

---

# Dell 1Q FY14 Performance Review

**Brian Gladden**

SVP, Chief Financial Officer

**Tom Sweet**

VP, Corporate Controller

**Rob Williams**

VP, Investor Relations



---

May 16, 2013

# Forward-Looking Statements

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

*This material includes information about non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share (collectively with non-GAAP gross margin and non-GAAP operating expenses, the "non-GAAP financial measures"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. In the following tables, Dell has provided a reconciliation of each historical non-GAAP financial measure to the most directly comparable GAAP financial measure under the heading "Reconciliation of Non-GAAP Financial Measures." Dell encourages investors to review the reconciliation in conjunction with Dell's presentation of these non-GAAP financial measures.*

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

*Statements in this material that relate to future results and events (including statements about trends relating to macroeconomic challenges, effects of our server business, and government demand) 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 our 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 our financial services activities; counterparty default; customer terminations of or pricing changes in services contracts, or Dell's failure to perform as it anticipates at the time it enters into services contracts; loss of government contracts; Dell's ability to obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms; infrastructure disruptions; cyber-attacks or other data security breaches; Dell's ability to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates; expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax audits and other compliance matters; impairment of portfolio investments; unfavorable results of legal proceedings; Dell's ability to attract, retain, and motivate key personnel; Dell's ability to maintain strong internal controls; changing environmental and safety laws; the effect of armed hostilities, terrorism, natural disasters, and public health issues; and other risks and uncertainties discussed in Dell's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for its fiscal year ended February 1, 2013. Factors or risks that could cause our actual results to differ materially from the results we anticipate 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.*

## **Additional Information and Where to Find It**

*In connection with the proposed merger transaction, the Company filed with the SEC an amended preliminary proxy statement and other documents relating to the proposed merger on May 13, 2013. When completed, a definitive proxy statement and a form of proxy will be filed with the SEC and mailed to the Company's stockholders. Stockholders are urged to read the definitive proxy statement when it becomes available and any other documents to be filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they will contain important information about the proposed merger.*

*Investors will be able to obtain a free copy of documents filed with the SEC at the SEC's website at <http://www.sec.gov>. In addition, investors may obtain a free copy of the Company's filings with the SEC from the Company's website at <http://content.dell.com/us/en/corp/investor-financial-reporting.aspx> or by directing a request to: Dell Inc. One Dell Way, Round Rock, Texas 78682, Attn: Investor Relations, (512) 728-7800, [investor\\_relations@dell.com](mailto:investor_relations@dell.com).*

*The Company and its directors, executive officers and certain other members of management and employees of the Company may be deemed "participants" in the solicitation of proxies from stockholders of the Company in favor of the proposed merger. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the stockholders of the Company in connection with the proposed merger and their direct or indirect interests, by security holdings or otherwise, which may be different from those of the Company's stockholders generally, will be set forth in the proxy statement and the other relevant documents to be filed with the SEC. You can find information about the Company's executive officers and directors in its Annual Report on Form 10-K for the fiscal year ended February 1, 2013 and in its definitive proxy statement filed with the SEC on Schedule 14A on May 24, 2012.*



# Dell 1Q FY14

## 1Q Earnings Review

**Brian Gladden**

SVP, Chief Financial Officer



# 1Q FY14 Consolidated GAAP Results

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

\$ in Millions - except Units and EPS

	1Q'13	4Q'13	1Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,644	10,297	9,644	-9%	-6%
Revenues	14,422	14,314	14,074	-2%	-2%
Gross Margin	3,067	3,109	2,747	-10%	-12%
<i>GM % of revenue</i>	<i>21.3%</i>	<i>21.7%</i>	<i>19.5%</i>	<i>-180 bps</i>	<i>-220 bps</i>
SG&A Operating Expenses	2,009	2,104	2,208	10%	5%
<i>SG&amp;A Opex % of revenue</i>	<i>13.9%</i>	<i>14.7%</i>	<i>15.7%</i>	<i>180 bps</i>	<i>100 bps</i>
R&D Operating Expenses	234	307	313	34%	2%
<i>R&amp;D Opex % of revenue</i>	<i>1.7%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>50 bps</i>	<i>10 bps</i>
Operating Expenses	2,243	2,411	2,521	12%	5%
<i>Opex % of revenue</i>	<i>15.6%</i>	<i>16.8%</i>	<i>17.9%</i>	<i>230 bps</i>	<i>110 bps</i>
Operating Income	824	698	226	-73%	-68%
<i>OpInc % of revenue</i>	<i>5.7%</i>	<i>4.9%</i>	<i>1.6%</i>	<i>-410 bps</i>	<i>-330 bps</i>
Income Tax	157	130	28	-82%	-79%
<i>Effective Tax Rate %</i>	<i>19.8%</i>	<i>19.7%</i>	<i>17.6%</i>	<i>-220 bps</i>	<i>-210 bps</i>
Net Income	635	530	130	-79%	-75%
<i>NI % of revenue</i>	<i>4.4%</i>	<i>3.7%</i>	<i>0.9%</i>	<i>-350 bps</i>	<i>-280 bps</i>
Diluted EPS	\$0.36	\$0.30	\$0.07	-81%	-77%

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



# 1Q FY14 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

Accelerating  
innovation  
with  
SERVICES

*Growth refers to year-over-year*

- Enterprise Solutions, Services, & Software revenue up +12% to \$5.5B
- Dell was the only company in top 5 to gain share in PCs both Y/Y and sequentially
- Gained share in x86 servers
- Server, Networking & Peripherals revenue up +14%
- Over past few years, we've acquired new capabilities in areas like scalable storage solutions, application migration and software; We continue to invest in additional strategic capabilities



# 1Q FY14 Non-GAAP Summary

- Delivered revenue of \$14.1B, down -2% Y/Y and down -2% sequentially
- Gross margin was 20.6%, down -220bps sequentially. Gross margins in Q4 benefited by ~\$250M or +180 bps primarily related to vendor settlements
- Operating expenses increased +\$5M sequentially; opex percent increased +30bps sequentially to 16.4%
- Operating income was \$590M or 4.2% of revenue, down -250bps sequentially and down -280bps Y/Y
- Tax rate of 28.7%, up +530bps sequentially driven by a higher proportion of business in higher tax jurisdictions
- Diluted weighted average shares down -13M Y/Y, down -1% Y/Y
- Earnings per share of \$0.21, down -51% Y/Y
- Cash used in operations was \$39M; Generated \$3.4B of cash flow over trailing twelve months



# 1Q FY14 Consolidated Non-GAAP Results

## Revenue Detail

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

\$ in Millions - except Units and EPS

	1Q'13	4Q'13	1Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,644	10,297	9,644	-9%	-6%
<b>Revenues</b>	<b>14,422</b>	<b>14,314</b>	<b>14,074</b>	<b>-2%</b>	<b>-2%</b>
Gross Margin	3,167	3,258	2,899	-8%	-11%
<i>GM % of revenue</i>	<i>22.0%</i>	<i>22.8%</i>	<i>20.6%</i>	<i>-140 bps</i>	<i>-220 bps</i>
SG&A Operating Expenses	1,925	2,000	2,000	4%	0%
<i>SG&amp;A Opex % of revenue</i>	<i>13.3%</i>	<i>14.0%</i>	<i>14.2%</i>	<i>90 bps</i>	<i>20 bps</i>
R&D Operating Expenses	232	304	309	33%	2%
<i>R&amp;D Opex % of revenue</i>	<i>1.6%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>60 bps</i>	<i>10 bps</i>
Operating Expenses	2,157	2,304	2,309	7%	0%
<i>Opex % of revenue</i>	<i>15.0%</i>	<i>16.1%</i>	<i>16.4%</i>	<i>140 bps</i>	<i>30 bps</i>
Operating Income	1,010	954	590	-42%	-38%
<i>OpInc % of revenue</i>	<i>7.0%</i>	<i>6.7%</i>	<i>4.2%</i>	<i>-280 bps</i>	<i>-250 bps</i>
Income Tax	217	214	150	-31%	-30%
<i>Effective Tax Rate %</i>	<i>22.2%</i>	<i>23.4%</i>	<i>28.7%</i>	<i>650 bps</i>	<i>530 bps</i>
Net Income	761	702	372	-51%	-47%
<i>NI % of revenue</i>	<i>5.3%</i>	<i>4.9%</i>	<i>2.6%</i>	<i>-270 bps</i>	<i>-230 bps</i>
Diluted EPS	\$0.43	\$0.40	\$0.21	-51%	-48%

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

- Delivered revenue of \$14.1B, down -2% Y/Y and down -2% sequentially
- Enterprise Solutions, Services & Software up +12% Y/Y to \$5.5B
- Revenue dynamics:
  - Strong performance in Enterprise Solutions Group, delivering revenue growth of +10% Y/Y
  - Mixed results from End User Computing business (down -9% Y/Y)



# 1Q FY14 Consolidated Non-GAAP Results

## Gross Margin Detail

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

\$ in Millions - except Units and EPS

	1Q'13	4Q'13	1Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,644	10,297	9,644	-9%	-6%
Revenues	14,422	14,314	14,074	-2%	-2%
<b>Gross Margin</b>	<b>3,167</b>	<b>3,258</b>	<b>2,899</b>	<b>-8%</b>	<b>-11%</b>
<i>GM % of revenue</i>	<i>22.0%</i>	<i>22.8%</i>	<i>20.6%</i>	<i>-140 bps</i>	<i>-220 bps</i>
SG&A Operating Expenses	1,925	2,000	2,000	4%	0%
<i>SG&amp;A Opex % of revenue</i>	<i>13.3%</i>	<i>14.0%</i>	<i>14.2%</i>	<i>90 bps</i>	<i>20 bps</i>
R&D Operating Expenses	232	304	309	33%	2%
<i>R&amp;D Opex % of revenue</i>	<i>1.6%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>60 bps</i>	<i>10 bps</i>
Operating Expenses	2,157	2,304	2,309	7%	0%
<i>Opex % of revenue</i>	<i>15.0%</i>	<i>16.1%</i>	<i>16.4%</i>	<i>140 bps</i>	<i>30 bps</i>
Operating Income	1,010	954	590	-42%	-38%
<i>OpInc % of revenue</i>	<i>7.0%</i>	<i>6.7%</i>	<i>4.2%</i>	<i>-280 bps</i>	<i>-250 bps</i>
Income Tax	217	214	150	-31%	-30%
<i>Effective Tax Rate %</i>	<i>22.2%</i>	<i>23.4%</i>	<i>28.7%</i>	<i>650 bps</i>	<i>530 bps</i>
Net Income	761	702	372	-51%	-47%
<i>NI % of revenue</i>	<i>5.3%</i>	<i>4.9%</i>	<i>2.6%</i>	<i>-270 bps</i>	<i>-230 bps</i>
Diluted EPS	\$0.43	\$0.40	\$0.21	-51%	-48%

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

- Gross margin was 20.6%, down -220bps sequentially. Gross margins in Q4 benefited by ~\$250M or +180 bps primarily related to vendor settlements
- Gross Margin dynamics:
  - Continue to face competitive pricing environment and have aligned pricing strategy to invest in growth ahead of planned reductions in our cost structure
  - Remain focused on pursuing strategic opportunities that will drive long-term profitability and cash flow





# 1Q FY14 Consolidated Non-GAAP Results

## Operating Expense and Operating Income Detail

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

\$ in Millions - except Units and EPS

	1Q'13	4Q'13	1Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,644	10,297	9,644	-9%	-6%
Revenues	14,422	14,314	14,074	-2%	-2%
Gross Margin	3,167	3,258	2,899	-8%	-11%
<i>GM % of revenue</i>	<i>22.0%</i>	<i>22.8%</i>	<i>20.6%</i>	<i>-140 bps</i>	<i>-220 bps</i>
<b>SG&amp;A Operating Expenses</b>	<b>1,925</b>	<b>2,000</b>	<b>2,000</b>	<b>4%</b>	<b>0%</b>
<i>SG&amp;A Opex % of revenue</i>	<i>13.3%</i>	<i>14.0%</i>	<i>14.2%</i>	<i>90 bps</i>	<i>20 bps</i>
<b>R&amp;D Operating Expenses</b>	<b>232</b>	<b>304</b>	<b>309</b>	<b>33%</b>	<b>2%</b>
<i>R&amp;D Opex % of revenue</i>	<i>1.6%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>60 bps</i>	<i>10 bps</i>
<b>Operating Expenses</b>	<b>2,157</b>	<b>2,304</b>	<b>2,309</b>	<b>7%</b>	<b>0%</b>
<i>Opex % of revenue</i>	<i>15.0%</i>	<i>16.1%</i>	<i>16.4%</i>	<i>140 bps</i>	<i>30 bps</i>
<b>Operating Income</b>	<b>1,010</b>	<b>954</b>	<b>590</b>	<b>-42%</b>	<b>-38%</b>
<i>OpInc % of revenue</i>	<i>7.0%</i>	<i>6.7%</i>	<i>4.2%</i>	<i>-280 bps</i>	<i>-250 bps</i>
Income Tax	217	214	150	-31%	-30%
<i>Effective Tax Rate %</i>	<i>22.2%</i>	<i>23.4%</i>	<i>28.7%</i>	<i>650 bps</i>	<i>530 bps</i>
Net Income	761	702	372	-51%	-47%
<i>NI % of revenue</i>	<i>5.3%</i>	<i>4.9%</i>	<i>2.6%</i>	<i>-270 bps</i>	<i>-230 bps</i>
Diluted EPS	\$0.43	\$0.40	\$0.21	-51%	-48%

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

- Operating expenses were \$2.3B, up +\$5M sequentially
- Operating expense dynamics:
  - SG&A increased +4% Y/Y and +20bps sequentially to 14.2% of revenue
  - R&D spending increased +33% Y/Y and +10bps sequentially to 2.2% of revenue
- Operating income was \$590M, or 4.2% of revenue, down -250bps sequentially and down -280bps Y/Y



# 1Q FY14 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

	1Q'13	4Q'13	1Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,644	10,297	9,644	-9%	-6%
Revenues	14,422	14,314	14,074	-2%	-2%
Gross Margin	3,167	3,258	2,899	-8%	-11%
<i>GM % of revenue</i>	<i>22.0%</i>	<i>22.8%</i>	<i>20.6%</i>	<i>-140 bps</i>	<i>-220 bps</i>
SG&A Operating Expenses	1,925	2,000	2,000	4%	0%
<i>SG&amp;A Opex % of revenue</i>	<i>13.3%</i>	<i>14.0%</i>	<i>14.2%</i>	<i>90 bps</i>	<i>20 bps</i>
R&D Operating Expenses	232	304	309	33%	2%
<i>R&amp;D Opex % of revenue</i>	<i>1.6%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>60 bps</i>	<i>10 bps</i>
Operating Expenses	2,157	2,304	2,309	7%	0%
<i>Opex % of revenue</i>	<i>15.0%</i>	<i>16.1%</i>	<i>16.4%</i>	<i>140 bps</i>	<i>30 bps</i>
Operating Income	1,010	954	590	-42%	-38%
<i>OpInc % of revenue</i>	<i>7.0%</i>	<i>6.7%</i>	<i>4.2%</i>	<i>-280 bps</i>	<i>-250 bps</i>
<b>Income Tax</b>	<b>217</b>	<b>214</b>	<b>150</b>	<b>-31%</b>	<b>-30%</b>
<i>Effective Tax Rate %</i>	<i>22.2%</i>	<i>23.4%</i>	<i>28.7%</i>	<i>650 bps</i>	<i>530 bps</i>
<b>Net Income</b>	<b>761</b>	<b>702</b>	<b>372</b>	<b>-51%</b>	<b>-47%</b>
<i>NI % of revenue</i>	<i>5.3%</i>	<i>4.9%</i>	<i>2.6%</i>	<i>-270 bps</i>	<i>-230 bps</i>
<b>Diluted EPS</b>	<b>\$0.43</b>	<b>\$0.40</b>	<b>\$0.21</b>	<b>-51%</b>	<b>-48%</b>

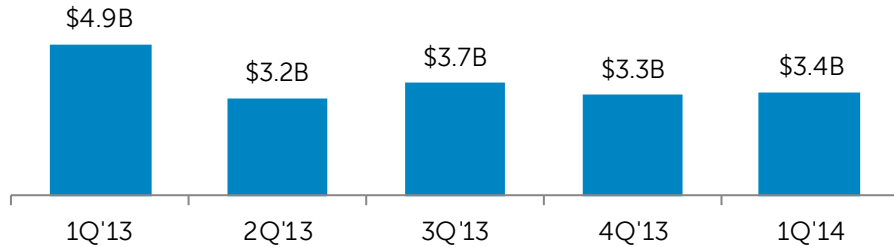
- Interest & other income of -\$68M, driven by interest expense and F/X offset somewhat by investment income
- Tax rate of 28.7%, up +530bps sequentially driven by a higher proportion of business in higher tax jurisdictions
- Diluted weighted average shares down -13M Y/Y, down -1% Y/Y
- EPS down -51% Y/Y to \$0.21

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

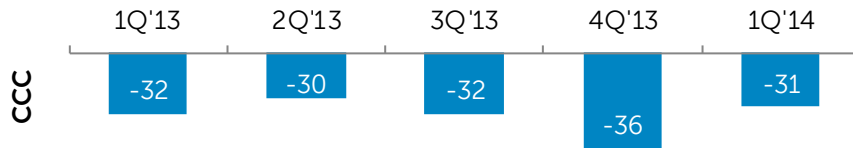


# 1Q FY14 Cash Flow Management

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



## Cash Conversion Cycle (CCC)



- Cash used in operations was \$39M as Q1 is typically seasonally low for cash flow; Generated \$3.4B of cash flow over trailing twelve months
- Cash and Investments balance was \$13.2B as we repaid ~\$2B in debt
- Decrease in cash flow from operations primarily driven by +5 days sequential change in cash conversion cycle and bonus payment
  - Days sales outstanding down -1 day sequentially to 45 days
  - Days sales of inventory flat sequentially at 11 days
  - Days payables outstanding down -6 days sequentially to 87 days, driven by reversal of one-time positive impacts in Q4, linearity, and quarterly seasonality

<sup>1</sup>Trailing Twelve Months



# 1Q FY14 Product & Services Segment Summary

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

\$ in Millions

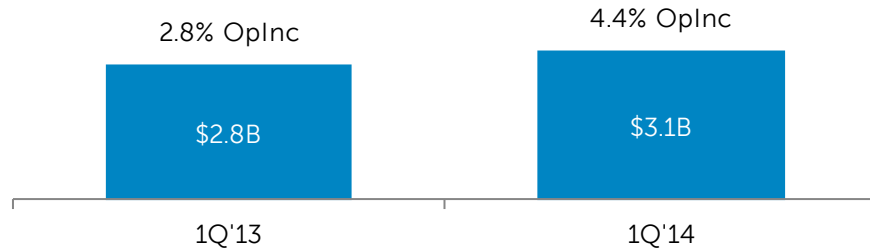
	Enterprise Solutions Group	Services	Software	End User Computing
Revenues	3,093	2,109	295	8,920
<i>Y/Y Growth, %</i>	10%	2%	NM	-9%
Operating Income	136	370	(85)	224
<i>Operating Income, %</i>	4.4%	17.6%	-28.7%	2.5%
<i>Y/Y Growth, bps</i>	160 bps	130 bps	NM	-400 bps

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



# 1Q FY14 Enterprise Solutions Group

## Revenue & Operating Income

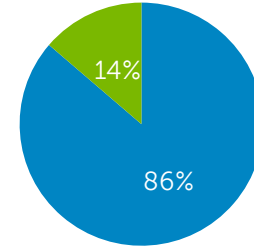


## Enterprise Solutions Group P&L

\$ in Millions

	1Q'13	1Q'14
Revenues	2,816	3,093
<i>Y/Y Growth, %</i>		10%
Operating Income	79	136
<i>Operating Income, %</i>	2.8%	4.4%
<i>Y/Y Growth, bps</i>		160 bps

## Revenue Mix



■ Servers, Networking & Peripherals ■ Storage

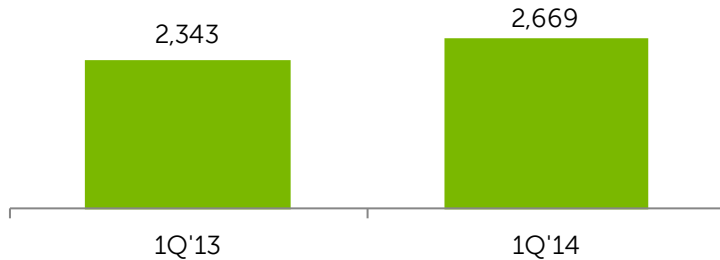
- Revenue up +10% Y/Y to \$3.1B, driven by strong growth in our Server and Networking businesses
- Operating income of \$136M up +160bps Y/Y to 4.4% as a percent of revenue



# 1Q FY14 Enterprise Solutions Group Detail

## Servers, Networking & Peripherals

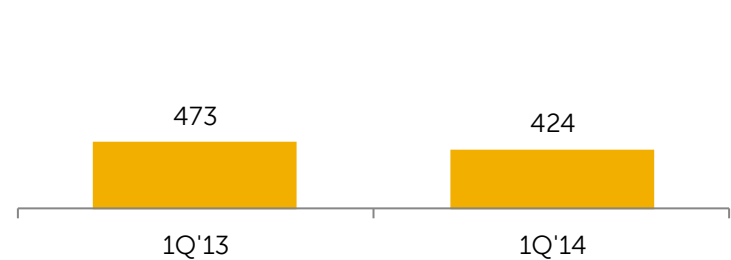
(Revenue \$ in Millions)



- Revenue up +14% Y/Y to \$2.7B
- Server business continued to do well in hyper scale data centers
  - Dell powers 4 out of the top 5 search engines and 75% of the top social media sites worldwide
- Networking up +24% Y/Y on strong Force10 results; 9th straight quarter of Y/Y and sequential growth

## Storage

(Revenue \$ in Millions)

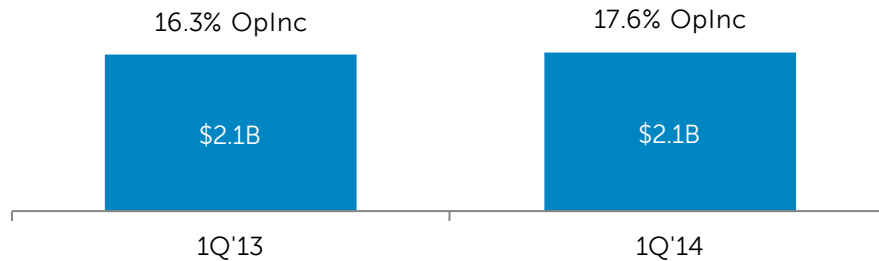


- Revenue down -10% Y/Y to \$424M
- Focused on continuing to more effectively position the right solutions based on customer needs and optimizing selling motion to improve revenue momentum; While we've made progress, we have more work to do in this area



# 1Q FY14 Services

## Revenue & Operating Income

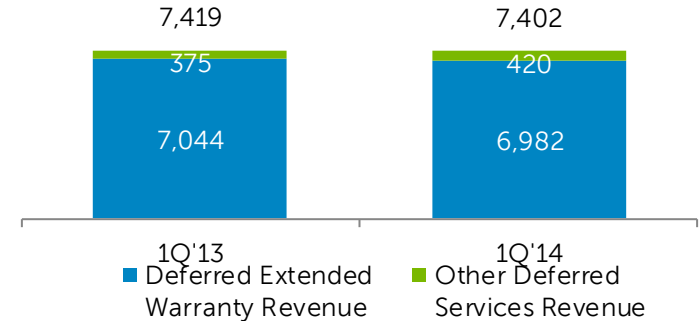


## Services P&L

\$ in Millions

	1Q'13	1Q'14
Revenues	2,073	2,109
<i>YY Growth, %</i>		2%
Operating Income	338	370
<i>Operating Income, %</i>	16.3%	17.6%
<i>YY Growth, bps</i>		130 bps

## Deferred Services Revenue



- Revenue up +2% Y/Y to \$2.1B
- Operating income of \$370M up +130bps Y/Y to 17.6% as a percent of revenue
- Re-shaping portfolio to focus on more profitable solutions that are aligned to our strategic capabilities
- Maintaining focus on continued profit expansion



# 1Q FY14 Services Detail

## Support & Deployment

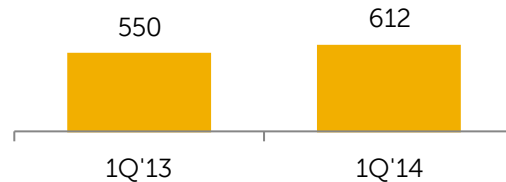
(Revenue \$ in Millions)



- Revenue up +2% Y/Y to \$1.2B
- Enhanced and new solutions in addition to strong attach rates partially mitigating downward pressure from EUC hardware unit declines

## Infrastructure, Cloud & Security

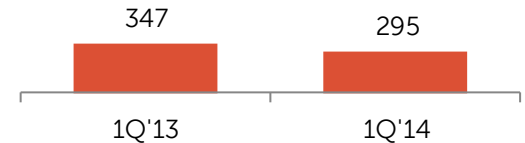
(Revenue \$ in Millions)



- Revenue up +11% Y/Y to \$612M, driven by contributions from FY13 new contract signings and accelerated cloud growth
- Security business up +20% Y/Y

## Applications & BPO

(Revenue \$ in Millions)



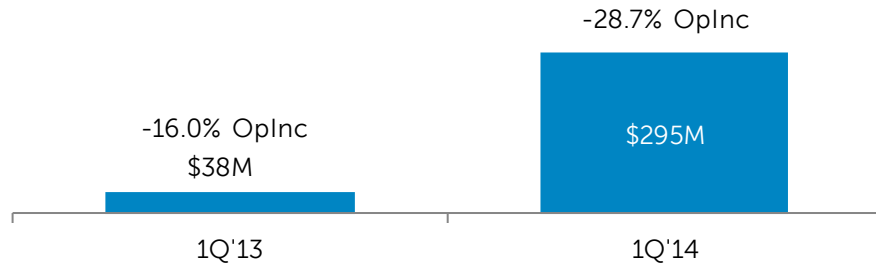
- Revenue down -15% Y/Y to \$295M, driven by a divestiture and select contract expirations
- Continue to work to improve profitability of this business





# 1Q FY14 Software

## Revenue & Operating Income



## Software P&L

\$ in Millions

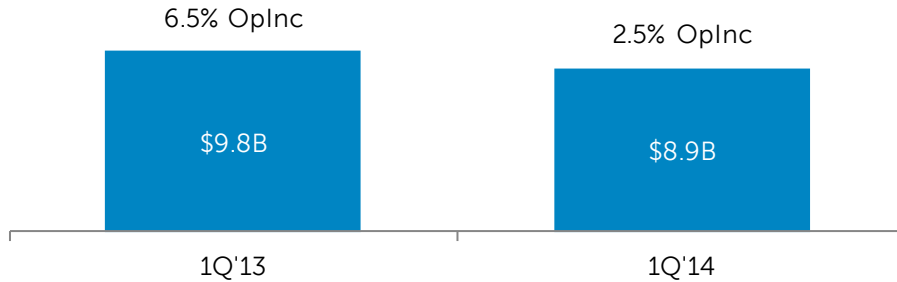
	1Q'13	1Q'14
Revenues	38	295
Y/Y Growth, %		NM
Operating Income	-6	-85
Operating Income, %	-16.0%	-28.7%
Y/Y Growth, bps		NM

- Revenue of \$295M; Deferred software revenue balance of \$650M
- We're enhancing our software capabilities and increasing our investments in this business with additional sales capacity and R&D
- Operating loss of \$85M or -28.7% as a percentage of revenue
- Consistent with prior communication and business plan, we remain confident the Quest acquisition will be accretive to non-GAAP earnings in Q1 of FY15



# 1Q FY14 End User Computing

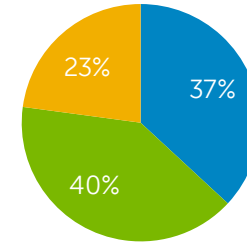
## Revenue & Operating Income



## End User Computing P&L

\$ in Millions	1Q'13	1Q'14
Revenues	9,832	8,920
<i>Y/Y Growth, %</i>		-9%
Operating Income	639	224
<i>Operating Income, %</i>	6.5%	2.5%
<i>Y/Y Growth, bps</i>		-400 bps

## Revenue Mix



■ Desktops & Thin Client ■ Mobility ■ S&P

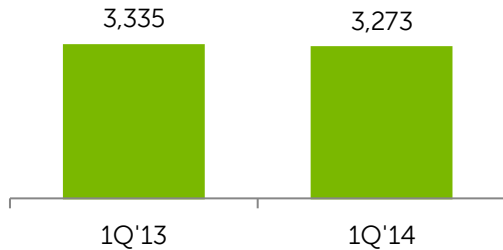
- Revenue down -9% Y/Y to \$8.9B; continue to expect relatively weak demand and market competitiveness
- Operating income of \$224M down -400bps Y/Y to 2.5% as a percent of revenue
- Investing in acquiring new customer accounts that will benefit long-term profitability and cash flow



# 1Q FY14 End User Computing Detail

## Desktops & Thin Client

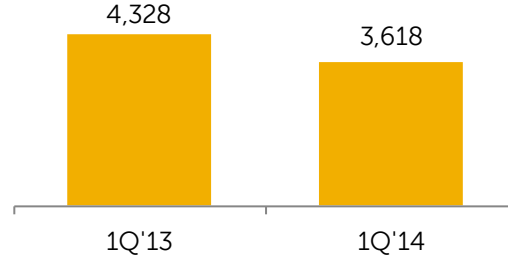
(Revenue \$ in Millions)



- Revenue down -2% Y/Y to \$3.3B
- Trajectory of business improving; maintaining strong position in traditional desktops and seeing good traction with innovative all-in-one designs

## Mobility

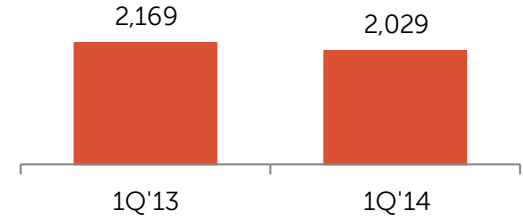
(Revenue \$ in Millions)



- Revenue down -16% Y/Y to \$3.6B; Demand continues to be pressured by customers diverting spending to alternative mobile solutions
- Tablet solutions ramping well led by Latitude 10 business focused tablet

## Software & Peripherals

(Revenue \$ in Millions)



- Revenue down -6% Y/Y to \$2.0B, driven by unit declines in Mobility business



# 1Q FY14 Regional and BRIC Results

## Regional Revenue

\$ in Millions

### Americas

Sequential Growth, %

1Q'13	2Q'13	3Q'13	4Q'13	1Q'14
-9%	6%	-5%	-1%	2%
-7%	-6%	-9%	-10%	1%
-17%	-4%	-8%	17%	-5%
-1%	-7%	-15%	-14%	-2%
-5%	-8%	-4%	8%	-7%
0%	-12%	-11%	-9%	-12%

Y/Y Growth, %

### EMEA

Sequential Growth, %

Y/Y Growth, %

### APJ

Sequential Growth, %

Y/Y Growth, %

*Growth refers to year-over-year*

## Regional Dynamics

- Americas revenue up +1%, while EMEA and APJ were down -2% and -12%, respectively

## BRIC Dynamics

- BRIC countries revenue down -17%; (Brazil down -4%, Russia down -19%, India down -8%, China down -24%)



# 1Q FY14 Corporate Responsibility

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

## Our Planet

- Climate Group recognizes Dell for disclosure of Carbon Emissions, #5 in North America
- Dell ranked 46<sup>th</sup> on Corporate Responsibility Magazine's 100 Best Corporate Citizens list
- Dell ranked 7<sup>th</sup> on Fortune China's Top 100 Most Responsible Companies (up from 19<sup>th</sup> in 2012)
- Launched Eco-Learning Center at our Round Rock Headquarters
- Joined Department of Energy's Workplace Charging Challenge
- XPS 10 ranked first for repairability in iFixit's ranking

## Our Communities & Our People

- Doubled number of Dell Social Innovation Challenge employee volunteers over prior year
- Named to The One Hundred by Massachusetts General Hospital Cancer Center for Dell's contributions to the fight against cancer
- Top 10 finalist in the Boston College Center for Corporate Citizenship International Film Festival
- Hosted Catalyst symposium about women & business
- Named a top company for executive women by the National Association for Female Executives



# Dell 1Q FY14

## Supplemental Non-GAAP Measures



# Supplemental Non-GAAP Measures

(\$ millions, except per share data)

	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14
<b>GAAP Net Income</b>	<b>945</b>	<b>890</b>	<b>893</b>	<b>764</b>	<b>3,492</b>	<b>635</b>	<b>732</b>	<b>475</b>	<b>530</b>	<b>2,372</b>	<b>130</b>
<b>GAAP EPS</b>	<b>0.49</b>	<b>0.48</b>	<b>0.49</b>	<b>0.43</b>	<b>1.88</b>	<b>0.36</b>	<b>0.42</b>	<b>0.27</b>	<b>0.30</b>	<b>1.35</b>	<b>0.07</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	92	95	100	104	391	110	150	165	188	613	196
Severance & facility actions and Acquisition-related <sup>1</sup>	72	87	46	108	313	76	72	132	68	348	168
Aggregate Tax-adjustments	(59)	(66)	(56)	(63)	(244)	(60)	(79)	(93)	(84)	(316)	(122)
Total adjustments to Net Income	105	116	90	149	460	126	143	204	172	645	242
Total adjustments to EPS - diluted	0.06	0.06	0.05	0.08	0.25	0.07	0.08	0.12	0.10	0.37	0.14
<b>Non-GAAP Net Income</b>	<b>1,050</b>	<b>1,006</b>	<b>983</b>	<b>913</b>	<b>3,952</b>	<b>761</b>	<b>875</b>	<b>679</b>	<b>702</b>	<b>3,017</b>	<b>372</b>
<b>Non-GAAP EPS</b>	<b>0.55</b>	<b>0.54</b>	<b>0.54</b>	<b>0.51</b>	<b>2.13</b>	<b>0.43</b>	<b>0.50</b>	<b>0.39</b>	<b>0.40</b>	<b>1.72</b>	<b>0.21</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Net Income	6.3%	5.7%	5.8%	4.8%	5.6%	4.4%	5.1%	3.5%	3.7%	4.2%	0.9%
Non-GAAP adjustments	0.7%	0.7%	0.6%	0.9%	0.8%	0.9%	0.9%	1.4%	1.2%	1.1%	1.7%
Non-GAAP Net Income	7.0%	6.4%	6.4%	5.7%	6.4%	5.3%	6.0%	4.9%	4.9%	5.3%	2.6%

<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)	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14
<b>GAAP Gross Margin</b>	<b>3,432</b>	<b>3,525</b>	<b>3,469</b>	<b>3,385</b>	<b>13,811</b>	<b>3,067</b>	<b>3,138</b>	<b>2,872</b>	<b>3,109</b>	<b>12,186</b>	<b>2,747</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	71	74	77	83	305	88	109	120	138	455	140
Severance & facility actions and Acquisition-related <sup>1</sup>	8	26	0	15	49	12	23	21	11	67	12
Total adjustments to Gross Margin	79	100	77	98	354	100	132	141	149	522	152
<b>Non-GAAP Gross Margin</b>	<b>3,511</b>	<b>3,625</b>	<b>3,546</b>	<b>3,483</b>	<b>14,165</b>	<b>3,167</b>	<b>3,270</b>	<b>3,013</b>	<b>3,258</b>	<b>12,708</b>	<b>2,899</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Gross Margin	22.9%	22.5%	22.6%	21.1%	22.3%	21.3%	21.6%	20.9%	21.7%	21.4%	19.5%
Non-GAAP adjustments	0.5%	0.7%	0.5%	0.6%	0.5%	0.7%	1.0%	1.1%	1.1%	0.9%	1.1%
Non-GAAP Gross Margin	23.4%	23.2%	23.1%	21.7%	22.8%	22.0%	22.6%	22.0%	22.8%	22.3%	20.6%

<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)	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14
<b>GAAP operating expenses</b>	<b>2,220</b>	<b>2,379</b>	<b>2,327</b>	<b>2,454</b>	<b>9,380</b>	<b>2,243</b>	<b>2,237</b>	<b>2,283</b>	<b>2,411</b>	<b>9,174</b>	<b>2,521</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	(21)	(21)	(23)	(21)	(86)	(22)	(41)	(45)	(50)	(158)	(56)
Severance & facility actions and Acquisition-related <sup>1</sup>	(64)	(61)	(46)	(93)	(264)	(64)	(49)	(111)	(57)	(281)	(156)
Total adjustments to opex	(85)	(82)	(69)	(114)	(350)	(86)	(90)	(156)	(107)	(439)	(212)
<b>Non-GAAP operating expenses</b>	<b>2,135</b>	<b>2,297</b>	<b>2,258</b>	<b>2,340</b>	<b>9,030</b>	<b>2,157</b>	<b>2,147</b>	<b>2,127</b>	<b>2,304</b>	<b>8,735</b>	<b>2,309</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating expenses	14.8%	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%	16.6%	16.8%	16.1%	17.9%
Non-GAAP adjustments	-0.6%	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%	-1.1%	-0.7%	-0.8%	-1.5%
Non-GAAP operating expenses	14.2%	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%	15.5%	16.1%	15.3%	16.4%

<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)	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14
<b>GAAP operating income</b>	<b>1,212</b>	<b>1,146</b>	<b>1,142</b>	<b>931</b>	<b>4,431</b>	<b>824</b>	<b>901</b>	<b>589</b>	<b>698</b>	<b>3,012</b>	<b>226</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	92	95	100	104	391	110	150	165	188	613	196
Severance & facility actions and Acquisition-related <sup>1</sup>	72	87	46	108	313	76	72	132	68	348	168
Total adjustments to opinc	164	182	146	212	704	186	222	297	256	961	364
<b>Non-GAAP operating income</b>	<b>1,376</b>	<b>1,328</b>	<b>1,288</b>	<b>1,143</b>	<b>5,135</b>	<b>1,010</b>	<b>1,123</b>	<b>886</b>	<b>954</b>	<b>3,973</b>	<b>590</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating income	8.1%	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%	4.3%	4.9%	5.3%	1.6%
Non-GAAP adjustments	1.1%	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%	2.2%	1.8%	1.7%	2.6%
Non-GAAP operating income	9.2%	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%	6.5%	6.7%	7.0%	4.2%

<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)

	1Q'12	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13	1Q'14
<b><u>Net TTM Free Cash Flow</u></b>									
Cash flow from operations	4,196	5,235	5,173	5,527	4,924	3,187	3,679	3,283	3,382
Capital expenditures	(535)	(549)	(670)	(675)	(680)	(641)	(548)	(513)	(529)
Financing receivables	480	375	412	372	322	282	261	193	135
<b>Net TTM Free Cash Flow</b>	<b>4,141</b>	<b>5,061</b>	<b>4,915</b>	<b>5,224</b>	<b>4,566</b>	<b>2,828</b>	<b>3,392</b>	<b>2,963</b>	<b>2,988</b>
<b><u>Net Free Cash Flow</u></b>									
Cash flow from operations	465	2,374	851	1,837	(138)	637	1,343	1,441	(39)
Capital expenditures	(137)	(159)	(214)	(165)	(142)	(120)	(121)	(130)	(158)
Financing receivables	(21)	100	83	210	(71)	60	62	142	(129)
<b>Net Free Cash Flow</b>	<b>307</b>	<b>2,315</b>	<b>720</b>	<b>1,882</b>	<b>(351)</b>	<b>577</b>	<b>1,284</b>	<b>1,453</b>	<b>(326)</b>

