**DELL INC.
Fiscal Year 2011 Fourth Quarter
Earnings Conference Call
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Operator: Good afternoon and welcome to the Dell Inc. Fourth Quarter Fiscal Year 2011 Earnings Conference Call. I'd like to inform all participants that this call is being recorded at the request of Dell.

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Later we will conduct a question and answer session. If you have a question, simply press tar then one on your telephone keypad at any time during the presentation. I'd like to turn the call over to Rob Williams, Vice President of Investor Relations. Mr. Williams, you may begin.

Rob Williams: Thank you. With me today are Michael Dell, Brian Gladden and Steve Schuckenbrock, President of Dell Services. Brian and Steve will review our fourth quarter results, then Michael will follow with his comments.

We have posted our web deck on dell.com and we released a V-log on Dell Shares. I encourage you to review these materials for additional perspective.

In Q1 we will be attending the Morgan Stanley Technology Conference on March 2, and the Wells Fargo Tech Summit on April 7. Also, on March 31, Dell and UBS will host a conference call with Steve Schuckenbrock to discuss our services business.

Next, I'd like to remind you that all statements made during this call that relate to future results and events are forward looking statements that are based on our current expectation. Actual results and events could differ materially from those projected in the forward looking statements because of a

number of risks and uncertainties, these are discussed in our annual and quarterly SEC filings and in the cautionary statement contained in our press release and in our web deck. We assume no obligation to update our forward looking statements.

Please note that on today's call we will be referring to non GAAP financial measures, including non GAAP gross margin, operating expenses, operating income, net income and earnings per share.

Historical non GAAP financial measures are reconciled to the most directly comparable GAAP measures in the slide presentation posted on the investor relations portion of our website at Dell.com and in the press release included in our 8K filed today.

I encourage you to review these documents.

Please also note that unless otherwise mentioned, all growth percentages refer to year over year progress.

Now, I'd like to turn it over to Brian.

Brian Gladden: Thanks, Rob. We had a very strong fourth quarter and it caps off a solid full year for the company. We had great contributions from all parts of our business in the quarter and have now grown revenue and improved profitability for four quarters in a row.

As we've said before, our teams have been focused each quarter on delivering an operating income target. We have had quite a few areas where execution improved significantly. We were vigilant on costs, we reduced complexity and optimized our supply chain. We expanded our enterprise solutions and services footprint and we were disciplined on price and sales execution.

This quarter's results really speak to the momentum we feel in the business. And we're confident on the sustainability of this performance.

Let's take a closer look at the fourth quarter P&L and then I'll revisit our full year results before turning to our outlook for the next year.

Our key performance metrics are provided for your reference on pages five and six in the web deck.

Revenue in the fourth quarter was $15.7 billion, up five percent year over year and two percent sequentially driven by another strong showing in our enterprise solutions and services business and strong commercial client growth led by large enterprise and SMB business.

Enterprise solutions and services grew seven percent to $4.6 billion in revenue while our client product business grew four percent to $8.4 billion.

Also, our consumer business showed improvement and was modestly profitable at two percent operating income.

On a GAAP basis, operating income was $1.1 billion or 7.3 percent of revenue. And we delivered record earnings per share of 48 cents. The highest ever in any quarter for the company. Earnings per share was up 182 percent year over year and 14 percent sequentially.

For the rest of this call I'll refer to non GAAP financial measures.

We delivered 21.5 percent gross margins driven by strong supply chain execution, continued broad component cost declines and good pricing discipline and sales execution which positively impacted all of our lines of business.

OpEx was $2.1billion or 13.3 percent of revenue and was driven by increased investments in our solutions teams and sales capacity and additional expense related to our performance based compensation plans.

As we reiterated last quarter, our variable compensation plans are directly tied to revenue growth, operating income growth and cash flow. So we feel good about how these plans are working.

Operating income grew 61 percent to $1.3 billion or 8.2 percent of revenue. All of our commercial and public segments showed improved operating leverage in the quarter. The commercial segments as a whole delivered 10.6 percent

operating income, representing a 270 basis point increase from the previous year.

Interest and other expenses were $18 million, driven by approximately $60 million in quarterly interest and banking fee expense offset by foreign currency impact and investment income.

For the quarter, our tax rate was 19.7 percent, driven by an increase in earnings attributable to lower tax jurisdictions.

For the full year our tax rate was 22.2 percent.

Earnings per share increased 89 percent year over year to 53 cents per share in the quarter.

In the quarter we generated $1.5 billion in cash flow from operations, $1.6 billion in free cash flow and our cash conversation cycle was a negative 33 days.

We ended the quarter with $15.1 billion in cash and investments and we repurchased $200 million worth of stock in the quarter.

As we describe on slide 10, we are committed to an A credit rating to support our captive finance company and ensure access to commercial paper. We continue to actively manage our global liquidity and continue to monitor the credit markets for favorable entry points.

Also because this topic has come up a couple times now, let me say again, we have no intention to take the company private. We're focused on funding the strategic transformation of the business and maintaining a moderate share repurchase program. This year we returned nearly 20 percent of free cash flow to equity investors in the form of $800 million in share repurchase.

Now, let's take a look at our lines of business and retail performance which you'll find detailed on pages 11 through 15 in our web deck.

Enterprise solutions and services revenue grew seven percent to $4.6 billion, driven by strong performance in servers and networking, which grew at 16 percent. Rack and blade servers both grew 26 percent. Our storage business

grew six percent sequentially and declined four percent year over year. EqualLogic had another strong quarter with revenue that grew 49 percent.

Clearly our storage business has transitioned from primarily being a storage reseller to a full fledged storage technology provider. Because of this change in mix, our total gross margin contribution from storage has more than doubled over the last two years.

We've made a conscious decision to invest organically and inorganically to grow our intellectual property and we're pleased with the progress here.

Turning to client, we continue to see a strong corporate refresh cycle driven by consistent growth in large enterprise and the SMB businesses. We anticipated more pricing pressure than actually materialized in the quarter and are hopeful that this environment will continue.

Overall, client hardware revenues were up four percent. Client revenue in large enterprise grew 20 percent and in SMB it grew 10 percent.

Consumer client growth was up 10 percent sequentially, but down six percent year over year, relative to a strong Windows 7 launch last year.

Software and peripherals grew seven percent to $2.7 billion, driven by strong performance in display and peripherals and now represents 17 percent of our revenue.

Geographically, we saw revenue growth across all regions with APJ up 17 percent and the Americas and EMEA were both up three percent in the quarter.

Emerging countries continue to be a key driver for us. BRIC countries grew 21 percent and now represent 13 percent of our consolidated revenue. India was up 37 percent, China was up 21 percent and Brazil was up 15 percent year over year in the quarter.

Revenue among BRIC plus 10 countries grew 19 percent and for the full year revenue is now almost $10 billion.

In particular this quarter, revenue grew 33 percent in Southeast Asia.

Turning to our segment level performance on page 16 through 20 in the web deck. In our large enterprise, public and SMB segments combined, revenue grew nine percent to $12.4 billion. Strong demand, good sales execution and a favorable cost environment led to double digit, gross margin dollar growth in our servers, storage, client and SMB business. The combination of these segments delivered $1.3 billion in operating income, or 10.6 percent of revenue and up 270 basis points from the prior year.

Our public business revenue was up four percent to $4 billion. We continue to see a mixed environment here with challenging customer dynamics in Europe. Server and storage revenue was up 13 and 12 percent respectively.

Overall public OpInc was $366 million and improved 50 basis points and 9.2 percent of revenue.

Our small and medium business had a very strong revenue and profit quarter as well. Revenue of $3.7 billion was up 12 percent to the highest level in two years, driven by strong demand across all product lines.

Servers and storage revenue were up 22 and 20 percent respectively.

While our client hardware was also strong with revenue there of 10 percent.

We delivered operating income of $450 million, 12 percent of revenue.

In our consumer business, revenue was $3.3 billion and up 11 percent sequentially, driven by the holiday season. And down eight percent versus the previous year, after last year's launch of Windows 7.

More importantly, consumer delivered 2.1 percent operating profit. We continue to make progress on our product and marketing initiatives and in matching their supply chain with the retail buying seasons. This was again the case during the holiday season. Overall, operating profit improved due to supply chain transformation, favorable component environment and a streamlined product portfolio.

Now I'll turn it over to Steve Schuckenbrock to discuss our large enterprise and Dell services performance.

S. Schuckenbrock: Thanks, Brian. First, let me start with the large enterprise segment. Revenue was up 12 percent to $4.7 billion, led by an ongoing hardware refresh and early stages of new project investments among large corporate accounts. Client revenue was up 20 percent and server growth was up 14 percent. OpInc as a percent of revenue improved 150 basis points sequentially and 400 basis points on a year over year basis. Driven to our record high of $502 million or 10.7 percent of revenue.

Moreover, FY11 revenue in large enterprise was back to FY09 levels.

Profitability has improved 190 basis points from 6.4 percent operating income two years ago to 8.3 percent in FY11. The profitability improvement in large enterprise is indicative of the changes we're making in our business.

The first is a change in mix in our business to more enterprise solutions and services. At the beginning of FY09, enterprise solutions and services represented about a third of our large enterprise business and less than half of our gross margin contributors. As we close FY11, enterprise solutions and services mixes increased to 41 percent of our revenue and over half of our gross margin contribution.

The second change is better client dynamics in the back half of this year. Particularly is component costs improved, coupled with a resurgence in corporate demand.

The third significant change is better overall sales execution. All year long we have been motivated and disciplined with respect to managing for OpInc dollar growth. We have made significant investments in sales and marketing capabilities and are definitely seeing the results of solution selling, better pricing execution and strong positioning for robust demand that is aligned with our most profitable products. We believe all of these changes are sustainable into this year. We will continue to drive the mix towards our enterprise solutions and services business and we feel good that corporate demand will continue.

As you know, I recently moved back to head our services business.

First, I want to thank Peter Altabef and the Dell Services team on a successful integration of Perot Systems. It is never easy to take two separate organizations and blend them into one. But in the last year the team in Plano has delivered on its first year revenue and cost synergy targets and put together a services organization with annual revenue of $7.7 billion. This team now includes 43,000 people within services and IT, operates 60 technology support centers in 90 countries and manages 36 customer data centers.

Also, the acquisitions of InSite One and SecureWorks attest to our intent to grow IP in areas customers value and where we see continued business growth. InSite One is the largest independent provider of object storage used to catalogue medical imaging. It is a fantastic acquisition.

Similarly, SecureWorks gives us a beachhead in security and positions us to offer more cloud based solutions. SecureWorks leverages unique industry leading IP to process more than 13 billion security events per day and protect more than 3000 customers on a worldwide basis.

For the fourth quarter, Dell Services revenue grew one percent to $1.9 billion. Transactional warranty support of $1.1 billion, flat on a year on year basis. And up two percent sequentially.

Outsourcing revenue was $656 million, up two percent. We have experienced slightly longer sales cycles this year, but the level of bid activity continues to be elevated.

Our project services grew six percent to $190 million. Solutions surrounding globally delivered application services, domestic enterprise resource planning and engineering services saw the strongest year to year growth.

Our services backlog is now $13.9 billion, up nine percent on a year over year basis. Services backlog includes deferred services revenue and contracted services backlog and provides useful information regarding transient changes in the size of our services business over time.

Deferred service revenue, which consists of primarily of our extended warranties were $6.7 billion, up 10 percent year over year.

Estimated contracted services backlog, which was primarily related to our outsourcing services businesses was $7.2 billion, up eight percent overall and importantly includes our new customer signings which were up 17 percent on a year on year basis.

We are very confident in the value we can create for our customers and shareholders thorough continued innovation and outstanding service delivery. I look forward to updating you on our services strategy on a separate call on March 31.

Now, let me turn it over to Brian.

Brian Gladden: Thanks, Steve. Let me quickly wrap up with a look back at the full year. Fiscal year '11 revenue was $61.5 billion, up 16 percent. Non GAAP gross margins improved 90 basis points to 19.1 percent for the year and operating income grew 40 percent to $4.1 billion, or 6.7 percent of revenue. And we delivered non GAAP earnings per share and GAAP earnings per share of $1.59 and $1.35 respectively. Our best performance in five years.

Cash flow from operations was $4.0 billion.

Our enterprise solutions and services business is now a $17.6 billion franchise, up from $14.5 billion two years ago.

As Steve pointed out, an increasing percentage of our profit solutions is coming from these solutions and services businesses. Our supply chain teams have also done an excellent job of redefining and optimizing our supply chain to accelerate our competitiveness.

Over the last couple of years we've moved significant manufacturing capability to contract manufacturers. The ODMs now produce about 70 percent of our products. We now ship approximately 42 percent of our client hardware as fixed configurations and freight most of this volume over the water.

Our product quality is also significantly improved such that we were able to realize lower warranty expense.

Consistent with the plans we shared with you in June, we've also been investing OpEx in the future of our business. During the year you saw us ramp our growth investments as our margins improved in the second half. We're pleased with the results we achieved this year and believe they demonstrate that our strategy has taken hold and is progressing well.

Let's turn to our outlook for the full year. For fiscal 2012 we expect revenue growth of five to nine percent. Non GAAP operating income growth of six to 12 percent and continued strong execution on cash flow – with cash flow from operations exceeding our net income. We believe the favorable component cost environment should continue into the first half of fiscal year '12. But the rate of cost deflation could slow as we move through the second half of the year.

We also note that we continue to make strategic investments to grow our enterprise solutions and services business.

On a quarterly basis, we anticipate interest and other to increase to around $60 million in expense per quarter. Our tax rate for the full year, FY11 was slightly over 22 percent. And we see our tax rate next year to be in the 23 to 25 percent range.

I want to reiterate that our teams are aligned and incentivized for reaching revenue operating income and cash flow targets. In FY11 we consistently hit our operating targets every quarter, we did so by making appropriate trade offs and pruning lower margin business in favor of revenue that delivered higher margins.

We also modulated our operating expenses in the first half of the year and then made prudent investments in the back half of the year as margins improved again.

We effectively improved operating income throughout the year while making key long term investments that will drive our performance in the future.

As we move into FY12, we will sustain this discipline and performance around managing for profitable growth.

For the first quarter we expect normal seasonal declines in our consumer and public businesses and as such, a slight sequential decline in revenue overall.

With that, I'll turn it over to Michael.

Michael Dell: Thanks, Brian. It's been a great year. There's a lot to celebrate from FY11 and I'm very pleased with our full year results and the strong performance we're seeing in our commercial businesses. FY11 was largely about building out our enterprise solutions and services portfolio and fixing and transforming our supply chain to get us healthy and more competitive. We grew our enterprise solutions and services revenue 27 percent to 17.6 billion. And Dell branded storage now represents nearly two thirds of storage revenues and over 80 percent of storage profits.

During the year, our supply chain improved significantly and client gross margin dollars improved nearly 40 percent in the second half of the year. We remain focused on developing and acquiring new technologies and capabilities and our IT solutions portfolio has never been stronger.

Among these investments are the recently completed acquisitions of SecureWorks for managed security services, Boomi as a SaaS platform to ease data exchange between cloud-based and on-premise applications and InSite One, a cloud-based leader in medical archiving solutions.

Our strategy around the efficient enterprise and flexible supply chain continues. We continue to develop and acquire key IP and enhance our sales capabilities. And we're also narrowing our focus on three key solution domains, namely end user computing, data center and information management and services and all things cloud. Each of these solution domains represent key areas Dell has to win. If FY11 was largely about getting operationally fit, then FY12 is going to be about leveraging this position of health and strength to move more aggressively and accelerate our transformation as a services and solutions company. Customers are now seeing Dell in a fresh light and we're heading into the new year with strength and optimism.

With that, let's open it up for questions.

Rob Williams: Thanks, Michael, just a quick reminder to please limit your questions to one with one follow up. Casey, let's go ahead and take the first question.

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.

And we will take our first question from Bill Shope with Goldman Sachs.

Bill Shope: Great, thanks guys. I was wondering if you could give us some more detail on component pricing? Particularly as a margin driver. Which components benefitted the quarter most and which components do you expect to fuel the continued benefit you stated going into the first half.

And then as a follow up to that, when you comment on the sustainability of results, is that a gross margin statement for fiscal '12 or will you adjust OpEx downward as we approach more normalized gross margins in the back half of the year?

Brian Gladden: Yes, thanks, Bill. I think on the component side I guess I would make the point that components continue to be favorable, as we said, coming out of the third quarter, I think memory obviously contributed in the quarter. LCDs continue to contribute as well. Just generally we saw overall a very favorable component environment in the fourth quarter.

But I would also say that there were a lot of other areas that contributed to the improved performance in margins and operating income in general. Great supply chain execution. We talked about product quality improvements. We had good pricing execution in the quarter, expanded product offerings and moving into some high price bands in other parts of the – in all parts of the business. And you see the performance improvement we saw in the consumer business. So, a lot of specific items that contributed to that improved performance, not just components. As we think about heading into the fiscal year '12 and the outlook that we provided, you know we've talked a lot about more – and what we provided really is operating income, so our energy is

focused around operating income and cash earnings as the priority and we're not really fixated on gross margin, so you know we've been saying this for a while. Over time we've said that our strategy should result in higher gross margins and higher OpEx for the company. I think you're starting to see some of that and we saw operating income for the year in the 6.7 percent range of revenue for the total year. Which is a nice improvement over last year's 5.6 percent and based on the outlook we gave you for fiscal year '12, we would expect to see continued improvement in the operating income percentage. So that's kind of how we're thinking about it and we'll modulate around that as we move throughout the year.

Operator: Our next question will come from Richard Gardner from Citi.

Richard Gardner: Thank you very much. I think you just answered one of them. Just to be clear, Brian, you are committed to continued expansion and operating margin percentage this year it sounds. Could you talk about the areas that you see, the opportunities that you see, both in terms of improving product mix or reducing cost that will contribute to that continued expansion this year?

Brian Gladden: Yes, I think it's going to be a lot of more of the same in terms of the areas of focus. You'll see us continue to focus on the supply chain. There are areas we can continue to find costs on a product side. Pricing is clearly an opportunity. Expanding the business on the enterprise side clearly has to be the biggest priority for us as we mix up the business in general. So I think you'll see that as we move forward as well in some of the investments we're making from an acquisition standpoint. Also the OpEx we put into the business is primarily focused on this higher margin areas that should ultimately drive expansions of overall operating income for the company. So, I think that's kind of the way we're thinking about it.

Richard Gardner: OK, and then as a follow up for Michael, I guess. Michael, you talked about this year being an even more aggressive year in terms of the company's transformation. Is there a take away from that statement regarding the company's acquisition strategy for this year or is the acquisition strategy going to remain pretty much the same? Thank you.

Michael Dell: I think it will be very similar to what you've seen us do in the recent history here where we're looking for relatively smaller sized ingredient acquisitions where we can leverage them with our substantial customer access and distribution.

You know a couple points just to add on to some of the recent questions, clearly there are mix improvements going on in the business, that's helping the margins. You also recall that we embarked on a real change in our supply chain about two years ago and have really made some remarkable progress in that showed up quite a lot in the second half of the year. I think this year we'll have a full year effect of that and we're quite pleased with the improvements there and we think those are sustainable.

Operator: Our next question will come from Ben Reitzes with Barclays Capital.

Ben Reitzes: Yes, hey. Thanks a lot. Michael, could you elaborate a little bit more on software in particular? You know you have that chart in your remarks going through your acquisitions. Could you just clarify a little more on where you think you are in management software and perhaps just a little more elaboration on your software strategy in particular because you bought storage, you obviously are pretty good in servers, so if you'd just talk about where you are in software and what your strengths and weaknesses may be there. And then I just have one quick follow up.

Michael Dell: Well, I think you're already seeing us in systems management and some of the software around supporting the systems infrastructure. The KACE acquisition was completed about a year ago. I think we have more than tripled the size of the business and had really great success for that. We're looking at how we can expand that platform into new customer categories and new capability and we're finding a great ability combine more and more offers together. So we have a very strong server platform, the storage platform continues to grow. We have strengthened the PowerConnect line particularly with our own PowerConnect 10 gig switch and software to help the management and orchestration of large numbers of virtual machines.

Recently we acquired SecureWorks which has a substantial amount of IP in managing security incidents and has become a trusted provider to thousands of

companies around the world. That's a platform we think we can grow quite substantially at attractive margins.

Operator: Our next question will come from Toni Sacconaghi from Sanford Bernstein.

Toni Sacconaghi: Yes, thank you. I wanted to revisit the gross margin question for the first half of 2012. It looks like at least for the first quarter you're expecting relatively flat revenues. You commented that you expect a favorable component cost environment to continue into the first half of the year and your gross margins have gone up 150 basis points or more in each of the last two quarters. So I guess the question is why wouldn't gross margins continue to go up in the first half of 2012? Are you expecting some change in the pricing environment? And then I have a follow up please.

Brian Gladden: Well, I think Toni, if you recall the third quarter conversation, we were probably a little bit hesitant to commit given anticipating a little bit more challenging pricing environment that it really didn't play out that way. So you know I think we'll take a conservative approach and be hopeful that that's the environment that continues. If we see continued progress in terms of the execution of the team and supply chain changes that we've made as well as a great environment, then it should be a good environment for us and that's what we're hopeful for. But again, we're driving operating income and we're going to make some investments in that sort of an environment to ultimately position use for the long term.

Michael Dell: Yes, Toni, and I would just like to emphasize that for us profit growth is more important than unit growth and that will be the defining sort of philosophy that we use here.

Operator: Our next question will come from Keith Bachman with Bank of Montreal.

Keith Bachman: Hi, thanks very much. This is for you, Brian, if I could. Could you talk a little bit about the underpinnings of your revenue growth guidance for FY12? In particular like to hear how you're thinking about the client revenue, the growth trajectory there as well as services to get to the guidance that you've talked about please.

Brian Gladden: Yes, I think we've given you a range that we think captures some of the potential volatility we could see in the environment. I do think we're fairly well aligned with what most of the industry projections are around client growth for the year. Again, we're more heavily weighted towards the commercial side of that business, so we should do slightly better than that in terms of overall growth rates and we would expect that's how it will play out for us. Other parts of the business, we would expect to grow faster than the market on our enterprise solutions and services side of the business. So you can put all that together, that's sort of how you get to that range that we laid out.

Rob Williams: Yes, and Casey, lets allow each of the analysts one follow up. So Keith, if you have a follow-up, happy to do that.

Operator: OK. Our next question will come from Steve Fox with CLSA.

Steve Fox: Hi, good afternoon. Two questions, first of all, just following up on that revenue question. You talked about – you talked about the revenues for the sales cycle rather than for the services business elongating and your public services revenues is about 40 percent of the total. So does that – is it – why would the services business grow maybe faster than average or below average?

And then secondly, can you just talk about the SMB margins a little bit more? How sustainable are the Q4 levels? What could pull them in or allow them to stay at those levels?

Brian Gladden: Yes, I guess I'll let Steve answer the services question. Clearly there are lots of areas where we have room to grow in the services business and places we're going to make investments to expand beyond the current footprint we have in services. So that's got to be a big part of the answer in terms of how we grow faster than the market.

S. Schuckenbrock: Yes, our public business was 40 percent of its revenue in the services space is indicative of the strength of our healthcare business. If you look at the combination of our transactional business which is more historical Dell and the acquisitions that we've made over the course of the last year or so, we've got

a phenomenal healthcare business. In fact, ranked the best or at the top quadrant of the space by Gartner.

We are quite excited about some of the growth opportunities, including the acquisition we just made of InSite One and some of the capabilities that we're bringing to hospital communities and focused on patient care.

You'll see us do similar things across other industries and you know when you look at the cloud strategy and you look at what we're doing relative to bringing IP, like we did with SecureWorks, like we did with InSite One, like we're doing with some of the pack systems in the healthcare space you'll see us do similar type plays across other industries which I think will underpin growth rate not only in Pub but across large enterprise and CSMB as well.

Brian Gladden: Yes, and Steven, on SMB, we're very, very pleased with the profitability of that business. You know its 12 percent of revenue right now. Great execution by the team. Great progress in growing the business. The BRIC countries driving some strong growth for them. There's clearly opportunity to continue to improve enterprise mix in the SMB business and that will help us continue to drive high margins there. So as Michael said, we value that profit more than we do unit growth and this is a place where it's playing out well for us.

Michael Dell: And I think we are highly differentiated in SMB and we're finding that the acquisitions we're making have their fastest and first take off in SMB, but also applicability to all of our business – all of our commercial businesses.

Steve Fox: Thanks – thank you very much.

Operator: Our next question will come from Brian Alexander with Raymond James.

Brian Alexander: Yes, maybe to follow up on Keith's question. The revenue growth guidance for FY12, five to nine percent, assumes acceleration from where we were in the fourth quarter and most companies out there are expecting stable to perhaps moderating growth in calendar '11 from where we exited 2010. And in fact the only categories that grew above five percent in your fourth quarter were servers and software and peripherals. So just going back to this, what gives you the optimism that growth will actually accelerate from where we were in the fourth quarter and if you could be more specific by customer segment,

product segment or region on where you expect to see that acceleration? Thank you.

Brian Gladden: Well, I think there's a couple things going on in the consumer business for instance, we made some conscious decisions to prune some of the growth we had in that business within the quarter, especially during the holiday season. We look back at that as a smart decision that helped us generate two percent operating income in the quarter. We'll continue to watch that business and we'll continue to make those tradeoffs in a smart way. But I think we expect to grow faster in consumer this year. So that's clearly an area that you'll see us you know modulate around margins, but probably grow at a faster rate. I think if you look at the rest of the business, we continue to feel strong – there's going to be strong growth on the corporate side around the client refresh. We think the server business will continue to have above average growth rates for the industry and some of the acquisitions that we've done will begin to contribute in terms of growth for the business on the enterprise side as well.

Brian Alexander: And then my follow up – thanks for that, Brian. My follow up would be the two percent consumer margin that you just achieved, how much of that would you say was driven by sustainable improvements that you've made in that business and do you expect per your margin target for FY12, do you expect to be able to sustain low single digit operating margins in consumer – especially given the fact that your expect it to grow nicely this year. Thank you.

Brian Gladden: Yes, I can tell you we're counting on the consumer business to deliver improved margins in FY12 from the fourth quarter.

Michael Dell: And we had very strong growth in our XPS and Alienware businesses, I think they grew 42 percent in the quarter and I think you'll see us focus on more profitable opportunities there.

Brian Alexander: OK, thank you very much.

Operator: Our next question will come from Scott Craig from Bank of America.

Scott Craig: Hi, good afternoon. Thanks. Just a quick question around the services business, can you maybe describe the margin progress you've made in services business over the past couple of years since you did the acquisition?

And then just a follow up on the consumer operating profit question, that two percent, Brian, that you want to expand on, is that something that we'll see pretty consistently through the year? In other words will it be two percent every quarter or is that more of annual target you were talking about? Thanks.

Brian Gladden: I'll take the first part. I mean we don't want to get kind of locked in to micromanaging that. We're on a good track with that business and we think the trajectory is good. Obviously there's going to be some level of volatility in that business as we see demand ebb and flow and investments we need to make. But we would expect it would improve from two percent in the coming year and when we look back on the total year, I think we'll feel pretty good about it. So with that I'll turn it over to Steve to talk about service.

S. Schuckenbrock: Yes, I think just generally about the margin improvement opportunities as well as progress that's been made in services. Our Pro Support business continues to resonate exceptionally well with customers and the attach rates are up year on year. We expect that continued improvement in attach rates into this year. That's a wonderful profit source for us and as you saw in the preamble here, the backlog is now up to $13.9 billion and that's an indication of both our outsourcing business as well as – and our transactional business underpinned by Pro Support.

If you look at our outsourcing and our projects business, both of them saw revenue growth but importantly we made real progress in some of the outsourcing contracts and saw improvement across those and in the projects business we see significant opportunity to improve the profitability as we lean into this year. So you know we feel very good about not only the progress we've made but some of the opportunities that lie here in the short term.

Scott Craig: Thank you.

Operator: Our next question will come from Maynard Um with UBS.

Maynard Um: Hi, thanks. Presumably a more solutions based sale is higher gross margin across your product portfolio and you've spent a lot of time transitioning your sales force to become more solutions oriented and presumably with services eventually being the driver to that value proposition. I'm wondering if you can just talk about how long you think it will take to transition Dell to become larger in solutions versus point product. Or maybe put it another way, how much of your revenues do you think you can generate that solutions based in fiscal '12 including the hardware.

And then my follow up, can you just talk about your smart phone and tablet strategy? Presumably that's higher margin, how much of that is helping the consumer business and what should we be looking forward to from Dell. Thanks.

S. Schuckenbrock: OK, let me start with the services piece of that question. First of all, we really put a significant investment in place starting in fiscal year '11 where we increase the capacity of the sales force, but as importantly, increase the capability of the sales force with some 150,000 – or I'm sorry 115,000 hours of training, 116 new courses, certification of technical specialists across the entire product line as well as into the services categories. And so, it was a pretty significant effort and I think you're seeing in the results, in the margin expansion and in the growth and the enterprise business and in the growth in the solutions space overall a real indication that these strategies are paying off and beginning to work.

I hesitate to put a percentage on how much of our total revenue is going to be quote, unquote solutions, but I would tell you that looking at the contribution of the enterprise business overall, which is up you know 32 percent on gross margin year on year, and up over 20 points on revenue year on year. And then watching the continued growth of our services business will be the best leading indicators. And while I can look at large enterprise and as I said on the call, we went from about a third of our revenue being enterprise and services to over 40 percent of our revenue, I think you can see that number easily get up to the 50 percent kind of range as we look into the future.

Michael Dell: And, on a gross margin basis, I think almost two thirds of our gross margin now comes from server storage network services, software and peripherals. So from

that standpoint, the epicenter of the company has really shifted in terms of profitability to these other areas and away from the PC which is now only about a third of the company's margin.

On smart phones and tablets, we were very pleased to introduce the new Venue and Venue Pro which are Android and Windows mobile 7 based 4.1 inch products. You'll see us enter the 10 inch tablet space with both Android Honeycomb and Windows later on this year and we think those will be reasonable platforms for us to you know participate more broadly in this space.

We've also rolled out services for mobility because we see many customers really looking to integrate these mobility solutions into their environments and that's a source of demand inside our series unit and we're focused on helping customers address those needs.

S. Schuckenbrock: Yes, I think that's a really critical opportunity for us in the services space. Every customer we talk to is now looking at how do I manage distributed compute and that goes all the way to smart devices and so this past week we announced some exciting services on application development, security and manageability of those end points.

Operator: Our next question will come from Shannon Cross with Cross Research.

Shannon Cross: Thank you very much. My first question is just with regard to the push out of Sandy bridge, we're just curious, have you seen any positives in terms of demand with people waiting for that or you know has there been any hiccups?

Brian Gladden: You know, Shannon, it's actually one of the benefits of our shorter supply chain has been that we've had minimal impact to our customers. We had very little in the pipeline and the impact for us in the fourth quarter was basically nothing. We expect no impact as well in the first quarter and I would say that on the shipment side as well as the demand side.

Shannon Cross: OK, great. And then Michael, I had a question for you as a follow up to the sort of the tablet question. You know given you have HP WebOS out there then you know Microsoft has now done the deal with Nokia, can you give us a little idea on how you're thinking about sort of the OS landscape and clearly you're talking about both – or Mobile 7 and Android, but sort of how are you thinking

about partnerships going forward and how Dell will work with both you know Android and Windows and if there's any other option that you would look at, thanks.

Michael Dell: For tablets, you know it's just as I said, its Android Honeycomb and Windows and we have customers that have a preference for either one. it's very easy for us to create platforms that share a great deal of hardware commonality that can run both either operating system and we are presently not considering any other options. Don't really see any other viable options that are worthy of consideration.

Shannon Cross: But no change following the Nokia Microsoft decision that relationship remains the same?

Michael Dell: No change.

Shannon Cross: Thanks.

Operator: Our next question will come from Katy Huberty with Morgan Stanley.

Katy Huberty: Thank you. Can you just talk about revenue linearity through the January quarter? And particularly what was the pace of business in the month of January versus the end of the calendar year?

And then just as a follow up, there's pretty consistently positive data points on corporate demand, but more mixed data with some of your peers in China talking about a big deceleration in PC growth this year and some U.S. retail data that has taken a turn for the worse. Are those – are those factors you're seeing in the market? Or do you think they're temporal or specific to other vendors? Thank you.

Brian Gladden: Yes, Katy, I wouldn't call it anything specific with January. It was about what we expected, sort of the post holiday consumer trend that we would usually see. We've been talking about muted demand in consumer now for two or three quarters and we don't see anything that's changed in that regard, and as you know, that represents about 20 percent of our business today. In terms of the rest of the trends, we would expect to see going into the first quarter sort of the normal seasonality that we would see quarter on quarter and haven't

really called out anything different and don't have any real specific concerns about China right now.

Operator: Our next question will come from Mark Moskowitz with JP Morgan.

Mark Moskowitz: Yes, thank you. Good afternoon. Two quick questions here, Steve, I wanted to come back to your comment around the elongating sales cycle. I want to see what the opportunity therein as relates to Dell could be in terms of as you guys come back here with a more focused enterprise solutions push maybe on a lower cost type of platform. Are you being folded into some of these folks who are maybe stress testing their budgets a little more? Are you seeing as maybe a nice value add lower cost platform? And how big is that opportunity?

S. Schuckenbrock: Trying to make sure I understand your question, but what I would tell you is that there's an enormous opportunity for Dell to do more attach of its services with hardware solutions. I'll give you some terrific examples of things we're doing with storage as an example where we do deployment and we do this wonderful program that you know we're learning from our future acquisition of Compellent around Copilot and how they do the management – proactive management of capacity and overall load balancing services with their customers as a part of their hardware offering. It's a wonderful offering, it's something that you can see us do across our entire product line in the future.

If you look at some of the new capabilities we're offering where we integrate our server, our storage and networking products and wrap that with software and bring that to the market, that offers a significant amount of services from consulting to implementation to helping customers with virtualization and also providing other types of services in the future that we could potentially leverage from that foot print into a cloud.

And so I think there's plenty of opportunities to take advantage of the hardware business and to drive that into different types of services offerings and you might have historically seen from Dell. Not sure I captured the question perfectly, but if it was how do we extend off of the hardware business and do more in the services space and wrap solutions around it? We see numerous opportunities to do that.

Mark Moskowitz: OK, and then as a follow up, either for Michael or Brian, how should we think about the ability of Dell to really sustain this push in terms of you know of bigger, more powerful solution provider, just from an R&D perspective as we see other vendors, other service providers, solutions providers try to gravitate toward the higher profit segments with in IT, I presume is going to be need for greater differentiation and just want to get a better sense of how we should think about R&D going forward.

Michael Dell: You know I think in the businesses where we have 60, 70, 80 percent gross margin you'll see us invest R&D in the you know 10, 15, 20 percent of revenue range. We're doing that today and that'll continue.

Brian Gladden: There is a dramatic shift of where the R&D dollars in the company are going that's occurred over the last two years and as you look at what we've done with the product portfolio in the client side, simplifying that product portfolio, leveraging our ODM relationships, we've been able to reposition significant dollars away from our client business and into the enterprise side of our business. So there's a pretty dramatic shift in where those dollars are being spent and to Michael's point, they would be fully aligned with those products that are high margin for the company.

Mark Moskowitz: Thank you.

Operator: Our next question will come from Jayson Noland with Robert Baird.

Jayson Noland: Thank you. An architecture question regarding large enterprise for Michael or Steve. I guess do you have a view on the consolidated stack versus best of breed point solutions? Does it matter for Dell or do you have a road map in place that you can speak with customers about?

S. Schuckenbrock: Well, I think we've been pretty clear that we think open wins and we think it's really important to make sure the choice is preserved for our customers. We've built a strategy around what we call open, capable and affordable. And that means that we preserve customer's choice. We innovate at every layer of the stack, and we drive for total cost of ownership as the key metric that our customers care about.

Now, when we talk about open, it's very clear that our customers can benefit from how each of those layers gets integrated together. And so we are offering solutions that have servers, have storage, have network capability bonded together and can be sold as a unit to a customer. And that unit can be bought in increments of say 50 virtual machines, or 100 virtual machines, or whatever the case might be, scaled quite nicely with the customer's business. And so frankly with Dell you can get it integrated or you can continue to – and you can continue to preserve your choice at every layer and we think that option and that flexibility is one of the critical things we do better than any of the competition.

Michael Dell: And I would just point out, there is something kind of wrong with some of the rhetoric that's being put in the industry. You know I think if you go do your own research, what you'll find is that the larger the customer will – the larger customers will absolutely tend to prefer more best of breed. Which is sort of exactly the opposite of the rhetoric that you're hearing or being sold from some others in the industry.

Jasyon Noland: Just as a follow up there, is Dell limited at all when it comes to integrated or bundled solutions given that you partner on the networking side?

S. Schuckenbrock: Not at all, in fact we do integration with our own IP as well as with partner IP today, and you can actually – I mean I think what's really key to us is that we can in fact bring a vertically integrated solution from Dell to our customers in small, medium and large customer spaces and we can preserve the choice that our customers want to make at every one of the layers and I think that's a unique capability that we intend to preserve because we think it's what drives the best value for them.

Jayson Noland: Thank you, Steve.

Michael Dell: And our PowerConnect business is one of our fastest growing, relatively new lines within our enterprise product organization, we're continuing to invest there.

What we're finding is that we can in fact sell networking quite readily and quite easily with our servers and our storage.

Jayson Noland: Thank you.

Operator: Our next question will come from Brian Marshall with Gleacher and Company.

Brian Marshall: Great, thanks guys. Question with regards to sort of the sustainability of the operating margin outlook going forward. If you take your guidance for revenue and operating income growth at the midpoint, you know it kind of implies operating margins of about 6.7 percent and you know clearly 8.2 percent was solid in Q4 and based upon the gross margin commentary for the first half of fiscal year '12, kind of sounds like we're going to be on a downward trending trajectory for operating margins throughout the year to get to the guidance for the year. So was wondering if you could comment on you know sort of the puts and takes on why the current operating margin level is not sustainable.

Brian Gladden: Yes, our math around the mid points would suggest that it's up year over year. We would have to go back and confirm that with you in terms of how you're doing that math. But we expect to see operating income continue to expand. We saw good progress in the second half of the year and we expect it to continue to improve as we move into next year.

Brian Marshall: Ok, and then a quick follow up. Regarding Dell DCS data center service group. Can you talk a little bit about maybe the size on an absolute level of this group? You know we've heard some pretty positive commentary our there with some of the large customers and then you know maybe a little bit on the margin profile here in this strategy going forward? Thanks.

S. Schuckenbrock: I don't think we're talking about size in terms of revenue and margin specifically of DCS. But I can tell you that the business continues to expand and you know as we disclosed in the past that 21, it's now 22 of the top 25 clouds in the world. We believe we continue to take share in this space and margins have continued to improve throughout the year and in fact we see pretty positive momentum as we transition into next year.

So without giving you specific numbers in terms of size of revenue or number of units et cetera. I think we continue to be quite bullish in the DCS business overall.

Brian Marshall: Thank you.

Operator: Our next question will come from Chris Whitmore from Deutsche Bank.

Chris Whitmore: Thanks very much. I wanted to follow up on the previous pricing and margin questions. I'm curious as to why you believe competitors haven't been more aggressive pricing given the weakness in the consumer PC market and soft commodity prices. Why aren't competitors more aggressive?

Brian Gladden: Yes, we're not going to comment on what competitors are doing. it is a competitive marketplace and there clearly are opportunities to grow and our business is well positioned in those opportunities and you know as I said, I think it was a reasonably favorable competitive market that we've seen and you know we're hopeful that that continues.

Chris Whitmore: And to be clear, your guidance implies a competitive market gets more aggressive going forward, is that correct?

Brian Gladden: Well, I think what we've said is that we've got optionality in terms of how we manage the P&L, we've got good pricing disciplines in place. We've got a lot of aggressive work around cost, and I think given all of that we feel comfortable that we can continue to drive operating income expansion.

Chris Whitmore: And finally on the tablet/smartphone space, do you think your supply chain will transfer well to this form factor, given the components are very different and you have for example, touch screens, et cetera. Do you think your supply chain transfers and you can generate incremental contribution margins in this segment?

Michael Dell: That's absolutely our plan and certainly as we've understood the space and what others have done there we believe we can enter the space and do it in a way that contributes to our profits.

Chris Whitmore: Thanks very much.

Operator: We'll now take our final question from Louis Miscioscia with Collins Stewart.

Louis Miscioscia: Hey, wow. So first question, Brian, just a clarification on the operating margins, I believe when you're talking about that, you're talking on an annual basis, not a sequential basis for improvement, correct?

Brian Gladden: That's right, that's right.

Louis Miscioscia: Great. On the services side, Steve, you know one of the things I think that concept was in maybe buying Perot was that hopefully you would get some hardware pull through, can you just talk about that whether you're actually seeing some pull through and is it material yet or do you still expect that sometime in the future? And then one more services question follow up.

S. Schuckenbrock: Yes, first yes, we are seeing hardware pull through. We're solutioning Dell hardware and Dell reference architectures into our core service offerings when we compete for bids. You know in the marketplace. And so yes is the answer to your question. We are seeing hardware and solutions pull through and we're quite excited about some of the advantages that that gives us.

Brian Gladden: And we've met our synergy expectations around that in the first year that…of the integration.

Louis Miscioscia: And then the follow up was, did you say that services signings were up 17 percent and if so maybe if you could just pinpoint which part of services and maybe if you can just give us some thoughts on the whole year is that - is that just kicked up recently in the first third quarters were a bit softer than that?

S. Schuckenbrock: Yes. No, what I said is the new logo signings, the new customer signings, so brand new Dell services customers is up 17 percent on a year on year basis. We've added some significant new customers to our list and we're seeing those relationships expand. I just had the opportunity to spend a fair amount of time with those customers and we'll tell you we're off to a really good start which is the critical phase of any of these relationships is to get out of the blocks well and we are getting out of the blocks very well with those customers. The pipeline continues to expand. I think what you'll see us do is more aggressively qualify that pipeline because I think some of the elongated sales cycle issue is a result of chasing a lot of things and so we'll narrow down the focus to those

things that are right in our wheelhouse that we know we can win and I think you'll see a lot of progress in that regard as we move forward.

Louis Miscioscia: Good luck on the new year, guys.

Rob Williams: Thanks, everyone. We look forward to sharing our enterprise solution and services strategy and progress with you over the coming quarter and year. Take care

Operator: This concludes today's conference call. We appreciate your participation. You may disconnect at this time.

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