DELL INCORPORATED

Moderator: Rob Williams
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Operator: Good morning, and welcome to Dell's Perot integration conference call. I'd like to inform all participants that this call is being recorded at the request of Dell. This broadcast is the copyrighted property of Dell, Inc. Any rebroadcast of this information in whole or part without the prior written permission of Dell, Inc. is prohibited. As a reminder, Dell is also simulcasting this presentation with slides at www.Dell.com/investor. Later, we will conduct a question-and-answer session. If you have a question, simply press star then one on your telephone keypad at any time during the presentation.

I'd like to turn the call over to Rob Williams, Director of Investor Relations. Mr. Williams, you may begin.

Rob Williams: Thank you, Regina, and thanks to everyone for joining us. It's been 83 days since we announced this combination, and 43 days since the close, and we've made great progress to date. With me today are Peter Altabef, President of Dell Services, Steve Schuckenbrock, President of our Large Enterprise business, Paul Bell, President of our Public Business, and CFO Brian Gladden. Peter will begin by sharing our view of the overall services opportunity, as well as our approach to providing IT solutions. Paul and Steve will then share their perspective on our customer facing initiatives for their business units. And finally, Brian will discuss the financial impact of Perot, as well as our decision to provide historical regulation G disclosure data today and going forward with Q4 earnings.

In conjunction with this event, we issued a press release, posted our Web deck on Dell.com, and released a v-log with Peter on DellShares. I encourage you to review these for additional perspectives.

As a reminder, when we get to the Q&A, please limit your questions to one and one follow-up.

Next, I'd like to remind you that all statements made during these presentations that relate to future results and events are forward-looking statements that are based on our current expectations. Actual results could differ materially from those projected in the forward-looking statements because of a number of risks and uncertainties which are discussed in our annual and quarterly SEC filings, and on our Web site.

Please note that in today's call, we will be referring to certain non-GAAP financial measures. These measures are reconciled to the most directly comparable GAAP measures in the slide presentation that we have posted on Dell.com/investor. We encourage you to review the reconciliation of non-GAAP net income and non-GAAP earnings per share to their most directly comparable GAAP financial measures, which you will find on slide 25 of the Web deck.

Now I'd like to turn it over to Peter.

Peter Altabef: Thank you, Rob. I'm glad to be here with you today, and to join the team with Michael, and here with Steve, Paul and with Brian.

I appreciate the opportunity to address our investors and the financial community. Now this morning, I'll be sharing Dell perspectives on the changing world of information technology services and business solutions, and I have the pleasure of introducing you to the new Dell services and our strategic direction.

Information technology has become a core element in enabling, sustaining and driving business operations and growth. According to the U.S. Department of Commerce, when mainframes emerged in the 1960s, IT investment represented less than one half of one percent of gross domestic product. Since then, IT spending has grown as a percent of GDP with each wave of new technology, from the broad deployment of PCs in the 1980s, to the rise of network computing in the 1990s, and now the next wave is gathering motion, fueled by virtualization, cloud based solutions, and the increasing alignment with IT business outcomes.

Today, approximately three percent of GDP is focused on IT spending, and estimates are that that will rise to as much as four percent over the next few years.

When you look at the IT industry, it remains extremely fragmented, and in fact, there are only four companies that offer a full set of integrated service offerings all the way from the manufacturing and support of sophisticated broad hardware solutions, through applications development, business process, business and IT consulting, and ultimately that results in what I will consider the comprehensive suite of IT services. Dell is one of the small handful that do that, and is one of the 10 largest globally focused services providers.

Studies by Forrester Research show that today, 72 percent of business executives believe technology is how they differentiate themselves from their competitors. That's a remarkable percentage, and when you look at the long-term value of those more efficient companies with more cost effective operations and more competitive differentiation, they obviously perform better.

Significantly, however, look at where customers spend their money. That is disproportionately spent in IT on labor, services and software. Most businesses typically spend two times more operating on labor IT than they actually spend on the acquisition of the technology itself.

Dell believes that labor efficiency can improve, and these costs can be reduced dramatically. But to do so requires new technology and a paradigm shift in the new service delivery models.

The old approach of imbedding an army of consultants locked in processes, frameworks and proprietary software and hardware is inefficient, and burdens consumers and their customers with too high of a cost. In contrast, we want to help organizations innovate and focus on strategic objectives, while spending less on routine IT management. This is a new initiative that is redefining services from the customer's perspective, making IT easier to access and simpler to manage, and most importantly, aligning our solutions to our customers' success.

To help customers achieve their desired outcomes, our primary focus areas include reducing the labor requirements by increasing automation, not just reducing the cost of the labor involved, using global standards along with the best practices in our industry, performing tasks remotely wherever possible, applying IT as a service model, which includes both software as a service and applications as a service, as well as infrastructure as a service, where appropriate, and combining Dell Services' vertical industry knowledge, knowledge of our customer's businesses and the situations where our customers find themselves, to our technical domain knowledge to help customers succeed.

The next slide is one that was considered at the time we were doing the acquisition discussions, and in fact, that's true of the next two slides, so there's a little bit of inside baseball here. But this is a view of the strengths and relative complementariness of the two preceding organizations, so let's take a look at it.

Dell became an IT leader through a highly efficient, built to order hardware solution, I think everyone knows that. When you take that business methodology and the workflow associated with that, we believe we can do the same thing in services, reducing complexity and driving out inefficiencies across the service and support lifecycle. Dell Services is large enough to be credible, yet nimble enough to lead a transformation in the services industry. At 42,000, and you'll see the revenue numbers of approximately $7.5 billion, we have plenty of heft in the industry, but we are not burdened by some of the fixed costs and fixed ways of doing things that you might find in some competitive situations.

In addition to scale, the components that now form Dell Services have a comprehensive range of strengths, and a consistent history of creating award winning customer experience. The combination of solutions and teams from each company creates growth opportunities through cross selling, but even more significantly, presents the opportunity to participate in a broader range of sales activities.

On the next slide, you'll see even more graphically the complementariness of the Perot Systems and the Dell teams going into the acquisition. And I didn’t speak about the Perot Systems strength on the slide before, because I really wanted to focus on this slide. Again, this is an inside baseball slide, but it shows you in the blue dots where we thought that the Dell legacy services team had significant strength, and then in the red dots where the Perot Systems legacy team had significant strength. And you can see that while there is some overlap, the result is an extraordinarily broad set of services.

We focus both horizontal technology domain capabilities, and then we apply them to specific vertical industries. The result is a best in class suite of intelligent end-to-end services and business solutions to reduce IT complexity and lower costs. From our knowledge of industry requirements, we then tailor industry specific solutions that solve business problems and deliver the best value for the resources invested.

As you look at that slide, you'll see areas where there were bullets both from Dell legacy and Perot Systems legacy, just as a note in terms of the integration, where that has occurred, we have already combined those teams to get both efficiency and best of breed technology and focus. That work is actually already accomplished.

Moving to the next slide. Going forward, we believe that these will be fundamental strengths that will differentiate the Dell Services approach. The first is interesting, and in some respects goes without saying, which is why we need to say it often, we will be intensely customer focused. While a lot of services organizations say those words, the proof is really in the way that it's implemented. You'll find that Dell Services will implement a customer focus with the same intensity that the Perot Systems legacy team did, and with the same intensity that the Dell legacy team did.

Domain knowledge, industry experience in specific vertical industries, whether that's healthcare, government, manufacturing, telecommunications, and other industries is a competitive advantage that will allow us to add long-term value through industry focused solutions.

Breadth of services – you've seen in the other charts the wide, horizontal technology services that Dell brings to bear, the fact that we can apply our services, methodologies and needs all the way back to the manufacturing process, and in fact even into such things as bios is a competitive advantage for us. Global delivery model, modular services to put customers in control, allowing them to select only what they need, which means lower cost for consumers.

Both Dell and Perot Systems were focused not only in servicing the largest clients, but also in servicing small and medium sized businesses. We believe that we have a unique opportunity to take services through the creation and development of modular services, and bring cost efficient services to smaller businesses that previously have been under served by the services community.

Finally in recurring revenue, we have nearly $14 billion in annuity-like revenue. I made a few references to what Dell Services looks like, and now I'll just sum that up. With $7.5 billion of revenue, we have global reach, and we have more than 42,000 employees. The organization generates approximately three-quarters of its revenue from infrastructure and related services, 18% from applications and consulting, and 7% from business process services.

We serve the entire spectrum of potential clients, from large organizations to consumers. And we see the combination of our solutions and teams, creating enhanced growth opportunities through cross selling opportunities, as well as being presented the opportunity to participate in a broader range of sales activities. Again, with that focus on modular activities, we believe we will be bringing services to a wider and wider swap of the kind of customers that will be able to use them.

This is an exciting time, and we're stronger now that we are combined. We can fill out and have already filled out the capabilities in the slides you saw earlier. We will qualify for more RFPs and win more deals, but more importantly, we think that we will be expanding the services market and running into that expanded space.

To follow up on that discussion, I'd like to introduce to you Paul Bell and Steve Schuckenbrock.

Paul Bell: Thanks, Peter, this is Paul Bell, and I'll speak first to the Public sector, and I want to at the outset, say how much we are really enjoying working with Perot so much more closely now, we've been working together for a couple of years in the public sector. But now that we're integrating and going to the market as one team, it's creating tremendous opportunities for us to support our customers in fulfilling their fundamental mission, particularly in government and healthcare accounts.

We've also found frankly that the cultures had meshed very, very well in the quarters and years that we'd had a chance to work together, and so I think that's been tremendous to create momentum in the organizations, and make this is a very natural combination at the face of the customer.

If you look at the greatest areas of overlap that we've had separately, they were with the U.S. federal government, and with healthcare globally. And in the federal government space, we have a tremendous strength now going to market together, because the legacy Dell side was already working with 95 percent of the U.S. federal agencies, we support the Department of Defense, literally all over the world. And as you can see on the chart here, we have greatly increased the range and depth of services that we can provide to these accounts, many of which we had very, very long standing relationships with.

When you look at the federal government space, some of the things that are very, very important to understanding their mission and helping them solve their IT challenges are having cleared resources, for instance, people who can actually work within the facilities and get to know the teams. Dell had quite a number of top secret and (SCI) cleared resources, Perot has even more. That opens up specific opportunities to work on cyber security and other challenges within the intelligence community and DOD that are great businesses for both teams together.

We also have a very wide range of other services that you see listed on the chart that are fundamental right now in the federal government in addressing the challenges of over complexity, and high cost infrastructures. Everybody is very conscious right now of the need to deal with challenged budgets, and we're working with a number of these agencies and across the DOD on projects that really can fundamentally reshape the cost structure of the IT infrastructure, and we just have many, many more opportunities now to address those customer requirements.

Healthcare, of course, is the area of single greatest overlap between our businesses, and where we have the greatest scale, particularly in the payer and provider markets here in the United States. We serve many – well actually I should say most of the hospitals and hospital systems in the United States, we have a particular strength in dealing with mid size organizations, both Perot and Dell historically had a tremendous strength there. And in providing everything from the complete IT infrastructure that Dell in many cases was providing, all the way through in Perot's case the business process outsourcing for billing and other services, and now that combination is very, very powerful.

We've had a chance in the several months since we've announced this combination to spend a lot of time with our customers. And I can tell you that the reaction to this combination has been uniformly positive. It starts with customers who are already doing business with both of us, and just saw this as a tremendous way for us to integrate the activity for them to get a more streamlined way of getting things done, and that includes a customer I had dinner with about a month ago that was one of Perot's largest healthcare customers in the past, but a lot of their infrastructure was Dell, and they just saw this as a uniformly positive thing.

For those customers that have been more one or the other, either Perot or Dell, we still get a very positive response, and they're interested in understanding in detail what is this going to mean for them. We had a customer advisory session in Miami last week that Peter and I have both attended with a number of healthcare customers. Again, these have been more Dell legacy customers, and their reaction again was excited that we have way more to offer them, and the reminder for all of us was to be very customer centric in this approach, we can do so much and have such an unusually broad range of offerings for customers, as Peter said earlier, that the important thing is to tailor them to what that particular customer needs, whether it's all the way out to full IT outsourcing and (BPO), or more project based work, we're here to respond to what the customer is looking for.

If you go to the next page you'll see two specific areas that predate this combination where we were working together. These go back to the early part of this year, and mobile clinical computing, of course, has antecedents in both cost, even before that. But this is a particular type of solution relevant to hospitals, and visualize that doctor or other clinician making rounds in a hospital, and not happy with the technology solution they have for accessing patient records, medical images, and the other things they need to provide great care. Maybe they're pushing a cart around, maybe they're carrying a device that's too heavy, and they don’t want to be dealing with it. Well what we've been implementing now and have a number in the marketplace in North America and Western Europe, our solutions were basically leveraging client virtualization, the clinician can have their session be mobile with them, and they can go up to any device in any room and pick up exactly where they left off. That is driving efficiency, it's driving clinician satisfaction, and it's quite sophisticated, there's quite a bit to put together and make that solution work.

We were offering it together before this combination, and now we'll be able to engineer and integrate solutions to a greater degree.

The other example is in electronic medical records, which many of you will know has been the market of the future for a long, long time, it never quite arrived. Our penetration of electronic medical records globally is low, here in the United States you'll hear it estimated it's between 10 to 20 percent of physicians are using them. But this is a very, very big part of what the Obama Administration, for one, is really trying to incent, and the ARRA of earlier this year actually is providing about $19 billion of incentives to do that.

Now between Perot and Dell, we had been working with a number of the largest software providers in creating an integrated infrastructure, and application solutions for larger hospital groups. One of the more innovative pieces that draws on both of our capabilities is what we call the affiliated physicians EMR solution, and that's getting out to that last mile, so to speak, the hardest to reach part of the healthcare community, which is the small physician practices. And we've got the right solutions, we've integrated it end-to-end, it's largely being delivered as a SAS based model, so that the small practices don’t need to have a lot of infrastructure on site. And that's a clear marriage of the traditional Dell and Perot strength. And it's off to a great start in the second half of the year.

We are very optimistic about where this whole space is going, because of the incentives, and because of the clear benefits to the clinical process, and we think we'll be able to drive even further innovation in this space to really help solve customer's problems.

With that, let me turn it over to Steve Schuckenbrock.

S.Schuckenbrock: Thanks, Paul, and I'll echo everything that you said without repeating it, that the enthusiasm for the combination is quite terrific. Not only internally where our teams I think have gelled quite nicely, the cultures have come together quite well, but also, as you said with the customers you know there simply is enthusiasm for what we can now offer, and you know one of the things that has been the focus of Dell as well as the focus of Perot is outstanding support from mid to large kind of customers. And many of these customers are actually not interested in doing business with the really big outsourcing firms, because they feel like they'll be lost in the – in the – in the noise as they continue to scramble on some of those big deals.

They don’t see that with the combination of Perot and with Dell, and in fact have enthusiastically come to us with even some sole source deals since the announced combination, and so we have a couple of those that we're working in the pipe, and it's really nice to see that the reputation of both of the firms brings that kind of confidence from the customers.

When you look at the large enterprise space, we have through the combination about three times the size of the services business in large enterprise coming from Dell legacy versus Perot. And what that should tell you is we have terrific relationships with customers through the Dell traditional approach, but now we have a whole set of new capabilities that we can bring to bear with those customer relationships, and that's exactly what's happening, we're seeing the pipeline grow, and while a lot of outsourcing companies will talk to you about the big mega deals and the huge billion dollar opportunities that they continue to pursue, even though those deals have wanted to come down through time, the sweet spot for Perot Systems, or now Dell Services, is a contract value of up to $50 million, and terms that range from three to six-year kind of timeframes, we love those type of deals, we do a lot of them, and we do them across a space that's really laid out on the next chart.

I just repeated Peter's chart, because I think it's a really good way to talk to this, and I'll tell you the focus in large enterprise will continue to be all the blue dots, but rather than a real vertical approach here in the short term, because both – I think we have the opportunity to build out even more vertical capabilities in this combination, there are a lot of horizontal opportunities that are lined out in these blue areas, and I'll just cite a couple.

First, we've been pretty good in the end user computing area, but we've had lots of requests from customers for what we can do for them in the data center and with the network, and how we can help them manage the complexity, especially given the significant transitions of infrastructure are occurring in the data center. So bring in a combination of Dell hardware and software solutions, along with these services solutions, and offering them in a manage it yourself, we'll manage it for you, are completely even cloud based versions of those solution sets are really great opportunities for us.

Peter and Paul both talked to the opportunities in software as a service and infrastructure as a service, we will expand our modular services strategy that we've talked to you about before through this combination. And one of the things that I've said multiple times to this audience is we were looking for a company that was large enough to give us the reputation that we need in the services space, and Perot has absolutely filled that bill. But also small enough and flexible enough to embrace the future of services as opposed to being totally webbed to the large outsourcing opportunities and the major labor based approaches to providing those services.

I'm particularly excited about the application space, and I want to draw your attention to modernization and management. Through modernization, we are seeing, and through significant shifts that are occurring in the industry, not the least of which is the tremendous capability of the new Intel processor sets, we are seeing a significant migration from proprietary infrastructure, mainframe, UNIX, et cetera, to open architectures sourced often through Dell. That requires a migration of the applications, and a rationalization of the code base, and we see this new capability that we've never had in our direct capability, our direct control, as a significant advantage that we can bring to customers as we help them in the simplification of their infrastructure, in driving costs out on an ongoing basis, and opening the architectures in the way that our customers absolutely continue to demand from not only us, but from many of the other OEMs in the market as well.

We haven't talked much about IT consulting in this call, but what I would tell you is the motions that we put in place, Paul was very instrumental in it as well, over the last several years, where we go in and work with customers to take their pain points and map their pain points to specific approaches that are based on best practices across all the other customers that we serve, as well as Dell's own internal best practices from an IT standpoint. And then map that solution out with the customer will really quite hit kinds of projects where we bring two to three resources to bear over the course of 60 to 90 days, and our competitors continue to bring teams of consultants that don’t want to go away is alive and well. And that business is growing nicely for us, and has proven very sticky for driving a lot of our enterprise (inaudible) into the customer space.

Those are the horizontal approaches to the market. And if you flip to the next page, it will show you that there are industry capabilities that we have now taken on as a result of this combination. These are not scaled capabilities yet at this point, but they offer IP and opportunity for us to expand, for example, in the industry solutions around asset and fleet management with rental car companies, or we have seen significant opportunity from the financial services space as well as the insurance space, especially in the application area where legacy Perot has fantastic application skill sets, and rich experience in their history.

So we will look forward to moving from the horizontal into the vertical as we expand this business in LE, and we're pretty excited about the fact that our pipe just in the last 40 days – 45 – or 43 days, if you will, has already generated 50 plus leads that are really significant, and a couple of deals that have already closed even inside of that 43-day window. So we're real excited about it, and can't tell you how well this fits our overall strategy to become a solutions company.

Brian?

Brian Gladden: Thanks, Steve. This is Brian Gladden, we're now on slide 19.

And I'd like to start by taking it through how we're thinking about integration. We're building broad capability here that will be lasting, and beyond just the Perot integration. We're fortunate enough to have Dave Johnson, who many of you know, who's our Senior VP of Strategy, very engaged in driving the integration process for us. (Dave) brings a strong background, and over 25 years of execution, and a creation experience, and has really helped us refine a playbook for Perot and what we'll use for future transactions.

We've defined four basic success factors that are pretty consistent with most integration plans, leadership, governance, execution of visions and synergies and people management. We have many other dedicated integration executives engaged in the process, leading 17 different work streams, covering everything from our go to market strategy to service delivery and operations, to corporate IT and cost rationalization, with the entire process being overseen by a cross functional senior steering committee.

We've put in place several specific metrics to ensure the key metrics around customer retention, retention of our key talent, revenue and cost synergy targets, and ultimately to insure that we're on track with these synergies, we're looking at these milestones against 30, 60 and 90 degree day targets, and doing that on a weekly basis.

And as with any acquisition, retaining the key talents as top priority. By the announcement day of September 21st, we had already reached retention agreements with the majority of Perot's top leadership team. And since then, we have retained and named all level one to level three leaders to their positions across the company. Under Peter, Russell and Don's leadership, and with direction and guidance from Dave, we believe Perot is well positioned and established as a model for future acquisitions for Dell.

Switching gears, the next few slides begin – beginning with slide 20, focus on our synergy plans and preliminary purchase accounting estimates. By growing organically, bolting on other assets, including our own, and globalizing our solutions portfolio, we can build a stronger global services offering, it's really about expanding the pie as well as enjoying its growth.

We have identified $650 million in incremental revenue synergies over the next three years, and divided that into three areas. The short-term opportunities are primarily focused on cross selling of services and hardware between the two organizations.

We have medium term opportunities that are more focused on the vertical growth in the three areas we talked about, healthcare, where EMR will drive a big ramp over the next couple of years, government where Dell can now qualify as a prime contractor on many more opportunities than before, and in commercial, where as Steve discussed, it's an area with a lot of white space and an opportunity where we have great capability to scale.

Finally, additional incremental – long-term opportunities are primarily geographic in nature, and they will grow as we increase our capacity by geography, be it organic investments and select bolt-on acquisitions similar to the BearingPoint acquisition that Perot announced in October.

On the cost side, we've identified areas to combine and capture synergies in the integration. In total, we have over $4 billion in shared annual spending that we're targeting. Of this, we've found over $300 million in cost reductions, which comes from the consolidation of our IT infrastructure and application development capability, from opex reductions related to duplicate functions within G&A, and consolidating indirect procurement and services delivery costs.

If I break that out a little bit further, about 75% of the cost savings will come from the existing Dell infrastructure, particularly in IT and services delivery. To date, we've identified and actioned over 90% of these savings, including $92 million of the $100 million we are targeting for fiscal year '11. We'll continue to validate additional savings through the existing work streams, and balance these savings against investments we need to make to grow the business.

Turning to the purchase accounting, we're still finalizing our work here, but want to give you our best estimates and ranges as we see them today. We see goodwill of about 2.3 to $2.6 billion that will show up on the balance sheet of Dell, and additionally and approximately $1.2 billion in purchased intangibles.

We also want to provide you a view of how that will quarterly amortize in the P&L. Amortization of purchased intangibles will be roughly $40 to $50 million in Q4, and $45 to $50 million in each quarter of fiscal year 2011. In addition, acquisition related expenses will be $120 to $130 million in the fourth quarter, and roughly $20 to $25 million per quarter during the next fiscal year.

Finally, there'll likely be a few adjustments to deferred revenue, deferred costs and fair market valuation of other assets, but these aren't large enough to call out individually, and are generally immaterial.

Moving to page 23, as you know we closed the transaction on November 3rd, and we will report Dell's fourth quarter results on February the 18th. At that point, we will have a full quarter of Perot's – Perot Systems' results consolidated into our P&L. So as you adjust your models, I wanted to provide you with a P&L on this slide for the past year, and to touch on a few of the items from their Q3 results that you'll need to factor in going forward.

In the third quarter, Perot Systems revenue was $629 million, which was down -12% year-over-year and flat sequentially. Gross margins were 19.4%, and operating income was 6.8% of revenue.

As a reminder, about 72% of Perot's quarterly revenue comes from backlog that's in place when they enter the quarter. So you should expect to see a relatively similar result in the fourth quarter, though Perot does typically see some seasonal softness in the fourth quarter generally due to less billable days because of the holidays.

Perot delivered in their third quarter $85 million in cash flow from operations, and on a rolling 12-month basis, has delivered $240 million in cash flow from operations. Mostly in the U.S., which for us helps our domestic liquidity going forward.

When considering Perot's use of working capital and cash conversion cycle, we believe that Dell's cash conversion cycle will be affected by about two to three days as we consolidate Perot.

Finally, to wrap up our discussion on the Perot, I wish to iterate that Perot makes sense for us, both financially and strategically, and we expect this acquisition to be accretive to our P&L on a non-GAAP basis in year one.

Now let me shift our discussion a little bit on page 24 to present non-GAAP financial measures in conjunction with our earnings release in the fourth quarter and going forward. After an extensive review, and discussions with many of you, and benchmarking our industry peers, we've made the decision to provide additional regulation G disclosure, which bridges GAAP and non-GAAP information, and we'll do this beginning in our fourth quarter. This will allow us to provide investors with a clearer view of items, such as acquisition purchased intangible and amortization, acquisition related expenses, and organizational effectiveness charges.

This is consistent with how our management team evaluates and measures the business, and we believe it's more in line with the vast majority of our technology peers. When we discuss non-GAAP results going forward, we will exclude the amortization of purchased intangibles, we will exclude organizational effectiveness actions, and we will exclude acquisition related costs.

But the non-GAAP results will include ongoing equity based compensation. Many of you do follow this number, so we will continue to call it out in our talking points each quarter with a breakdown between COGS and opex. Many of these items which we are excluding tend to have a large non-cash component, and we will call these out where appropriate in subsequent quarters.

On slide 25, we've put a table that illustrates our historical GAAP to non-GAAP reconciliation of net income and earnings per share, with the corresponding adjustments and current best estimates for what we see in the fourth quarter for these adjustments.

You see the incremental amortization of purchased intangible raises our current run rate of $40 million per quarter to roughly $90 million per quarter. Additionally in the fourth quarter for Dell, we expect organizational effectiveness expenses of between $80 and $120 million. This is our best estimate as of today, and could vary depending on how quickly we can transfer assets in our Poland facility, and other optimization actions and programs across the company. Acquisition related expenses in the fourth quarter will be $120 to $130 million, as we previously described.

Finally, I wish to remind you from our third quarter earnings call that we expect to incur approximately $50 million per quarter in interest expense going forward given the current debt balance we have in the company, and our invested cash is currently returning about 30 basis points on its – on the balance per year. And finally, our tax rate for the third quarter was 34.5%, which was driven by an increased mix of profits in higher tax jurisdictions, and our mix shift to enterprise products and services. As we said, our current view for the full year tax rate is between 29 and 30 percent, which is the same as our year-to-date rate in the P&L.

So before we close and move to Q&A, make a few quick points. We do believe Perot Systems, which is now integrated to become Dell Perot Services will significantly expand our operating important enterprise solutions capability, and enhance our position in some of the fastest growing customer segments we see. We've planned $650 million in incremental revenue opportunities, and $300 million in targeted cost synergies over the next three years. We will execute on these plans.

The combination of Dell and Perot is a solid strategic fit, and a key example of how we intend to deliver on our long-term value creation commitments that we've discussed.

We're focused on improving our core business through tighter linkage with our customers, dramatically improving our product cost position, especially in the client business, and improving on our online presence with Dell.com.

We're expanding our reach into the enterprise, and improving our ability to deliver customer centric turnkey enterprise solutions. And we'll balance our results to deliver solid growth and profitability with a constant focus on cash returns.

As we see demand returning to more normalized levels, we think we can grow revenue between five and seven percent over a longer-term period. We think we can generate operating income at or above seven percent of revenue, and we think we can continue to deliver great cash flow from operations that exceeds our net income.

With that, let me now turn it over to Regina for Q&A.

Operator: Ladies and gentlemen, we will now begin the question-and-answer portion of today's call. If you have a question, please press star one on your telephone keypad. You will be announced prior to asking your question. If you would like to withdraw your question, press the pound key. One moment please for the first question.

We'll take our first question from Toni Sacconaghi with Sanford Bernstein.

Toni Sacconaghi: Yes, thank you. I have a question and a follow-up, please. Can you detail what's in the $300 million in acquisition related expenses? And ultimately how many people do you believe will be coming out as a result of the acquisition? The rough rule of thumb is typically that it might cost $50,000 to eliminate a position, which would suggest 6,000 people, which I don’t think is the case here. So I'm trying to understand what comprises the $300 million in acquisition related expenses.

Brian Gladden: Yes, Toni, as we've said, this acquisition is not your typical cost focused integration activity here. We're looking at the consolidation of our IT infrastructure as really being the biggest driver of the synergy dollars. When you look at headcount actions and how we're thinking about them, there are some actions probably around G&A as we look at that, and that would be to be expected. We will be investing to add resources really around many of these growth and revenue programs, as Peter talked about.

When you look at the costs that are specified here in the details, there are one-time costs related to option accelerations, and some small pieces related to severance, and then there are costs related to getting our systems working together and getting the processes in place across the business in order for us to function effectively as a consolidated services business.

Peter Altabef: And this is Peter, I'll just add to that. You know the internal Dell IT staff has some world class people in it, and one of the things that will happen through this acquisition is the ability to take those people who have done remarkably industry leading services, such as on server virtualization where Dell is one of the world leaders in virtualizing its own back office, taking those skills and bringing them to bear on client engagements.

So in addition to becoming more efficient internally, we're going to try to bring some of that experience and enhance our customer facing capabilities.

Toni Sacconaghi: OK, thank you. And just a follow-up, if I try and synthesize your comments on puts and takes on non-GAAP income for fiscal year 2011, you're essentially saying if we assume Perot has the incremental revenue growth synergies that we might expect $160 to $200 million in non-GAAP income from Perot, you're going to get an incremental $100 million in cost synergies, so that's $300 million, and then Dell should get about $160 million less amortization of intangibles from standalone Dell.

So as we bridge GAAP to non-GAAP for next year, we should be thinking about roughly $450 million delta associated with that migration, and including Perot. Is that the right way to think about it?

Brian Gladden: Toni, I think that math works, I think you're right on.

Toni Sacconaghi: OK, thank you.

Operator: We'll take our next question from David Bailey with Goldman Sachs.

David Bailey: Great, thank you very much. Could you talk a little bit about how you're thinking about the incremental investment that you're going to need to make to grow the services business, and how that compares to the savings that you outlined on slide 21?

Brian Gladden: Yes, I think as we go through the revenue synergies, and the top line opportunities that were on page 20 that's where we think about investing. And we've spent time really actually over the last couple of days as we start looking into even fiscal year '11 budgeting process really debating where those opportunities might be to more aggressively invest in capacity, whether that's services delivery capacity, whether that's selling capacity, or whatever else, we need to accelerate the growth here, even beyond these revenue synergies that we talk about on page 20.

So we've sort of isolated that investment, and have that discussion based on ROI as it competes with other programs across Dell. The investment required to get at the cost reductions on page 21 is really kind of baked into the plan, and we have pretty good line of sight to what that's going to require. So I think there's two levels of investment that you'll see.

David Bailey: So any investment that you make will offset the cost synergies that you're talking about?

Brian Gladden: Well maybe not necessarily, we may invest in opex around the selling team to support expanding geographic footprint for Perot, and maybe an opex investment we choose to do that's pretty much independent of anything we've shown you here.

David Bailey: OK, yes – no, I'm just trying to find out if that's a net or a gross number, so it sounds like that's a savings, and then any incremental investment will offset some of that.

Brian Gladden: Yes, I think that's right.

David Bailey: OK. Thank you.

Operator: We'll take our next question from Keith Bachman with Bank of Montreal.

Keith Bachman: Hi, I wanted to ask a question related to slide 20, specifically on the medium and longer-term expansion or revenue growth enhancement opportunities. When you're getting into large enterprise, it's a fragmented market, but very competitive, it's not obvious that Perot's or Dell's going to capture share. How do you anticipate grabbing share there? And, Brian, if you could talk a little bit about you've made it pretty clear that you're open to – or intend to do future acquisitions, but how does this longer – medium and longer-term opportunity relate to what you have in place today versus what you would look to in terms of your acquisition strategy? Thanks.

S.Schuckenbrock: This is Steve Schuckenbrock, I'll take the large enterprise in terms of capturing share in the services space specifically. One, we've got a pretty good base to start with, and number two is that our account teams on the Dell side have phenomenal relationships with tens of thousands of customers across the globe.

Keith Bachman: Yes, but – excuse me for interrupting, but a lot of that's on the client side, and I'm just not sure that translates into capturing enterprise wins with the larger organizations.

S.Schuckenbrock: That's actually not accurate that it's all on the client side. We have a terrific number of relationships on the enterprise side, and in fact are growing faster than the market and the enterprise side each and every quarter. And so we feel terrific about the solutions we have in the data center, inclusive of our storage solutions. So that is just not accurate, and our ability to translate those relationships to broader services is already something that's proving itself out in all of the dialogs we're having with the customers.

So from my perspective, our ability to take a $16 billion enterprise business and continue to expand it with these new capabilities that we've just acquired is you know pretty straightforward exercise, and it's about the execution of our sales teams.

Peter Altabef: I would add to that, this is Peter, if you look at the traditional – the Perot Systems legacy client relationships as well, we've had a very positive reaction to those – that client base being interested in some of the services type activities that Dell has traditionally provided. So when you look at things like Pro Support and Pro Manage and all of the close to the client or close to the box support services that Dell has a very substantial business in, we're finding real interest among the Perot Systems clients, many of whom are large enterprise in that work as well. So I think that cross selling opportunity generally and genuinely is going both ways.

Brian Gladden: Keith, it's Brian. With regards to the acquisitions, as you look at some of the longer-term opportunities here, geographic expansion is one of the biggest. And as the base Perot business was 85% of the business was in the U.S.
As you look at our footprint outside the U.S., about 50 percent of Dell's revenues have come from outside the U.S. So a terrific opportunity organically to grow there, but building out capability whether it's solution selling or whether it's consulting, or whether it's actually services capacity to support European business, or activity in APJ would be very logical opportunities. And the BearingPoint acquisition is a good example in China.

Keith Bachman: And, Brian, any sense on when you would be comfortable even from the fact of either cash balances or you're adding about 30% new headcount to combine Dell. When would you feel comfortable that this integration is done, and therefore be willing to look at other acquisitions? And then I'll cede the floor, thank you.

Brian Gladden: Yes, I think it depends on the size, and it depends on if the process is going well, and I wouldn't say that the cash balances are constrained at this point, we've still got $10 billion of cash. So it's a matter of, we're talking about other targets right now, and it's just a matter of finding something that makes sense and our ability to digest, which again, that would depend on where the acquisition is.

Brian Gladden: If it's in the services space, we could digest small things right now. If it's in other spaces around the enterprise, we could probably do something a little bit bigger.

Keith Bachman: OK, thank you, guys.

Operator: We'll take our next question from Richard Gardner with Citi.

Richard Gardner: Yes, thank you. I'm not sure if my memory is correct on this, but I think at the time of the acquisition, you were actually talking about $800 million to a billion in shared costs in areas where there was overlap between Perot activities and Dell activities. And today you're talking about $300 million in combined cost reductions. So I guess question number one is have you gone back and reassessed that $800 million to a billion in overlap areas? Or are you just being conservative on your synergy assumptions?

And then I guess number two is a you know more of a statement, I think in general, most people today would say that you're probably a little bit more aggressive on your revenue synergy – revenue synergy targets, and a little less aggressive on your cost synergy targets than we might have expected. So maybe you could comment on that as well. Thank you.

Brian Gladden: Yes, Richard, I think we've been pretty clear that this was an acquisition about gaining capacity and a platform for growth, so the fact that we are more aggressive on our revenue synergies I think is exactly consistent with that message, that's what we talked about with the board, and that's what we're doing.

The second – or the first part of your question, we talked about the fact that we've asked Perot to basically run all of the Dell Services business. So the integration activity is really consolidating our existing Dell Services business with Peter's Perot Systems business that ultimately becomes a seven and a half billion dollar business, with over $4 billion of costs that we're attacking here. So when we talked about finding $300 million, even at announcement, we were talking about $300 million out of a $4 billion opportunity. And that's why I think that's achievable, and again, we're leaning on the growth as really the primary focus of our energy.

S. Schuckenbrock: And it goes right back to Perot's business was a very well run business at time of acquisition. And so the disciplines that they bring to growth are fundamental to our growth strategy going forward as we bring those same kind of operational controls and decision processes to the growth strategies that Paul and I will pursue.

And as the teams are coming together, what we're seeing is the need to invest in resources based on this demand. And so Peter's comments a few minutes ago relative to repurposing some of the IT team to those opportunities is a great example of the fact that we have the opportunity to take pieces of our cost structure, and remission them towards our growth strategies, and we're in the process of doing that, and we see you know we see, as Brian said, that growth is you know if anything, where we feel we have great up side.

Richard Gardner: Right. So I guess the right way to think about it is that the difference between the $300 million you're talking about today, and the $800 million to a billion of overlap is reinvestment back into the growth strategy?

Rob Williams: Hey, Richard, this is Rob, I'm not really sure where the $800 to a billion came from, we've always been at $4 billion in shared costs. So we'll take this offline and cover it after the call.

Richard Gardner: OK, thank you.

Operator: We'll take our next question from Katy Huberty with Morgan Stanley.

Katy Huberty: Thanks, good morning. Have you seen examples of revenue synergies from cross selling in the first 43 days? If so, where have you found the low-hanging fruit? And if not, how long do you think it'd take for that revenue up side to show up? And then I have a quick follow-up.

Peter Altabef: Thanks, Katy, that's a great question. You know one of the things that I think everyone on this call is seeing is the speed with which this transaction is moving forward with even the announcement on September 21st. We closed the transaction on November 3rd. On November 3rd, we had Dell Services formed, so the 42,000 people were – are actually only in one organization the day of or within 24 hours after the actual consummation of the merger.

On November 3rd, we provided to the sales teams what we called a quick start manual, which provided a – not only a commission plan for new synergy opportunities, but also a how to manual, we gave it to both sales teams from the legacy Perot, as well as the Dell legacy teams.

So far, that has resulted in 88 new pursuits that we're now monitoring and tracking as incremental additional pursuits. And as Steve mentioned, some of those have already brought to bear, and we have closed. So an example of one of those would be for a manufacturing company that was a traditional Dell client on the hardware side that needed work in SAP, consulting and implementation. And we were able to bring in the Perot legacy SAP, consulting and implementation team, and start providing those services. That transaction closed in terms of the contract about 10 days ago, actually less than 10 days ago.

So you know there will be some of these very, very fast two-week sales cycle opportunities, most of them obviously will take more than two weeks, but we think we're getting immediate traction, both on the large enterprise and in the public sector in Paul Bell's world as well. And that 88 opportunities covers opportunities both in healthcare and some government, as well as in the large enterprise and the medium business areas.

S.Schuckenbrock: That's a great example, Peter, of the question before of how are we going to gain share? This opportunity wasn’t even on the radar screen before the combination, and based on the relationship in this case of the Dell direct team, we uncovered it and closed it in a matter of weeks. I think it's a phenomenal statement to what our customers believe – or the confidence that our customers have in this new platform.

Katy Huberty: And then just quick question for Brian, given Perot's 19.4% gross margin last quarter. Any reason Dell wouldn't benefit from the creation on that line in the fourth quarter?

Brian Gladden: Yes, I think that's fundamentally right, Katy, we'll get a bit of a mix up on that, and as we balance all the things going on in the line, including consumer mix and component costs, and other things going on, I think that's right.

Katy Huberty: OK. Thanks, guys.

Rob Williams: Thanks, Katy. I think we've got time for one more question.

Operator: We will now take our final question from Shannon Cross with Cross Research.

Shannon Cross: Thank you very much. Can you talk a bit about how you're training the sales force for both Dell and Perot, as well as what you've done in terms of changes to comp plans since you know salespeople will generally sell what they're paid to sell? So I'm curious on how you're really pushing further cross selling opportunities.

Peter Altabef: This is Peter, I'll speak to it very, very quickly, and then I'll ask Paul and Steve to add comments on the specific teams that they are most familiar with. First of all, it's not just the sales force, so one of the other things we did, because in many cases sales opportunities or leads are actually led by the lead person associated with the customer. That could be a salesperson, and actually could be an operating person, so let's just call it a customer executive.

And one of the things we did, again on November 3rd, so we've been at this now five weeks, was we identified on the day we were closing the one lead customer executive for each of our joint customers. We mapped all of the Perot Systems and all of the Dell customers, and where we had joint customers, we actually chose a lead customer executive, and said you are the point person for driving both services and non-services revenues in coordination with the other teams. So that's been very effective, and I just wanted to say that, Shannon, just so you know it's – this work goes beyond sales executives alone.

Then with respect to the sales teams, as I said, we do have a quick start program where we're basically saying as you identify opportunities, like the one Steve just talked about, that really wasn't on the table before this transaction, we'll make sure that we can get them commissions very, very quickly that are in some cases incremental to the commissions that they had before, simply because we want them excited about the deal, and we want people to really be unearthing opportunities and win stories.

With that, I'll turn it over to Paul and to Steve.

Paul Bell: Yes, this is Paul Bell, I'll just add a few things to what Peter said. One is since this is the first quarter post close, the main comp piece was what Peter talked about in terms of incentives to both teams who cross sell. Starting in the first quarter now that we've identified a primary owner within each account, some from the legacy Dell, some from the legacy Perot side, whoever had the deepest and best relationship, those people are going to have overall responsibility from a comp perspective, and we're still working through the details, really we're going to finalize that this week, but we'll launch at the beginning of the year.

Another question around training was we've had two basic kinds of training throughout the organization, one there's a lot on just what is your new organization, what is the full range of capabilities so you can accurately represent that. And then the second has been getting into these integrated solutions stacks and saying it's not just one plus one equals two, in many cases there's a lot of new integration between the two activities that make for a very powerful solution, understand how that works in some depth, and that's where we get into very specialized training for the people who are responsible for that particular kind of solution.

S. Schuckenbrock: And Paul's done a lot to drive vertical orientation with his team throughout this year, and so you know the healthcare and government space area already lined up around vertical solutions. In the large enterprise side, we've done a pretty massive overhaul of the way we structure our sales organization, the way those sales teams go to market, and a re-skilling of those teams, both through training and replacement. And so we've got that significantly under way, that'll continue into next year, and the entire orientation of that training and replacement approach is toward solution selling, which is not exclusively services, it's hardware, software and services to solve customers' problems.

Rob Williams: Great, well I think that's a good point to stop. Just referring to slide 28, we obviously covered a lot today, and couldn’t get to everyone on the call. So I want to make sure that everyone knows that Shep, Frank and I will be available to answer questions and do additional follow-up this week.

In summary, we're now positioned as one of the top 10 global service providers, we're redefining services from a customer's perspective. We are well positioning key verticals with compelling growth trends, and this combination is both strategically important to Dell and financially accretive. Thanks for joining us.

Operator: This concludes today's conference call, we appreciate your participation, you may disconnect at this time.

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