

DELL 1Q FY10 PERFORMANCE REVIEW



Michael Dell

Chairman and CEO

Brian Gladden

Senior Vice President and CFO

May 28, 2009

DELL 1Q FY10 EARNINGS SPECIAL NOTE

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.



DELL 1Q FY10 EARNINGS REVIEW

Brian Gladden
Senior Vice President and CFO

ENVIRONMENT

February 2009 View

1. Challenging Global IT Demand, depth and duration of deterioration uncertain
2. Customers Are Deferring Purchases, Spending Unpredictable
3. Leading Indicator... Direct Model Lets Dell Anticipate and React
4. Normal Component Cost Environment
5. Dell Margins
 - Improved Mix
 - Operational Discipline
 - Rapidly Adjust Cost Structure to Demand

Current View

- ✓ Most leading macro indicators negative
- ✓ Most pronounced in large commercial; consumer and federal government better
- ✓ Expect better results from Public and Consumer; seasonally slower in Large Enterprise
- ✓ Mixed
- ✓ Operating discipline continues... selectively gaining share
 - Good consumer results
 - Softer in commercial



1Q FY10 ACCOMPLISHMENTS

Key Opportunities

1. Execute New Global Business Structure
2. Scale Cost Structure to Realities of Demand Environment
3. Launch New Products
4. Re-energize SMB
5. Optimize Liquidity & Cash Conversion Cycle

Results

- Fully implemented alignment of global business units
- Executing \$4B cost target
- Reduced COGS and Opex
- Cost, Design & Value Leadership
 - 11G servers with integrated systems management
 - EqualLogic PS6000 with all-inclusive data management software
- Lean and agile model; better cost
- Simplifying IT for the small business
- Pro-Manage services for U.S. SMB
- Improved CCC to negative -28 days
- \$10.7B cash & investment
- Successful \$0.5B debt issue



1Q FY10 CONSOLIDATED RESULTS

Consolidated P&L

\$ in Millions – except Units and EPS

	1Q'09	4Q'09	1Q'10	YY Growth	Seq Growth
Units (thousands)	10,959	9,553	9,096	-17%	-5%
Revenues	16,077	13,428	12,342	-23%	-8%
Gross Margin	2,965	2,312	2,168	-27%	-6%
GM % of revenue	18.4%	17.2%	17.6%	-80 bps	40 bps
Operating Expenses	2,066	1,855	1,754	-15%	-5%
Opex % of revenue	12.9%	13.8%	14.2%	130 bps	40 bps
Operating Income	899	457	414	-54%	-9%
OpInc % of revenue	5.5%	3.4%	3.4%	-210 bps	0 bps
Income Before Taxes	1,024	454	412	-60%	-9%
Income Tax	240	103	122	-49%	19%
Effective Tax Rate %	23.5%	22.6%	29.6%	610 bps	700 bps
Net Income	784	351	290	-63%	-17%
NI % of revenue	4.9%	2.6%	2.3%	-260 bps	-30 bps
Diluted EPS	\$0.38	\$0.18	\$0.15	-61%	-17%

Dynamics – Year Over Year

- Focused on elements of business we can control – delivered solid 1Q performance in a tough environment
- Revenue down -23%; units down -17%
- Expense items in the quarter related to organizational effectiveness (OE) totaled \$185M, or \$0.09 per share; expenses were split 35/65 between COGS/Opex
- Excluding OE expenses:
 - Gross margin was 18.1%
 - OpInc was 4.9%
 - EPS was \$0.24
 - Opex was \$1.63B and declined -18%*
- Tax rate for 1Q was 29.6%

* Excluding the impact of costs related to OE in Q1 and OE, stock option acceleration and forfeitures adjustments in Q4 FY09, opex was down \$350 million or -18 % Y/Y

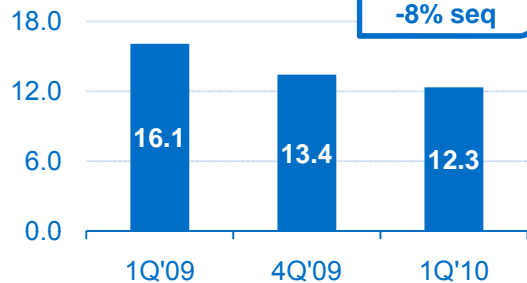


1Q FY10 KEY PERFORMANCE METRICS

Adjusting for \$185M in OE expenses, Dell's gross margin stable. Operating margin down as Opex descaled on slower top line.

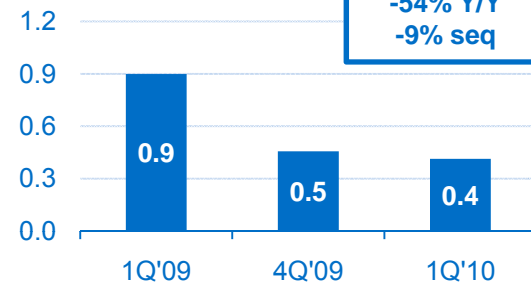
Revenue

\$ Billions



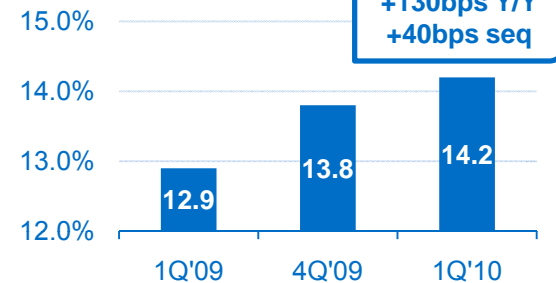
Operating Income

\$ Billions



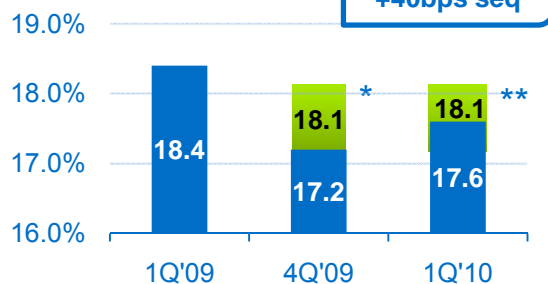
Operating Expense

%



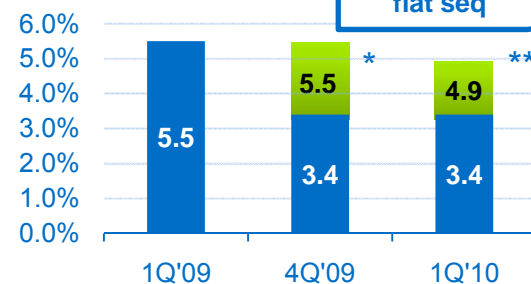
Gross Margin

%



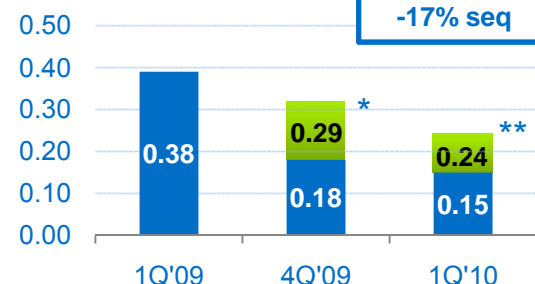
Operating Margin

%



EPS

\$



* Before absorption of \$277M in expenses in Q4'09 which included OE, stock acceleration and stock forfeiture adjustments. \$125M impacts gross margin.

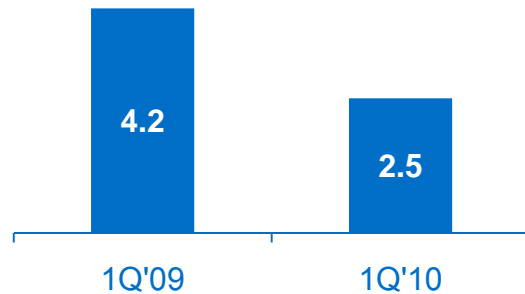
** Before absorption of \$185M in expenses in Q1'10 which includes OE.



CASH FLOW

Cash Flow from Ops (CFOps) ¹

\$ Billions



¹Trailing Twelve Months

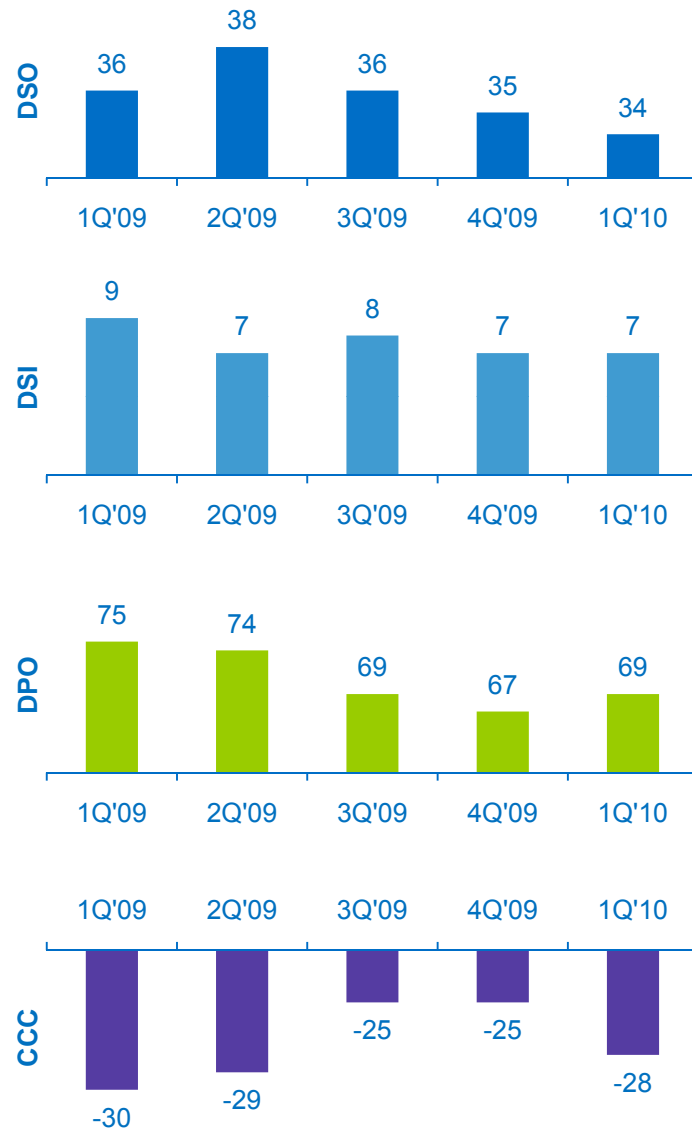
Dynamics

- CFOps of \$761M
 - Q1 is typically our weakest cash flow quarter based on historical revenue trending and bonus payments
 - Cannot necessarily extrapolate Q1 to a full year projection
 - Generally, as our growth stabilizes, our cash generation from operating activities will improve
- Balancing capital allocation requirements
 - Despite attractive valuation, we continue to forgo share repurchase and maintain a more conservative liquidity position
 - Continue to practice strict, disciplined working capital management and selectively deploy cash to capitalize on growth opportunities
 - Continue to retain flexibility for strategic acquisitions



WORKING CAPITAL

Cash Conversion Cycle (CCC)



Dynamics

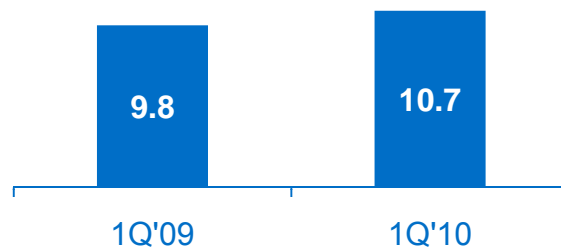
- CCC improved 3 days sequentially to negative -28 days vs. -25 days in 4Q
 - Monthly review with business & finance executive participation
 - Interaction between collection teams and sales organizations
 - Treasury partnered with procurement to improve vendor terms for payables
 - With shift in manufacturing base to ODM, opportunity to lower inventory levels
 - Disciplined evaluation of business strategies and impact on working capital dynamics
- Negative CCC combined with revenue growth allows Dell to generate CFOps at multiple of net income



BALANCE SHEET & DEBT

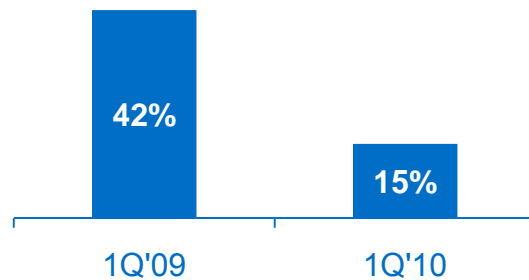
Cash & Investments

\$ Billions



Return on Total Capital

%



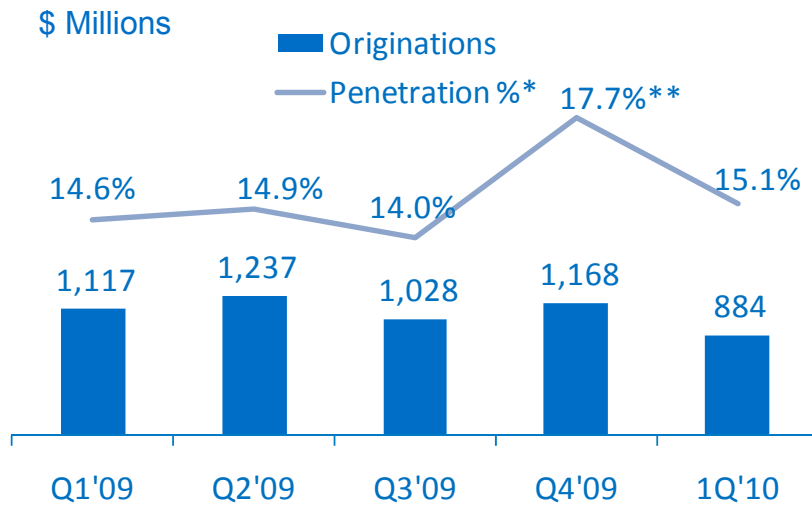
Dynamics

- \$10.7B in cash and investments – strong balance sheet
- Commercial Paper
 - Capacity available to issue up to \$1.5B
 - \$100M outstanding at the end of 1Q
 - Successfully renewed \$500M 364 day bank credit line
- Debt Issuance
 - \$500M debt issue at historic spreads
- FX and Investments
 - Monitoring counterparty risk



DELL FINANCIAL SERVICES

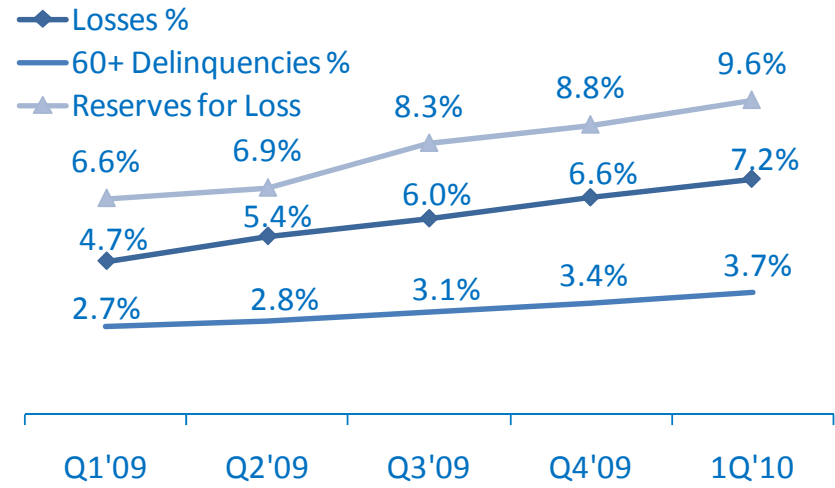
U.S. New Financing Originations



* % of U.S. Dell revenue that is financed by DFS

** Reflects seasonality of consumer business

Balance Sheet Losses & Delinquencies



Dynamics

- Experienced declines in originations and penetration rates in 1Q – primarily reflecting seasonality of Consumer business
- Adequately reserved for future credit losses
 - Continue to take credit tightening actions and experience improvements in credit quality and delinquency performance of new business
 - Economic climate continues to put pressure on existing portfolio
- Expect to bring revolving assets currently in liquidating conduit back on balance sheet in 2Q/3Q

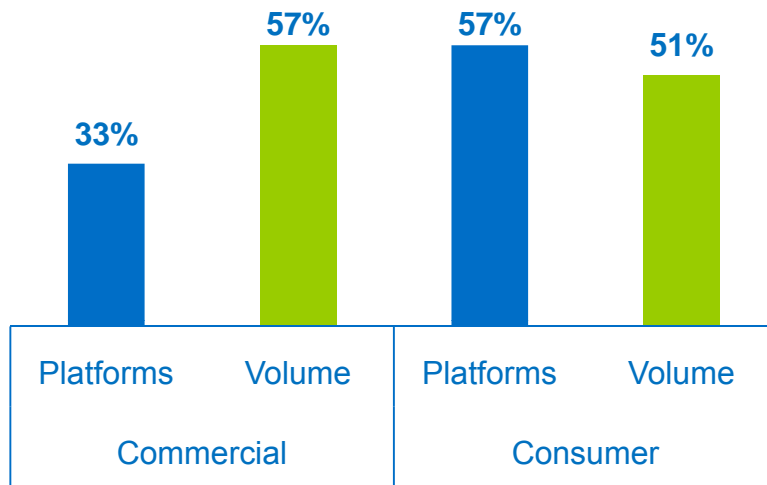


DISCIPLINED COST CONTROL

COGS & OPEX

COGS Trends

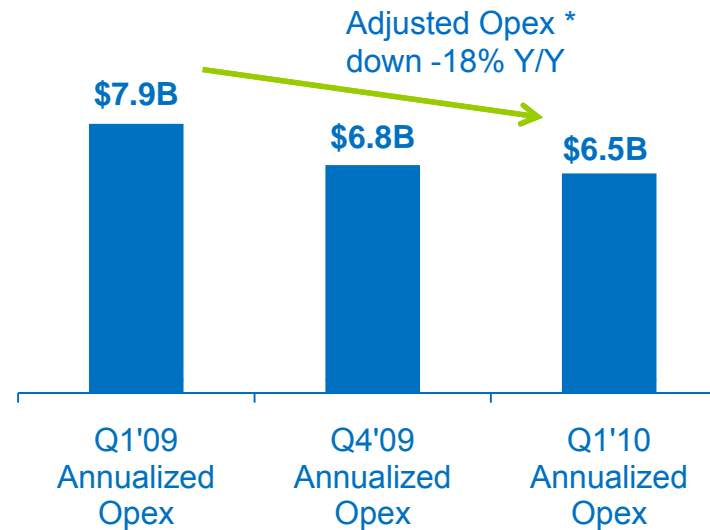
Design-to-Value: Products Cost Optimized



Dynamics

- Continue to cost optimize product portfolio, having reduced aggregate average cost per unit in 1Q by roughly -2% Q/Q and -10% Y/Y
- Approximately, 30% of our volume is now going through contract manufacturers
- Continue to optimize our global supply chain for service and cost by creating efficient supply chain models to most effectively serve our different customers around the world

Opex Trends



Dynamics

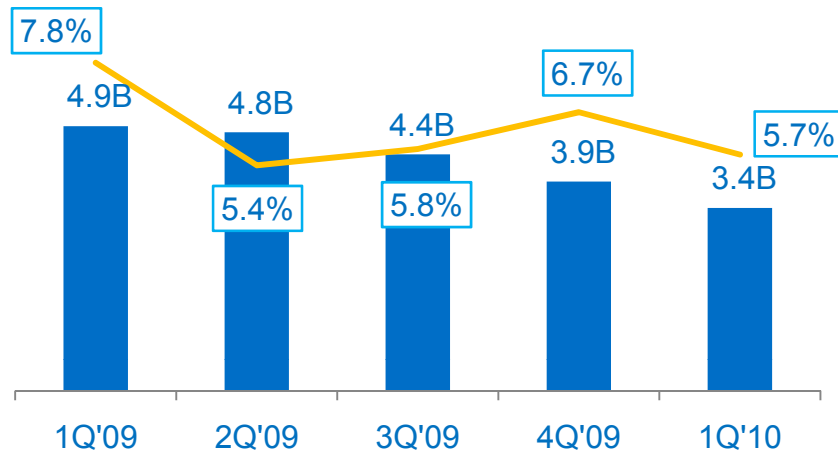
- Detailed line-item budgets for all discretionary spending are down -24% Y/Y
- Will continue to manage Opex tightly and selective investments will fund long-term growth

* Excluding the impact of costs related to OE in Q1 and OE, stock option acceleration and forfeitures adjustments in Q4 FY09, opex was down \$350 million or -18 % Y/Y



1Q FY10 LARGE ENTERPRISE

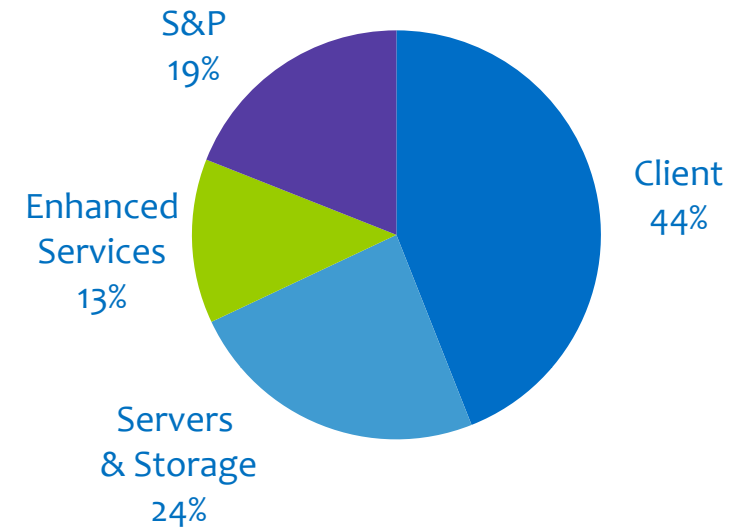
Revenue & Operating Margin



Large Enterprise P&L

\$ in Millions	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Revenues	4,921	4,806	4,395	3,889	3,400
Q/Q Growth, %		-2%	-9%	-12%	-13%
Y/Y Growth, %					-31%
Operating Income	386	259	254	259	192
Operating Margin, %	7.8%	5.4%	5.8%	6.7%	5.7%
Q/Q Growth, bps		-240 bps	40 bps	90 bps	-100 bps
Y/Y Growth, bps					-210 bps

Revenue Mix



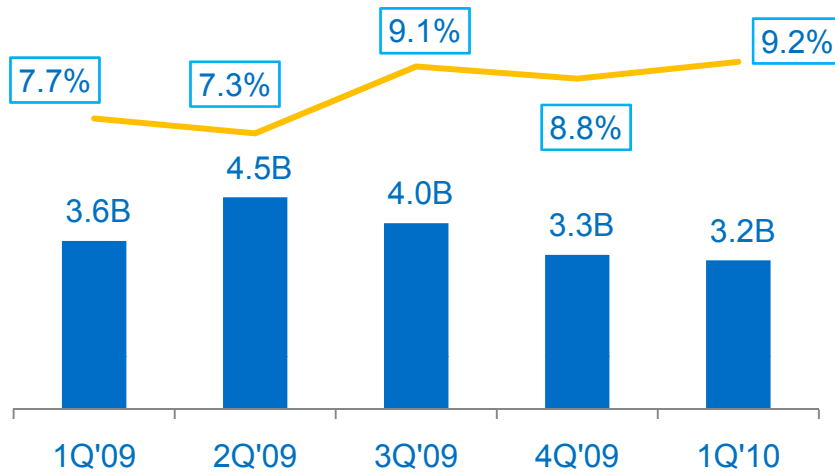
Dynamics

- Revenues of \$3.4B were down -31% Y/Y, units declined -11% Q/Q and -36% Y/Y
- Our largest global customers have been most conservative with their IT budgets
- Operating expenses were down -23% Y/Y
- Operating income \$192M
- Operating margins decreased -100bps seq to 5.7% due to decline in units
- Continue to build out our enterprise product and service capabilities



1Q FY10 PUBLIC

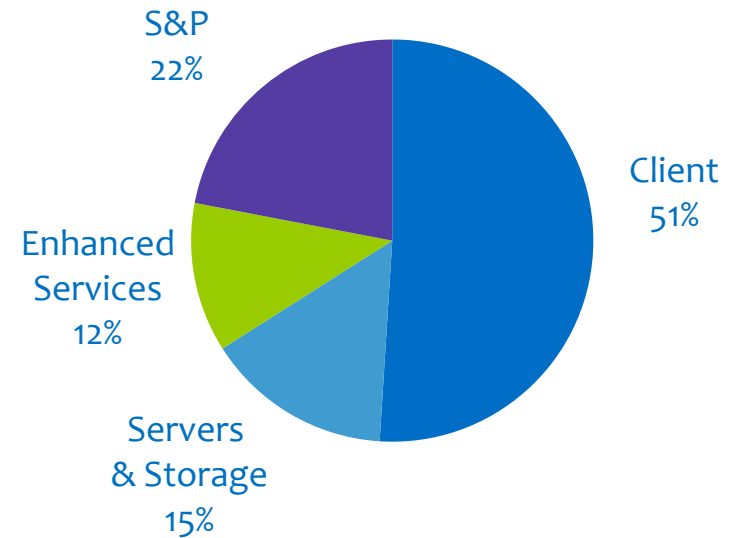
Revenue & Operating Margin



Public P&L

\$ in Millions	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Revenues	3,581	4,510	3,960	3,287	3,171
Q/Q Growth, %		26%	-12%	-17%	-4%
Y/Y Growth, %					-11%
Operating Income	277	331	361	289	293
Operating Margin, %	7.7%	7.3%	9.1%	8.8%	9.2%
Q/Q Growth, bps		-40 bps	180 bps	-30 bps	40 bps
Y/Y Growth, bps					150 bps

Revenue Mix



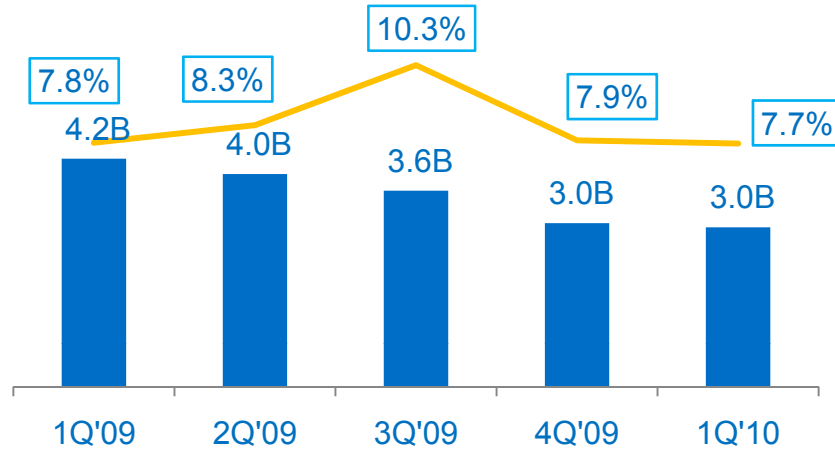
Dynamics

- Revenues of \$3.2B were down -11% Y/Y, units were flat seq and declined -14% Y/Y
- Modest growth in our larger federal accounts offset by weaker performance in state and local government accounts
- Operating expenses were down -13% Y/Y
- Operating income \$293M
- Operating margins improved to 9.2% due to improving cost and product mix

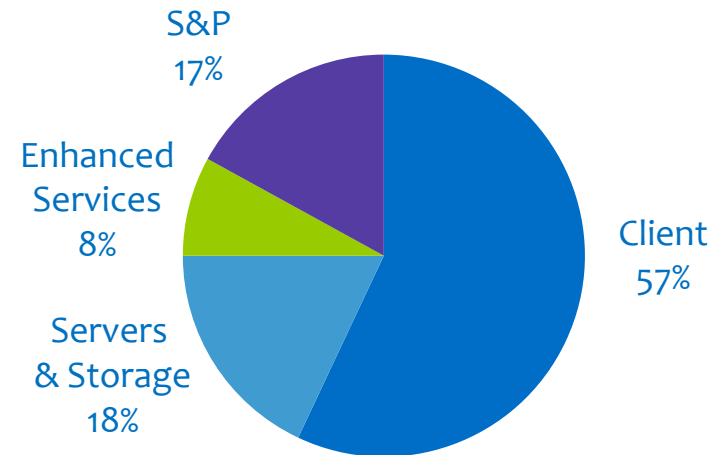


1Q FY10 SMB

Revenue & Operating Margin



Revenue Mix



SMB P&L

\$ in Millions	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Revenues	4,244	3,958	3,647	3,043	2,967
Q/Q Growth, %		-7%	-8%	-17%	-3%
Y/Y Growth, %					-30%
Operating Income	330	330	374	239	230
Operating Margin, %	7.8%	8.3%	10.3%	7.9%	7.7%
Q/Q Growth, bps		50 bps	200 bps	-240 bps	-20 bps
Y/Y Growth, bps					-10 bps

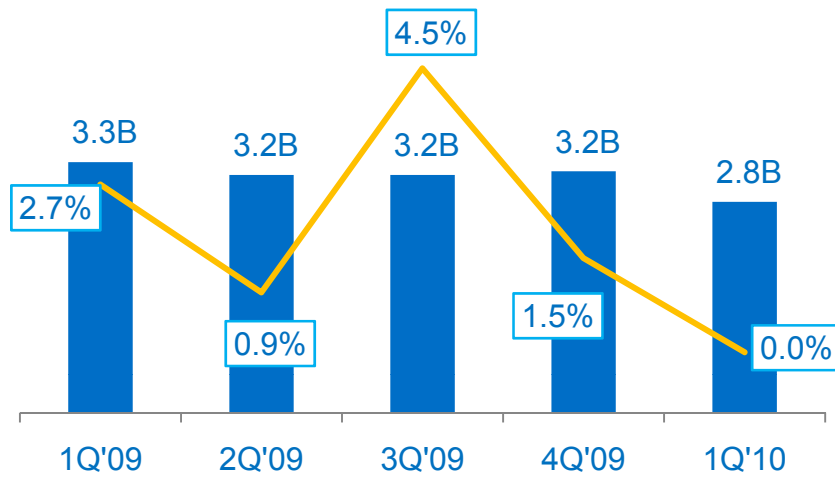
Dynamics

- Revenues of \$3.0B were down -30% Y/Y; units declined -4% Q/Q and -30% Y/Y
- IT demand strongest in Asia and softer in the Americas and EMEA
- Operating expenses were down -25% Y/Y
- Operating income \$230M
- Operating margins fell slightly both sequentially and year-over-year



1Q FY10 CONSUMER

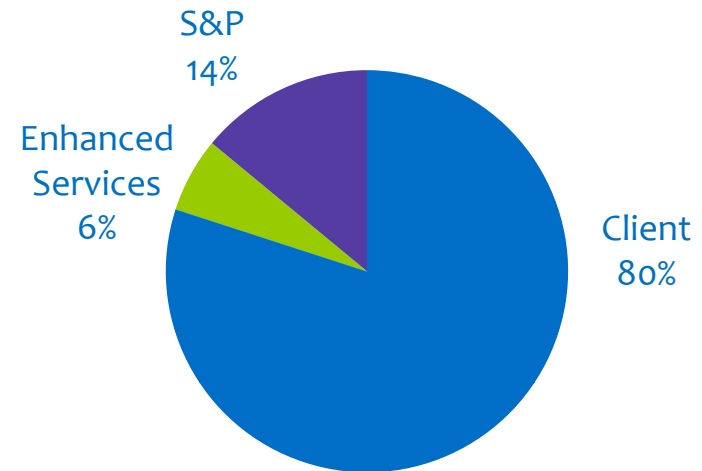
Revenue & Operating Margin



Consumer P&L

\$ in Millions	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Revenues	3,331	3,160	3,160	3,209	2,804
Q/Q Growth, %		-5%	0%	2%	-13%
Y/Y Growth, %					-16%
Operating Income	88	29	142	47	(1)
Operating Margin, %	2.7%	0.9%	4.5%	1.5%	0.0%
Q/Q Growth, bps		-180 bps	360 bps	-300 bps	-150 bps
Y/Y Growth, bps					-270 bps

Revenue Mix



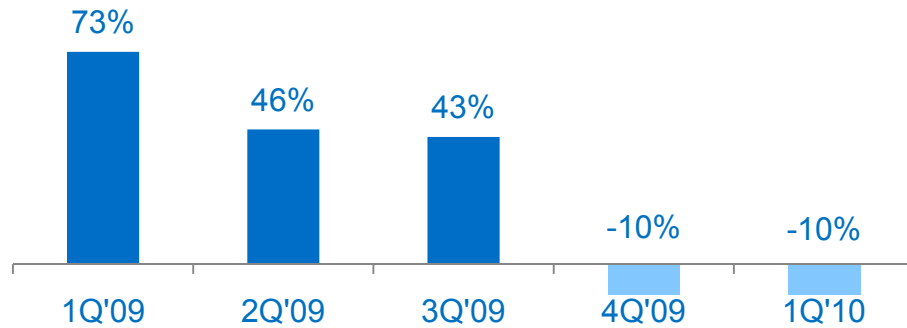
Dynamics

- Revenues were \$2.8B, down -13% Q/Q, units declined -4% Q/Q and up +12% Y/Y
- Notebook units up +32% Y/Y, while desktop units down -20% Y/Y
- Expanded global retail to 30,000 points of presence
- Operating expenses were down -13% Y/Y
- Operating income -\$1M, still confident in targeting 1-2% operating margins for FY10

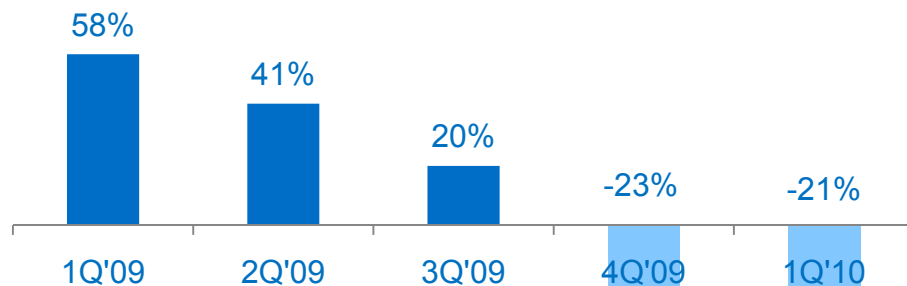


1Q FY10 BRIC COUNTRIES

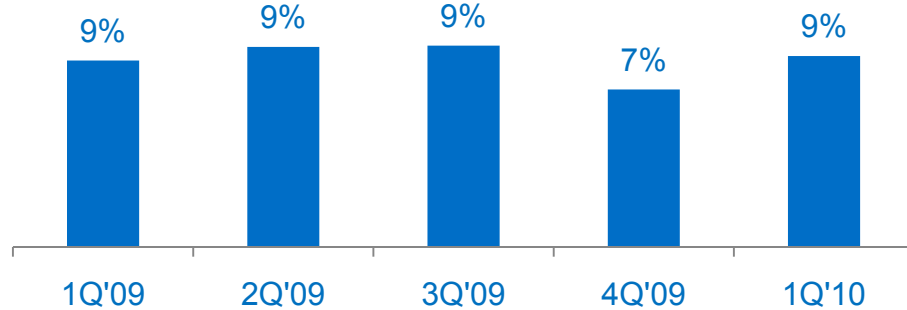
Unit Growth Y/Y, %



Revenue Growth Y/Y, %



% of Dell Total Revenue



Dynamics

- Our total BRIC countries revenue posted a decline of -21% from the year ago period, but up 11% sequentially
- India continued to slowdown, however, China is showing signs of recovery with units up 13% sequentially
- BRIC countries made up 9% of revenue while revenue outside of the U.S. was 48% of our total mix



1Q FY10 PRODUCT SUMMARY

Product Revenue Trends

\$ in millions	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Desktop PCs	4,781	4,954	4,091	3,538	3,163
Mobility	4,849	4,895	4,861	3,999	3,875
Servers	1,718	1,733	1,630	1,431	1,286
Storage	644	690	630	703	534
Enhanced Services	1,344	1,372	1,365	1,270	1,238
S&P	2,741	2,790	2,585	2,487	2,246
Total	16,077	16,434	15,162	13,428	12,342

Revenue Trends Q/Q

Desktop PCs	-2%	4%	-17%	-14%	-11%
Mobility	1%	1%	-1%	-18%	-3%
Servers	7%	1%	-6%	-12%	-10%
Storage	-1%	7%	-9%	12%	-24%
Enhanced Services	-4%	2%	-1%	-7%	-3%
S&P	3%	2%	-7%	-4%	-10%
Total	1%	2%	-8%	-11%	-8%

Revenue Trends Y/Y

Desktop PCs	-3%	-1%	-14%	-27%	-34%
Mobility	21%	27%	3%	-17%	-20%
Servers	8%	7%	-1%	-11%	-25%
Storage	17%	13%	1%	8%	-17%
Enhanced Services	5%	7%	1%	-9%	-8%
S&P	17%	17%	2%	-6%	-18%
Total	9%	11%	-3%	-16%	-23%

Dynamics

- Mobility units fell -5% Y/Y and revenue was down -20 % Y/Y due to the soft demand environment and change in mix
- Desktop units were down -26% Y/Y with revenue declining -34% Y/Y
- Server revenue was down -25% Y/Y on an -28% Y/Y decline in units
- Storage revenue was down -17% Y/Y, with EqualLogic revenue up 71% Y/Y
- Enhanced services revenue declined by -8% Y/Y to \$1.2B. Our deferred revenue balance grew +4% Y/Y to \$5.6 billion
- Software and peripherals revenue declined -18% Y/Y



1Q FY10 CORPORATE RESPONSIBILITY

Key Opportunities

1. Environmental Responsibility
 - Design for the environment
 - Product recovery and recycling

2. Refresh of Energy Efficient 11G Power Edge Servers

3. FY09 Sustainability report to be released at Shareholder in July

Results

- TBR Results: Dell #1 –
“Dell’s environmental commitments are bearing fruit, elevating Dell to the most environmentally progressive IT vendor in the world for 2008”
– Brad Allen, TBR
- E-Waste export ban – revised recycling policy restricts export of non-working equipment
- Up to 50% increase in performance over previous generation servers allowing companies to run more compute intensive databases and applications more efficiently
- Decision to set environmental metrics to track 5 pillars of Enviro 2.0 strategy
- Provide list of Tier 1 suppliers



DELL OUTLOOK

- Our direct customer relationships and tight supply chain help us to see demand signals earlier than any other company in the industry. The first quarter started with muted demand across our commercial segments; particularly in the U.S. and Europe. The second half was better but driven by seasonality. That said I don't believe there is enough momentum to call a bottom yet.
- We don't expect a repeat of the first part of Q1. We expect reasonable results from our federal government, consumer and education businesses; but Q2 and the first half Q3 mark a time when we find demand from larger commercial customers in the U.S. and Europe at a seasonal low point.
- Further out, we are confident that the vast majority of commercial customers are deferring purchases and will accelerate spending on IT to take advantage of technology driven productivity improvements. But this uptick will be driven by a better economy and associated improvements in customer profits and tax receipts. We expect IT spending to pick up first here in the U.S. and then across the globe.
- Until then, we will continue to focus on what we can control which is satisfying customers; adjusting our cost structure to the near-term realities of industry demand; and, making strategic investments to improve our company for the long-term.
- Finally, we expect to continue to absorb OE expenses this year as we align our business to improve competitiveness.
- Our goal continues to be to drive a balance of liquidity, profitability and growth; optimizing cash returns – regardless of the macro economic cycle. Our disciplined execution on working capital and our ongoing cost initiatives are a big part of that.



DELL 1Q FY10 STRATEGY AND PROGRESS

Michael Dell

Chairman and CEO

1Q FY10 KEY MESSAGES

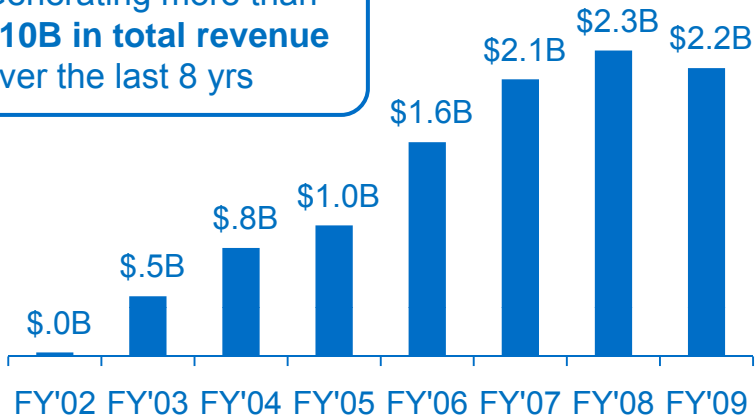
- We are executing on reducing costs and delivering solid margins
- We are accelerating our operating agenda priorities and intensifying our cost focus to achieve the \$4B cost reduction objective. This will enable solid earnings and cash flow and create the fuel for growth
- We accomplished a key structural step and our four global business units are now up and running
 - Large Enterprise and Public will drive us further into the data center and services
 - Consumer and SMB still have substantial revenue and unit growth opportunities, enhanced by our cost structure initiatives
- We are preparing for what we believe will be powerful replacement cycle with virtualization and our growing managed services capability playing a much larger role as the economy improves
- We are using a combination of organic growth, alliances and acquisitions to grow servers, storage, services and software



GROWTH IN STORAGE

EMC Partnership

Generating more than **\$10B in total revenue** over the last 8 yrs



- Multi-year extension of Dell | EMC partnership through 2013; a strategic partnership that began in 2001 and has generated over \$10B in revenue
- Product offerings include EMC Celerra NX4 storage system
- Partnering on a new line of De-duplication products
- Over 55,000 Dell/EMC storage systems deployed across the globe

EqualLogic



EqualLogic PS6000

EqualLogic storage business is now **4x larger** than when we acquired it

- EqualLogic is a leading provider of high-performance iSCSI storage area network (SAN) solutions uniquely optimized for virtualization
- Hypervisor-aware snapshots of VMware and Microsoft Hyper-V environments for fast and simplified virtual machine recovery
- Rapid deployment and provisioning
- High performance with no tuning efforts
- Seamless expandability



PRO-MANAGE MANAGED & MODULAR SERVICES

SMB CIOs DEPEND ON DELL MANAGED SERVICES TO SIMPLIFY IT

Pro-manage Managed Services



- **Less Downtime** – ability to shift IT resources to more important IT strategy and planning
- **Faster Problem Resolution** – onsite support & performance assessments
- **Affordable Pricing** – virtually no up-front investments are required
- **Flexible Terms of Use** – flexible contract terms means you can easily change your level of service to constantly meet the needs of your business
- **End-User Support** – 24/7 support to answer end-user requests
- **Local Support** – local technicians are in your area and work only with small and medium businesses

Pro-manage Modular Services

Distributed PC Management Services

Patch management & asset tracking

Software Inventory & Usage Management

Laptop Data Encryption

Email Management Services

Crisis Management & Alerting Services

Online Backup & Restore



GROWTH IN SERVERS AND HEALTHCARE

Dell 11G Servers



- The industry's first portfolio of servers with integrated systems management, scalable storage and flexible services
- Dell Management Console powered by Altiris provides total infrastructure management functionality for client, servers and storage in a single console
- Dell now offers Embedded Management, including Lifecycle Controller and Unified Server Configurator (USC) – a graphical UI for local access to provisioning, deployment, patching, servicing and user customization

Healthcare Solutions



The Future of Healthcare Technology: Virtualization

perotsystems®
Break Through



- Dell and Perot Systems are creating hosted and secure, private cloud-based electronic health records (EHR) alternatives to dedicated, on-premise EHR solutions
- Eliminating the need to purchase, deploy and maintain hardware and software onsite
- Reducing up-front capital requirements and accelerating time to positive ROI
- Reducing management burden for IT staff
- Providing solutions for hospitals, health systems and physician practices

