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# Dell 3Q FY13 Performance Review

## **Michael Dell**

Chairman and CEO

## **Brian Gladden**

SVP, Chief Financial Officer

## **Steve Felice**

President, Chief Commercial  
Officer



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November 15, 2012

# Forward-Looking Statements

## **Special Note on Forward Looking Statements:**

*Statements in this presentation that relate to future results and events (including statements about Dell's future financial and operating performance, trends relating to macroeconomic challenges, IT demand growth, government demand, Windows 8, tablet demand, client and software margins trends, enterprise solutions and services growth and tax outlooks, as well as the financial guidance with respect to revenue and non-GAAP earnings per share) are forward-looking statements and are based on Dell's current expectations. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including: intense competition; Dell's reliance on third-party suppliers for product components, including reliance on several single-sourced or limited-sourced suppliers; Dell's ability to achieve favorable pricing from its vendors; weak global economic conditions and instability in financial markets; Dell's ability to manage effectively the change involved in implementing strategic initiatives; successful implementation of Dell's acquisition strategy; Dell's cost-efficiency measures; Dell's ability to effectively manage periodic product and services transitions; Dell's ability to deliver consistent quality products and services; Dell's ability to generate substantial non-U.S. net revenue; Dell's product, customer, and geographic sales mix, and seasonal sales trends; the performance of Dell's sales channel partners; access to the capital markets by Dell or its customers; weak economic conditions and additional regulation affecting our financial services activities; counterparty default; customer terminations of or pricing changes in services contracts, or Dell's failure to perform as it anticipates at the time it enters into services contracts; loss of government contracts; Dell's ability to obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms; infrastructure disruptions; cyber attacks or other data security breaches; Dell's ability to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates; expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax audits and other compliance matters; impairment of portfolio investments; unfavorable results of legal proceedings; Dell's ability to attract, retain, and motivate key personnel; Dell's ability to maintain strong internal controls; changing environmental and safety laws; the effect of armed hostilities, terrorism, natural disasters, and public health issues; and other risks and uncertainties discussed in Dell's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for its fiscal year ended February 3, 2012. In particular, Dell's expectations with regard to revenue and non-GAAP earnings per share assume, among other matters, that there is no significant decline in economic conditions generally or demand growth specifically, that macroeconomic challenges do not materialize into more significant economic difficulties, no significant change in seasonality patterns, continued strength in server, storage and network products and continued geographic customer demand trends. Dell assumes no obligation to update its forward-looking statements.*

## **Non-GAAP Financial Measures:**

*This presentation includes information about non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share (collectively the "non-GAAP financial measures"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the historical non-GAAP financial measures and of free cash flow, which is also a non-GAAP measure, to the most directly comparable GAAP measures in the slides captioned "Supplemental Non-GAAP Measures." A detailed discussion of our reasons for including the non-GAAP financial measures and the limitations associated with those measures is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations - Non-GAAP Financial Measures" in Dell's annual report on Form 10-K for the fiscal year ended February 3, 2012. We encourage investors to review the historical reconciliation and the non-GAAP discussion in conjunction with our presentation of the non-GAAP financial measures.*



# Dell 3Q FY13

## 3Q Earnings Review

**Brian Gladden**

SVP, Chief Financial Officer



# 3Q FY13 Consolidated GAAP Results

## Consolidated GAAP P&L<sup>1</sup>

\$ in Millions - except Units and EPS

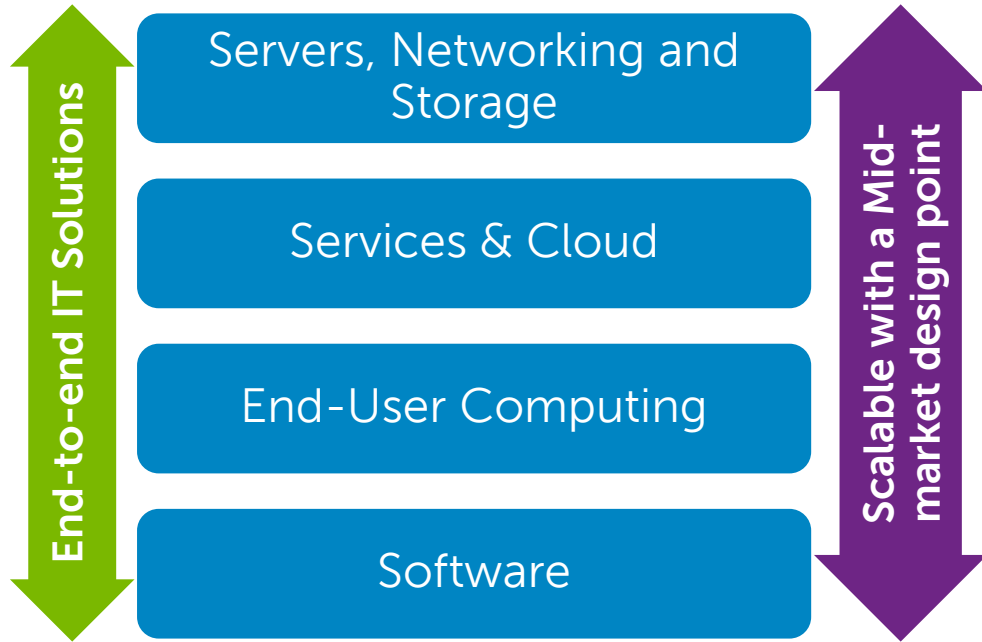
	3Q'12	2Q'13	3Q'13	Y/Y Growth	Seq Growth
<b>Units (thousands)</b>	11,087	10,393	9,743	-12%	-6%
<b>Revenues</b>	15,365	14,483	13,721	-11%	-5%
<b>Gross Margin</b>	3,469	3,138	2,872	-17%	-8%
<i>GM % of revenue</i>	22.6%	21.6%	20.9%	-170 bps	-70 bps
<b>Operating Expenses</b>	2,327	2,237	2,283	-2%	2%
<i>Opex % of revenue</i>	15.2%	15.4%	16.6%	140 bps	120 bps
<b>Operating Income</b>	1,142	901	589	-48%	-35%
<i>OpInc % of revenue</i>	7.4%	6.2%	4.3%	-310 bps	-190 bps
<b>Income Before Taxes</b>	1,072	838	551	-49%	-34%
<b>Income Tax</b>	179	106	76	-57%	-28%
<i>Effective Tax Rate %</i>	16.7%	12.7%	13.8%	-290 bps	110 bps
<b>Net Income</b>	893	732	475	-47%	-35%
<i>NI % of revenue</i>	5.8%	5.1%	3.5%	-230 bps	-160 bps
<b>Diluted EPS</b>	\$0.49	\$0.42	\$0.27	-45%	-36%

<sup>1</sup>Percentages and ratios are calculated based on underlying data



# 3Q FY13 Highlights

Continued growth in Enterprise Solutions, Services & Software



*Growth refers to year-over-year*

- Enterprise solutions and services revenue up +3% to \$4.8B
- ES&S revenue annual run-rate approaching \$20B, growing at mid-single digits year-to-date, and solid profit
- Server & Networking revenue up +11%
- Year-to-date added AppAssure, SonicWALL, Wyse, Make, Clarity, and Quest Software
- Quest Software is a foundational asset for our software business, which will contribute to a higher mix of solutions with more predictable revenue and margin



# 3Q FY13 Non-GAAP Summary

- Executing our strategy to deliver end-to-end solutions with a scalable design point
  - Enterprise Solutions & Services grew +3% Y/Y with +11% Y/Y growth in Servers & Networking
  - ES&S revenue annual run-rate approaching \$20B, growing at mid-single digits year-to-date, and solid profit
- Delivered revenue of \$13.7B, down -11% Y/Y and down -5% sequentially
- Gross margin was 22.0%, down -60bps sequentially. Gross margins in Q2 benefited by approximately \$70M, or 50bps, primarily related to a vendor settlement
- Operating expenses declined -\$20M sequentially; opex percent increased +70bps sequentially to 15.5%
- Operating income was \$886M or 6.5% of revenue, down -130bps sequentially and down -190bps Y/Y
- Earnings per share of \$0.39, down -28% Y/Y
- Cash flow from operations was \$1.3B; \$3.7B trailing twelve months
- Invested \$4.7B year-to-date to acquire new capabilities and intellectual property; returned almost \$900M year-to-date to shareholders through stock buyback and recently introduced dividend



# 3Q FY13 Consolidated Non-GAAP Results

## Revenue Detail

### Consolidated P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	3Q'12	2Q'13	3Q'13	Y/Y Growth	Seq Growth
<b>Units (thousands)</b>	11,087	10,393	9,743	-12%	-6%
<b>Revenues</b>	<b>15,365</b>	<b>14,483</b>	<b>13,721</b>	<b>-11%</b>	<b>-5%</b>
<b>Gross Margin</b>	3,546	3,270	3,013	-15%	-8%
<i>GM % of revenue</i>	<i>23.1%</i>	<i>22.6%</i>	<i>22.0%</i>	<i>-110 bps</i>	<i>-60 bps</i>
<b>Operating Expenses</b>	2,258	2,147	2,127	-6%	-1%
<i>Opex % of revenue</i>	<i>14.7%</i>	<i>14.8%</i>	<i>15.5%</i>	<i>80 bps</i>	<i>70 bps</i>
<b>Operating Income</b>	1,288	1,123	886	-31%	-21%
<i>OpInc % of revenue</i>	<i>8.4%</i>	<i>7.8%</i>	<i>6.5%</i>	<i>-190 bps</i>	<i>-130 bps</i>
<b>Income Before Taxes</b>	1,218	1,060	848	-30%	-20%
<b>Income Tax</b>	235	185	169	-28%	-9%
<i>Effective Tax Rate %</i>	<i>19.3%</i>	<i>17.5%</i>	<i>19.9%</i>	<i>60 bps</i>	<i>240 bps</i>
<b>Net Income</b>	983	875	679	-31%	-22%
<i>NI % of revenue</i>	<i>6.4%</i>	<i>6.0%</i>	<i>4.9%</i>	<i>-150 bps</i>	<i>-110 bps</i>
<b>Diluted EPS</b>	\$0.54	\$0.50	\$0.39	-28%	-22%

<sup>1</sup>Percentages and ratios are calculated based on underlying data

- Delivered revenue of \$13.7B, down -11% Y/Y and down -5% sequentially
- Enterprise Solutions and Services up +3% Y/Y
- Revenue dynamics:
  - Servers and Networking up +11% Y/Y, 12 consecutive quarters of Y/Y growth
  - Challenging global IT demand environment, especially in core PC business
  - Mixed results from Desktop and Mobility businesses (down -19% Y/Y); enhanced focus on this business and driving cost-out initiatives



# 3Q FY13 Consolidated Non-GAAP Results

## Gross Margin Detail

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- Gross margin was 22.0%, down -60bps sequentially. Gross margins in Q2 benefited by approximately \$70M, or 50bps, primarily related to a vendor settlement
- Mix shift to ES&S helping to stabilize margins
- Margin pressure in client business
- Services gross margin % expanded sequentially for 6<sup>th</sup> consecutive quarter





# 3Q FY13 Consolidated Non-GAAP Results

## Operating Expense and Operating Income Detail

### Consolidated P&L<sup>1</sup>

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<sup>1</sup>Percentages and ratios are calculated based on underlying data

- Operating expenses were \$2.1B, down -\$20M sequentially
- Operating expense dynamics:
  - Focused on controlling discretionary spending in this demand environment
  - Added \$60M of opex for Quest and \$90M of strategic spend for other recent acquisitions and sequential increase in R&D
- Operating expense percent was 15.5%, up +70bps sequentially
- Operating income was \$886M, or 6.5% of revenue, down -130bps sequentially and down -190bps Y/Y



# 3Q FY13 Consolidated Non-GAAP Results

## Interest & Other Income, Taxes, and Diluted Weighted Average Shares Detail

### Consolidated P&L<sup>1</sup>

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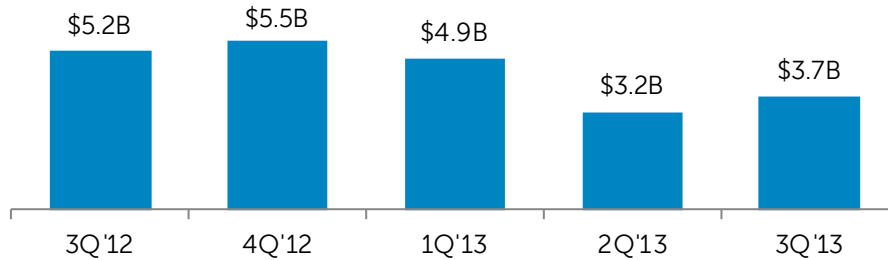
- Interest & other income of -\$38M, driven by interest expense and F/X
- Tax rate of 19.9%; full-year non-GAAP outlook of approximately 20%
- Repurchased \$1.3B or 82M shares of stock over the trailing twelve months
- Diluted weighted average shares down -86M Y/Y, down -5% Y/Y
- EPS down -28% Y/Y to \$0.39

<sup>1</sup>Percentages and ratios are calculated based on underlying data

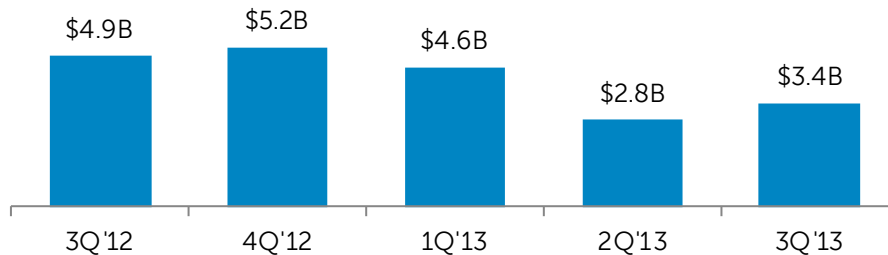


# 3Q FY13 Cash Flow / Capital Allocation

## Cash Flow from Operations<sup>1</sup>



## Free Cash Flow<sup>1,2</sup>



<sup>1</sup>Trailing Twelve Months

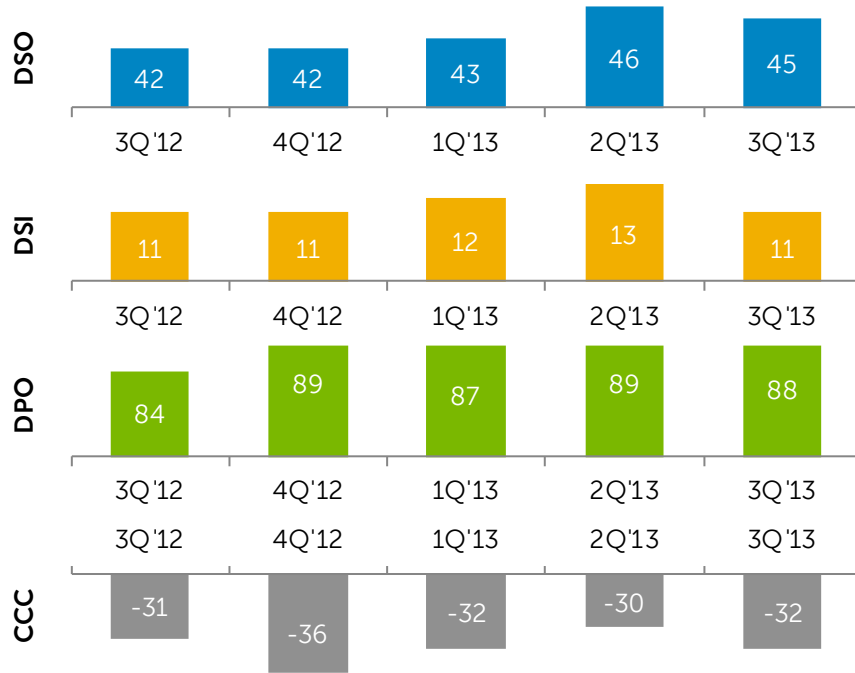
<sup>2</sup>Cash flow from operations less capital expenditures and excluding financing receivables

- Cash flow from operations of \$1.3B; \$3.7B trailing twelve months
- Cash flow will continue to benefit from the changes in our business model as we migrate to more software and services based solutions
- Increase in cash flow from operations primarily driven by -2 days sequential improvement in cash conversion cycle
- Free cash flow of \$1.3B; \$3.4B trailing twelve months
- Ended 3Q with \$14.2B cash and investments
- Invested \$4.7B year-to-date to acquire new capabilities and intellectual property
- Returned almost \$900M year-to-date to shareholders through stock buyback and recently introduced dividend



# 3Q FY13 Working Capital

## Cash Conversion Cycle (CCC)



- Days sales outstanding down -1 day sequentially to 45 days, remains above historic norm due to mix shift to ES&S where customer terms are typically longer
- Days sales of inventory down -2 days sequentially to 11 days, driven by lower raw materials and finished goods
- Days payables outstanding down -1 day sequentially to 88 days, primarily driven by quarterly seasonality
- Cash conversion cycle improved -2 days sequentially to -32 days
- Total deferred services revenue liability increased +11% Y/Y and +5% sequentially to \$8.0B



# 3Q FY13 Line of Business Results

## LOB Revenue Trends

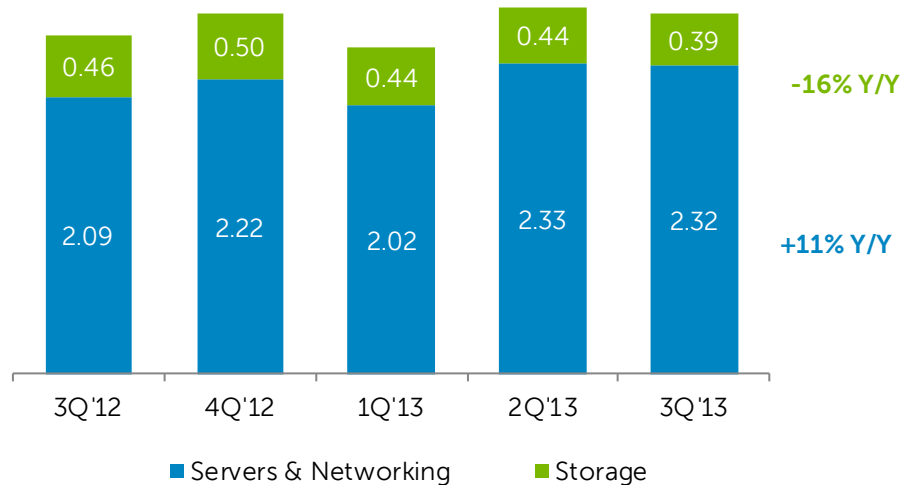
	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	
Revenue	Servers & Networking	2,089	2,220	2,017	2,332	2,322
	Storage	460	500	444	435	386
	Services	2,123	2,179	2,071	2,106	2,107
	S&P	2,528	2,558	2,386	2,338	2,258
	Mobility	4,750	4,877	4,236	3,870	3,523
	Desktop PCs	3,415	3,697	3,268	3,402	3,125
<b>Total</b>	<b>15,365</b>	<b>16,031</b>	<b>14,422</b>	<b>14,483</b>	<b>13,721</b>	
Q/Q Growth	Servers & Networking	2%	6%	-9%	16%	0%
	Storage	-8%	9%	-11%	-2%	-11%
	Services	4%	3%	-5%	2%	0%
	S&P	-2%	1%	-7%	-2%	-3%
	Mobility	0%	3%	-13%	-9%	-9%
	Desktop PCs	-9%	8%	-12%	4%	-8%
<b>Total</b>	<b>-2%</b>	<b>4%</b>	<b>-10%</b>	<b>0%</b>	<b>-5%</b>	
Y/Y Growth	Servers & Networking	13%	6%	2%	14%	11%
	Storage	-15%	-13%	-8%	-13%	-16%
	Services	10%	12%	4%	3%	-1%
	S&P	-2%	-4%	-7%	-9%	-11%
	Mobility	-2%	1%	-10%	-19%	-26%
	Desktop PCs	-6%	3%	-1%	-9%	-8%
<b>Total</b>	<b>0%</b>	<b>2%</b>	<b>-4%</b>	<b>-8%</b>	<b>-11%</b>	

*Servers and Networking includes Software acquisition revenue (Quest, SonicWALL, AppAssure, and Scalent)*



# 3Q FY13 Servers, Networking & Storage

## Servers, Networking & Storage Revenue (\$ in Billions)



Numbers displayed on chart are rounded, see Line of Business Results for more detail  
Servers and Networking includes Software acquisition revenue (Quest, SonicWALL, AppAssure, and Scalent)

*Growth refers to year-over-year*

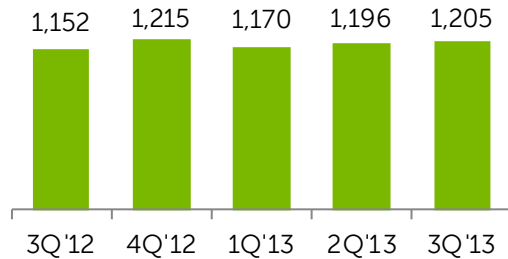
- Server revenue up +4%, driven by hyper-scale data center solutions business and 12<sup>th</sup> generation (12G) servers
  - 12G servers represented 2/3 of server revenue at higher ASPs and margins than previous generation
- Networking revenue up +40%, as it continues to benefit from 12G servers and native 10GbE on the motherboard
- Dell-owned IP storage revenue down -3%; introduce enhancements to portfolio over past 6 months including:
  - Backup, recovery and replication solutions, improved Compellent management software, converged data center solutions, and NAS capability on fiber channel



# 3Q FY13 Services, Security and Cloud

## Support & Deployment

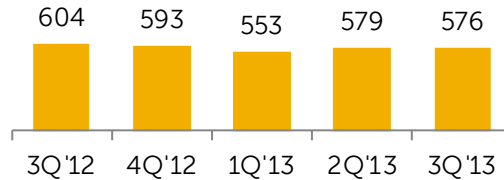
(Revenue \$ in Millions)



- Revenue up +5% Y/Y to \$1.2B
- Pressure from unit declines offset by increased attach rate of premium services and improved efficiency of delivery

## Infrastructure, Cloud & Security

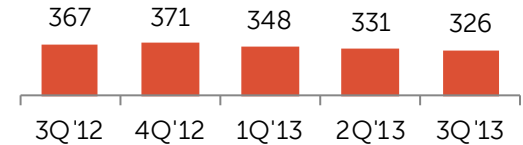
(Revenue \$ in Millions)



- Revenue down -5% Y/Y to \$576M, driven by select contract expirations
- Cloud revenue was up +30% Y/Y and Security revenue was up +16% Y/Y

## Applications & BPO

(Revenue \$ in Millions)



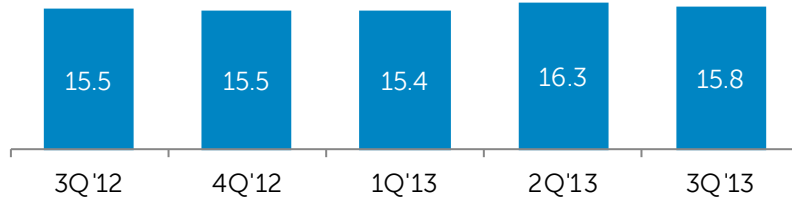
- Revenue down -11% Y/Y to \$326M, driven by select contract expirations
- Developing capabilities to position ourselves for profitable growth



# 3Q FY13 Services, Security and Cloud

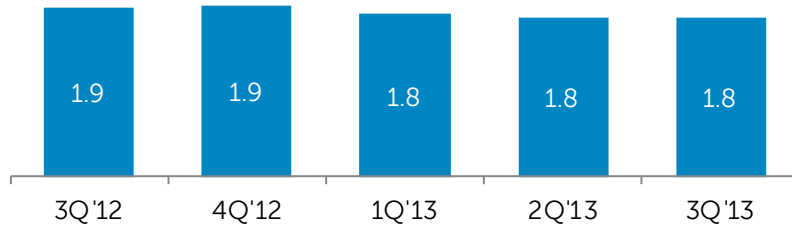
## Services Backlog

(\$ in Billions)



## TTM New Contract Signings

(\$ in Billions)



*Growth refers to year-over-year*

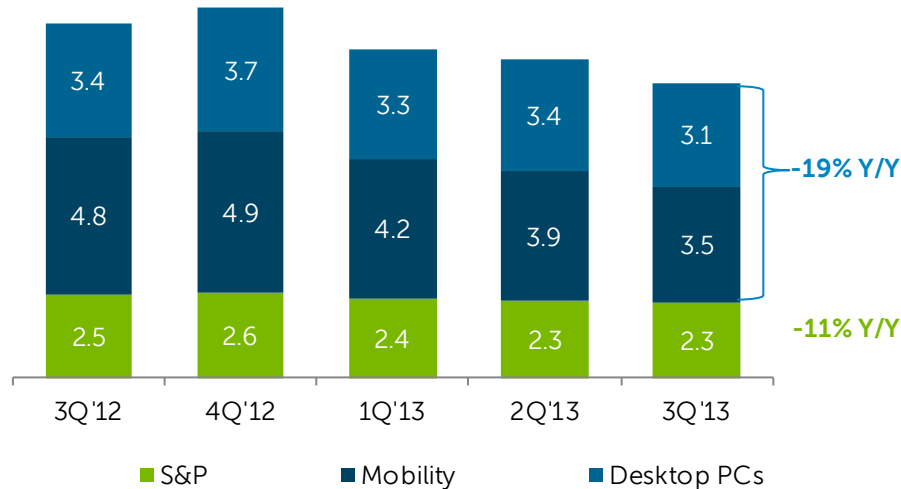
- Services backlog up +2% to \$15.8B
  - Deferred extended warranties up +5% to \$7.2B
  - Estimated contracted services backlog flat to \$8.7B
- Trailing twelve months new contract signings down -6% to \$1.8B
- Gross margin % increased sequentially for 6<sup>th</sup> consecutive quarter, driven by:
  - Improved cost structure
  - Increased attach rates of higher margin services





# 3Q FY13 End User Computing and Software & Peripherals

## End User Computing and S&P (\$ in Billions)



*Growth refers to year-over-year*

- Desktop revenue down -8%, holding share relative to last year
- Mobility revenue down -26%, losing share and not performing to our expectations
- Enhanced areas of focus:
  - Selling client and virtualization solutions to commercial accounts
  - Growing client acquisition business including simplified pricing strategy
  - Driving over \$1B in cost-out initiatives specifically in EUC business
- S&P revenue down -11%, impacted by contraction in desktops and notebooks

*Numbers displayed on chart are rounded, see Line of Business Results for more detail*



# Dell 3Q FY13 Business Results

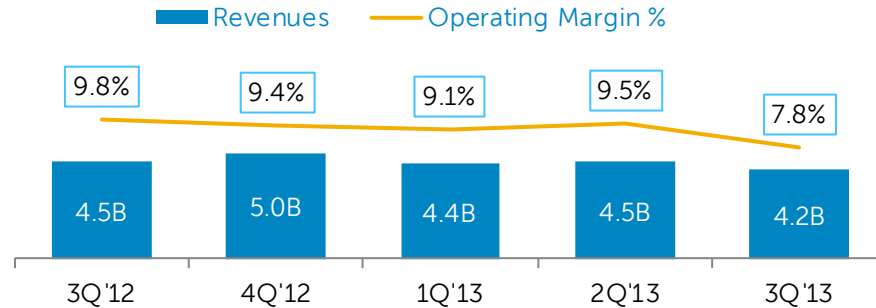
**Steve Felice**

President, Chief Commercial Officer



# 3Q FY13 Large Enterprise

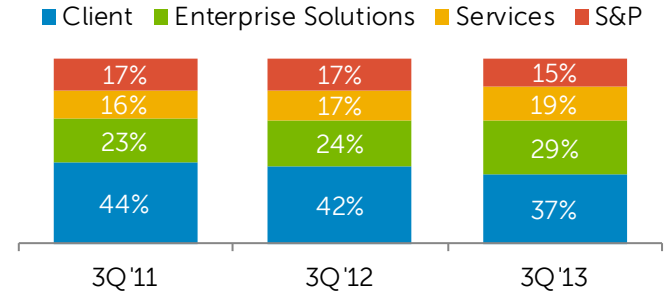
## Revenue & Operating Income



## Large Enterprise P&L

\$ in Millions	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13
Revenues	4,540	4,982	4,436	4,536	4,156
<i>Sequential Growth, %</i>	-3%	10%	-11%	2%	-8%
<i>Y/Y Growth, %</i>	3%	5%	-3%	-3%	-8%
Operating Income	446	467	402	433	325
<i>Operating Margin, %</i>	9.8%	9.4%	9.1%	9.5%	7.8%
<i>Sequential Growth, bps</i>	0 bps	-40 bps	-30 bps	40 bps	-170 bps
<i>Y/Y Growth, bps</i>	70 bps	-130 bps	-210 bps	-30 bps	-200 bps

## Revenue Mix

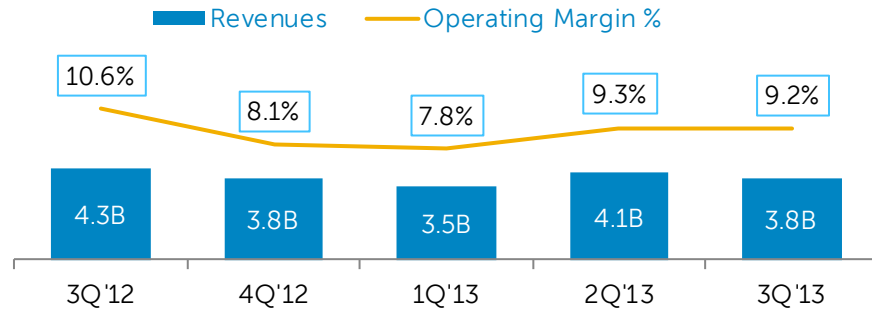


- Revenue down -8% Y/Y to \$4.2B, as many large commercial customers deferred discretionary IT hardware purchases
- Enterprise Solutions and Services grew +5% Y/Y, led by Servers & Networking growth of +14% Y/Y
- Operating income of \$325M down -170bps sequentially to 7.8% as a percent of revenue



# 3Q FY13 Public

## Revenue & Operating Income

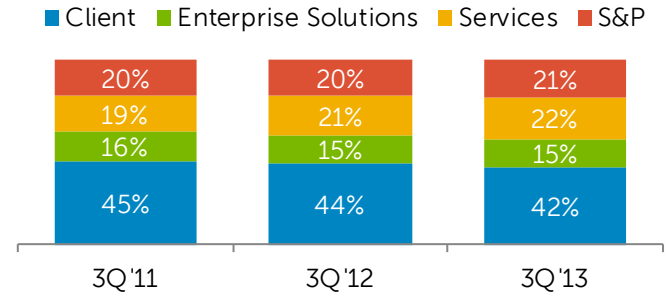


## Public P&L

\$ in Millions

	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13
Revenues	4,287	3,833	3,466	4,065	3,824
Sequential Growth, %	-1%	-11%	-10%	17%	-6%
Y/Y Growth, %	-1%	-1%	-4%	-6%	-11%
Operating Income	454	312	271	379	352
Operating Margin, %	10.6%	8.1%	7.8%	9.3%	9.2%
Sequential Growth, bps	-20 bps	-250 bps	-30 bps	150 bps	-10 bps
Y/Y Growth, bps	20 bps	-100 bps	-190 bps	-150 bps	-140 bps

## Revenue Mix

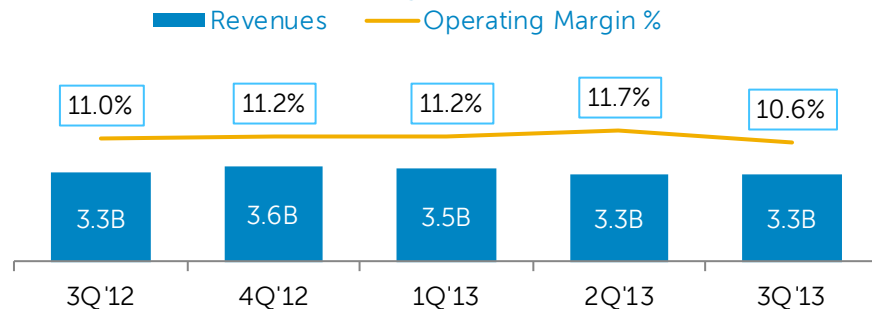


- Revenue down -11% Y/Y to \$3.8B; US Federal fiscal year closed as expected, but spending contracted in October
- Continue to see budgetary constraints in Western Europe government and global State & Local government spending
- Operating income of \$352M down -10bps sequentially to 9.2% as a percent of revenue



# 3Q FY13 Small & Medium Business

## Revenue & Operating Income

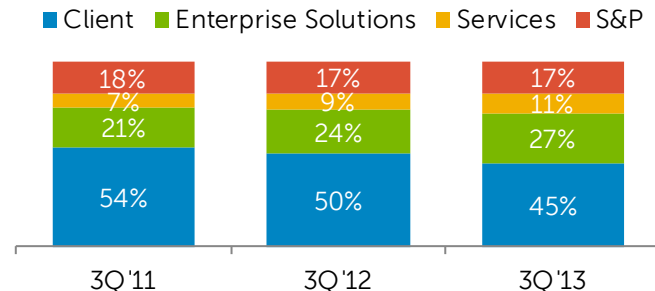


## SMB P&L

\$ in Millions

	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13
Revenues	3,326	3,560	3,477	3,258	3,282
Sequential Growth, %	1%	7%	-2%	-6%	1%
Y/Y Growth, %	5%	10%	4%	-1%	-1%
Operating Income	367	399	389	382	349
Operating Margin, %	11.0%	11.2%	11.2%	11.7%	10.6%
Sequential Growth, bps	-50 bps	20 bps	0 bps	50 bps	-110 bps
Y/Y Growth, bps	-50 bps	-170 bps	-180 bps	20 bps	-40 bps

## Revenue Mix

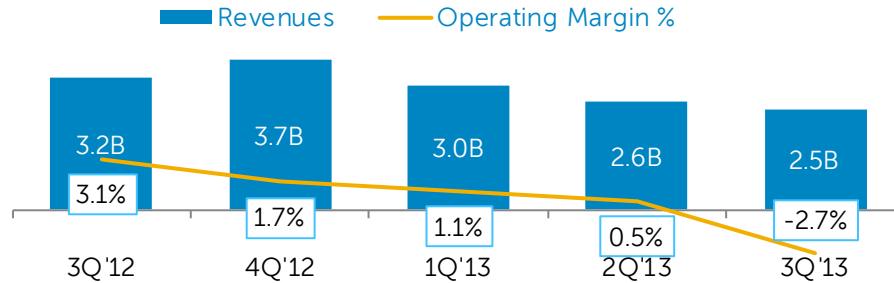


- Revenue down -1% Y/Y to \$3.3B
- Enterprise Solutions and Services grew +15% Y/Y, led by Services growth of +22% Y/Y and Servers and Networking growth of +16% Y/Y
- ES&S mix improved 6 consecutive quarters with expanding ES&S margins over that time
- Operating income of \$349M down -110bps sequentially to 10.6% as a percent of revenue



# 3Q FY13 Consumer

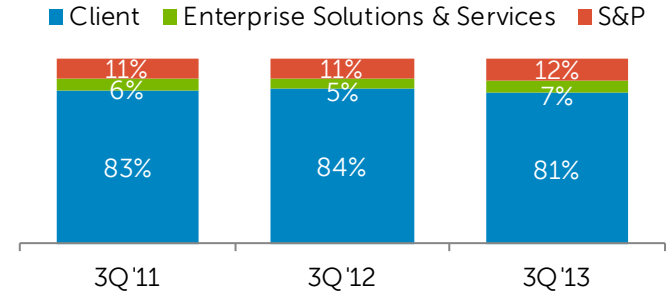
## Revenue & Operating Income



## Consumer P&L

\$ in Millions	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13
Revenues	3,212	3,656	3,043	2,624	2,459
Sequential Growth, %	-4%	14%	-17%	-14%	-6%
Y/Y Growth, %	-8%	-4%	-12%	-22%	-23%
Operating Income	99	61	32	14	-65
Operating Margin, %	3.1%	1.7%	1.1%	0.5%	-2.7%
Sequential Growth, bps	0 bps	-140 bps	-60 bps	-60 bps	-320 bps
Y/Y Growth, bps	230 bps	-110 bps	-380 bps	-260 bps	-580 bps

## Revenue Mix



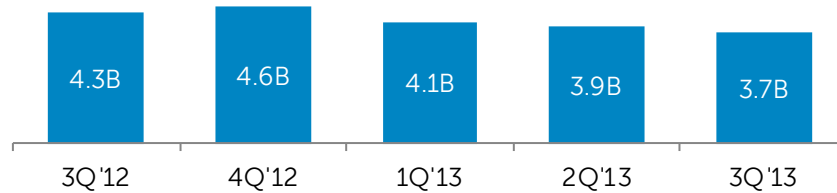
- Revenue down -23% Y/Y to \$2.5B with mobility revenue down -30%, driven by non-participation in low-value systems and shift in spend to tablets
- Encouraged by initial customer interest in touch-enabled offerings running Windows 8
- Operating income of -\$65M down -320bps sequentially to -2.7% as a percent of revenue



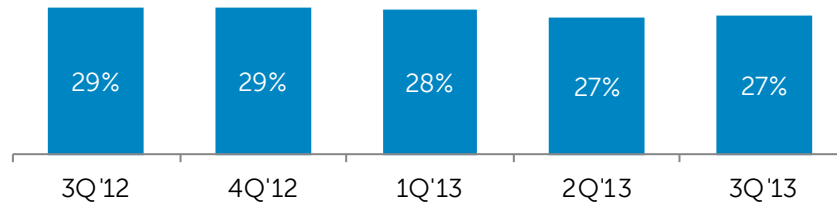
# 3Q FY13 Growth Markets and Regional Dynamics

## Growth Markets<sup>1</sup>

### Revenue



### % of Dell Total Revenue



*Growth refers to year-over-year*

### Growth Markets and BRIC Dynamics

- Growth market revenue down -15%, accounted for 27% of total revenue
- BRIC countries revenue down -12%; (Brazil down -13%, Russia down -8%, India down -29%, China down -7%)

### Regional Dynamics

- Americas revenue down -9%, while APJ and EMEA were down -11% and -15%, respectively

<sup>1</sup> Growth Markets exclude US, Canada, Western Europe and Japan



# Dell 3Q FY13 FY13 Quarterly and Full-year Outlook

**Brian Gladden**

SVP, Chief Financial Officer





# Outlook

## Q4 FY13

- Continue to see challenging global macro-economic and IT spending environment, which is clearly impacting our results. We don't expect that to improve much in Q4.
- Expect revenue to be up +2% to 5% sequentially
  - Q4 FY13 guidance includes expected impact from Quest acquisition of +\$180M-\$200M of revenue, +\$180M-\$200M of operating expense partially offset by +\$160M-\$170M of gross margin

## Full Year FY13

- Continue to outlook at least \$1.70 of earnings per share on a non-GAAP basis, incorporates 1 to 2 cents of dilutive impact from Quest Software for Q4
- Expect full-year non-GAAP tax rate of approximately 20%



# 3Q FY13 Corporate Responsibility

Dell's commitment to our planet, our communities and our people

## Our Planet

- Dell ranked #4 in the US on Newsweek's Rankings of Greenest Companies
- First draft of sustainability 2020 goals were reviewed by key stakeholders including customers, SRI's and rating companies
- Conducted Tier 1 and 2 sustainability workshop for production suppliers as well as Service Parts and Logistics suppliers
- Expanded Dell Reconnect partnership with Goodwill Industries to Hawaii
- All Latitude, XPS, and Precision notebooks launched this year are BFR/PVC\* free

## Our Communities & Our People

- Awarded Youth Learning grants to more than 40 nonprofits in the US, EMEA, and LATAM
- Received over 400 entries for the first Dell Education Challenge from university students with innovative ideas to transform learning (Winners will be announced at Dell World)
- Expanded Dell's Children's Cancer care program to two new countries, the UK and Panama
- Fiscal year-to-date, over 35% of employees have volunteered over 450K hours in countries around the world, surpassing last year and on track to meet 500K hour goal

\* Brominated Flame Retardants (BFR)/ Polyvinyl chloride (PVC)



# Dell 3Q FY13 Supplemental Non-GAAP Measures



# Supplemental Non-GAAP Measures

(\$ millions, except per share data)

	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13
<b>GAAP Net Income</b>	<b>341</b>	<b>545</b>	<b>822</b>	<b>927</b>	<b>2,635</b>	<b>945</b>	<b>890</b>	<b>893</b>	<b>764</b>	<b>3,492</b>	<b>635</b>	<b>732</b>	<b>475</b>
<b>GAAP EPS</b>	<b>0.17</b>	<b>0.28</b>	<b>0.42</b>	<b>0.48</b>	<b>1.35</b>	<b>0.49</b>	<b>0.48</b>	<b>0.49</b>	<b>0.43</b>	<b>1.88</b>	<b>0.36</b>	<b>0.42</b>	<b>0.27</b>
<u>Non-GAAP adjustments:</u>													
Amortization of intangibles	88	87	89	85	349	92	95	100	104	391	110	150	165
Severance & facility actions and Acquisition-related	77	40	54	56	227	72	87	46	108	313	76	72	132
Other <sup>1</sup>	140	0	(72)	0	68	0	0	0	0	0	0	0	0
Aggregate Tax-adjustments	(62)	(43)	(18)	(50)	(173)	(59)	(66)	(56)	(63)	(244)	(60)	(79)	(93)
Total adjustments to Net Income	243	84	53	91	471	105	116	90	149	460	126	143	204
Total adjustments to EPS - diluted	0.13	0.04	0.03	0.05	0.24	0.06	0.06	0.05	0.08	0.25	0.07	0.08	0.12
<b>Non-GAAP Net Income</b>	<b>584</b>	<b>629</b>	<b>875</b>	<b>1,018</b>	<b>3,106</b>	<b>1,050</b>	<b>1,006</b>	<b>983</b>	<b>913</b>	<b>3,952</b>	<b>761</b>	<b>875</b>	<b>679</b>
<b>Non-GAAP EPS</b>	<b>0.30</b>	<b>0.32</b>	<b>0.45</b>	<b>0.53</b>	<b>1.59</b>	<b>0.55</b>	<b>0.54</b>	<b>0.54</b>	<b>0.51</b>	<b>2.13</b>	<b>0.43</b>	<b>0.50</b>	<b>0.39</b>
<u>Percentage of Total Net Revenue:</u>													
GAAP Net Income	2.3%	3.5%	5.3%	5.9%	4.3%	6.3%	5.7%	5.8%	4.8%	5.6%	4.4%	5.1%	3.5%
Non-GAAP adjustments	1.6%	0.5%	0.4%	0.6%	0.8%	0.7%	0.7%	0.6%	0.9%	0.8%	0.9%	0.9%	1.4%
Non-GAAP Net Income	3.9%	4.0%	5.7%	6.5%	5.1%	7.0%	6.4%	6.4%	5.7%	6.4%	5.3%	6.0%	4.9%

<sup>1</sup> \$40M Legal Settlement, a \$100M SEC Settlement, and a -\$72M merger termination fee



# Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13
<b>GAAP Gross Margin</b>	<b>2,516</b>	<b>2,586</b>	<b>3,003</b>	<b>3,291</b>	<b>11,396</b>	<b>3,432</b>	<b>3,525</b>	<b>3,469</b>	<b>3,385</b>	<b>13,811</b>	<b>3,067</b>	<b>3,138</b>	<b>2,872</b>
<u>Non-GAAP adjustments:</u>													
Amortization of intangibles	68	70	71	69	278	71	74	77	83	305	88	109	120
Severance & facility actions and Acquisition-related	30	15	4	8	57	8	26	0	15	49	12	23	21
Total adjustments to Gross Margin	98	85	75	77	335	79	100	77	98	354	100	132	141
<b>Non-GAAP Gross Margin</b>	<b>2,614</b>	<b>2,671</b>	<b>3,078</b>	<b>3,368</b>	<b>11,731</b>	<b>3,511</b>	<b>3,625</b>	<b>3,546</b>	<b>3,483</b>	<b>14,165</b>	<b>3,167</b>	<b>3,270</b>	<b>3,013</b>
<u>Percentage of Total Net Revenue:</u>													
GAAP Gross Margin	16.9%	16.6%	19.5%	21.0%	18.5%	22.9%	22.5%	22.6%	21.1%	22.3%	21.3%	21.6%	20.9%
Non-GAAP adjustments	0.7%	0.6%	0.5%	0.5%	0.6%	0.5%	0.7%	0.5%	0.6%	0.5%	0.7%	1.0%	1.1%
Non-GAAP Gross Margin	17.6%	17.2%	20.0%	21.5%	19.1%	23.4%	23.2%	23.1%	21.7%	22.8%	22.0%	22.6%	22.0%



# Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13
<b>GAAP operating expenses</b>	<b>1,997</b>	<b>1,841</b>	<b>1,979</b>	<b>2,146</b>	<b>7,963</b>	<b>2,220</b>	<b>2,379</b>	<b>2,327</b>	<b>2,454</b>	<b>9,380</b>	<b>2,243</b>	<b>2,237</b>	<b>2,283</b>
<u>Non-GAAP adjustments:</u>													
Amortization of intangibles	(20)	(17)	(18)	(16)	(71)	(21)	(21)	(23)	(21)	(86)	(22)	(41)	(45)
Severance & facility actions and Acquisition-related	(47)	(25)	(50)	(48)	(170)	(64)	(61)	(46)	(93)	(264)	(64)	(49)	(111)
Other <sup>1</sup>	(140)	0	0	0	(140)	0	0	0	0	0	0	0	0
Total adjustments to opex	(207)	(42)	(68)	(64)	(381)	(85)	(82)	(69)	(114)	(350)	(86)	(90)	(156)
<b>Non-GAAP operating expenses</b>	<b>1,790</b>	<b>1,799</b>	<b>1,911</b>	<b>2,082</b>	<b>7,582</b>	<b>2,135</b>	<b>2,297</b>	<b>2,258</b>	<b>2,340</b>	<b>9,030</b>	<b>2,157</b>	<b>2,147</b>	<b>2,127</b>
<u>Percentage of Total Net Revenue:</u>													
GAAP operating expenses	13.4%	11.8%	12.8%	13.7%	12.9%	14.8%	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%	16.6%
Non-GAAP adjustments	-1.4%	-0.2%	-0.4%	-0.4%	-0.6%	-0.6%	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%	-1.1%
Non-GAAP operating expenses	12.0%	11.6%	12.4%	13.3%	12.3%	14.2%	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%	15.5%

<sup>1</sup> \$40M Legal Settlement and a \$100M SEC Settlement



# Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13
<b>GAAP operating income</b>	<b>519</b>	<b>745</b>	<b>1,024</b>	<b>1,145</b>	<b>3,433</b>	<b>1,212</b>	<b>1,146</b>	<b>1,142</b>	<b>931</b>	<b>4,431</b>	<b>824</b>	<b>901</b>	<b>589</b>
<u>Non-GAAP adjustments:</u>													
Amortization of intangibles	88	87	89	85	349	92	95	100	104	391	110	150	165
Severance & facility actions and Acquisition-related	77	40	54	56	227	72	87	46	108	313	76	72	132
Other <sup>1</sup>	140	0	0	0	140	0	0	0	0	0	0	0	0
Total adjustments to opinc	305	127	143	141	716	164	182	146	212	704	186	222	297
<b>Non-GAAP operating income</b>	<b>824</b>	<b>872</b>	<b>1,167</b>	<b>1,286</b>	<b>4,149</b>	<b>1,376</b>	<b>1,328</b>	<b>1,288</b>	<b>1,143</b>	<b>5,135</b>	<b>1,010</b>	<b>1,123</b>	<b>886</b>
<u>Percentage of Total Net Revenue:</u>													
GAAP operating income	3.5%	4.8%	6.7%	7.3%	5.6%	8.1%	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%	4.3%
Non-GAAP adjustments	2.0%	0.8%	0.9%	0.9%	1.1%	1.1%	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%	2.2%
Non-GAAP operating income	5.5%	5.6%	7.6%	8.2%	6.7%	9.2%	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%	6.5%

<sup>1</sup> \$40M Legal Settlement and a \$100M SEC Settlement



# Supplemental Non-GAAP Measures

(\$ millions)

	1Q'11	2Q'11	3Q'11	4Q'11	1Q'12	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13
<b><u>Net TTM Free Cash Flow</u></b>											
Cash flow from operations	3,383	3,642	3,754	3,969	4,196	5,235	5,173	5,527	4,924	3,187	3,679
Capital expenditures	(333)	(379)	(402)	(444)	(535)	(549)	(670)	(675)	(680)	(641)	(548)
Financing receivables	1,266	1,119	988	709	480	375	412	372	322	282	261
<b>Net TTM Free Cash Flow</b>	<b>4,316</b>	<b>4,382</b>	<b>4,340</b>	<b>4,234</b>	<b>4,141</b>	<b>5,061</b>	<b>4,915</b>	<b>5,224</b>	<b>4,566</b>	<b>2,828</b>	<b>3,392</b>
<b><u>Net Free Cash Flow</u></b>											
Cash flow from operations	238	1,335	913	1,483	465	2,374	851	1,837	(138)	637	1,343
Capital expenditures	(46)	(145)	(93)	(160)	(137)	(159)	(214)	(165)	(142)	(120)	(121)
Financing receivables	208	205	46	250	(21)	100	83	210	(71)	60	62
<b>Net Free Cash Flow</b>	<b>400</b>	<b>1,395</b>	<b>866</b>	<b>1,573</b>	<b>307</b>	<b>2,315</b>	<b>720</b>	<b>1,882</b>	<b>(351)</b>	<b>577</b>	<b>1,284</b>

