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# Dell 2Q FY'14 Performance Review



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August 15, 2013

Dell Investor Relations – 2Q FY14 Performance Review

See Financial History at [www.dell.com/investor](http://www.dell.com/investor)

# 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 the exhibit to our Current Report on Form 8-K filed August 15, 2013. We encourage investors to review the historical reconciliation and the non-GAAP discussion in conjunction with our presentation of the non-GAAP financial measures.*

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

*Statements in this material that relate to future results and events 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: effects of Dell's proposed merger; 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 Dell's 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 1, 2013, as amended on June 3, 2013. Factors or risks that could cause Dell's actual results to differ materially from the results it anticipates also include: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (2) the inability to complete the proposed merger due to the failure to obtain stockholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; (3) the failure to obtain the necessary financing arrangements set forth in the debt and equity commitment letters delivered pursuant to the merger agreement; (4) risks related to disruption of management's attention from the Company's ongoing business operations due to the transaction; and (5) the effect of the announcement of the proposed merger on the Company's relationships with its customers, operating results and business generally. Dell assumes no obligation to update its forward-looking statements.*



# Dell 2Q FY'14

## 2Q Earnings Review



# 2Q FY'14 Consolidated GAAP Results

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

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
Gross Margin	3,138	2,747	2,689	-14%	-2%
<i>GM % of revenue</i>	<i>21.6%</i>	<i>19.5%</i>	<i>18.5%</i>	<i>-310bps</i>	<i>-100bps</i>
SG&A Operating Expenses	1,976	2,208	2,097	6%	-5%
<i>SG&amp;A Opex % of revenue</i>	<i>13.6%</i>	<i>15.7%</i>	<i>14.4%</i>	<i>80bps</i>	<i>-130bps</i>
R&D Operating Expenses	261	313	320	23%	2%
<i>R&amp;D Opex % of revenue</i>	<i>1.8%</i>	<i>2.2%</i>	<i>2.2%</i>	<i>40bps</i>	<i>0bps</i>
Operating Expenses	2,237	2,521	2,417	8%	-4%
<i>Opex % of revenue</i>	<i>15.4%</i>	<i>17.9%</i>	<i>16.6%</i>	<i>120bps</i>	<i>-130bps</i>
Operating Income	901	226	272	-70%	20%
<i>OpInc % of revenue</i>	<i>6.2%</i>	<i>1.6%</i>	<i>1.9%</i>	<i>-430bps</i>	<i>30bps</i>
Income Tax	106	28	15	-86%	-46%
<i>Effective Tax Rate %</i>	<i>12.7%</i>	<i>17.6%</i>	<i>6.9%</i>	<i>-580bps</i>	<i>-1070bps</i>
Net Income	732	130	204	-72%	56%
<i>NI % of revenue</i>	<i>5.1%</i>	<i>0.9%</i>	<i>1.4%</i>	<i>-370bps</i>	<i>50bps</i>
Diluted EPS	\$0.42	\$0.07	\$0.12	-71%	71%

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



# 2Q FY'14 Highlights

## Our differentiated strategy:

The leading provider of end-to-end scalable solutions

Practical  
innovation

Efficient,  
simple and  
affordable

Superior  
relationship  
model

## Our customers' imperatives:



TRANSFORM



CONNECT



INFORM



PROTECT

## Our end-to-end portfolio:

Connecting  
**END USERS**

Integrating &  
optimizing  
the  
**ENTERPRISE**

Simplifying &  
securing  
through  
**SOFTWARE**

Enabling with  
next-  
generation  
**SERVICES**

*Growth refers to year-over-year*

- Enterprise Solutions, Services and Software revenue up +9% to \$5.8B
- According to IDC, Dell was the only vendor in top 5 to increase market share both Y/Y and sequentially for the past two quarters for worldwide PC units shipped
- For the 3<sup>rd</sup> year in a row Dell was ranked the #1 Healthcare IT services provider by Gartner
- We continue to add and invest in additional strategic capabilities



# 2Q FY'14 Non-GAAP Summary

- Delivered revenue of \$14.5B, flat Y/Y
- Gross margin was \$2.8B at 19.6% of revenue, down -100 basis points sequentially
- Operating expenses were \$2.2B at 15.4% of revenue, down -100 basis points sequentially
- Operating income was \$602M or 4.1% of revenue
- Tax rate was 21.1%
- Earnings per share of \$0.25, down -50% Y/Y
- Cash flow from operations was \$1.7B; on a trailing twelve month basis, cash flow from operations was \$4.4B, up +39% Y/Y



# 2Q FY'14 Consolidated Non-GAAP Results

## Revenue Detail

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

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
<b>Revenues</b>	<b>14,483</b>	<b>14,074</b>	<b>14,514</b>	<b>0%</b>	<b>3%</b>
Gross Margin	3,270	2,899	2,839	-13%	-2%
<i>GM % of revenue</i>	<i>22.6%</i>	<i>20.6%</i>	<i>19.6%</i>	<i>-300bps</i>	<i>-100bps</i>
SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
<i>SG&amp;A Opex % of revenue</i>	<i>13.0%</i>	<i>14.2%</i>	<i>13.3%</i>	<i>30bps</i>	<i>-90bps</i>
R&D Operating Expenses	259	309	313	21%	1%
<i>R&amp;D Opex % of revenue</i>	<i>1.8%</i>	<i>2.2%</i>	<i>2.2%</i>	<i>40bps</i>	<i>0bps</i>
Operating Expenses	2,147	2,309	2,237	4%	-3%
<i>Opex % of revenue</i>	<i>14.8%</i>	<i>16.4%</i>	<i>15.4%</i>	<i>60bps</i>	<i>-100bps</i>
Operating Income	1,123	590	602	-46%	2%
<i>OpInc % of revenue</i>	<i>7.8%</i>	<i>4.2%</i>	<i>4.1%</i>	<i>-370bps</i>	<i>-10bps</i>
Income Tax	185	150	116	-37%	-23%
<i>Effective Tax Rate %</i>	<i>17.5%</i>	<i>28.7%</i>	<i>21.1%</i>	<i>360bps</i>	<i>-760bps</i>
Net Income	875	372	433	-51%	16%
<i>NI % of revenue</i>	<i>6.0%</i>	<i>2.6%</i>	<i>3.0%</i>	<i>-300bps</i>	<i>40bps</i>
Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Delivered revenue of \$14.5B, flat Y/Y
- Revenue dynamics:
  - All operating segments except End User Computing (EUC) experienced Y/Y growth
  - Enterprise Solutions Group up +8% Y/Y to \$3.3B
  - Services revenue +2% Y/Y, driven by support & deployment
  - Americas and APJ revenue growth Y/Y, +1% and +2%, respectively

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



# 2Q FY'14 Consolidated Non-GAAP Results

## Gross Margin Detail

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

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
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Operating Expenses	2,147	2,309	2,237	4%	-3%
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Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Gross margin was \$2.8B at 19.6% of revenue, down -100 bps sequentially
- Gross Margin dynamics:
  - Adjusted EUC and server pricing to improve our share position in these businesses

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





# 2Q FY'14 Consolidated Non-GAAP Results

## Operating Expense and Operating Income Detail

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

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
Gross Margin	3,270	2,899	2,839	-13%	-2%
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<b>SG&amp;A Operating Expenses</b>	<b>1,888</b>	<b>2,000</b>	<b>1,924</b>	<b>2%</b>	<b>-4%</b>
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<b>Operating Income</b>	<b>1,123</b>	<b>590</b>	<b>602</b>	<b>-46%</b>	<b>2%</b>
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Income Tax	185	150	116	-37%	-23%
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Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Operating expenses were \$2.2B at 15.4% of revenue, down -100 bps sequentially
- Operating expenses dynamics:
  - \$125M in operating expenses related to pending go-private transaction, acquisition integration costs, and work force reductions that are excluded from our non-GAAP results
  - R&D was up +40bps Y/Y to 2.2% of revenue and SG&A was up +30 bps Y/Y to 13.3% of revenue
- Operating income was \$602M, or 4.1% of revenue

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



# 2Q FY'14 Consolidated Non-GAAP Results

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

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

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
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SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
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Operating Expenses	2,147	2,309	2,237	4%	-3%
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<b>Income Tax</b>	<b>185</b>	<b>150</b>	<b>116</b>	<b>-37%</b>	<b>-23%</b>
<i>Effective Tax Rate %</i>	<i>17.5%</i>	<i>28.7%</i>	<i>21.1%</i>	<i>360bps</i>	<i>-760bps</i>
<b>Net Income</b>	<b>875</b>	<b>372</b>	<b>433</b>	<b>-51%</b>	<b>16%</b>
<i>NI % of revenue</i>	<i>6.0%</i>	<i>2.6%</i>	<i>3.0%</i>	<i>-300bps</i>	<i>40bps</i>
<b>Diluted EPS</b>	<b>\$0.50</b>	<b>\$0.21</b>	<b>\$0.25</b>	<b>-50%</b>	<b>19%</b>

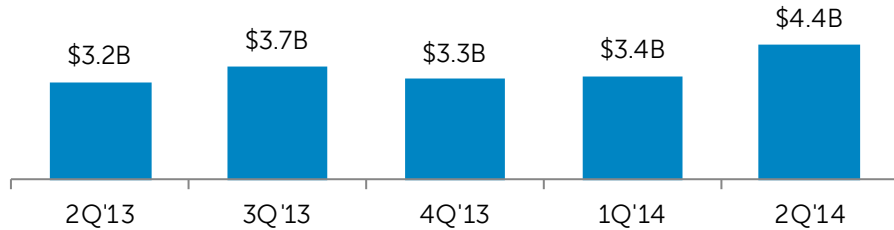
- Interest & other income of -\$53M
- Tax rate of 21.1%
- Diluted weighted average shares up +11M Y/Y, up +1% Y/Y
- EPS down -50% Y/Y to \$0.25

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

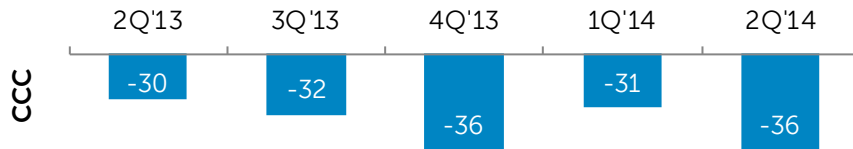


# 2Q FY'14 Cash Flow Management

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



## Cash Conversion Cycle (CCC)



- Cash flow from operations was \$1.7B
- Cash and investments balance was \$13.9B
- 5 day sequential improvement in cash conversion cycle primarily driven by an increase in days payable
  - Days sales outstanding flat sequentially to 45 days
  - Days sales of inventory flat sequentially at 11 days
  - Days payables outstanding up +5 days sequentially to 92 days

<sup>1</sup>Trailing Twelve Months



# 2Q FY'14 Product & Services Segment Summary

## Product & Services Segment P&L<sup>1</sup>

\$ in Millions

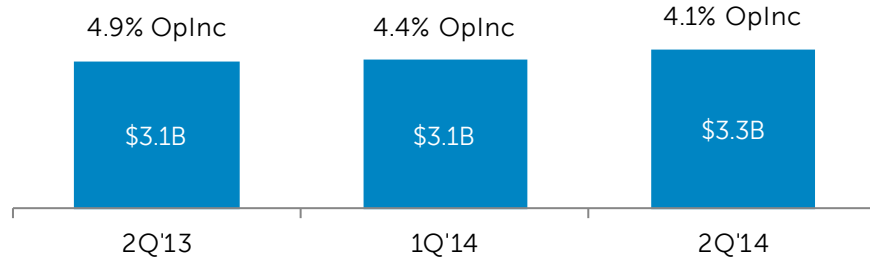
	Enterprise Solutions Group	Services	Software	End User Computing
Revenues	3,324	2,136	310	9,139
<i>Y/Y Growth, %</i>	8%	2%	NM	-5%
<i>Q/Q Growth, %</i>	7%	1%	5%	2%
Operating Income	137	339	(62)	205
<i>Operating Income, %</i>	4.1%	15.9%	-20.1%	2.2%
<i>Y/Y Growth, bps</i>	-80bps	-10bps	NM	-510bps
<i>Q/Q Growth, bps</i>	-30bps	-170bps	860bps	-30bps

<sup>1</sup>Reflects business unit results; reference IR tables for reconciliation with consolidated results



# 2Q FY'14 Enterprise Solutions Group

## Revenue & Operating Income

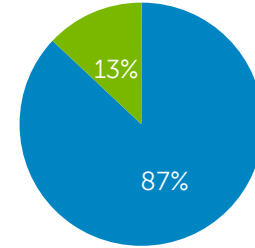


## Enterprise Solutions Group P&L

\$ in Millions

	2Q'13	1Q'14	2Q'14
Revenues	3,086	3,093	3,324
Y/Y Growth, %		10%	8%
Q/Q Growth, %			7%
Operating Income	151	136	137
Operating Income, %	4.9%	4.4%	4.1%
Y/Y Growth, bps		160 bps	-80bps
Q/Q Growth, bps			-30bps

## Revenue Mix



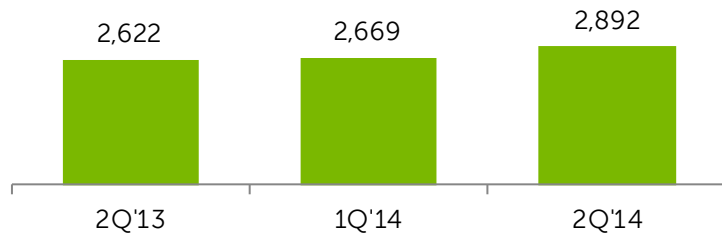
■ Servers, Networking & Peripherals ■ Storage

- Revenue up +8% Y/Y to \$3.3B
- Operating income of \$137M down -80bps Y/Y to 4.1% of revenue



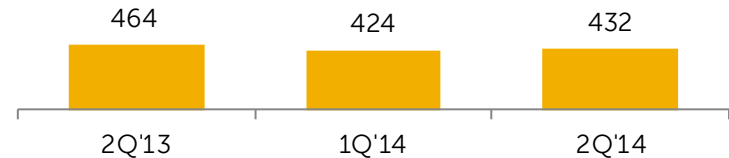
# 2Q FY'14 Enterprise Solutions Group Detail

## Servers, Networking & Peripherals (Revenue \$ in Millions)



- Revenue of \$2.9B, up +10% Y/Y; have grown this business for 9 out of the last 10 quarters
- Server business performed well, particularly in hyper scale data center solutions
- Networking up +19% Y/Y; 10<sup>th</sup> straight quarter of Y/Y growth

## Storage (Revenue \$ in Millions)

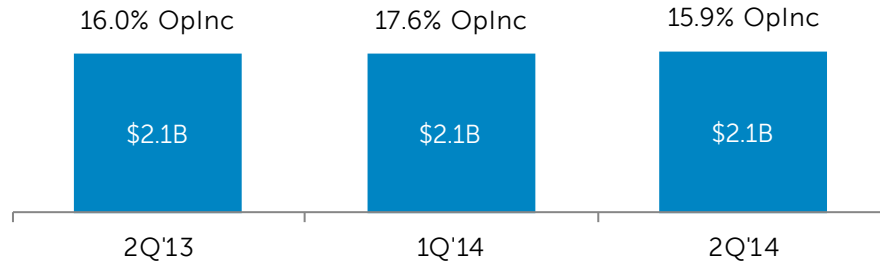


- Revenue of \$432M, down -7% Y/Y
- Continue to develop new and innovative solutions in this business



# 2Q FY'14 Services

## Revenue & Operating Income

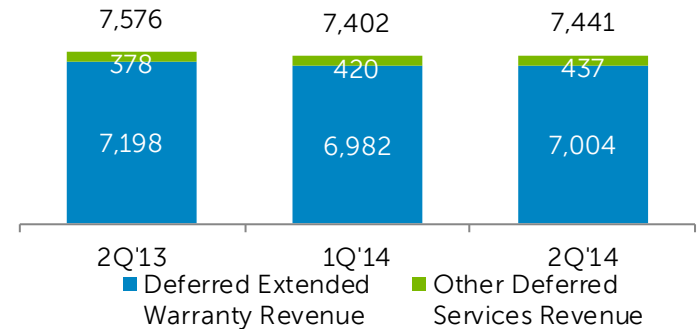


## Services P&L

\$ in Millions

	2Q'13	1Q'14	2Q'14
Revenues	2,097	2,109	2,136
Y/Y Growth, %		2%	2%
Q/Q Growth, %			1%
Operating Income	336	370	339
Operating Income, %	16.0%	17.6%	15.9%
Y/Y Growth, bps		130 bps	-10bps
Q/Q Growth, bps			-170bps

## Deferred Services Revenue

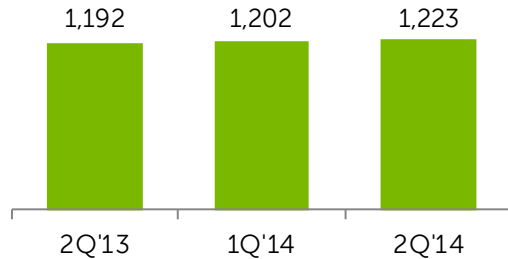


- Revenue up +2% Y/Y to \$2.1B
- Operating income of \$339M down -10bps Y/Y to 15.9% of revenue



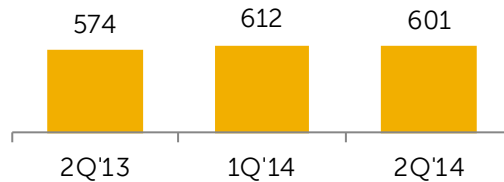
# 2Q FY'14 Services Detail

## Support & Deployment (Revenue \$ in Millions)



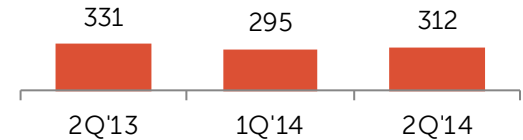
- Revenue up +3% Y/Y to \$1.2B
- Y/Y growth in ProSupport attach rates and other services tied to our hardware offerings

## Infrastructure, Cloud & Security (Revenue \$ in Millions)



- Revenue up +5% Y/Y to \$601M
- Security business up +19% Y/Y

## Applications & BPO (Revenue \$ in Millions)



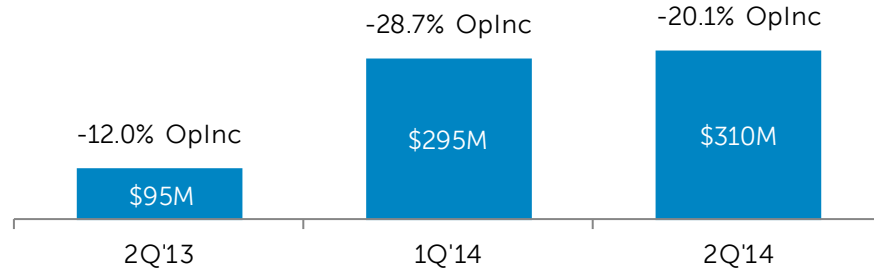
- Revenue down -6% Y/Y to \$312M, driven by a divestiture





# 2Q FY'14 Software

## Revenue & Operating Income



## Software P&L

\$ in Millions

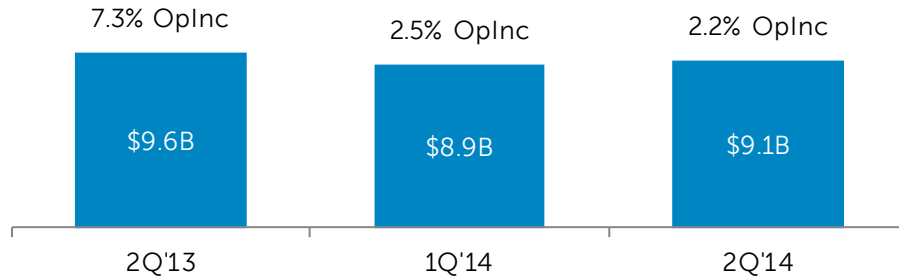
	2Q'13	1Q'14	2Q'14
Revenues	95	295	310
Y/Y Growth, %		NM	NM
Q/Q Growth, %			5%
Operating Income	-11	-85	-62
Operating Income, %	-12.0%	-28.7%	-20.1%
Y/Y Growth, bps		NM	NM
Q/Q Growth, bps			860bps

- Revenue of \$310M; Deferred software revenue balance of \$685M
- Company continues to make investments, seen by +76% Y/Y growth in Security Software products
- Operating loss of \$62M or -20.1% of revenue



# 2Q FY'14 End User Computing

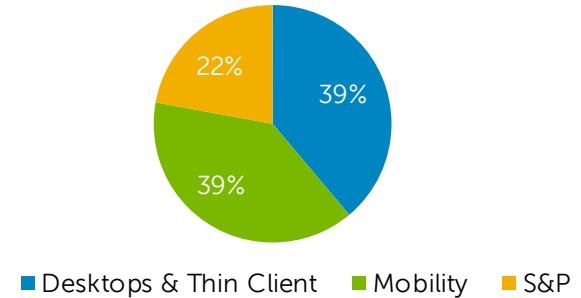
## Revenue & Operating Income



## End User Computing P&L

\$ in Millions	2Q'13	1Q'14	2Q'14
Revenues	9,571	8,920	9,139
Y/Y Growth, %		-9%	-5%
Q/Q Growth, %			2%
Operating Income	696	224	205
Operating Income, %	7.3%	2.5%	2.2%
Y/Y Growth, bps		-400 bps	-510bps
Q/Q Growth, bps			-30bps

## Revenue Mix



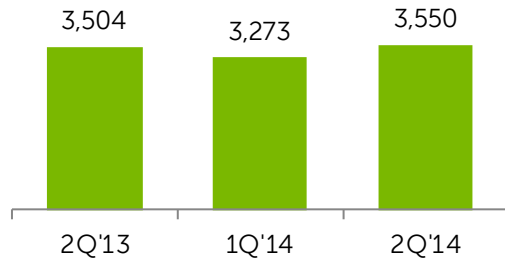
- Revenue down -5% Y/Y to \$9.1B; continued market competitiveness
- Operating income of \$205M, down -510bps Y/Y to 2.2% of revenue



# 2Q FY'14 End User Computing Detail

## Desktops & Thin Client

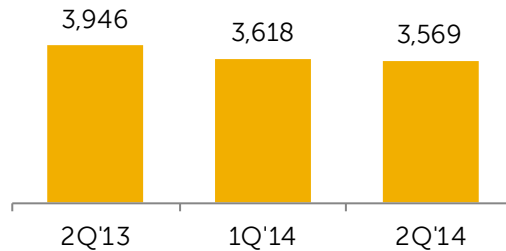
(Revenue \$ in Millions)



- Revenue up +1% Y/Y to \$3.6B
- Maintaining strong position in traditional desktops, good traction in all-in-one and thin client businesses

## Mobility

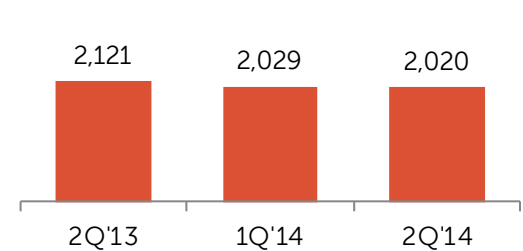
(Revenue \$ in Millions)



- Revenue down -10% Y/Y to \$3.6B; demand pressured by customers diverting spending to alternative mobile solutions

## Software & Peripherals

(Revenue \$ in Millions)



- Revenue down -5% Y/Y to \$2.0B
- Y/Y growth in displays and other electronics



# 2Q FY'14 Regional and BRIC Results

## Regional Revenue

\$ in Millions

### Americas

Sequential Growth, %

Y/Y Growth, %

### EMEA

Sequential Growth, %

Y/Y Growth, %

### APJ

Sequential Growth, %

Y/Y Growth, %

	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14
Americas Sequential Growth, %	6%	-5%	-1%	2%	6%
Americas Y/Y Growth, %	-6%	-9%	-10%	1%	1%
EMEA Sequential Growth, %	-4%	-8%	17%	-5%	-6%
EMEA Y/Y Growth, %	-7%	-15%	-14%	-2%	-4%
APJ Sequential Growth, %	-8%	-4%	8%	-7%	6%
APJ Y/Y Growth, %	-12%	-11%	-9%	-12%	2%

## Regional Dynamics

- Americas revenue was up +1% Y/Y
- EMEA revenue was down -4% Y/Y
- APJ revenue was up +2% Y/Y

## BRIC Dynamics

- BRIC countries revenue up +1% Y/Y
  - Brazil up +7% Y/Y
  - India up +6% Y/Y
  - China flat Y/Y
  - Russia down -33% Y/Y



# 2Q FY'14 Corporate Responsibility

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

## Our Planet

- Dell's FY13 Corporate Responsibility Summary report was published in June
- In FY13 we recycled more than 170 million pounds (77,497,028 kg) of electronics globally, putting us past the 1 billion pound takeback goal we set in 2008
- Dell commits to packaging that is 100% recyclable or compostable and 100% sustainably sourced by 2020
- Dell provided capability building to suppliers who had not previously reported emissions through the Carbon Disclosure Project and helped them to publically report for the first time
- Dell recently joined the SPLC, which is a group of leaders from government, industry, academia, standards organizations and NGOs joining forces to standardize how sustainable purchasing is defined, guided, measured and rewarded

## Our Communities & Our People

- Dell named the 2013 Microsoft YouthSpark Citizenship Partner of the Year
- The Dell Social Innovation Challenge awarded \$100K+ in prize money with winning students from India, Bangladesh, Germany, Mexico and the US
- Launched two university level challenges to spur innovation and social change
- Responded to disasters in China, India, Canada and the US matching over \$80K in employee contributions, giving \$315K in corporate donations



# Dell 2Q FY'14

## Supplemental Non-GAAP Measures



# Supplemental Non-GAAP Measures

(\$ millions, except per share data)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Net Income</b>	<b>890</b>	<b>893</b>	<b>764</b>	<b>3,492</b>	<b>635</b>	<b>732</b>	<b>475</b>	<b>530</b>	<b>2,372</b>	<b>130</b>	<b>204</b>
<b>GAAP EPS</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>	<b>0.30</b>	<b>1.35</b>	<b>0.07</b>	<b>0.12</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Aggregate Tax-adjustments	(66)	(56)	(63)	(244)	(60)	(79)	(93)	(84)	(316)	(122)	(101)
Total adjustments to Net Income	116	90	149	460	126	143	204	172	645	242	229
Total adjustments to EPS - diluted	0.06	0.05	0.08	0.25	0.07	0.08	0.12	0.10	0.37	0.14	0.13
<b>Non-GAAP Net Income</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>702</b>	<b>3,017</b>	<b>372</b>	<b>433</b>
<b>Non-GAAP EPS</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>	<b>0.40</b>	<b>1.72</b>	<b>0.21</b>	<b>0.25</b>
<u>Percentage of Total Net Revenue:</u>											
<i>GAAP Net Income</i>	<i>5.7%</i>	<i>5.8%</i>	<i>4.8%</i>	<i>5.6%</i>	<i>4.4%</i>	<i>5.1%</i>	<i>3.5%</i>	<i>3.7%</i>	<i>4.2%</i>	<i>0.9%</i>	<i>1.4%</i>
<i>Non-GAAP adjustments</i>	<i>0.7%</i>	<i>0.6%</i>	<i>0.9%</i>	<i>0.8%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>1.4%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.7%</i>	<i>1.6%</i>
<i>Non-GAAP Net Income</i>	<i>6.4%</i>	<i>6.4%</i>	<i>5.7%</i>	<i>6.4%</i>	<i>5.3%</i>	<i>6.0%</i>	<i>4.9%</i>	<i>4.9%</i>	<i>5.3%</i>	<i>2.6%</i>	<i>3.0%</i>

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



# Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Gross Margin</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>	<b>3,109</b>	<b>12,186</b>	<b>2,747</b>	<b>2,689</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	74	77	83	305	88	109	120	138	455	140	141
Severance & facility actions and Acquisition-related	26	0	15	49	12	23	21	11	67	10	8
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	2	1
Total adjustments to Gross Margin	100	77	98	354	100	132	141	149	522	152	150
<b>Non-GAAP Gross Margin</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>	<b>3,258</b>	<b>12,708</b>	<b>2,899</b>	<b>2,839</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Gross Margin	22.5%	22.6%	21.1%	22.3%	21.3%	21.6%	20.9%	21.7%	21.4%	19.5%	18.5%
Non-GAAP adjustments	0.7%	0.5%	0.6%	0.5%	0.7%	1.0%	1.1%	1.1%	0.9%	1.1%	1.1%
Non-GAAP Gross Margin	23.2%	23.1%	21.7%	22.8%	22.0%	22.6%	22.0%	22.8%	22.3%	20.6%	19.6%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.





# Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating expenses</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>	<b>2,411</b>	<b>9,174</b>	<b>2,521</b>	<b>2,417</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	(21)	(23)	(21)	(86)	(22)	(41)	(45)	(50)	(158)	(56)	(55)
Severance & facility actions and Acquisition-related	(61)	(46)	(93)	(264)	(64)	(49)	(111)	(57)	(281)	(70)	(79)
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	(86)	(46)
Total adjustments to opex	(82)	(69)	(114)	(350)	(86)	(90)	(156)	(107)	(439)	(212)	(180)
<b>Non-GAAP operating expenses</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>	<b>2,304</b>	<b>8,735</b>	<b>2,309</b>	<b>2,237</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating expenses	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%	16.6%	16.8%	16.1%	17.9%	16.6%
Non-GAAP adjustments	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%	-1.1%	-0.7%	-0.8%	-1.5%	-1.2%
Non-GAAP operating expenses	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%	15.5%	16.1%	15.3%	16.4%	15.4%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



# Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating income</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>	<b>698</b>	<b>3,012</b>	<b>226</b>	<b>272</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Total adjustments to opinc	182	146	212	704	186	222	297	256	961	364	330
<b>Non-GAAP operating income</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>	<b>954</b>	<b>3,973</b>	<b>590</b>	<b>602</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating income	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%	4.3%	4.9%	5.3%	1.6%	1.9%
Non-GAAP adjustments	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%	2.2%	1.8%	1.7%	2.6%	2.2%
Non-GAAP operating income	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%	6.5%	6.7%	7.0%	4.2%	4.1%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



# Supplemental Non-GAAP Measures

(\$ millions)

	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14
<b><u>Net TTM Free Cash Flow</u></b>									
Cash flow from operations	5,235	5,173	5,527	4,924	3,187	3,679	3,283	3,382	4,423
Capital expenditures	(549)	(670)	(675)	(680)	(641)	(548)	(513)	(529)	(573)
Financing receivables	375	412	372	322	282	261	193	135	185
<b>Net TTM Free Cash Flow</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>2,963</b>	<b>2,988</b>	<b>4,035</b>

## **Net Free Cash Flow**

Cash flow from operations	2,374	851	1,837	(138)	637	1,343	1,441	(39)	1,678
Capital expenditures	(159)	(214)	(165)	(142)	(120)	(121)	(130)	(158)	(164)
Financing receivables	100	83	210	(71)	60	62	142	(129)	110
<b>Net Free Cash Flow</b>	<b>2,315</b>	<b>720</b>	<b>1,882</b>	<b>(351)</b>	<b>577</b>	<b>1,284</b>	<b>1,453</b>	<b>(326)</b>	<b>1,624</b>

