



The PC Market Downturn: Structural, Cyclical, or Fictional?

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MMBP
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Risk Factors

Today's presentation contains forward-looking statements. All statements made that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially. Please refer to our most recent Earnings Release and our most recent Form 10-Q or 10-K filing available on our website for more information on the risk factors that could cause actual results to differ.

Abstract

For the past two or three quarters, PC industry observers have chased each others' five year PC market forecasts down to from earlier double-digit projected growth rates to single-digit and even to flat or declining levels. In this talk, I will examine three possibilities: (i) true long-term damaged prospects due to market saturation and new competition from media tablets and smart phones after a great thirty year run of the personal computer; (ii) a short-term cyclical downturn that will pass as the economy improves and recently refreshed PCs age and become obsolete; and (iii) a misreading of industry data. I will also ask how industry forecasts do or do not matter. Is a mistaken consensus self-fulfilling or do fundamentals eventually win out in spite of our possibly mistaken expectations?

SPORTS » 49ERS DEFEAT RAIDERS IN BAY AREA BATTLE

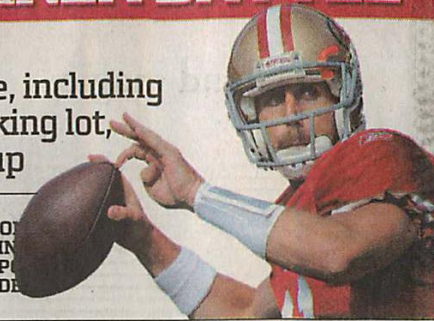
San Jose Mercury News

Sunday

LOCAL

Stadium violence, including shootings in parking lot, mars the matchup

\$108 IN MORE SAVINGS COUPONS INSIDE



BAY AREA NEWS GROUP » 2.7 MILLION READERS WEEKLY IN PRINT AND ONLINE

\$1.00 VALLEY FINAL 103 AUGUST 21, 2011

A MONUMENTAL SHIFT

The PC era's end is now



CHRIS O'BRIEN
COLUMNIST

Online: Find the latest tech coverage at www.siliconvalley.com.

The migration to mobile computing has shaken Silicon Valley, putting tech titans' futures in flux as the region revamps itself

The personal computer recently celebrated its 30th birthday. Then last week, Silicon Valley staged the PC's funeral.

The eulogy came in the form of three announcements that shook the tech industry. First, Google said it would pay \$12.5 billion for Motorola Mobility. Then, Hewlett-Packard said it would explore getting rid of its PC busi-

ness. In between, Dell warned that PC sales were under pressure, and watched its stock get whacked by 10 percent.

Together, these events tell us two important things. First, we have officially moved from the PC era to the age of mobile computing. And second, a massive upheaval looms for the industry that built Silicon Valley.

The shift from PCs to mobile computing promises to scramble the hierarchy of tech companies, creating new winners and losers, and propelling all sorts of partnerships and deals that seemed unthinkable even just a year ago.

"The reality is that all these companies are going to be going

See O'BRIEN, Page 18



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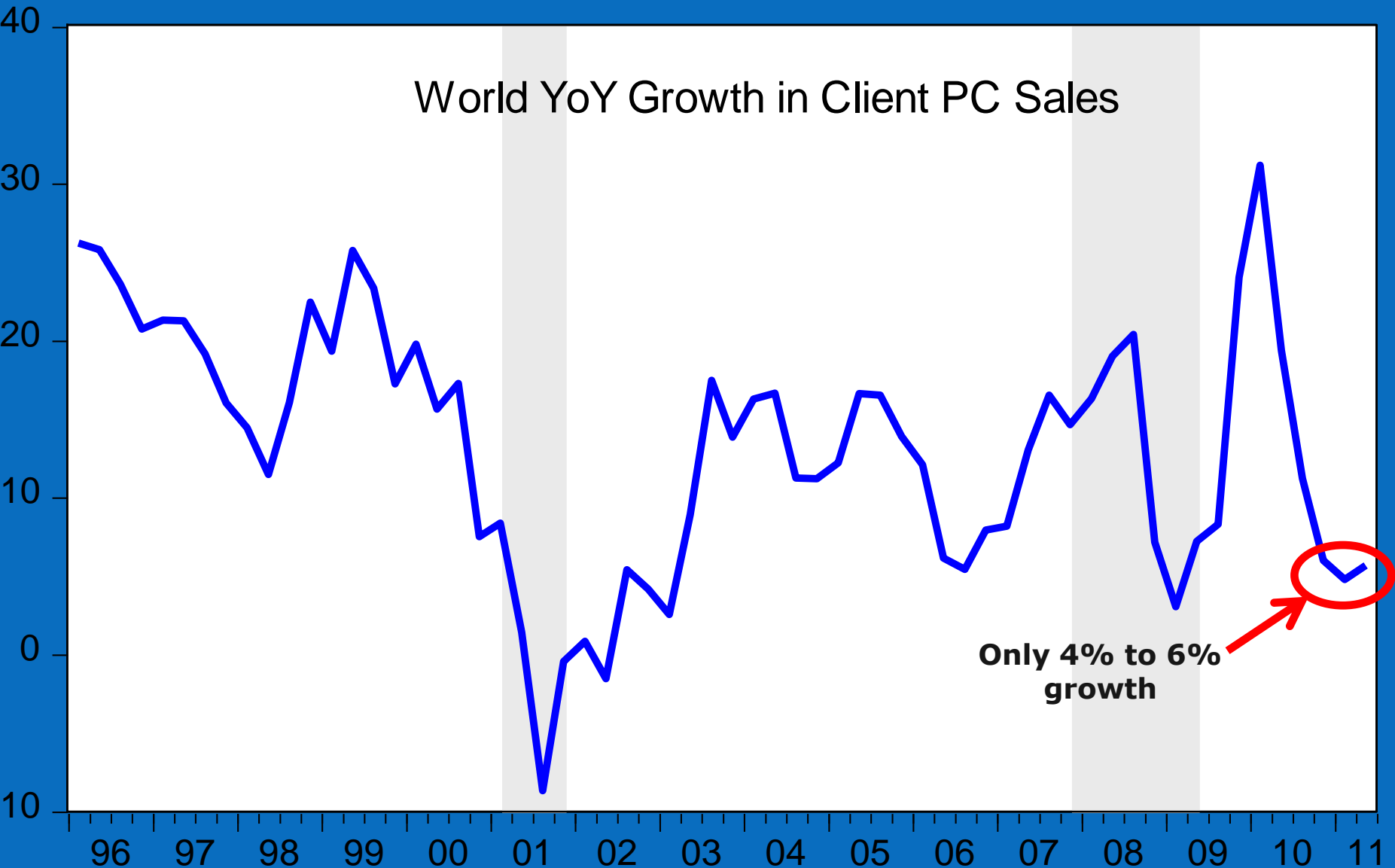
THREE SIGNS PC ERA IS OVER

■ Hewlett-Packard announces it will sell or spin off its vaunted personal computer business.

■ Google buys Motorola Mobility for \$12.5 billion.

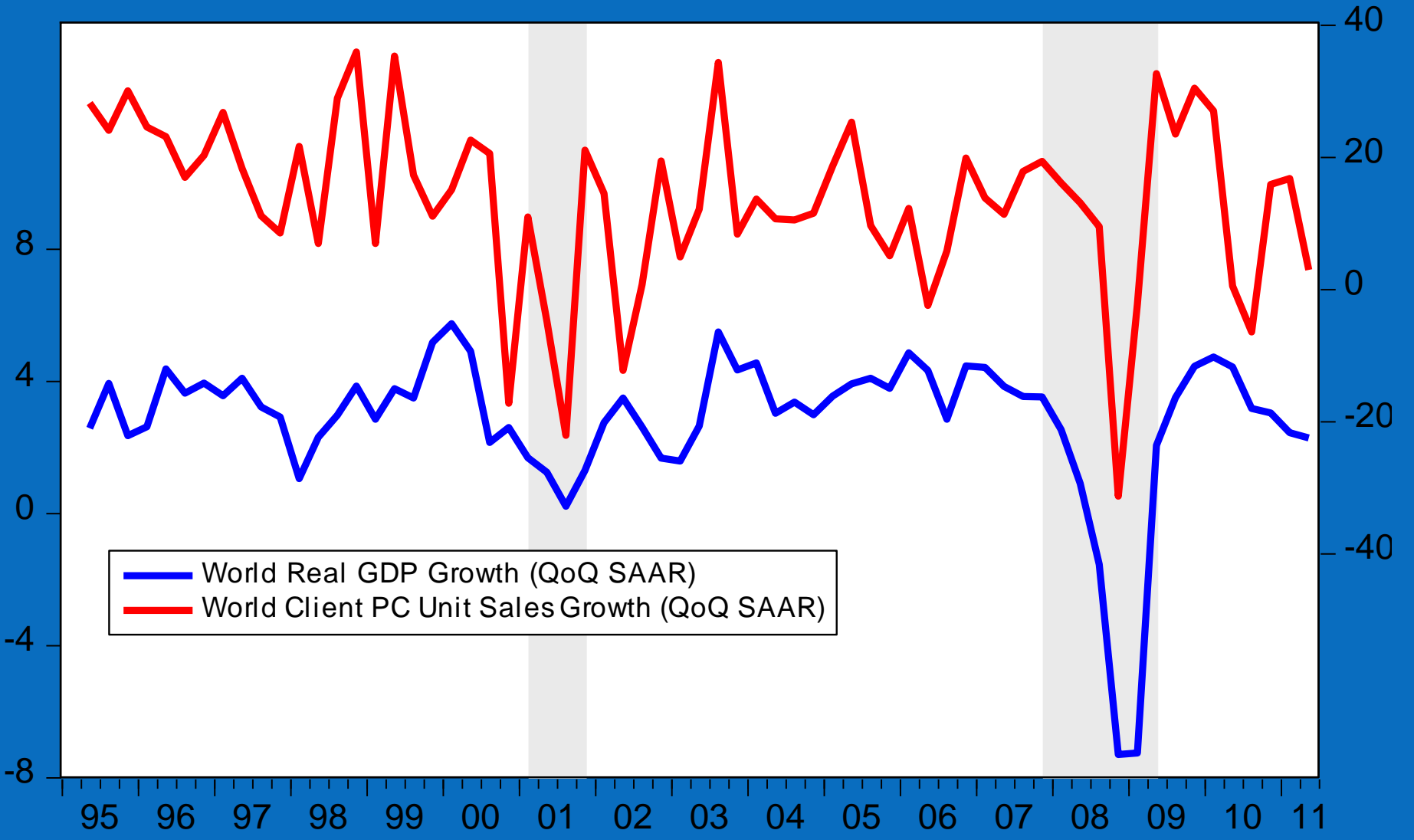
■ PC giant Dell warns sales have been lackluster.

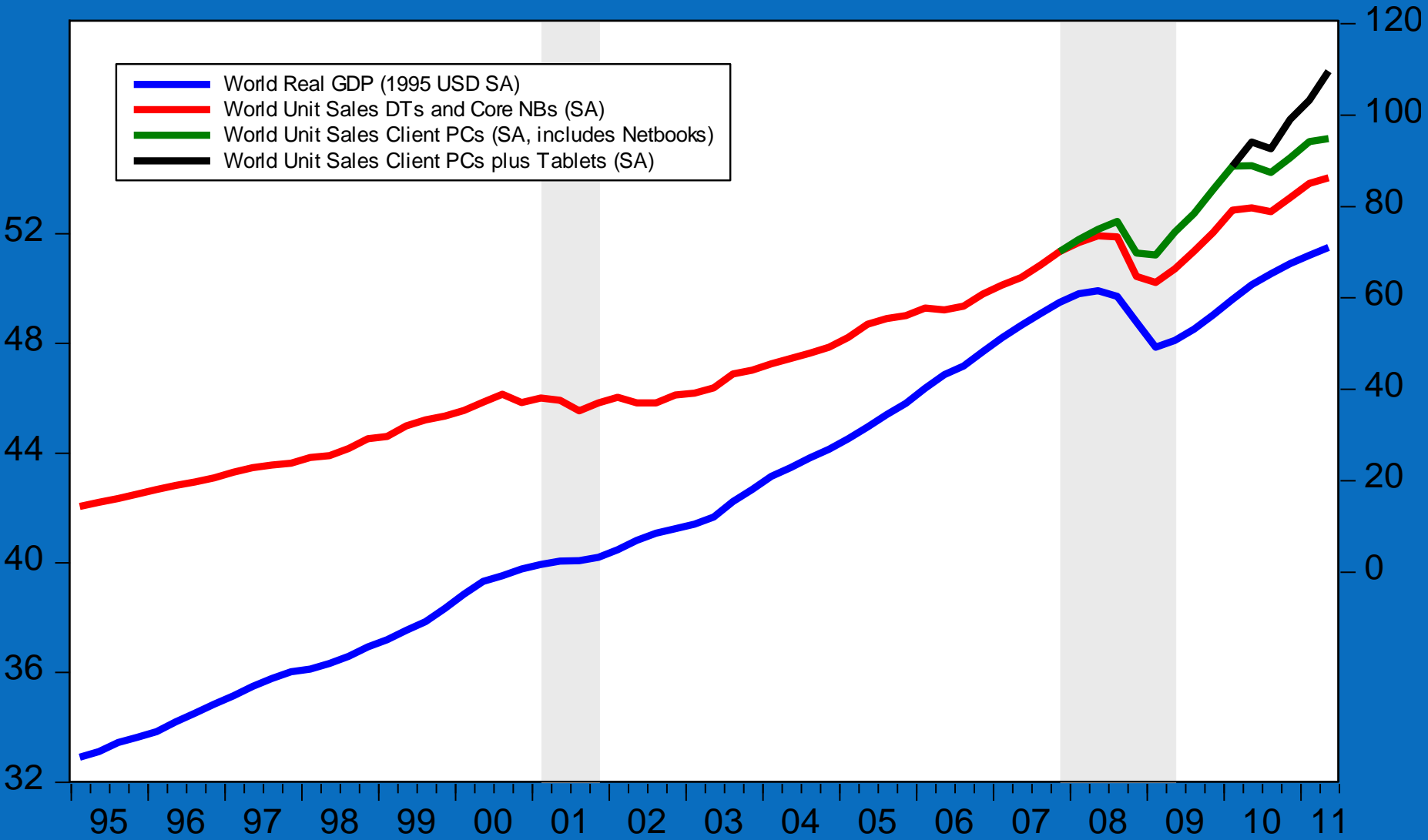
World YoY Growth in Client PC Sales



Only 4% to 6% growth







PC Growth Questions and Answers

- Have growth rates of client PC sales decreased? **YES**
- Have tablet sales soared? **YES**
- Did netbook sales lift client PC sales above the GDP dependent trend in 2008 – 2010? **YES**
- Have netbook sales growth rates decreased? **YES**
- Is there an alternative explanation for low PC client sales growth besides tablet “cannibalization”? **YES**
- **Occam’s Razor: It’s the economy!**
- Does a bad forecast have consequences? **YES**