

# **2009 DELL ANALYST MEETING**

## **JULY 14, 2009**



# 2009 ANALYST MEETING



**Robert Williams**

Director, Investor Relations

July 14, 2009

# DELL ANALYST MEETING

## JULY 14, 2009 AGENDA

8:00–8:05 am	Introduction	Robert Williams, Director Investor Relations
8:05–8:25 am	Strategy & Operating Agenda	Michael Dell, Chairman and CEO
8:25–8:45 am	Financial & Operational Overview	Brian Gladden, SVP and CFO
8:45–9:05 am	Large Enterprise	Steve Schuckenbrock, President Large Enterprise
9:05– 9:25 am	Public	Paul Bell, President Public
9:25– 9:55 am	Large Enterprise and Public Q & A	Steve Schuckenbrock and Paul Bell
9:55–10:10 am	Break	
10:10–10:30 am	Small & Medium Business	Steve Felice, President Small and Medium Business
10:30–10:50 am	Consumer	Ron Garriques, President Consumer
10:50–11:20 am	SMB and Consumer Q&A	Steve Felice and Ron Garriques
11:20–11:40 am	Break and Lunch pick-up	
11:40–12:40 pm	Q&A	Michael Dell and Brian Gladden
12:40–12:45 pm	Close	Michael Dell, Chairman and CEO



# SAFE HARBOR

Statements in this presentation that relate to future results and events (including statements about our future financial and operating performance) are forward-looking statements based on Dell's current expectations. 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: weakening global economic conditions and instability in financial markets; our ability to reestablish a cost advantage over our competitors; our ability to generate substantial non-U.S. net revenue; our ability to accurately predict product, customer and geographic sales mix and seasonal sales trends; information technology and manufacturing infrastructure failures and breaches in data security; our ability to effectively manage periodic product transitions; disruptions in component or product availability; our reliance on vendors for quality product components, including reliance on several single-source or limited-source suppliers; our ability to access the capital markets; risks relating to our internal controls; unfavorable results of legal proceedings; our acquisition of other companies; our ability to properly manage the distribution of our products and services; the success of our cost-cutting measures; effective hedging of our exposure to fluctuations in foreign currency exchange rates and interest rates; counterparty default risks; obtaining licenses to intellectual property developed by others on commercially reasonable and competitive terms; our ability to attract, retain and motivate key personnel; loss of government contracts; expiration of tax holidays or favorable tax rate structures; changing environmental laws; and the effect of armed hostilities, terrorism, natural disasters and public health issues. For a discussion of those and other factors affecting our business and prospects, see Dell's periodic filings with the Securities and Exchange Commission. We assume no obligation to update forward-looking statements.



# STRATEGY & OPERATING AGENDA



**Michael Dell**

Chairman and CEO

July 14, 2009

# KEY MESSAGES

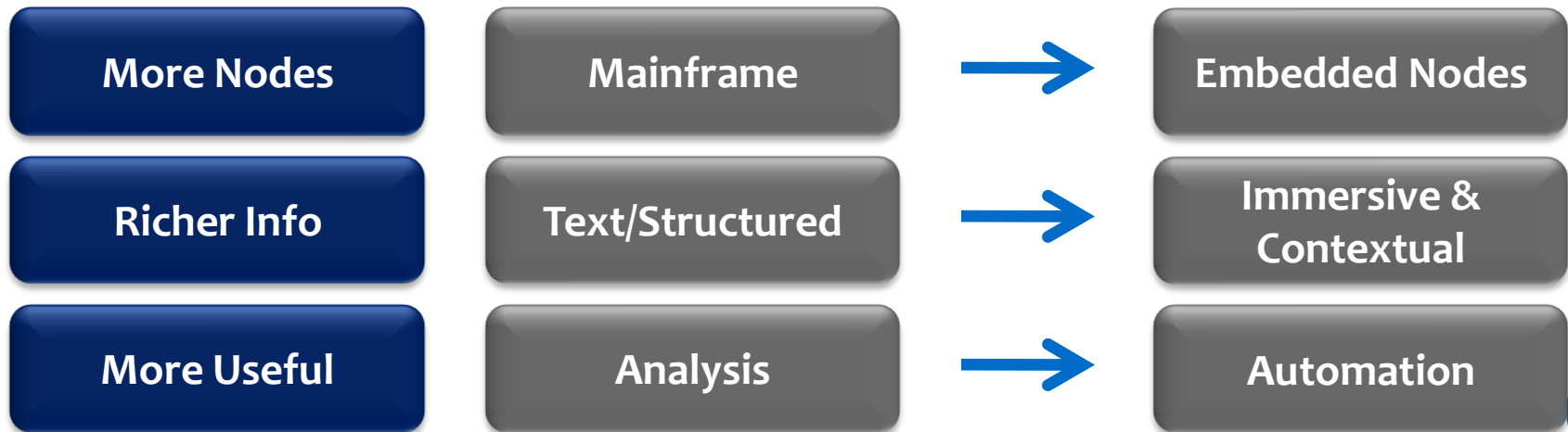
- We are competing in a rapidly changing environment
- We have a differentiated view of how to win in enterprise
- Our strategic mission is “to provide disruptively great value to our customers”
- We are improving our core business performance while expanding and extending across a broader set of customer solutions
- Inorganic growth is an important enabler



# IT ENVIRONMENT

## TRADITIONAL BOUNDARIES ARE BLURRING

- Rapid increase in digital information is expanding IT eco-system
- \$3T industry with \$400B profit pool – growing ~10% & 12% respectively
- In the midst of a major architectural shift

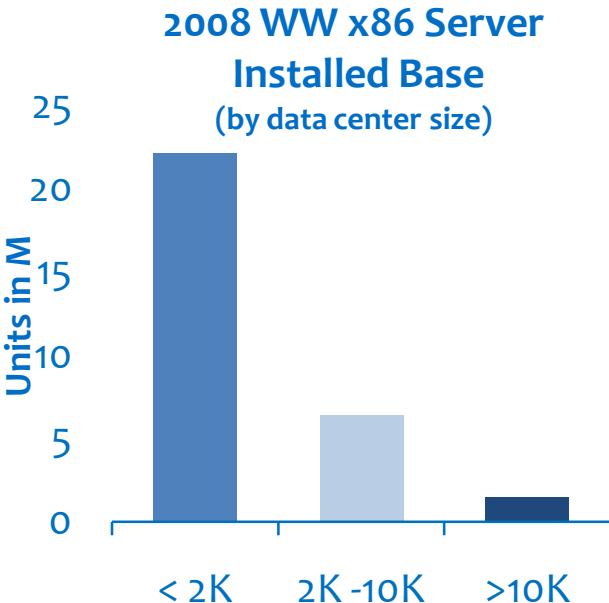


# DELL VIEW OF IT LANDSCAPE

## DATA CENTER OPPORTUNITY & NEEDS

### Data Center (\$ billions)

- Targeting the ~\$400B Data Center opportunity with efficient solutions (>25% cost savings)



- Significant enterprise opportunity
  - Over 90% of x86 servers in data centers with less than 10,000 servers
  - Storage growth driven by content, virtualization & multitenancy
  - CIO's & large customers want choice, simplicity and value
- Web 2.0 and cloud environments
  - Dell has a substantial footprint of servers & storage connected to high speed data centers
  - Customers implementing highly simplified network topology – fewer layers eliminate proprietary subnets
- Implications for data center of the future
  - Modular and “best in breed”
  - Less proprietary; more flexible
  - Significant emphasis on lower labor costs





# **BUILDING ON DELL'S STRENGTHS**

## **RECOGNIZE CHANGE... USE TO OUR ADVANTAGE**

### **Keys to Dell's Success**

**Direct Customer Relationships**



**Cash Conversion Cycle & Working Capital Model**



**Supply Chain & Configure to Order**



**Open Standards & Speed to market**



**Customer Value & Cost Position**



### **Relevance**

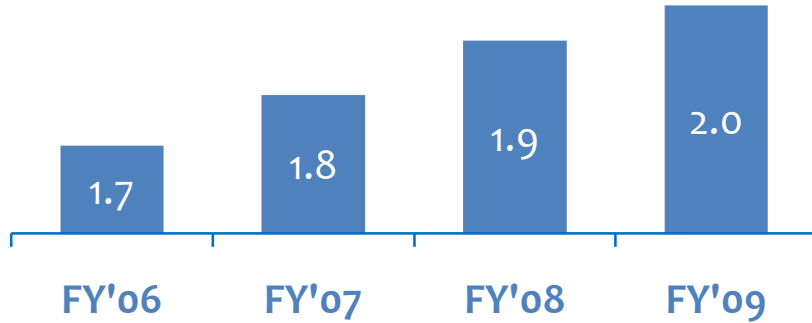
- Huge installed base
- Powerful customer database
- Upsell in the enterprise
- Negative CCC sustainable
- Differentiated cash flow dynamics
- Mixed supply chain model
- Profitable services
- Invest in differentiated IP
- Modular solutions
- Provide value to customers
- Leading cost position



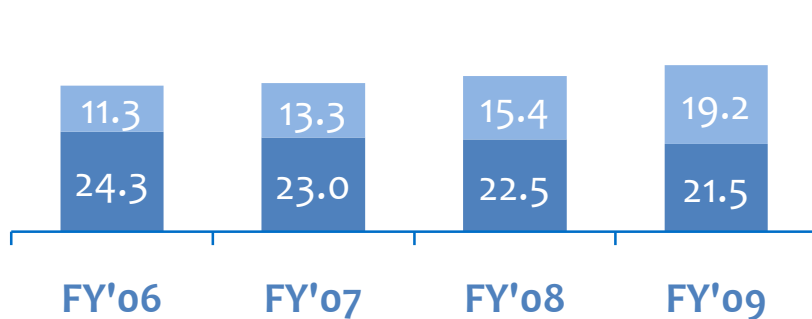
# KEY DELL ASSETS

## CUSTOMER TOUCH

Server Units (FY'o6-'09)  
in M



Client Units (FY'o6-'09)  
in M



- #1 or #2 share in most key segments
- Massive client & server installed base with significant global scale
  - 150M client / 7M servers
  - Utilize customer relationship to sell additional services & enterprise solutions
- Replacement cycle in 2010 driven by customer deferrals – levered to improving economy and technology cycle
  - Installed base 9 months older than historical average today -- >12 months by year end
  - Corporate budgets locked for 2009
- Extending the useful life of notebooks beyond three years costs \$500-600/year



# KEY DELL ASSETS

## ENTERPRISE STRENGTH

### ■ \$6.5B server business

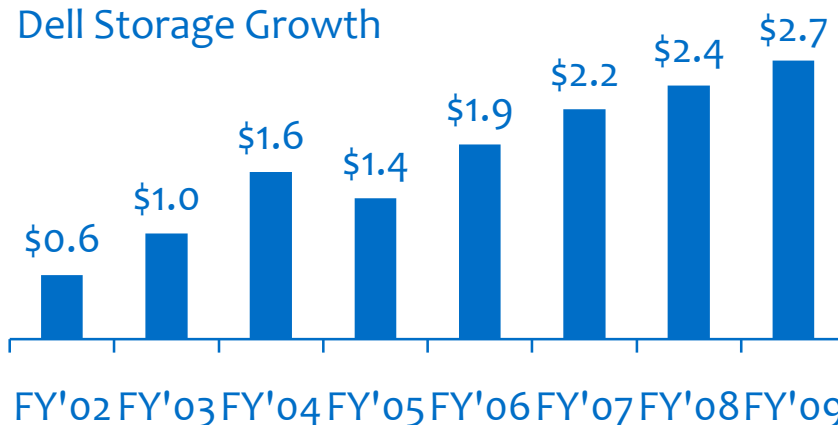
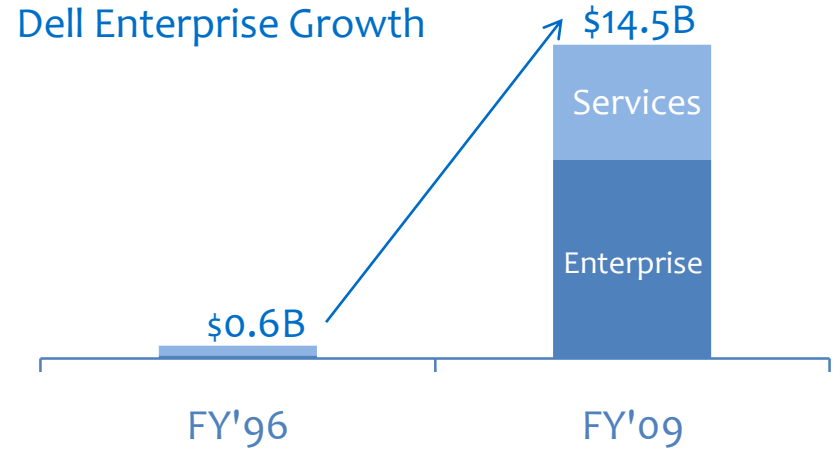
- #1 US (36%) and #2 WW (26%) server share
- 11G blade, rack and tower servers
- Dell Data Center Solutions
  - Double-digit growth
  - Winning top web farms & social network sites

### ■ \$5.4B services business

- Differentiated, modular model delivering reduced labor costs
- Acquired and integrated five companies in cloud & remote infrastructure management
- Deferred revenue balance of over \$5.6B

### ■ \$2.7B storage business

- #1 in iSCSI (36%) share
- #3 WW (12%) storage share
- Diversified portfolio with Dell/EMC, PowerVault & EqualLogic



# KEY DELL ASSETS

## \$5.4 BILLION SERVICES BUSINESS

### INFRASTRUCTURE CONSULTING

- IT simplification & virtualization
- Data center optimization
- Security & compliance

### INFRASTRUCTURE SERVICES

- Asset & SW management
- Data backup & protection
- Image & application management

### PRECONFIGURED SOLUTIONS

- Managed services for SMB
- Services for channel partners
- Client migration, Flex & mobility services

### SUPPORT SERVICES

- ProSupport configurable services
- IT professionals & end users
- Quick response & proactive services

- Powerful remote infrastructure management and managed services business
- Expanding solutions that eliminate labor cost
- Focused on cloud, remote services, virtualization and storage capabilities
- ProSupport attach rate over 36% with over 11 million contracts sold since Q1 FY'09



# DELL STRATEGY

## DELIVER OPERATING INCOME & CASH FLOW GROWTH

- Provide disruptively great value to customers

### Strategic priorities:

#### Improve Core Business



- Organized around customer BUs
- Cost productivity across COGS & Opex

#### Expand Data Center & Services



- Adding products and solutions
- Enhancing modular solutions

#### Extend Broader Reach Across Customer Solutions



- Build out vertical customer solutions
- Increase cloud and flexible IT usage models

### Strategic alternatives and partnerships

➔ Shift portfolio to higher-margin offerings & recurring revenue streams



# 4 CUSTOMER-ALIGNED BUSINESS UNITS

## DIFFERENT CUSTOMERS, DIFFERENT ANSWERS



### LARGE ENTERPRISE

Industry = \$284B;  
Dell \$18B



### PUBLIC

Industry = \$335B;  
Dell \$15B



### SMB

Industry = \$418B;  
Dell \$15B



### CONSUMER

Industry = \$135B;  
Dell \$13B

### What's different

- Global
- Customer focus
- Best practices
- Speed
- Greater customer accountability

### Operating Agenda and Strategy

- Drive customer specific operating agendas
- Deliver tailored solutions & customer experience
- Improve cost position
- Grow revenue
- Increase operating income & cash flow



# DELL ACQUISITION PHILOSOPHY

## ENHANCING THE CORE

### Inorganic Growth

STRATEGIC

EXECUTABLE

RISK ADJUSTED

CLEAR FINANCIAL IMPACT

### EqualLogic



EqualLogic storage revenue up **4x** since acquisition; \$500M run rate

#### EqualLogic PS6000

- Extending #1 WW position in iSCSI
- Rapidly growing technology, expanding customer base
- Fastest growing enterprise business; taking worldwide
- Uniquely optimized for virtualization
- Highly scalable with accretive margins
- Builds capability managing higher margin business



# SUMMARY

## Strategic Priorities

- Deliver operating income & cash flow growth
- Provide disruptively great value to customers
- Shift the portfolio to higher-margin offerings & recurring revenue/profit streams

## Requirements to Win Longer-Term

- Expand and extend our portfolio
- Execute differentiated enterprise model
- Grow with combination of investments, partnerships, and inorganic activity
- Win in the most profitable segments





# FINANCIAL & OPERATIONAL REVIEW



**Brian Gladden**

Senior Vice President and CFO

July 14, 2009

# KEY MESSAGES

- Demand stabilizing in Q2 with some mixed signals
- Driving consistent & disciplined operating agenda
- On track to deliver more than \$4 billion in cost reductions
- Positioning to benefit from recovery
  - fixed cost scaling and working capital model advantage
- Introducing our framework for long-term value creation



# INDUSTRY DYNAMICS

## EARLY SIGNS OF BOTTOM ... BUT MIXED ACROSS GLOBE

### 2Q Update

- Mixed signs in current Dell order rate
- Expect sequential revenue growth

#### DEMAND

- Significant component cost pressure
- Executing cost out - COGS and Opex

#### COST

- Limited elasticity ...  
Cannot simply lower prices for share

#### SHARE

- Aggressive pricing/mix impacting Dell and competitors financials
- FX pressure on USD selling prices due to timing of Euro hedges

#### MARGINS

### FY10 High-Level Assessment

- Signs of stabilization, growing optimism among industry participants
- Client replacement cycle expected in FY11

- Executing on \$4B+ total cost reductions
- Many cost actions unique to Dell: clean-sheet costing, contract manufacturing shift, “structural” facilities & org

- Protecting margins ... will lose share
- Selective opportunities to gain share

- Manage GM% within recent bands during tough cycle ... expand with growth



# FY10 OPERATING AGENDA

## NAVIGATING THE DOWNTURN

1

### Profitability

Prioritize profitability vs. growth, focusing on share only where strategic and accretive to business

2

### Liquidity

Protect strong balance sheet and flexibility, suspend buyback, reduce CAPEX, and improve working capital focus

3

### \$4B COGS & Opex

Eliminate \$3B in product costs through design, procurement & manufacturing and reduce G&A overhead by >\$1B

4

### Products & Services

Recapture product leadership through product design and manufacturing, and build next generation enterprise solutions

5

### Emerging Countries

Create global BU's to better align resources with future growth trajectories in tomorrow's biggest markets

6


### Growth

Invest in organic and inorganic growth that shifts portfolio to higher margin products/services & improves sales capabilities



# UPDATE ON OUR \$4B COST TARGET

## BY THE END OF FY11 WE COMMITTED TO...



REDUCE  
COGS  
BY  
> \$3 BILLION

### Cost of Goods Sold

(FY08 COGS Basis: \$49.5B)

#### Initiatives

#### Percent of \$3B

- Design-to-value & product transitions
- Clean-sheet procurement
- Supply chain 2.0

~40%

~40%

~20%



REDUCE  
OPEX  
BY  
> \$1 BILLION

### Operating Expenses

(FY08 Opex Basis: \$8.2B)

- Reduced \$1B+ in fixed G&A
- Scaling remaining Opex in customer facing functions ... some variable costs
- Bullet-trains to reduce discretionary spending
- Optimize global org footprint

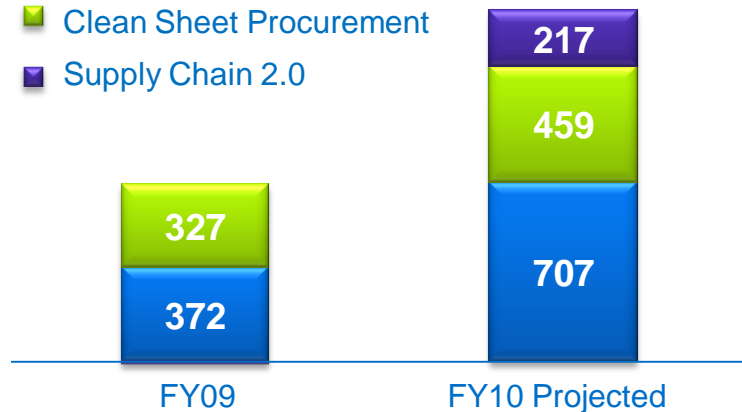


# \$4B COST INITIATIVES PROGRESS

## ON TRACK

### COGS Benefits (\$ Millions)

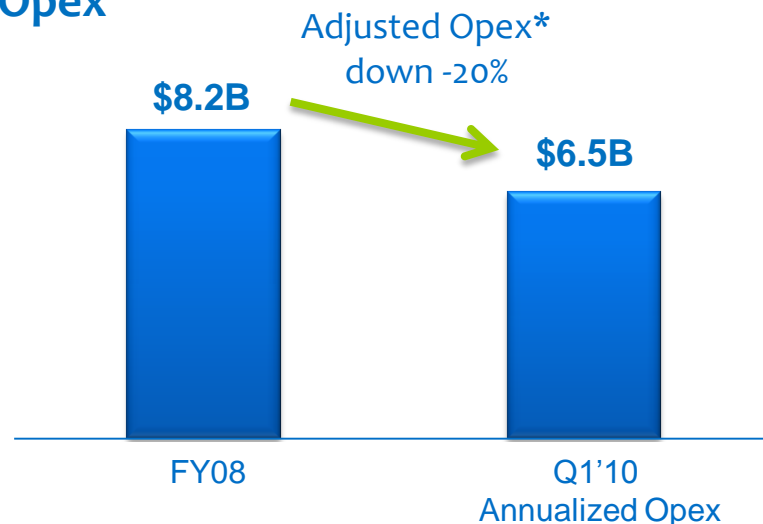
- Design-to-value / Product Transitions
- Clean Sheet Procurement
- Supply Chain 2.0



### FY10 Priorities:

- Execute on FY10 product transition roadmap
- Build, optimize and match supply chain to different customer segments
- Optimize three supply chains: retail, configure-to-order and distribution

### Opex



### FY10 Priorities:

- Organization effectiveness actions
- Reduce discretionary spending in telecom, consulting, outside services
- Redefine marketing & media efficiency/ROI
- Call center & support optimization

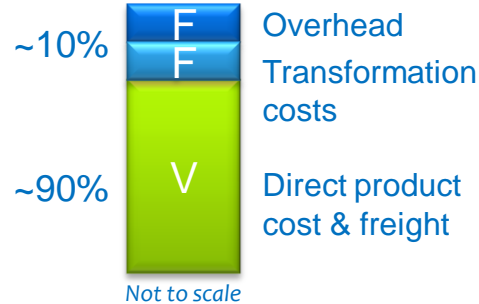
\* Excluding the impact of costs related to OE in Q1



# FIXED VS. VARIABLE COGS AND OPEX

## OPERATING LEVERAGE

### COGS



### Fixed Cost

- Overhead and labor tied to warranty support generally fixed
- Transformation costs are semi-variable during short time horizons

### Variable Costs

- Direct product & freight varies directly with volume
- Shifting more manufacturing base to contract manufacturing
- More outsourced support

### Opex



### Fixed Cost

- “Pure” G&A mostly fixed ... have aggressively reduced cost
- R&D largely fixed and investing in key programs during downturn
- Some design moving to contract manufacturing

### Variable Costs

- Sales highly variable with volume
- Sales compensation variable upward, fixed downward
- Marketing communication somewhat discretionary
- Focused on high ROI marketing and media activities



# WORKING CAPITAL EFFICIENCY

## WORKING CAPITAL COUNCIL ADDRESSING KEY CHALLENGES

### Cash Conversion Cycle



### Challenges

- Difficult credit environment ... bankruptcies/past dues
- Retail & distribution expansion pressures inventory & DSO
- Significant change in supply chain with contract manufacturing structures
- Supply base financially strained
- Dell funds more DFS assets on balance sheet

### Actions

- Drive accountability of CFOps into BU's with clear cash flow targets
- Piloting freight over water to capture significant cost benefits
- Contract manufacturing transition creates opp's to reduce inventory levels
- Continue to focus on supplier payment terms conversion
- Disciplined evaluation of business strategies and impact on working capital dynamics

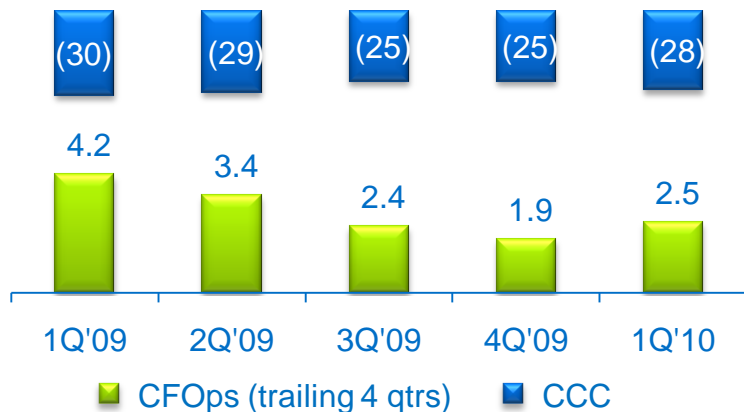




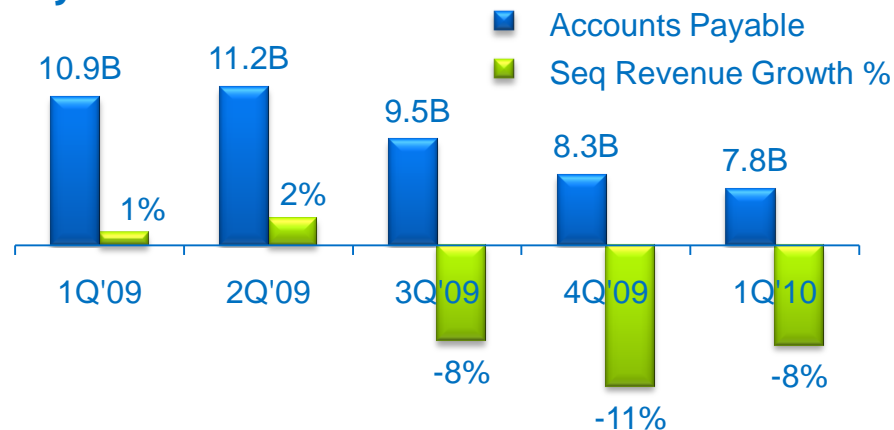
# CASH PERFORMANCE

## NEGATIVE CCC PLUS GROWTH FUELS CASH FLOW

### Cash & CCC Relationship



### Payables & Revenue Growth



### Dynamics

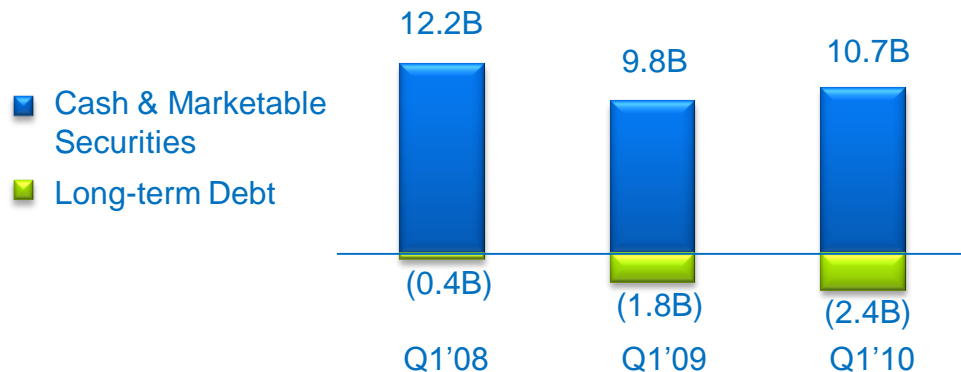
- Negative CCC still advantaged. Isolating other B/S components, sequential revenue growth combined with negative working capital grows CFOps
- When revenue fell last year, payables decreased significantly and CFOps decreased
- As revenue growth returns, payables will increase faster than receivables and inventories and generate significant operating cash flow



# CAPITAL ALLOCATION

## STRONG LIQUIDITY POSITION PROVIDES FLEXIBILITY

### Cash & LT Debt



- Raised \$1.0B in cash in Q2'10
- Improved U.S. liquidity since Q1'09

### Sources/Uses of Cash

- **Capex** – Down 50% since FY08; new spend concentrated on IT , product development and facilities rationalization
- **Debt** – Focused on U.S. liquidity ... Selectively tapping capital markets ... maintaining “A”
- **Share repurchases** – Current plan has no share repurchases in FY10
- **DFS** –Funding strategy includes on balance sheet and securitizations
- **Organic Growth** – Protected pool of investment funds for product/services extensions (e.g. EqualLogic, commercial BU's)
- **Inorganic Growth** – Focused on strategic value, addressing customer needs, and improved competitive positioning



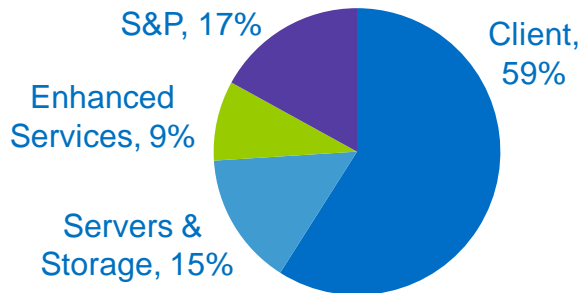
# SHIFTING THE PORTFOLIO MIX

## GROWTH & PROFIT OUTSIDE OUR CORE HARDWARE BUSINESS

### Base Business (FY09 \$ billions)

	Revenue	OpInc	OpInc %
LE	\$18.0	\$1.2	6.4%
Pub	\$15.3	\$1.3	8.2%
SMB	\$14.9	\$1.3	8.5%
Cons	\$12.9	\$0.3	2.4%

### Product Mix



### Expected Hardware Dynamics

FY10 → FY12

- Unit growth 10% +
- Revenue growth 0-5%
- Margin trend pressured

### Industry View

	% of IT Spend	Growth 2008-2011	Relative * OpInc %'s
→ Client Hardware	13%	6%	~4%
→ Servers & storage	4%	3%	~10%
→ Enhanced Services	48%	6%	~12%
→ Software	17%	8%	~21%
→ Other hardware**	17%	4%	~14%

Evaluating strategic investments  
(organic & inorganic) in key  
differentiated capabilities

\* Relative OpInc represents industry (not Dell)

\*\* Represents other peripherals, networking & handheld devices



# LONG-TERM VALUE CREATION

## DELIVER OPERATING INCOME & CASH FLOW GROWTH

### Strategic Priorities

- 1) **Optimize cost structure during down-turn**
  - poised for margin improvement in recovery
- 2) **Improve core business**
  - deepening relationships in new customer BU's
- 3) **Expand data center & services**
  - investing in higher margin solution-based offerings
- 4) **Extend reach across customer solutions**
  - evaluating strategic alternatives

*\* Results are dependent on broad global economic improvement accompanied by higher worldwide IT spending, including sustained double-digit growth in demand for computer systems*

### Long-term Value Creation Framework\*



**Revenue**  
**+5-7% CAGR**

Market + Mix + Strategic  
Alternatives



**OpInc Margins**  
**7+%**

COGS + Opex + Strategic  
Alternatives



**CFOps >**  
**Net Income**

WC + CCC + Net Income



# LARGE ENTERPRISE



**Steve Schuckenbrock**

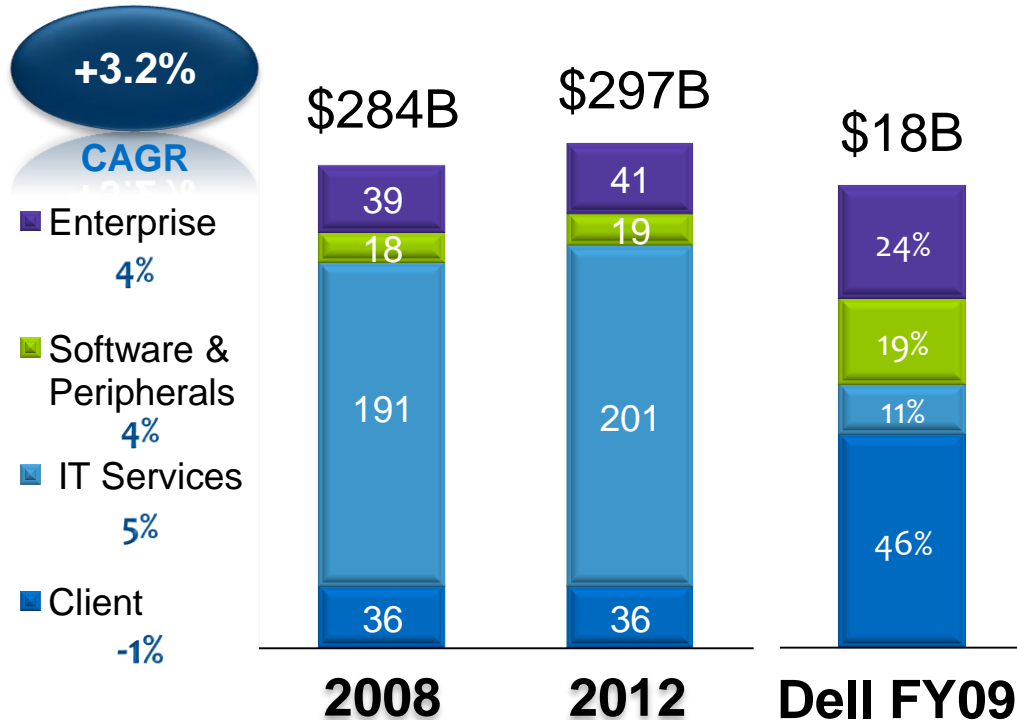
President, Large Enterprise Business

July 14, 2009

# LARGE ENTERPRISE LANDSCAPE

## SERVICE & SOLUTIONS ORIENTED

### Large Enterprise Industry Economics (\$Billions)



Source: IDC & Dell internal estimates

### Growth Areas

- **Services:** Leverage our service capabilities & offerings to fuel growth (ProSupport, ProConsult and ProManage)
- **Solutions:** Develop total solutions that are open source, innovative and highly disruptive
- Deliver shareholder value by pursuing balanced Op Inc growth and improving cash flow

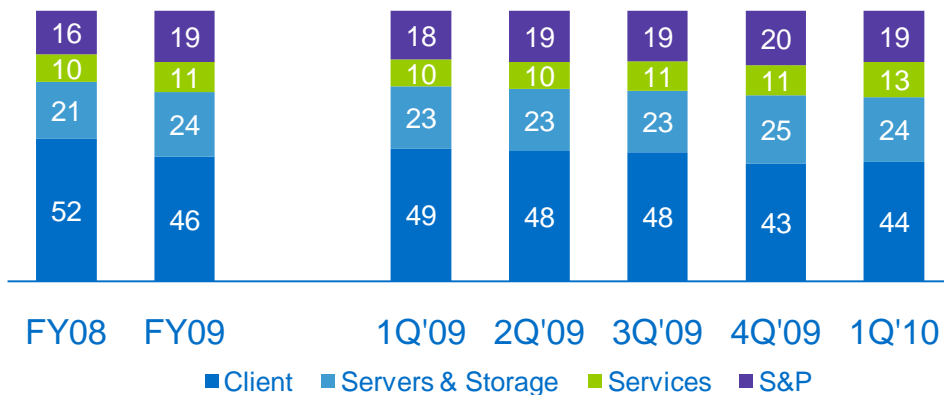
### Dell Position

- ~28% of share in 2008 for DT, NB and Servers
- ~6% of share in 2008 for storage

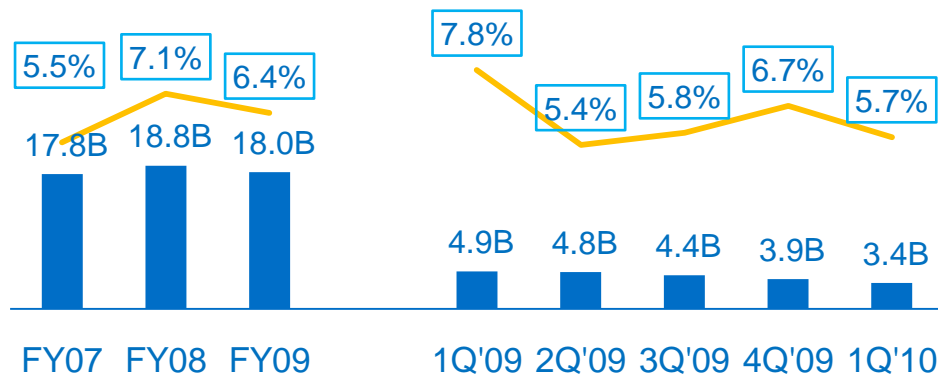


# LARGE ENTERPRISE FINANCIALS

## Revenue Mix



## Revenue & Operating Margin



## Long-Term Drivers

- Drive core business to deliver steady growth
- Shift mix to towards higher margin products, services & solutions
- Continue to optimize cost base for OpEx and COGS efficiency
- Selectively invest to add services and solutions selling capacity

## Risks

- Continued share erosion driven by soft economics & IT spend throughout the Enterprise sector
- Regaining momentum in order to evolve the organization, while challenging competitors with diverse profit pools



# OPERATING AGENDA



## Customer

- World class global account mgt
- Direct alignment with customer needs
- Expand new and long-tenured relationships
- Brand synonymous with Enterprise Efficiency

## Solutions

- Recognized leader in Open Architecture, products & services
- 3 Year Solutions Roadmap – Industry leading capability
- Best-of-breed partner differentiation

## Shareholder

- Brand synonymous with innovation & value
- Quality is our foundation

## Team

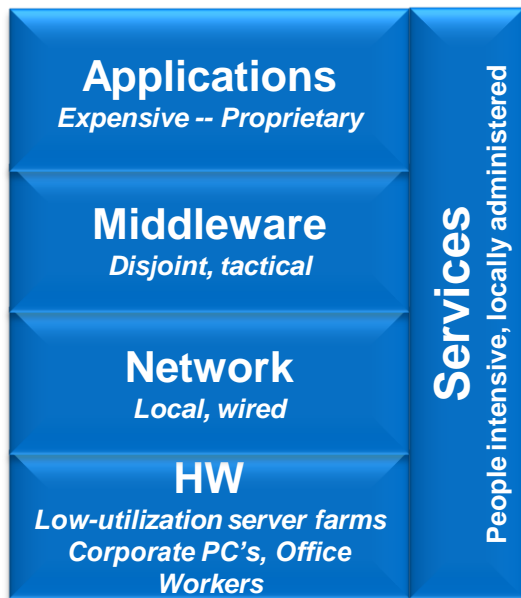
- Focus on solutions and services selling capabilities
- Develop Consulting Talent





# SIGNIFICANT CHANGE DRIVEN BY ECONOMY & TECHNOLOGY

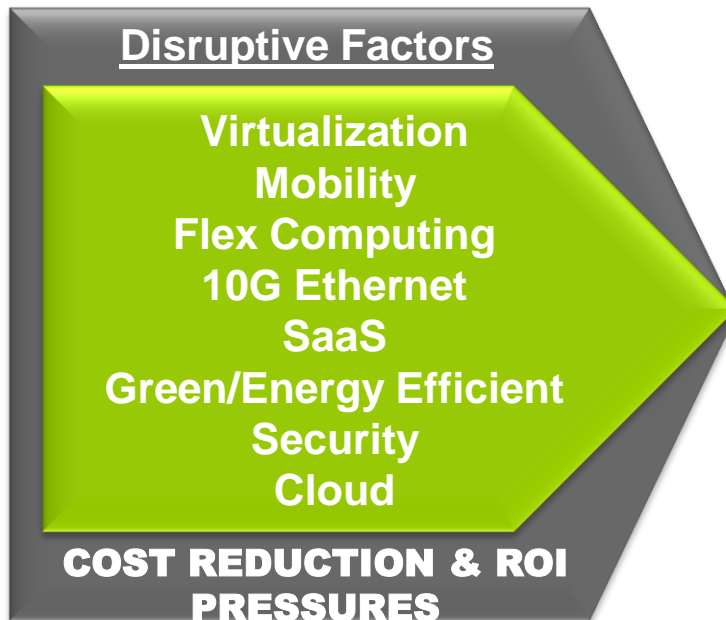
## Current Environment



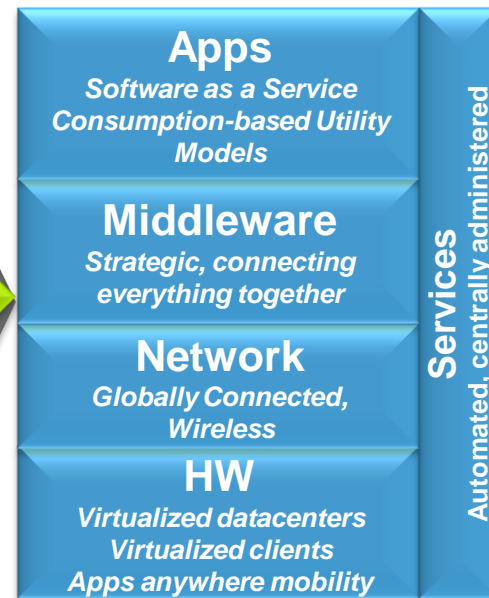
**Inefficiency**

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## Disruptive Factors



## Future Stack



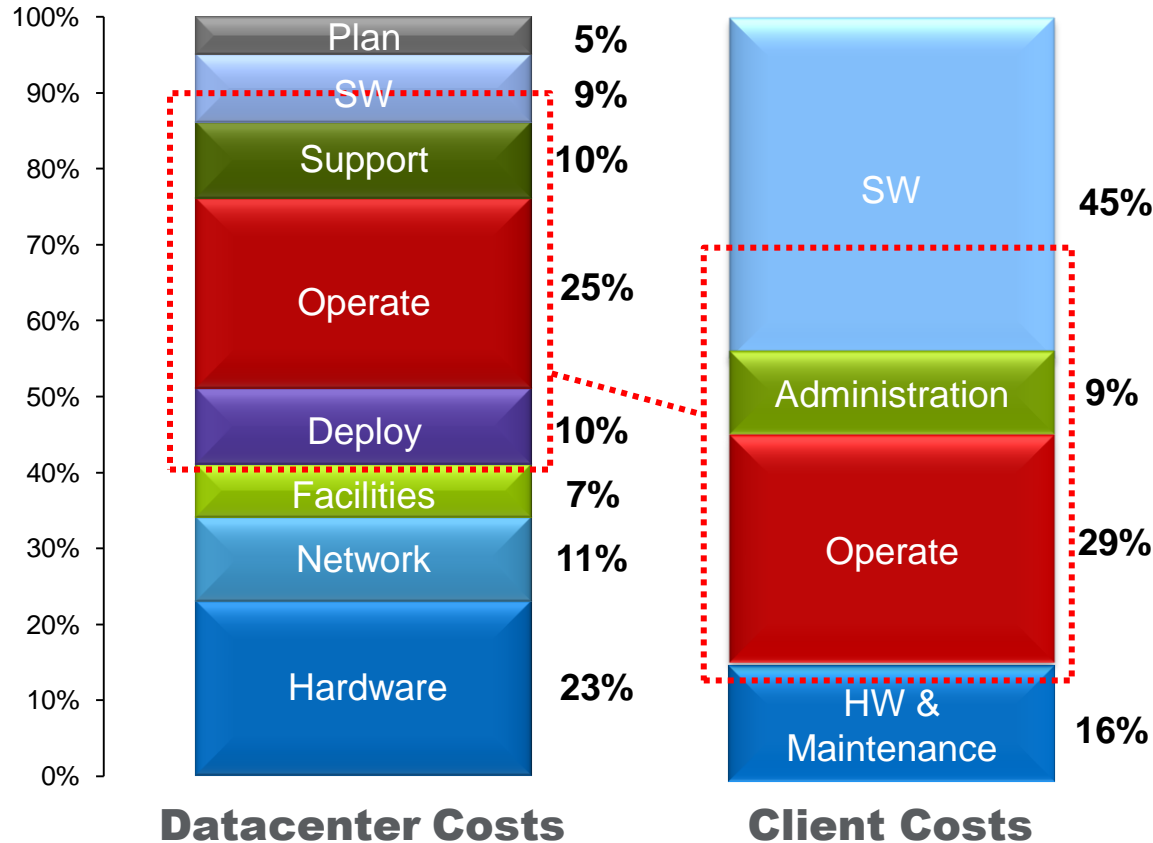
**Efficiency**

\$



# EFFICIENT ENTERPRISE SOLUTIONS

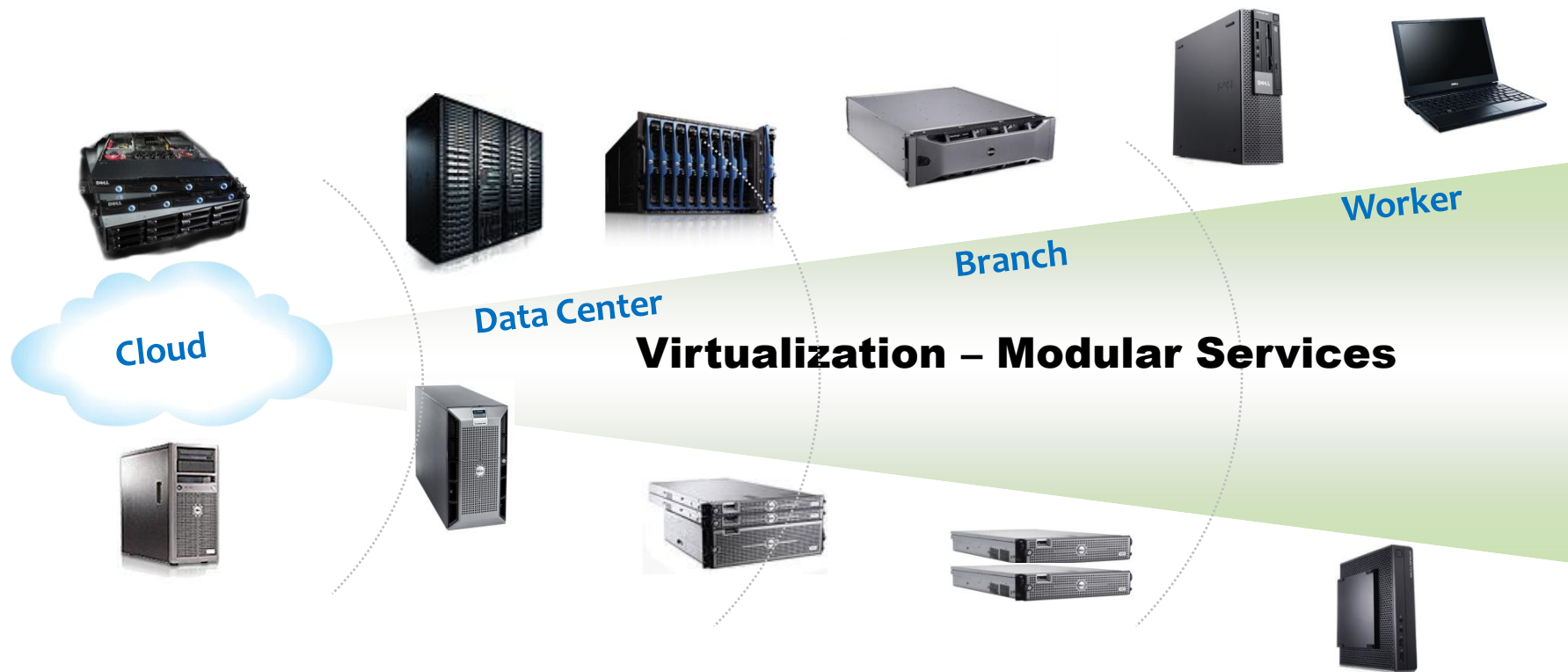
## ATTACKING OPEX AND CAPEX FOR OUR CUSTOMERS



- 1 Customers are looking for solutions that move the needle on labor efficiency
- 2 Server, Storage, and Networking innovation largely focused on facilitating improvements in labor efficiency



# EXECUTING THE EFFICIENT ENTERPRISE



- CloudEdge
- Ecosystem

- Unified Fabric
- Solutions
- Open Simplified

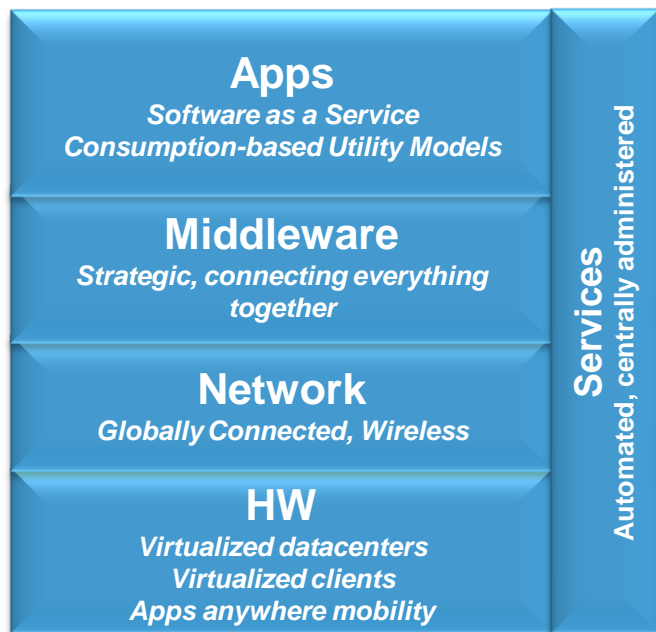
- Next Gen Technology
- iSCSI Leadership
- 10Ge

- New form factors
- Flex Computing
- Consumer Features



# DELL IS ADVANTAGED IN THE FUTURE ENTERPRISE STACK

*Dell will be advantaged in this new world because of our current strengths and our opportunity to “skate to where the puck is going” without legacy profit pools constraining our thinking.*



- No proprietary stack or legacy human service organization to protect
- SaaS-based solutions that optimize delivery and reduce or eliminate the need for “people” service
- Cloud-enabled Services that work globally through the Internet
- Massive virtualization from the client to the datacenter
- Intelligent clients powered by Flex Computing
- Best-of-breed vs. in-bred partnering



# SUMMARY

## #1 PARTNER TO LARGE ENTERPRISE

**\$200B Industry-Wide Cost Reductions**

**Customer**

Unlock IT Infrastructure \$

**Solutions**

Innovative & Open Source

**Shareholder**

Balance Growth & Value

**Team**

Improve Consulting Talent



**Efficient  
Computing  
Experience for  
Productivity**



**Efficient  
Datacenter for  
Scalability**



**Efficient Cloud  
Services for  
Flexibility and  
Reliability**

**Deliver measurable Value by powering  
Enterprise Efficiency  
through Innovation without Legacy**



# PUBLIC



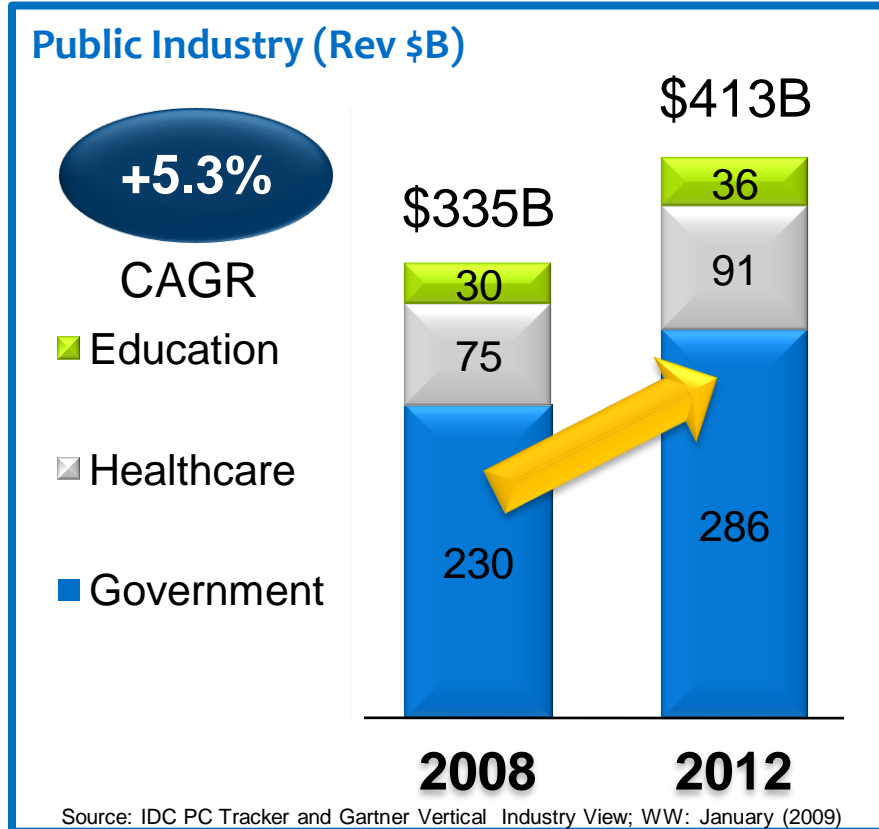
**Paul Bell**

President, Public Business

July 14, 2009

# PUBLIC LANDSCAPE

## SPECIALIZED & GROWING



## Growth Areas

- Aligning our global organization for balanced geographic expansion
- Designing tailored vertical solutions for our unique customer base
- Delivering shareholder value by pursuing attractive opportunities in IT services, enterprise and software

## Dell Position

- ~20% WW share in 2008



# PUBLIC CUSTOMERS

## 2012 Industry Sizing

### Government



### Higher Education



### Healthcare Life Sciences



### K-12 Education



## Customer Characteristics

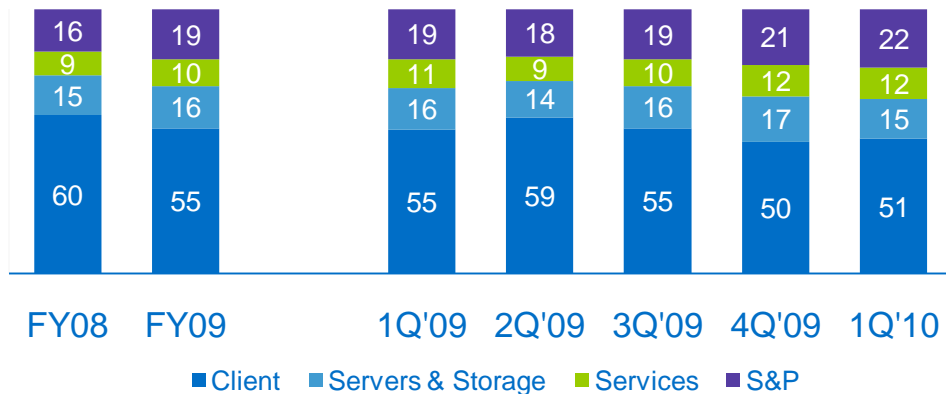
- Communities, not markets
- Demand understanding & commitment to their missions
- Need full solution, not just hardware
- Long term commitments



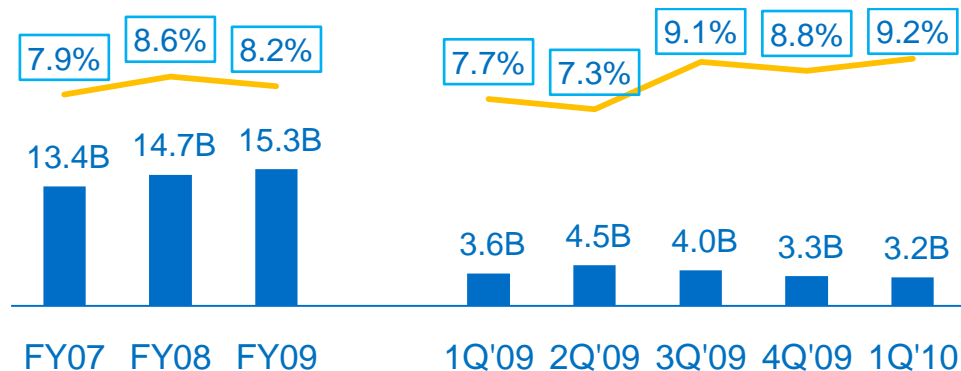


# PUBLIC FINANCIALS

## Revenue Mix



## Revenue & Operating Margin



## Long-term Drivers

- Increase enterprise and services mix
- Continue to adapt cost structure to reflect solutions organization while making select investments in new business opportunities
- Capturing new sources of profit via vertical solutions and alliances, while defending current installed base
- Vertical specific solutions gaining traction through device integration & software configuration

## Risks

- Transformation to a more vertical structure – integrated solutions organization
- Continued deceleration of Public sector spending next year
- Challenging entrenched industry players in specific regions, channels and verticals



# OPERATING AGENDA

## NEAR TERM OBJECTIVES

- 1 Vertical Solutions** First wave of solutions in the market today, others by year end
- 2 Emerging Markets** Balance our expansion geographically by leveraging best practices
- 3 Funding Vehicles** A core competency for our Public business is understanding funding sources & allocations
- 4 Strategic Partnerships** Global channel investments, while expanding storage & services offerings via global alliances
- 5 Core Coverage** Expanding where we see strong current profit pools
- 6 Customer Focus** Targeted marketing to build Dell's vertical presence



# STRATEGY

## PUBLIC VERTICAL SOLUTIONS EXAMPLES

### Higher Education



- Research Computing (High Performance Computing)

### Government



- Rugged Mobility

### K-12 Education



- Connected Classroom

### Healthcare Life Sciences



- Electronic Medical Records & Clinical Mobility (Health IT)



# SUMMARY

## 2009/2010 Priorities

- Invest appropriately in core business & growth opportunities
- Focus on profitable and vertical sector solutions with highest probability of success
- Innovate & Differentiate to deliver customer unique IT solutions
- Continue OpEx discipline & focus on competitive cost structure

## Requirements to Win

- **Deep Expertise:** Our most profitable businesses are where we have deep expertise in sector-specific challenges, and know how to implement technology solutions to achieve customers goals
- **Solutions Investments:** Capturing segment-specific IP and additional services capability is the lynchpin to developing solutions
- **Technology Leadership:** Emerging technology trends (alternate end-user models, etc.) will transform how technology is used to solve industry problems
- **Partnerships:** Expanding our capability through partnerships is essential to capturing new sources of profit and defending current installed base



**Q&A**



**Paul Bell**  
**Steve Schuckenbrock**

July 14, 2009

**BREAK**



# SMALL AND MEDIUM BUSINESS



**Steve Felice**

President, Small and Medium Business

July 14, 2009

# SMB INDUSTRY LANDSCAPE

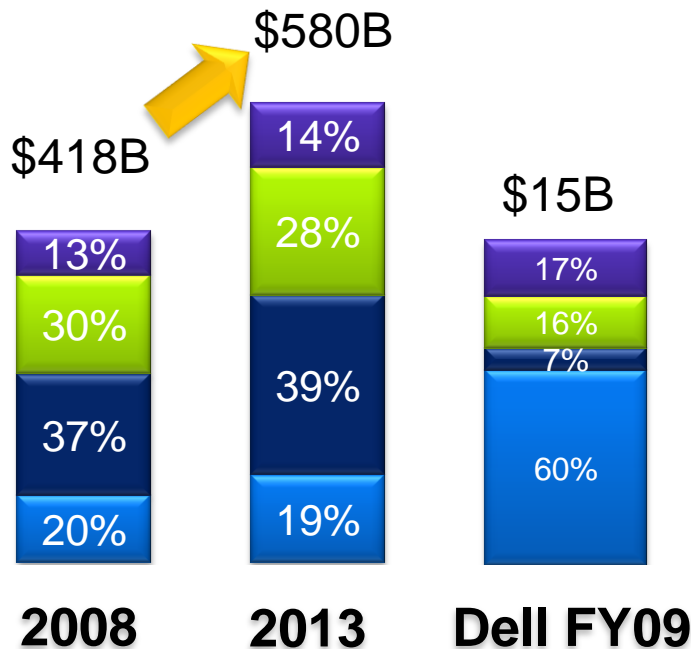
## LARGE OPPORTUNITY AS WE GROW BEYOND PC

### SMB IT Industry (\$ Billions)

+7%

CAGR

- Enterprise
- Software & Peripherals
- IT Services
- PCs



### Growth Areas

- **Total IT:** From \$418B in 2008 to \$580B in 2013 -- 7% CAGR
- **Enterprise:** From \$55B in 2008 to \$81B in 2013 -- 9% CAGR
- **IT Services:** From \$153B in 2008 to \$227B in 2013 -- 8% CAGR

### Dell Position

- Solid position (\$2.5 B) in the enterprise
- Attractive growth opportunities in IT services, enterprise and software
- Expanding presence through distribution

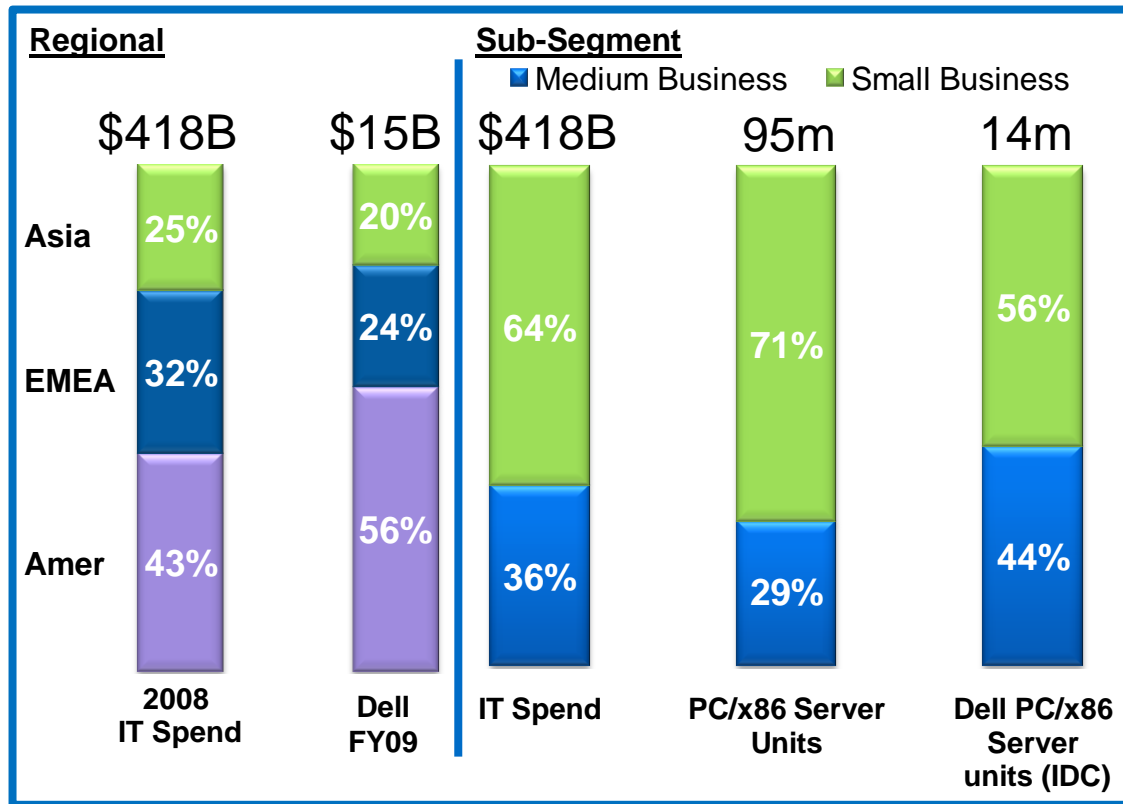




# SMB CUSTOMER PORTFOLIO

## SUBSTANTIAL OPPORTUNITY FOR GROWTH

### SMB 2008 Industry Breakdown



### Regional Mix

- Growth opportunity in Asia (20% vs. 25% industry) and EMEA (24% vs. 32% industry)

### Medium Business

- MBs spend 38x higher per company than SBs
- MBs spend with higher enterprise mix driving higher op income pool
- Services account for 40% of spend...is growing fastest

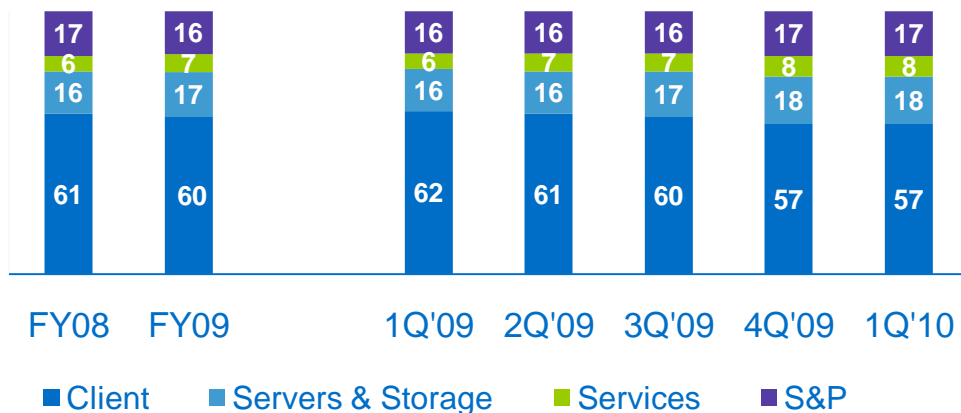
### Small Business

- High retail and channel preference, though at lower and decreasing ASP
- Require assistance integrating solutions and new technology
- Need more storage space

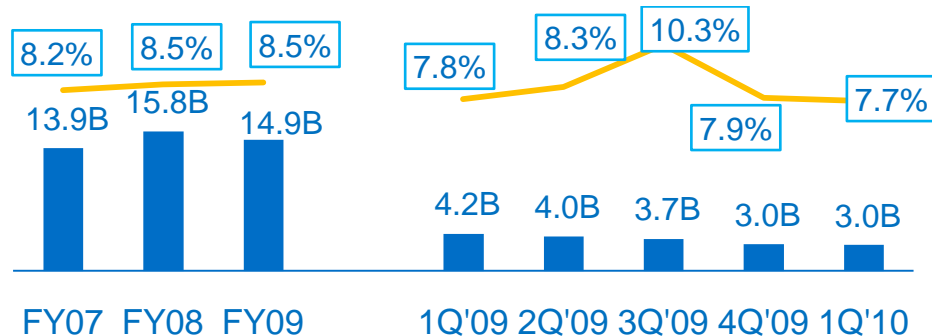


# SMB FINANCIALS

## Revenue Mix (% Total Revenue)



## Revenue & Operating Margin



## Long-term Drivers

- Increase enterprise and solutions mix
- Ensure optimal mix of hardware price bands
- Continue to drive down transactional costs for sales, transformation and delivery
- Invest in customer insight and experience
- Further increase channel coverage

## Risks

- Continued global economic challenges
- Shrinking hardware profit pool



# OPERATING AGENDA

## NEAR TERM OBJECTIVES

1

### Growth @ Accretive Profit

- Prioritize **operating profit** (incl. cost actions)
  - Balance two-pronged approach
    - Volume: drive **competitiveness** in ‘high volume’
    - Value: execute **greater mix** of ‘high margin’
- 

2

### Focused Offerings

- Drive **storage** growth
  - Emphasize **security and manageability services**
  - Increase **competitiveness** (e.g., targeted configurations, fast delivery)
- 

3

### Go-To-Market

- Deepen **customer intimacy** with medium businesses
  - Expand & accelerate new sales **channels**
  - Further increase **coverage** in lower share & emerging countries
  - **Target marketing** through partnerships & viral media
- 

4

### Brand

- **Dell knows SMB** – SMB customers touched directly by Dell
- Reposition from product to **solutions focus**
- Be the **brand** that celebrates **customer successes**



# REPOSITIONING THE SMB BRAND

## TAKE YOUR OWN PATH CAMPAIGN

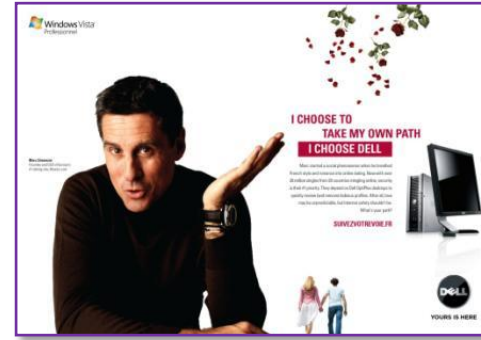
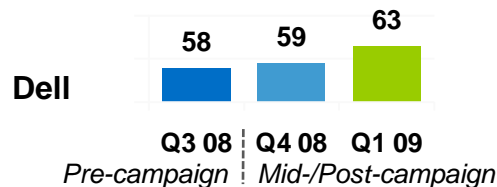


India first to launch in October 2008

**Dell is brand with highest  
'Consideration' and 'Repurchase Intent'**

- Moved from #2 to #1 in 'Consideration'

Q1 09 brand tracker 'Consideration':

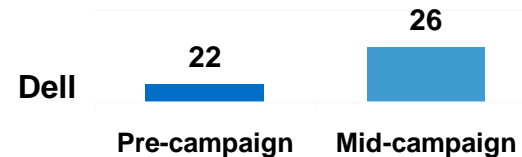


France launched in February 2009

**Dell leading 'Brand of Choice'  
and 'Repurchase Intent'**

- Moved from #2 to #1 in 'Brand of Choice'
- Most mentioned computer technology brand

Mid-campaign results 'Brand of Choice':



# STRATEGIC AGENDA & INITIATIVES

## ENTERPRISE

- Virtualize SMB infrastructure
- Drive storage growth

## SERVICE & SOLUTIONS

- Address customer pain points, e.g. Data Management and Security
- Deepen service offering, e.g., ProManage
- Integrate industry vertical offerings

## SOFTWARE & CLOUD

- Establish complementary software capability
- Lead SMB cloud adoption

## ROUTES TO MARKET

- Deepen direct customer relationships
- Continue to expand channel coverage

## ENABLERS

- Further expand CRM capabilities
- Upgrade online experience

## • Differentiated Position

- Direct with 10M+ customers
- Channel complementing direct
- Build-to-order flexibility

## • Financial Performance

- Top-line growth above industry
- Margin and OpInc expansion
- Increased annuity mix



# CONSUMER



**Ron Garriques**

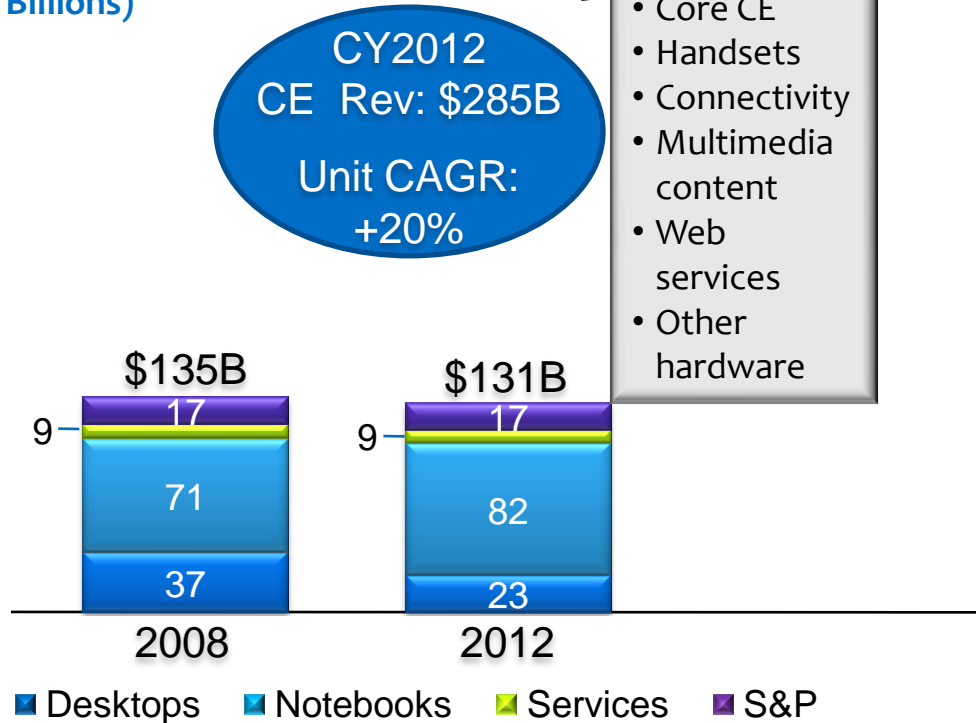
President, Consumer Business

July 14, 2009

# CONSUMER LANDSCAPE

## EXPANDING ADDRESSABLE OPPORTUNITY

### Consumer Industry Economics (\$ Billions)



Source: IDC PC Tracker WW: June(2009) and Dell internal estimates

### Growth Areas

- Addressable Current Consumer opportunity: \$131B in 2012
- Total consumer technology opportunity: \$285B in 2012
- Grow direct and indirect business faster than the industry
- Expand portfolio
- Drive growth in global consumer

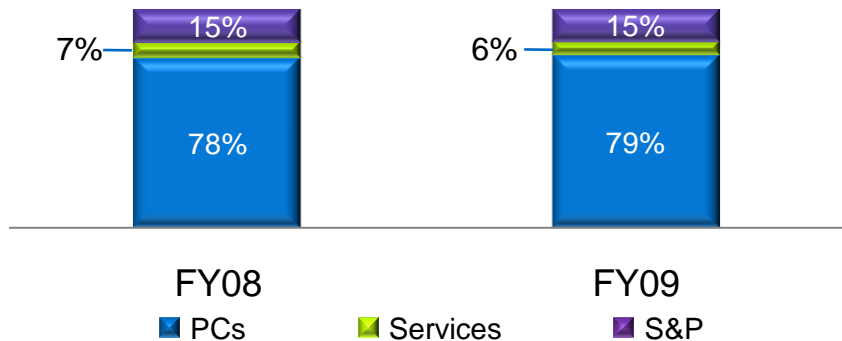
### Dell Position

- ~9% WW share in CY09 Q1: Gaining share

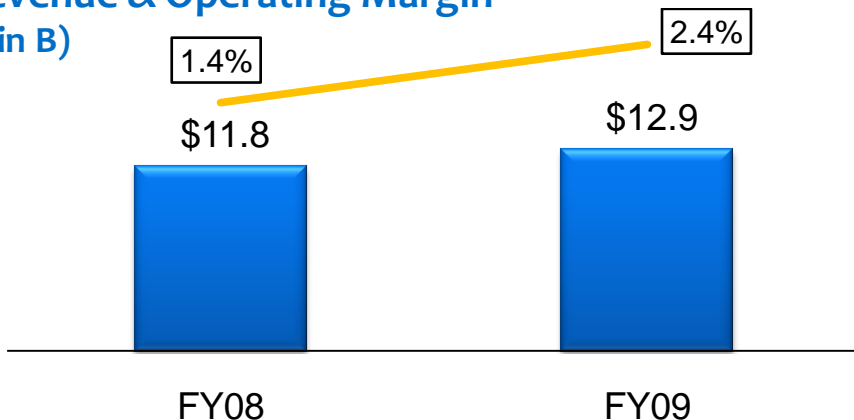


# CONSUMER FINANCIALS

## Revenue Mix (% Total Revenue)



## Revenue & Operating Margin (\$ in B)



## Long-term Drivers

- Reignite direct business through enhanced purchasing experience and service delivery
- Increase retail doors and drive scale advantages
- Aggressively manage costs to reflect multi-channel infrastructure
- Increase beyond-the-box revenues via E&A, services, etc.

## Risks

- Consumer spending remains muted
- Entrenched players in specific regions and product categories
- Managing complexities of larger scale retail business





# CONSUMER CUSTOMER PORTFOLIO

## MULTI-CHANNEL, MULTI-TOUCH

### Direct



- Core strength
- Higher ASPs & GM

### Retail



- Huge growth opportunity
- Lower ASPs

### Telco



- Opportunity in 3G and 4G
- Access to annuity streams

### Distributors



- Lowest cost for basic configurations
- Expand reach in emerging countries



# STRATEGY: BRAND ARCHITECTURE

## COVERS ALL KEY SEGMENTS

### DESIGNED FOR DELL – COMPLETES THE EXPERIENCE

- Services
- Accessories

### ALIENWARE – PREMIUM PERFORMANCE

- Speed
- Immersion

### STUDIO – MULTIMEDIA UNLEASHED

- Uncompromised Multimedia & Personalization

### INSPIRON – MOBILITY, SIMPLICITY

- What you need, inspired by you
- Style & Value

### DIMENSION – ULTIMATE UTILITY

- Best Value

### Distinct Categories

- Clear value propositions for each brand
- Price tiering brand agnostic
- Support for retail & direct portfolio strategy for each brand & region



# OPERATING AGENDA PRIORITIES

Bring disruptive approach to connectivity, content & commerce.

ALL SIZES.



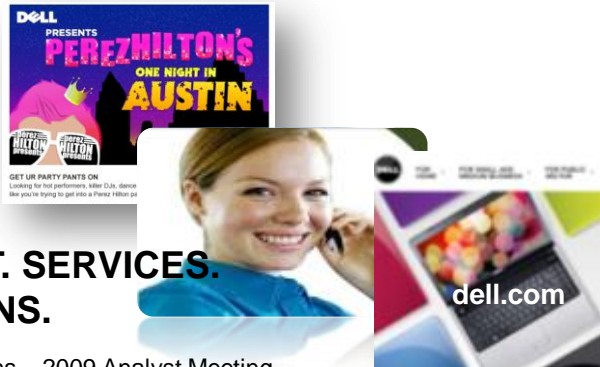
Deliver highly personalized products and experiences to consumers worldwide.



MULTI-CHANNEL.

Monetize devices.

CONTENT. SERVICES. SOLUTIONS.



Global.



NEXT BILLION INTERNET USERS.



# SUMMARY



The start of a relationship with  
content, connectivity and commerce

1. Aggressively expand portfolio and channel coverage globally.
2. Reinvigorate Dell.com to create a destination for all customers, not just an e-Commerce site.
3. Accelerate Direct 2.0
  - Compelling value
  - Highly engaging services
  - Uniquely personalized experiences



**Q&A**



**Steve Felice**  
**Ron Garriques**

July 14, 2009

**BREAK & LUNCH**



**Q&A**



**Michael Dell**  
**Brian Gladden**

July 14, 2009

# CLOSING REMARKS



**Michael Dell**

July 14, 2009