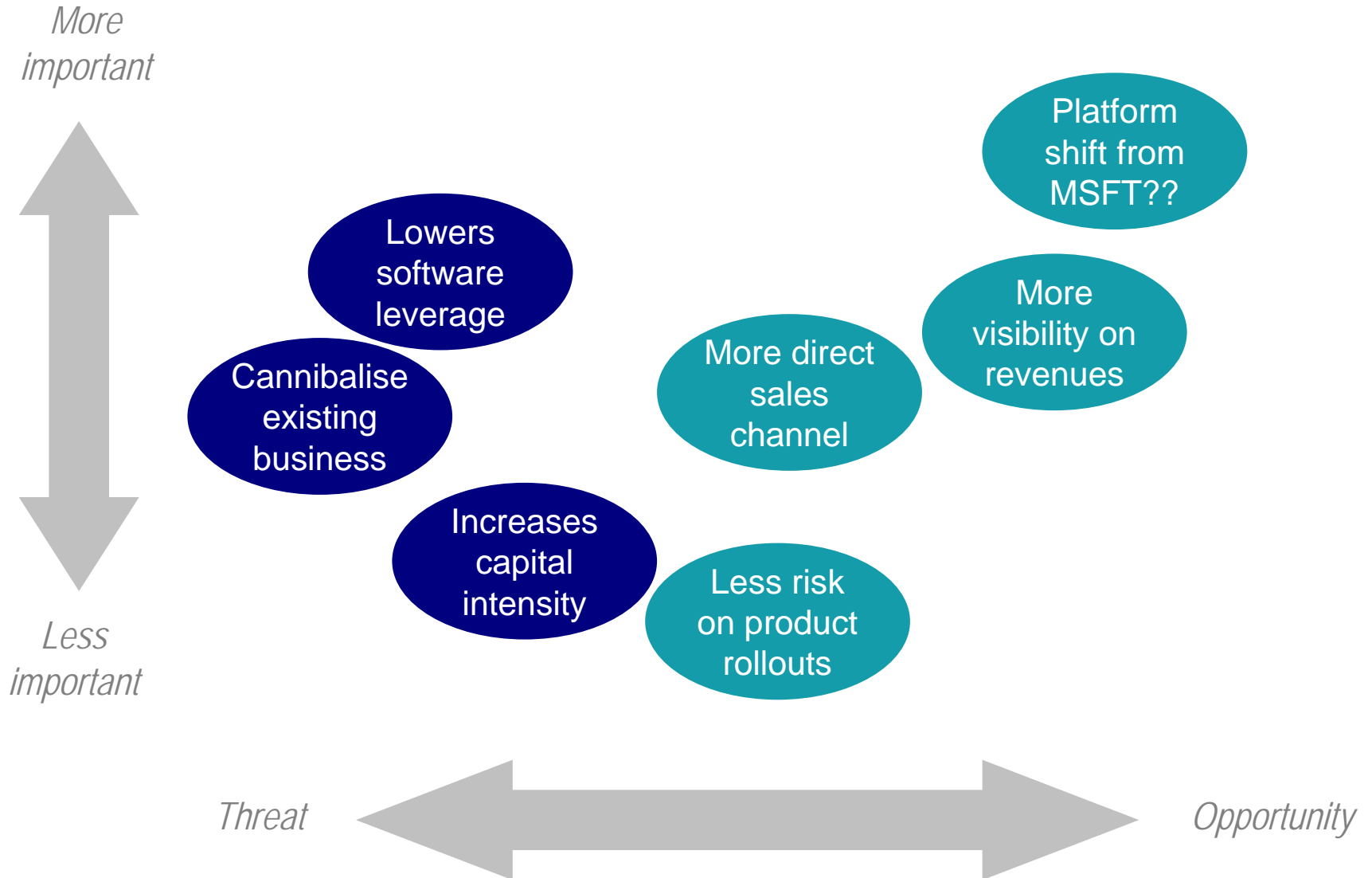
- Offerings not yet mature.
- Customers unwilling to commit to major change projects; vendors need to make case for quick and easy cost saves.

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Key Players: Platforms, Apps, Infrastructure



Apps/platform disruption

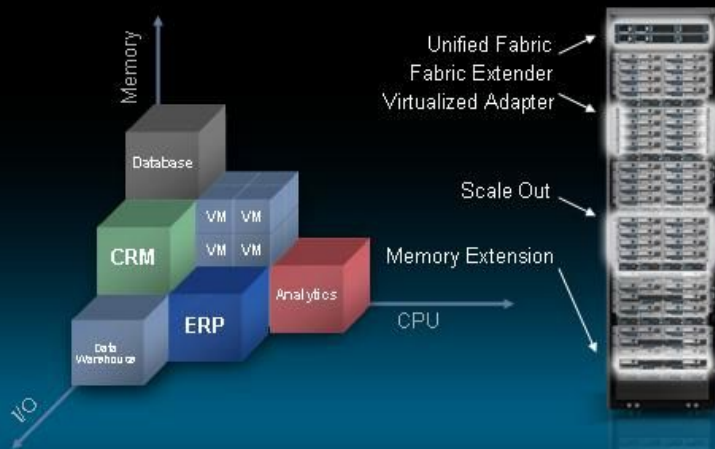


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Infrastructure disruption



Unified Computing System



The Stratus Project

The Very Definition of High-Performance Networking



From tens to tens of 1,000s of ports



Up to an order of magnitude improvement in latency



Carrier class, no single point of failure, no downtime



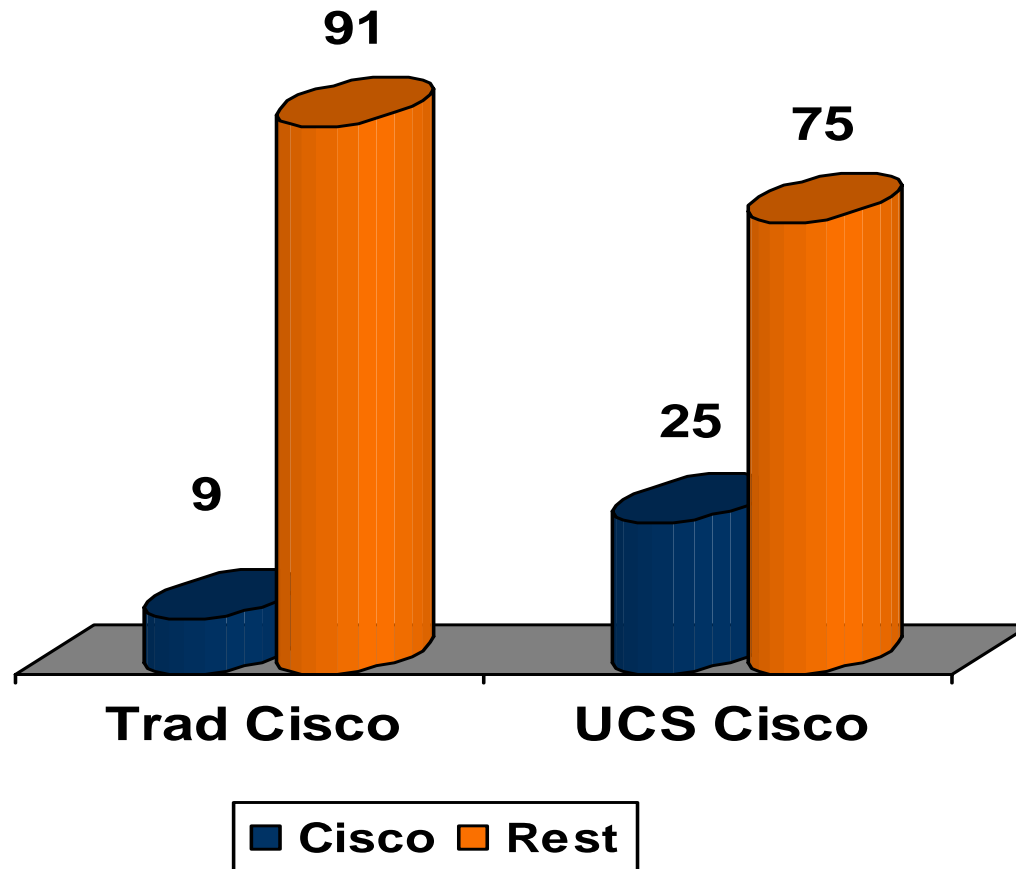
Tightly integrated & virtualized security services



Managed as a single JUNOS switch

Cisco plan to take more IT spend

Data centre spend ~\$100bn/year, and Cisco addressable market



Companies mentioned

Company	ML code	Currency	Price	Rating	Analyst
Google	GOOG	USD	319.7	C-1-9	Post, Justin
Microsoft Corp	MSFT	USD	16.3	B-1-7	Rangan, Kash
Salesforce.com	CRM	USD	32.3	C-1-9	Rangan, Kash
EMC Corp	EMC	USD	10.6	C-2-9	Mohan, Wamsi
Amazon.com	AMZN	USD	67.0	C-2-9	Post, Justin
Cisco Systems	CSCO	USD	15.5	B-1-9	Liani, Tal
Sun Microsystems	JAVA	USD	4.7	C-3-9	Craig, Scott
Yahoo!	YHOO	USD	13.2	C-2-9	Post, Justin
Juniper Networks	JNPR	USD	14.6	C-2-9	Liani, Tal
IBM	IBM	USD	91.2	B-1-7	Craig, Scott
Dell Inc	DELL	USD	8.9	C-2-9	Craig, Scott
Hewlett-Packard	HPQ	USD	29.0	B-1-7	Craig, Scott
VMware Inc	VMW	USD	22.5	C-3-9	Rangan, Kash

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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