

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-37867

Dell Technologies Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

80-0890963

(I.R.S. Employer Identification No.)

One Dell Way, Round Rock, Texas 78682

(Address of principal executive offices) (Zip Code)

1-800-289-3355

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class C Common Stock, par value of \$0.01 per share	DELL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of May 31, 2022, there were 739,517,600 shares of the registrant's common stock outstanding, consisting of 265,686,850 outstanding shares of Class C Common Stock, 378,480,523 outstanding shares of Class A Common Stock, and 95,350,227 outstanding shares of Class B Common Stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “may,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “aim,” “seek,” and similar expressions as they relate to us or our management are intended to identify these forward-looking statements. All statements by us regarding our expected financial position, revenues, cash flows and other operating results, business strategy, legal proceedings, future responses to and effects of the coronavirus disease 2019 (“COVID-19”), and similar matters are forward-looking statements. Our expectations expressed or implied in these forward-looking statements may not turn out to be correct. Our results could be materially different from our expectations because of various risks, including the risks discussed in “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2022, in this report and in our other periodic and current reports filed with the Securities and Exchange Commission (“SEC”). Any forward-looking statement speaks only as of the date as of which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement after the date as of which such statement was made, whether to reflect changes in circumstances or our expectations, the occurrence of unanticipated events, or otherwise.

DELL TECHNOLOGIES INC.

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DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions; unaudited)

ASSETS	April 29, 2022	January 28, 2022
Current assets:		
Cash and cash equivalents	\$ 6,654	\$ 9,477
Accounts receivable, net of allowance of \$72 and \$90	11,837	12,912
Due from related party, net	131	131
Short-term financing receivables, net of allowance of \$133 and \$142 (Note 5)	4,796	5,089
Inventories	6,277	5,898
Other current assets	11,681	11,526
Total current assets	41,376	45,033
Property, plant, and equipment, net	5,516	5,415
Long-term investments	1,868	1,839
Long-term financing receivables, net of allowance of \$48 and \$47 (Note 5)	5,398	5,522
Goodwill	19,598	19,770
Intangible assets, net	7,217	7,461
Due from related party, net	713	710
Other non-current assets	6,720	6,985
Total assets	\$ 88,406	\$ 92,735
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 5,925	\$ 5,823
Accounts payable	25,585	27,143
Due to related party	622	1,414
Accrued and other	6,598	7,578
Short-term deferred revenue	14,329	14,261
Total current liabilities	53,059	56,219
Long-term debt	21,197	21,131
Long-term deferred revenue	13,074	13,312
Other non-current liabilities	3,431	3,653
Total liabilities	90,761	94,315
Commitments and contingencies (Note 11)		
Stockholders' equity (deficit):		
Common stock and capital in excess of \$0.01 par value (Note 14)	7,777	7,898
Treasury stock at cost	(2,446)	(964)
Accumulated deficit	(7,369)	(8,188)
Accumulated other comprehensive loss	(424)	(431)
Total Dell Technologies Inc. stockholders' equity (deficit)	(2,462)	(1,685)
Non-controlling interests	107	105
Total stockholders' equity (deficit)	(2,355)	(1,580)
Total liabilities and stockholders' equity	\$ 88,406	\$ 92,735

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts; unaudited)

	Three Months Ended	
	April 29, 2022	April 30, 2021
<i>Net revenue:</i>		
Products	\$ 20,464	\$ 17,487
Services	5,652	5,103
Total net revenue	26,116	22,590
<i>Cost of net revenue (a):</i>		
Products	17,009	14,434
Services	3,323	2,892
Total cost of net revenue	20,332	17,326
Gross margin	5,784	5,264
<i>Operating expenses:</i>		
Selling, general, and administrative	3,553	3,658
Research and development	681	619
Total operating expenses	4,234	4,277
Operating income	1,550	987
Interest and other, net	(337)	(288)
Income before income taxes	1,213	699
Income tax expense	144	40
Net income from continuing operations	1,069	659
Income from discontinued operations, net of income taxes (Note 2)	—	279
Net income	1,069	938
Less: Net loss attributable to non-controlling interests	(3)	(1)
Less: Net income attributable to non-controlling interests of discontinued operations	—	52
Net income attributable to Dell Technologies Inc.	\$ 1,072	\$ 887
<i>Earnings per share attributable to Dell Technologies Inc. — basic:</i>		
Continuing operations	\$ 1.42	\$ 0.87
Discontinued operations	\$ —	\$ 0.30
<i>Earnings per share attributable to Dell Technologies Inc. — diluted:</i>		
Continuing operations	\$ 1.37	\$ 0.84
Discontinued operations	\$ —	\$ 0.29
<i>(a) Includes related party cost of net revenue as follows (Note 16):</i>		
Products	\$ 255	\$ 319
Services	\$ 709	\$ 578

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions; unaudited)

	Three Months Ended	
	April 29, 2022	April 30, 2021
Net income	\$ 1,069	\$ 938
<i>Other comprehensive income, net of tax</i>		
Foreign currency translation adjustments	(286)	(7)
Cash flow hedges:		
Change in unrealized gains (losses)	372	(1)
Reclassification adjustment for net (gains) losses included in net income	(96)	27
Net change in cash flow hedges	276	26
Pension and other postretirement plans:		
Recognition of actuarial net gains from pension and other postretirement plans	17	1
Reclassification adjustments for net losses from pension and other postretirement plans	—	—
Net change in actuarial net gains from pension and other postretirement plans	17	1
Total other comprehensive income, net of tax expense (benefit) of \$16 and \$(2), respectively	7	20
Comprehensive income, net of tax	1,076	958
Less: Net income (loss) attributable to non-controlling interests	(3)	51
Comprehensive income attributable to Dell Technologies Inc.	\$ 1,079	\$ 907

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; continued on next page; unaudited)

	Three Months Ended	
	April 29, 2022	April 30, 2021
Cash flows from operating activities:		
Net income	\$ 1,069	\$ 938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	726	1,239
Stock-based compensation expense	232	435
Deferred income taxes	(246)	(170)
Other, net	(91)	(82)
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	864	1,850
Financing receivables	280	276
Inventories	(419)	(396)
Other assets and liabilities	(885)	(2,292)
Due from/to related party, net	(777)	—
Accounts payable	(1,501)	(125)
Deferred revenue	479	565
Change in cash from operating activities	(269)	2,238
Cash flows from investing activities:		
Purchases of investments	(52)	(146)
Maturities and sales of investments	18	256
Capital expenditures and capitalized software development costs	(690)	(625)
Acquisition of businesses and assets, net	—	(10)
Other	4	6
Change in cash from investing activities	(720)	(519)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	4	160
Repurchases of parent common stock	(1,779)	(9)
Repurchases of subsidiary common stock	(7)	(434)
Payment of dividend to stockholders	(248)	—
Proceeds from debt	3,034	2,726
Repayments of debt	(2,703)	(4,070)
Debt-related costs and other, net	(7)	(11)
Change in cash from financing activities	(1,706)	(1,638)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(111)	(5)
Change in cash, cash equivalents, and restricted cash	(2,806)	76

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued; in millions; unaudited)

	Three Months Ended	
	April 29, 2022	April 30, 2021
Change in cash, cash equivalents, and restricted cash	(2,806)	76
Cash, cash equivalents, and restricted cash at beginning of the period, including cash attributable to discontinued operations	10,082	15,184
Cash, cash equivalents, and restricted cash at end of the period, including cash attributable to discontinued operations	7,276	15,260
Less: Cash, cash equivalents, and restricted cash attributable to discontinued operations	—	5,667
Cash, cash equivalents, and restricted cash from continuing operations	<u>\$ 7,276</u>	<u>\$ 9,593</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in millions; continued on next page; unaudited)

	Common Stock and Capital in Excess of Par Value		Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders' Equity (Deficit)	Non- Controlling Interests	Total Stockholders' Equity (Deficit)
	Issued Shares	Amount	Shares	Amount					
Balances as of January 28, 2022	777	\$ 7,898	20	\$ (964)	\$ (8,188)	\$ (431)	\$ (1,685)	\$ 105	\$ (1,580)
Net income	—	—	—	—	1,072	—	1,072	(3)	1,069
Cash dividend declared (\$0.33 per common share)	—	—	—	—	(253)	—	(253)	—	(253)
Foreign currency translation adjustments	—	—	—	—	—	(286)	(286)	—	(286)
Cash flow hedges, net change	—	—	—	—	—	276	276	—	276
Pension and other post- retirement	—	—	—	—	—	17	17	—	17
Issuance of common stock	18	(339)	—	—	—	—	(339)	—	(339)
Stock-based compensation expense	—	224	—	—	—	—	224	8	232
Treasury stock repurchases	—	—	28	(1,482)	—	—	(1,482)	—	(1,482)
Impact from equity transactions of non- controlling interests	—	(6)	—	—	—	—	(6)	(3)	(9)
Balances as of April 29, 2022	<u>795</u>	<u>\$ 7,777</u>	<u>48</u>	<u>\$ (2,446)</u>	<u>\$ (7,369)</u>	<u>\$ (424)</u>	<u>\$ (2,462)</u>	<u>\$ 107</u>	<u>\$ (2,355)</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(continued; in millions; unaudited)

	Common Stock and Capital in Excess of Par Value		Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders' Equity (Deficit)	Non- Controlling Interests	Total Stockholders' Equity (Deficit)
	Issued Shares	Amount	Shares	Amount					
Balances as of January 29, 2021	761	\$ 16,849	8	\$ (305)	\$ (13,751)	\$ (314)	\$ 2,479	\$ 5,074	\$ 7,553
Net income	—	—	—	—	887	—	887	51	938
Foreign currency translation adjustments	—	—	—	—	—	(7)	(7)	—	(7)
Cash flow hedges, net change	—	—	—	—	—	26	26	—	26
Pension and other post-retirement	—	—	—	—	—	1	1	—	1
Issuance of common stock	11	19	—	—	—	—	19	—	19
Stock-based compensation expense	—	166	—	—	—	—	166	269	435
Revaluation of redeemable shares	—	(86)	—	—	—	—	(86)	—	(86)
Impact from equity transactions of non-controlling interests	—	2	—	—	—	—	2	(295)	(293)
Balances as of April 30, 2021	<u>772</u>	<u>\$ 16,950</u>	<u>8</u>	<u>\$ (305)</u>	<u>\$ (12,864)</u>	<u>\$ (294)</u>	<u>\$ 3,487</u>	<u>\$ 5,099</u>	<u>\$ 8,586</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 — OVERVIEW AND BASIS OF PRESENTATION

Dell Technologies Inc. is a leading global end-to-end technology provider that offers a broad range of comprehensive and integrated solutions, which include servers and networking products, storage products, cloud solutions products, desktops, notebooks, services, software, and third-party software and peripherals. References in these Notes to the Condensed Consolidated Financial Statements to the “Company” or “Dell Technologies” mean Dell Technologies Inc. individually and together with its consolidated subsidiaries.

Basis of Presentation — The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes filed with the U.S. Securities and Exchange Commission (“SEC”) in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2022. These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature considered necessary to fairly state the financial position of the Company as of April 29, 2022 and January 28, 2022 and the results of its operations, corresponding comprehensive income, and its cash flows for the three months ended April 29, 2022 and April 30, 2021.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying Notes. Actual results could differ materially from those estimates. The results of operations, comprehensive income, and cash flows for the three months ended April 29, 2022 and April 30, 2021 are not necessarily indicative of the results to be expected for the full fiscal year or for any other fiscal period.

The Company’s fiscal year is the 52- or 53-week period ending on the Friday nearest January 31. The fiscal year ended January 28, 2022 (“Fiscal 2022”) was a 52-week period while the fiscal year ending February 3, 2023 (“Fiscal 2023”) will be a 53-week period.

Principles of Consolidation — These Condensed Consolidated Financial Statements include the accounts of Dell Technologies Inc., its wholly-owned subsidiaries, and the accounts of SecureWorks Corp. (“Secureworks”), which is majority-owned by Dell Technologies. All intercompany transactions have been eliminated.

Secureworks — As of April 29, 2022 and January 28, 2022, the Company held approximately 82.9% and 83.9%, respectively, of the outstanding equity interest in Secureworks, excluding restricted stock awards (“RSAs”), and approximately 82.5% and 83.1%, respectively, of the equity interest, including RSAs. The portion of the results of operations of Secureworks allocable to its other owners is shown as net income attributable to the non-controlling interests in the Condensed Consolidated Statements of Income, as an adjustment to net income attributable to Dell Technologies stockholders. The non-controlling interests’ share of equity in Secureworks is reflected as a component of the non-controlling interests in the Condensed Consolidated Statements of Financial Position and was \$107 million and \$105 million as of April 29, 2022 and January 28, 2022, respectively.

Variable Interest Entities — The Company also consolidates Variable Interest Entities (“VIEs”) where it has been determined that the Company is the primary beneficiary of the applicable entities’ operations. For each VIE, the primary beneficiary is the party that has both the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to such VIE. In evaluating whether the Company is the primary beneficiary of each entity, the Company evaluates its power to direct the most significant activities of the VIE by considering the purpose and design of each entity and the risks each entity was designed to create and pass through to its respective variable interest holders. The Company also evaluates its economic interests in each of the VIEs. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information regarding consolidated VIEs.

Spin-Off of VMware, Inc. — On November 1, 2021, the Company completed its spin-off of VMware, Inc. (NYSE: VMW) (individually and together with its consolidated subsidiaries, “VMware”) by means of a special stock dividend (the “VMware Spin-off”). The VMware Spin-off was effectuated pursuant to a Separation and Distribution Agreement, dated as of April 14, 2021, between Dell Technologies and VMware (the “Separation and Distribution Agreement”).

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Pursuant to the Commercial Framework Agreement (the “CFA”) between Dell Technologies and VMware, Dell Technologies continues to act as a distributor of VMware’s standalone products and services and purchase such products and services for resale to customers. Dell Technologies also continues to integrate VMware’s products and services with Dell Technologies’ offerings and sell them to customers. The results of such operations are presented as continuing operations within the Company’s Condensed Consolidated Statements of Income for all periods presented.

In accordance with applicable accounting guidance, the results of VMware, excluding Dell Technologies’ resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for the three months ended April 30, 2021. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for additional information on the VMware Spin-off.

Boomi Divestiture — On October 1, 2021, Dell Technologies completed the sale of Boomi, Inc. (“Boomi”) and certain related assets. At the completion of the sale, the Company received total cash consideration of approximately \$4.0 billion, resulting in a pre-tax gain on sale of \$4.0 billion recognized in interest and other, net on the Condensed Consolidated Statements of Income. The Company ultimately recorded a \$3.0 billion gain, net of \$1.0 billion in tax expense. The transaction was intended to support general corporate purposes and fuel growth initiatives through targeted investments to modernize Dell Technologies’ core infrastructure and by expanding in high-priority areas, including hybrid and private cloud, edge, telecommunications solutions, and the Company’s APEX offerings. Prior to the divestiture, Boomi’s operating results were included within other businesses and the divestiture did not qualify for presentation as a discontinued operation.

Recently Issued Accounting Pronouncements

Accounting for Contract Assets and Contract Liabilities from Contracts with Customers — In October 2021, the Financial Accounting Standards Board (“FASB”) issued guidance which requires companies to apply Topic 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact and timing of adoption of this guidance.

Reference Rate Reform — In March 2020, the FASB issued guidance which provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and certain hedging relationships to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate to alternative reference rates. The Company may elect to apply the amendments prospectively through December 31, 2022. Adoption of the new guidance is not expected to have a material impact on the Company’s financial results.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

NOTE 2 — DISCONTINUED OPERATIONS

VMware Spin-Off— As disclosed in Note 1 of the Notes to the Condensed Consolidated Financial Statements, on November 1, 2021, the Company completed its spin-off of VMware by means of a special stock dividend of 30,678,605 shares of Class A common stock and 307,221,836 shares of Class B common stock of VMware to Dell Technologies stockholders of record as of October 29, 2021.

Prior to receipt of the VMware common stock by the Company's stockholders, each share of VMware Class B common stock automatically converted into one share of VMware Class A common stock. As a result of these transactions, each holder of record of shares of Dell Technologies common stock as of the distribution record date received approximately 0.440626 of a share of VMware Class A common stock for each share of Dell Technologies common stock held as of such date, based on shares outstanding as of the completion of the VMware Spin-off. Following completion of the transaction, the pre-transaction stockholders of Dell Technologies owned shares in two separate public companies, consisting of (1) VMware, which continues to own the businesses of VMware, Inc. and its subsidiaries, and (2) Dell Technologies, which continues to own Dell Technologies' other businesses and subsidiaries. After the separation, Dell Technologies does not beneficially own any shares of VMware common stock.

VMware paid a cash dividend, pro rata, to each of the holders of VMware common stock in an aggregate amount equal to \$11.5 billion, of which Dell Technologies received \$9.3 billion. Following the payment by VMware to its stockholders, the separation of VMware from Dell Technologies occurred, including the termination or settlement of certain intercompany accounts and intercompany contracts. Dell Technologies used the net proceeds from its pro rata share of the cash dividend to repay a portion of its outstanding debt.

Dell Technologies determined that the VMware Spin-off, and related distributions, qualified as tax-free for U.S. federal income tax purposes, which required significant judgment by management. In making these determinations, Dell Technologies applied U.S. federal tax law to relevant facts and circumstances and obtained a favorable private letter ruling from the Internal Revenue Service, a tax opinion, and other external tax advice related to the concluded tax treatment. If the completed transactions were to fail to qualify for tax-free treatment for U.S. federal income tax purposes, the Company could be subject to significant liabilities, and there could be material adverse impacts on the Company's business, financial condition, results of operations and cash flows in future reporting periods.

In connection with and upon completion of the VMware Spin-off, Dell Technologies and VMware entered into various agreements that provide a framework for the relationship between the companies after the transaction, including, among others, a commercial framework agreement, a tax matters agreement, and a transition services agreement.

The CFA referred to in Note 1 to the Notes to the Condensed Consolidated Financial Statements provides a framework under which the Company and VMware will continue their commercial relationship after the transaction, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service, or platform that may provide one or both companies with a strategic market opportunity. The CFA has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions.

Pursuant to the CFA, Dell Technologies continues to act as a distributor of VMware's standalone products and services and purchases such products and services for resale to end-user customers. Dell Technologies also continues to integrate VMware's products and services with Dell Technologies' offerings and sell them to end users. Cash flows between Dell and VMware primarily relate to such transactions. The Company has determined that it is generally acting as principal in these arrangements. The results of such operations are classified as continuing operations within the Company's Condensed Consolidated Statements of Income. See Note 16 of the Notes to the Condensed Consolidated Financial Statements for additional information regarding transactions between Dell Technologies and VMware.

In accordance with applicable accounting guidance, the results of VMware, excluding Dell's resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for the three months ended April 30, 2021. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

The tax matters agreement between the Company and VMware governs the respective rights, responsibilities, and obligations of Dell Technologies and VMware with respect to tax liabilities (including taxes, if any, incurred as a result of any failure of the VMware Spin-off to qualify for tax-free treatment for U.S. federal income tax purposes) and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, cooperation, and other matters regarding tax.

The transition services agreement between the Company and VMware governs the various administrative services which the Company will provide to VMware on an interim transitional basis. Transition services may be provided for up to one year.

The following table presents key components of “Income from discontinued operations, net of income taxes” for the three months ended April 30, 2021:

	Three Months Ended (a)	
	April 30, 2021	
	(in millions)	
Net revenue	\$	1,897
Cost of net revenue		(497)
Operating expenses		2,006
Interest and other, net		100
Income from discontinued operations before income taxes		288
Income tax expense		9
Income from discontinued operations, net of income taxes	\$	279

(a) The table above reflects the offsetting effects of historical intercompany transactions which are presented on a gross basis within continuing operations on the Condensed Consolidated Statements of Income.

The following table presents significant cash flow items from discontinued operations for the three months ended April 30, 2021 included within the Condensed Consolidated Statements of Cash Flows:

	Three Months Ended	
	April 30, 2021	
	(in millions)	
Depreciation and amortization	\$	333
Capital expenditures	\$	70
Stock-based compensation expense	\$	263

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 3 — FAIR VALUE MEASUREMENTS

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

	April 29, 2022				January 28, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(in millions)								
<i>Assets:</i>								
Cash and cash equivalents:								
Money market funds	\$ 1,977	\$ —	\$ —	\$ 1,977	\$ 3,737	\$ —	\$ —	\$ 3,737
Marketable equity and other securities	61	—	—	61	86	—	—	86
Derivative instruments	—	471	—	471	—	253	—	253
Total assets	<u>\$ 2,038</u>	<u>\$ 471</u>	<u>\$ —</u>	<u>\$ 2,509</u>	<u>\$ 3,823</u>	<u>\$ 253</u>	<u>\$ —</u>	<u>\$ 4,076</u>
<i>Liabilities:</i>								
Derivative instruments	\$ —	\$ 180	\$ —	\$ 180	\$ —	\$ 138	\$ —	\$ 138
Total liabilities	<u>\$ —</u>	<u>\$ 180</u>	<u>\$ —</u>	<u>\$ 180</u>	<u>\$ —</u>	<u>\$ 138</u>	<u>\$ —</u>	<u>\$ 138</u>

The following section describes the valuation methodologies the Company uses to measure financial instruments at fair value:

Money Market Funds — The Company's investment in money market funds that are classified as cash equivalents hold underlying investments with a weighted average maturity of 90 days or less and are recognized at fair value. The valuations of these securities are based on quoted prices in active markets for identical assets, when available, or pricing models whereby all significant inputs are observable or can be derived from or corroborated by observable market data. The Company reviews security pricing and assesses liquidity on a quarterly basis.

Marketable Equity and Other Securities — The majority of the Company's investments in equity and other securities that are measured at fair value on a recurring basis consist of strategic investments in publicly-traded companies. The valuation of these securities is based on quoted prices in active markets.

Derivative Instruments — The Company's derivative financial instruments consist primarily of foreign currency forward and purchased option contracts and interest rate swaps. The fair value of the portfolio is determined using valuation models based on market observable inputs, including interest rate curves, forward and spot prices for currencies, and implied volatilities. Credit risk is also factored into the fair value calculation of the Company's derivative financial instrument portfolio. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for a description of the Company's derivative financial instrument activities.

Deferred Compensation Plans — The Company offers deferred compensation plans for eligible employees, which allow participants to defer a portion of their compensation. Assets were the same as liabilities associated with the plans at approximately \$187 million and \$192 million as of April 29, 2022 and January 28, 2022, respectively, and are included in other assets and other liabilities on the Condensed Consolidated Statements of Financial Position. The net impact to the Condensed Consolidated Statements of Income is not material since changes in the fair value of the assets substantially offset changes in the fair value of the liabilities. As such, assets and liabilities associated with these plans have not been included in the recurring fair value table above.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis — Certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the recurring fair value table above. These assets consist primarily of non-financial assets such as goodwill and intangible assets. See Note 9 of the Notes to the Condensed Consolidated Financial Statements for additional information about goodwill and intangible assets.

As of April 29, 2022 and January 28, 2022, the Company held strategic investments in non-marketable equity and other securities of \$1.5 billion and \$1.4 billion, respectively. As these investments represent early-stage companies without readily determinable fair values, they are not included in the recurring fair value table above.

Carrying Value and Estimated Fair Value of Outstanding Debt — The following table presents the carrying value and estimated fair value of the Company's outstanding debt as described in Note 7 of the Notes to the Condensed Consolidated Financial Statements, including the current portion, as of the dates indicated:

	April 29, 2022		January 28, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in billions)			
Senior Notes	\$ 16.1	\$ 16.7	\$ 16.1	\$ 18.5
Legacy Notes and Debentures	\$ 0.8	\$ 1.0	\$ 0.8	\$ 1.1

The fair values of the outstanding debt shown in the table above, as well as the DFS debt described in Note 5 of the Notes to the Condensed Consolidated Financial Statements, were determined based on observable market prices in a less active market or based on valuation methodologies using observable inputs and were categorized as Level 2 in the fair value hierarchy. The carrying value of DFS debt approximates fair value.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 4 — INVESTMENTS

The Company has strategic investments in equity and other securities as well as investments in fixed-income debt securities. As of April 29, 2022 and January 28, 2022, total investments were \$1.9 billion and \$1.8 billion, respectively.

Equity and Other Securities

Equity and other securities include strategic investments in marketable and non-marketable securities. Investments in marketable securities are measured at fair value on a recurring basis. The Company has elected to apply the measurement alternative for non-marketable securities. Under the alternative, the Company measures investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes. The Company makes a separate election to use the alternative for each eligible investment and is required to reassess at each reporting period whether an investment qualifies for the alternative. In evaluating these investments for impairment or observable price changes, the Company uses inputs including pre- and post-money valuations of recent financing events and the impact of those events on its fully diluted ownership percentages, as well as other available information regarding the issuer's historical and forecasted performance.

Carrying Value of Equity and Other Securities

The following table presents the amortized cost, cumulative unrealized gains, cumulative unrealized losses, and carrying value of the Company's strategic investments in marketable and non-marketable equity securities as of the dates indicated:

	April 29, 2022				January 28, 2022			
	Cost	Unrealized Gain	Unrealized Loss	Carrying Value	Cost	Unrealized Gain	Unrealized Loss	Carrying Value
	(in millions)							
Marketable	\$ 114	\$ 78	\$ (131)	\$ 61	\$ 126	\$ 79	\$ (119)	\$ 86
Non-marketable	668	910	(65)	1,513	593	900	(52)	1,441
Total equity and other securities	<u>\$ 782</u>	<u>\$ 988</u>	<u>\$ (196)</u>	<u>\$ 1,574</u>	<u>\$ 719</u>	<u>\$ 979</u>	<u>\$ (171)</u>	<u>\$ 1,527</u>

Gains and Losses on Equity and Other Securities

The following table presents unrealized gains and losses on marketable and non-marketable equity and other securities for the periods indicated:

	April 29, 2022	April 30, 2021
	(in millions)	
<i>Marketable securities</i>		
Unrealized gain	\$ —	\$ 16
Unrealized loss	(18)	(8)
Net unrealized gain (loss)	(18)	8
<i>Non-marketable securities</i>		
Unrealized gain	21	182
Unrealized loss	—	(77)
Net unrealized gain (a)	21	105
Total net gain on equity and other securities	<u>\$ 3</u>	<u>\$ 113</u>

(a) For all periods presented, net gains on non-marketable securities are due to upward adjustments for observable price changes offset by losses primarily attributable to impairments.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Fixed Income Debt Securities

The Company has fixed income debt securities carried at amortized cost which are held as collateral for borrowings. The Company intends to hold the investments to maturity.

The following table summarizes the Company's debt securities as of the dates indicated:

	April 29, 2022				January 28, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Loss	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Loss	Carrying Value
	(in millions)							
Fixed income debt securities	\$ 334	\$ 28	\$ (68)	\$ 294	\$ 333	\$ 26	\$ (47)	\$ 312

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 5 — FINANCIAL SERVICES

The Company offers or arranges various financing options and services and alternative payment structures for its customers globally primarily through Dell Financial Services and its affiliates (“DFS”). The Company also arranges financing for some of its customers in various countries where DFS does not currently operate as a captive enterprise. The key activities of DFS include originating, collecting, and servicing customer financing arrangements primarily related to the purchase or use of Dell Technologies products and services. In some cases, DFS also offers financing for the purchase of third-party technology products that complement the Dell Technologies portfolio of products and services. New financing originations were \$2.1 billion and \$1.9 billion for the three months ended April 29, 2022 and April 30, 2021, respectively.

The Company’s lease and loan arrangements with customers are aggregated primarily into the following categories:

Revolving loans — Revolving loans offered under private label credit financing programs provide qualified customers with a revolving credit line for the purchase of products and services offered by Dell Technologies. These private label credit financing programs are referred to as Dell Preferred Account (“DPA”) and Dell Business Credit (“DBC”). The DPA product is primarily offered to individual consumer customers, and the DBC product is primarily offered to small and medium-sized commercial customers. Revolving loans in the United States bear interest at a variable annual percentage rate that is tied to the prime rate. Based on historical payment patterns, revolving loan transactions are typically repaid within twelve months on average. Due to the short-term nature of the revolving loan portfolio, the carrying value of the portfolio approximates fair value.

Fixed-term leases and loans — The Company enters into financing arrangements with customers who seek lease financing for equipment. DFS leases are generally classified as sales-type leases or operating leases. Leases with business customers have fixed terms of generally two to four years.

The Company also offers fixed-term loans to qualified small businesses, large commercial accounts, governmental organizations, educational entities, and certain individual consumer customers. These loans are repaid in equal payments including interest and have defined terms of generally three to five years. The fair value of the fixed-term loan portfolio is determined using market observable inputs. The carrying value of these loans approximates fair value.

The Company further strengthens customer relationships through flexible consumption models, which enable the Company to offer its customers the option to pay over time and, in certain cases, based on utilization, to provide them with financial flexibility to meet their changing technological requirements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Financing Receivables

The following table presents the components of the Company's financing receivables segregated by portfolio segment as of the dates indicated:

	April 29, 2022			January 28, 2022		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
	(in millions)					
<i>Financing receivables, net:</i>						
Customer receivables, gross (a)	\$ 716	\$ 9,483	\$ 10,199	\$ 750	\$ 9,833	\$ 10,583
Allowances for losses	(94)	(87)	(181)	(102)	(87)	(189)
Customer receivables, net	622	9,396	10,018	648	9,746	10,394
Residual interest	—	176	176	—	217	217
Financing receivables, net	\$ 622	\$ 9,572	\$ 10,194	\$ 648	\$ 9,963	\$ 10,611
Short-term	\$ 622	\$ 4,174	\$ 4,796	\$ 648	\$ 4,441	\$ 5,089
Long-term	\$ —	\$ 5,398	\$ 5,398	\$ —	\$ 5,522	\$ 5,522

(a) Customer receivables, gross include amounts due from customers under revolving loans, fixed-term loans, fixed-term sales-type or direct financing leases, and accrued interest.

The following table presents the changes in allowance for financing receivable losses for the periods indicated:

	Three Months Ended					
	April 29, 2022			April 30, 2021		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
	(in millions)					
<i>Allowance for financing receivable losses:</i>						
Balances at beginning of period	\$ 102	\$ 87	\$ 189	\$ 148	\$ 173	\$ 321
Charge-offs, net of recoveries	(13)	(2)	(15)	(13)	(2)	(15)
Provision charged to income statement	5	2	7	4	6	10
Balances at end of period	\$ 94	\$ 87	\$ 181	\$ 139	\$ 177	\$ 316

Aging

The following table presents the aging of the Company's customer financing receivables, gross, including accrued interest, segregated by class, as of the dates indicated:

	April 29, 2022				January 28, 2022			
	Current	Past Due 1—90 Days	Past Due >90 Days	Total	Current	Past Due 1—90 Days	Past Due >90 Days	Total
	(in millions)							
Revolving — DPA	\$ 488	\$ 35	\$ 12	\$ 535	\$ 520	\$ 40	\$ 11	\$ 571
Revolving — DBC	164	14	3	181	158	18	3	179
Fixed-term — Consumer and Commercial	8,962	485	36	9,483	9,444	345	44	9,833
Total customer receivables, gross	\$ 9,614	\$ 534	\$ 51	\$ 10,199	\$ 10,122	\$ 403	\$ 58	\$ 10,583

Aging is likely to fluctuate as a result of the variability in volume of large transactions entered into over the period, and the administrative processes that accompany those transactions. Aging is also impacted by the timing of the Dell Technologies

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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fiscal period end date relative to calendar month-end customer payment due dates. As a result of these factors, fluctuations in aging from period to period do not necessarily indicate a material change in the collectibility of the portfolio.

Fixed-term consumer and commercial customer receivables are placed on non-accrual status if principal or interest is past due and considered delinquent, or if there is concern about collectibility of a specific customer receivable. The receivables identified as doubtful for collectibility may be classified as current for aging purposes. Aged revolving portfolio customer receivables identified as delinquent are charged off.

Credit Quality

The following tables present customer receivables, gross, including accrued interest, by credit quality indicator segregated by class, as of the dates indicated:

April 29, 2022									
Fixed-term — Consumer and Commercial									
Fiscal Year of Origination									
	2023	2022	2021	2020	2019	Years Prior	Revolving — DPA	Revolving — DBC	Total
(in millions)									
Higher	\$ 1,223	\$ 2,587	\$ 1,450	\$ 695	\$ 145	\$ 15	\$ 132	\$ 46	\$ 6,293
Mid	345	866	621	235	64	8	155	57	2,351
Lower	179	505	369	142	29	5	248	78	1,555
Total	<u>\$ 1,747</u>	<u>\$ 3,958</u>	<u>\$ 2,440</u>	<u>\$ 1,072</u>	<u>\$ 238</u>	<u>\$ 28</u>	<u>\$ 535</u>	<u>\$ 181</u>	<u>\$ 10,199</u>

January 28, 2022									
Fixed-term — Consumer and Commercial									
Fiscal Year of Origination									
	2022	2021	2020	2019	2018	Years Prior	Revolving — DPA	Revolving — DBC	Total
(in millions)									
Higher	\$ 3,279	\$ 1,824	\$ 914	\$ 221	\$ 25	\$ 3	\$ 150	\$ 46	\$ 6,462
Mid	1,071	751	329	94	17	—	166	57	2,485
Lower	599	450	208	42	6	—	255	76	1,636
Total	<u>\$ 4,949</u>	<u>\$ 3,025</u>	<u>\$ 1,451</u>	<u>\$ 357</u>	<u>\$ 48</u>	<u>\$ 3</u>	<u>\$ 571</u>	<u>\$ 179</u>	<u>\$ 10,583</u>

The categories shown in the tables above segregate customer receivables based on the relative degrees of credit risk. The credit quality indicators for DPA revolving accounts are measured primarily as of each quarter-end date, while all other indicators are generally updated on a periodic basis.

For DPA revolving receivables shown in the table above, the Company makes credit decisions based on proprietary scorecards, which include the customer's credit history, payment history, credit usage, and other credit agency-related elements. The higher quality category includes prime accounts generally of a higher credit quality that are comparable to U.S. customer FICO scores of 720 or above. The mid-category represents the mid-tier accounts that are comparable to U.S. customer FICO scores from 660 to 719. The lower category is generally sub-prime and represents lower credit quality accounts that are comparable to U.S. customer FICO scores below 660. For the DBC revolving receivables and fixed-term commercial receivables shown in the table above, an internal grading system is utilized that assigns a credit level score based on a number of considerations, including liquidity, operating performance, and industry outlook. The grading criteria and classifications for the fixed-term products differ from those for the revolving products as loss experience varies between these product and customer groups. The credit quality categories cannot be compared between the different classes as loss experience varies substantially between the classes.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Leases

The following table presents the net revenue, cost of net revenue, and gross margin recognized at the commencement date of sales-type leases for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
Net revenue — products	\$ 220	\$ 230
Cost of net revenue — products	204	163
Gross margin — products	\$ 16	\$ 67

The following table presents the future maturity of the Company's fixed-term customer leases and associated financing payments, and reconciles the undiscounted cash flows to the customer receivables, gross recognized on the Condensed Consolidated Statements of Financial Position as of the date indicated:

	April 29, 2022
	(in millions)
Fiscal 2023 (remaining nine months)	\$ 1,876
Fiscal 2024	1,721
Fiscal 2025	1,050
Fiscal 2026	474
Fiscal 2027 and beyond	144
Total undiscounted cash flows	5,265
Fixed-term loans	4,814
Revolving loans	716
Less: Unearned income	(596)
Total customer receivables, gross	\$ 10,199

Operating Leases

The following table presents the components of the Company's operating lease portfolio included in property, plant, and equipment, net as of the dates indicated:

	April 29, 2022	January 28, 2022
	(in millions)	
Equipment under operating lease, gross	\$ 2,942	\$ 2,643
Less: Accumulated depreciation	(1,076)	(935)
Equipment under operating lease, net	\$ 1,866	\$ 1,708

The following table presents operating lease income related to lease payments and depreciation expense for the Company's operating lease portfolio for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
Income related to lease payments	\$232	\$156
Depreciation expense	\$165	\$116

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following table presents the future payments to be received by the Company as lessor in operating lease contracts as of the date indicated:

	April 29, 2022
	(in millions)
Fiscal 2023 (remaining nine months)	\$ 663
Fiscal 2024	650
Fiscal 2025	397
Fiscal 2026	122
Fiscal 2027 and beyond	32
Total	<u>\$ 1,864</u>

DFS Debt

The Company maintains programs that facilitate the funding of leases, loans, and other alternative payment structures in the capital markets. The majority of DFS debt is non-recourse to Dell Technologies and represents borrowings under securitization programs and structured financing programs, for which the Company's risk of loss is limited to transferred loan and lease payments and associated equipment.

The following table presents DFS debt as of the dates indicated and excludes the allocated portion of the Company's other borrowings, which represents the additional amount considered to fund the DFS business:

	April 29, 2022	January 28, 2022
	(in millions)	
DFS debt		
<i>DFS U.S. debt:</i>		
Asset-based financing and securitization facilities	\$ 2,720	\$ 3,054
Fixed-term securitization offerings	3,607	3,011
Other	125	135
Total DFS U.S. debt	<u>6,452</u>	<u>6,200</u>
<i>DFS international debt:</i>		
Securitization facility	730	739
Other borrowings	818	785
Note payable	250	250
Dell Bank senior unsecured eurobonds	1,575	1,672
Total DFS international debt	<u>3,373</u>	<u>3,446</u>
Total DFS debt	<u>\$ 9,825</u>	<u>\$ 9,646</u>
Total short-term DFS debt	\$ 5,907	\$ 5,803
Total long-term DFS debt	\$ 3,918	\$ 3,843

DFS U.S. Debt

Asset-Based Financing and Securitization Facilities — The Company maintains separate asset-based financing facilities and a securitization facility in the United States, which are revolving facilities for fixed-term leases and loans and for revolving loans, respectively. This debt is collateralized solely by the U.S. loan and lease payments and associated equipment in the facilities. The debt has a variable interest rate and the duration of the debt is based on the terms of the underlying loan and lease payment streams. As of April 29, 2022, the total debt capacity related to the U.S. asset-based financing and securitization facilities was \$4.5 billion. The Company enters into interest swap agreements to effectively convert a portion of this debt from a floating rate to a fixed rate. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for additional information about interest rate swaps.

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The Company's U.S. securitization facility for revolving loans is effective through June 25, 2025. The Company's two U.S. asset-based financing facilities for fixed-term leases and loans are effective through July 10, 2023 and July 26, 2022, respectively.

The asset-based financing and securitization facilities contain standard structural features related to the performance of the funded receivables, which include defined credit losses, delinquencies, average credit scores, and minimum collection requirements. In the event one or more of these criteria are not met and the Company is unable to restructure the facility, no further funding of receivables will be permitted and the timing of the Company's expected cash flows from over-collateralization will be delayed. As of April 29, 2022, these criteria were met.

Fixed-Term Securitization Offerings — The Company periodically issues asset-backed debt securities under fixed-term securitization programs to private investors. The asset-backed debt securities are collateralized solely by the U.S. fixed-term leases and loans in the offerings, which are held by Special Purpose Entities ("SPEs"), as discussed below. The interest rate on these securities is fixed and ranges from 0.18% to 5.92% per annum, and the duration of these securities is based on the terms of the underlying lease and loan payment streams.

DFS International Debt

Securitization Facility — The Company maintains a securitization facility in Europe for fixed-term leases and loans. This facility is effective through December 21, 2022 and had a total debt capacity of \$840 million as of April 29, 2022.

The securitization facility contains standard structural features related to the performance of the securitized receivables, which include defined credit losses, delinquencies, average credit scores, and minimum collection requirements. In the event one or more of these criteria are not met and the Company is unable to restructure the program, no further funding of receivables will be permitted and the timing of the Company's expected cash flows from over-collateralization will be delayed. As of April 29, 2022, these criteria were met.

Other Borrowings — In connection with the Company's international financing operations, the Company has entered into revolving structured financing debt programs related to its fixed-term lease and loan products sold in Canada, Europe, Australia, and New Zealand. The Canadian facility, which is collateralized solely by Canadian loan and lease payments and associated equipment, had a total debt capacity of \$351 million as of April 29, 2022 and is effective through January 16, 2025. The European facility, which is collateralized solely by European loan and lease payments and associated equipment, had a total debt capacity of \$630 million as of April 29, 2022 and is effective through December 14, 2023. The Australia and New Zealand facility, which is collateralized solely by Australia and New Zealand loan and lease payments and associated equipment, had a total debt capacity of \$319 million as of April 29, 2022 and is effective through April 20, 2023.

Note Payable — On August 7, 2020, the Company entered into two unsecured credit agreements to fund receivables in Mexico. As of April 29, 2022, the aggregate principal amount of the notes payable was \$250 million. The notes bear interest at an annual rate of 3.37% and will mature on June 1, 2022.

Dell Bank Senior Unsecured Eurobonds — On October 17, 2019, Dell Bank International D.A.C. ("Dell Bank") issued 500 million Euro of 0.625% senior unsecured three year eurobonds due October 2022. On June 24, 2020, Dell Bank issued 500 million Euro of 1.625% senior unsecured four year eurobonds due June 2024. On October 27, 2021, Dell Bank issued 500 million Euro of 0.5% senior unsecured five year eurobonds due October 2026. The issuance of the senior unsecured eurobonds support the expansion of the financing operations in Europe.

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Variable Interest Entities

In connection with the asset-based financing facilities, securitization facilities, and fixed-term securitization offerings discussed above, the Company transfers certain U.S. and European lease and loan payments and associated equipment to SPEs that meet the definition of a Variable Interest Entity (“VIE”) and are consolidated, along with the associated debt detailed above, into the Condensed Consolidated Financial Statements, as the Company is the primary beneficiary of the VIEs. The SPEs are bankruptcy-remote legal entities with separate assets and liabilities. The purpose of the SPEs is to facilitate the funding of customer loan and lease payments and associated equipment in the capital markets.

Some of the SPEs have entered into financing arrangements with multi-seller conduits that, in turn, issue asset-backed debt securities in the capital markets. DFS debt outstanding held by the consolidated VIEs is collateralized by the lease and loan payments and associated equipment. The Company’s risk of loss related to securitized receivables is limited to the amount by which the Company’s right to receive collections for assets securitized exceeds the amount required to pay interest, principal, and fees and expenses related to the asset-backed securities. The Company provides credit enhancement to the securitization in the form of over-collateralization.

The following table presents the assets and liabilities held by the consolidated VIEs as of the dates indicated, which are included in the Condensed Consolidated Statements of Financial Position:

	<u>April 29, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
Assets held by consolidated VIEs		
Other current assets	\$ 547	\$ 535
Financing receivables, net of allowance		
Short-term	\$ 3,376	\$ 3,368
Long-term	\$ 3,270	\$ 3,141
Property, plant, and equipment, net	\$ 1,030	\$ 945
Liabilities held by consolidated VIEs		
Debt, net of unamortized debt issuance costs		
Short-term	\$ 4,545	\$ 4,560
Long-term	\$ 2,500	\$ 2,235

Lease and loan payments and associated equipment transferred via securitization through SPEs were \$1.7 billion and \$1.4 billion for the three months ended April 29, 2022 and April 30, 2021, respectively.

Customer Receivable Sales

To manage certain concentrations of customer credit exposure, the Company may sell selected fixed-term customer receivables to unrelated third parties on a periodic basis, without recourse. The amount of customer receivables sold for this purpose was \$148 million and \$101 million for the three months ended April 29, 2022 and April 30, 2021, respectively. The Company’s continuing involvement in these customer receivables is primarily limited to servicing arrangements.

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NOTE 6 — LEASES

The Company enters into leasing transactions in which the Company is the lessee. These lease contracts are typically classified as operating leases. The Company's lease contracts are generally for office buildings used to conduct its business, and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. The Company also leases certain global logistics warehouses, employee vehicles, and equipment. As of April 29, 2022, the remaining terms of the Company's leases range from less than one month to approximately ten years.

The Company also enters into leasing transactions in which the Company is the lessor, primarily through customer financing arrangements offered through DFS. DFS originates leases that are primarily classified as either sales-type leases or operating leases. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information on the DFS lease portfolio and related lease disclosures.

Financial information associated with the Company's leases in which the Company is the lessee is contained in this Note. As of April 29, 2022 and January 28, 2022, there were no material finance leases for which the Company was a lessee.

The following table presents components of lease costs included in the Condensed Consolidated Statements of Income for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
Operating lease costs	\$ 72	\$ 94
Variable costs	25	26
Total lease costs	<u>\$ 97</u>	<u>\$ 120</u>

During the three months ended April 29, 2022 and April 30, 2021, sublease income, finance lease costs, and short-term lease costs were immaterial.

The following table presents supplemental information related to operating leases included in the Condensed Consolidated Statements of Financial Position as of the dates indicated:

	Classification	April 29, 2022		January 28, 2022	
		(in millions, except for term and discount rate)			
Operating lease right-of-use assets	Other non-current assets	\$ 837		\$ 871	
Current operating lease liabilities	Accrued and other current liabilities	\$ 273		\$ 287	
Non-current operating lease liabilities	Other non-current liabilities	687		720	
Total operating lease liabilities		<u>\$ 960</u>		<u>\$ 1,007</u>	
Weighted-average remaining lease term (in years)		5.43		5.51	
Weighted-average discount rate		2.97 %		3.01 %	

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The following table presents supplemental cash flow information related to leases for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities — operating cash outflows from operating leases (a)	\$ 80	\$ 134
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 72	\$ 97

(a) Cash paid for amounts included in the measurement of lease liabilities - operating cash outflows from operating leases from discontinued operations was \$50 million for the three months ended April 30, 2021.

The following table presents the future maturity of the Company's operating lease liabilities under non-cancelable leases and reconciles the undiscounted cash flows for these leases to the lease liability recognized on the Condensed Consolidated Statements of Financial Position as of the date indicated:

	April 29, 2022
	(in millions)
Fiscal 2023 (remaining nine months)	\$ 209
Fiscal 2024	225
Fiscal 2025	160
Fiscal 2026	128
Fiscal 2027	105
Thereafter	215
Total lease payments	1,042
Less: Imputed interest	(82)
Total	\$ 960
Current operating lease liabilities	\$ 273
Non-current operating lease liabilities	\$ 687

As of April 29, 2022, the Company's undiscounted operating leases that had not yet commenced were immaterial.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 7 — DEBT

The following table summarizes the Company's outstanding debt as of the dates indicated:

	April 29, 2022	January 28, 2022
	(in millions)	
Senior Notes:		
5.45% due June 2023	1,000	1,000
4.00% due July 2024	1,000	1,000
5.85% due July 2025	1,000	1,000
6.02% due June 2026	4,500	4,500
4.90% due October 2026	1,750	1,750
6.10% due July 2027	500	500
5.30% due October 2029	1,750	1,750
6.20% due July 2030	750	750
8.10% due July 2036	1,000	1,000
3.38% due December 2041	1,000	1,000
8.35% due July 2046	800	800
3.45% due December 2051	1,250	1,250
Legacy Notes and Debentures:		
7.10% due April 2028	300	300
6.50% due April 2038	388	388
5.40% due September 2040	264	264
DFS Debt (Note 5)	9,825	9,646
Other	320	337
Total debt, principal amount	\$ 27,397	\$ 27,235
Unamortized discount, net of unamortized premium	(131)	(134)
Debt issuance costs	(144)	(147)
Total debt, carrying value	\$ 27,122	\$ 26,954
Total short-term debt, carrying value	\$ 5,925	\$ 5,823
Total long-term debt, carrying value	\$ 21,197	\$ 21,131

Outstanding Debt

Senior Notes — The Company completed private offerings of multiple series of senior notes which were issued on June 1, 2016, June 22, 2016, March 20, 2019, April 9, 2020, and December 13, 2021 in aggregate principal amounts of \$20.0 billion, \$3.3 billion, \$4.5 billion, \$2.3 billion, and \$2.3 billion respectively (the “Senior Notes”). Interest on these borrowings is payable semiannually.

In June 2021, Dell International L.L.C. and EMC Corporation, wholly-owned subsidiaries of Dell Technologies and issuers of the Senior Notes (the “Issuers”), completed offers to exchange any and all outstanding Senior Notes issued on June 1, 2016, March 20, 2019, and April 9, 2020 for senior notes registered under the Securities Act of 1933 having terms substantially identical to the terms of the outstanding Senior Notes. The Issuers issued \$18.4 billion aggregate principal amount of registered senior notes in exchange for the same aggregate principal amount of Senior Notes. The aggregate principal amount of unregistered Senior Notes remaining outstanding following the settlement of the exchange offers was approximately \$0.1 billion.

Legacy Notes and Debentures — The Company has outstanding unsecured notes and debentures (collectively, the “Legacy Notes and Debentures”) that were issued by Dell prior to the acquisition of Dell Inc. by Dell Technologies Inc. in the going-private transaction that closed in October 2013. Interest on these borrowings is payable semiannually.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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DFS Debt — See Note 5 and Note 8 of the Notes to the Condensed Consolidated Financial Statements, respectively, for discussion of DFS debt and the interest rate swap agreements that hedge a portion of that debt.

2021 Revolving Credit Facility — The 2021 Revolving Credit Facility, which was entered into on November 1, 2021, matures on November 1, 2026. This facility provides the Company with revolving commitments in an aggregate principal amount of \$5.0 billion for general corporate purposes and includes a letter of credit sub-facility of up to \$0.5 billion and a swing-line loan sub-facility of up to \$0.5 billion. The 2021 Revolving Credit Facility also allows the Company to obtain incremental additional commitments on one or more occasions in minimum amounts of \$10 million.

The Company may conduct borrowings under the 2021 Revolving Credit Facility through London Interbank Offered Rate (“LIBOR”) borrowings or Base Rate Loan borrowings. LIBOR borrowings bear interest at a rate per annum equal to the LIBOR, plus an applicable rate that varies based upon the Company’s existing debt ratings (the “applicable rate”). Base Rate Loan borrowings bear interest at a rate per annum equal to the base rate plus the applicable rate. The base rate is calculated based upon the greatest of the specified prime rate, the specified federal reserve bank rate, or LIBOR plus 1%.

The borrowers may voluntarily repay outstanding loans under the 2021 Revolving Credit Facility at any time without premium or penalty, other than customary breakage costs.

As of April 29, 2022, available borrowings under the 2021 Revolving Credit Facility totaled \$5.0 billion.

Covenants — The credit agreement governing the 2021 Revolving Credit Facility and the indentures governing the Senior Notes and the Legacy Notes and Debentures variously impose limitations, subject to exceptions, on creating certain liens and entering into sale and lease-back transactions. The foregoing credit agreement and indentures contain customary events of default, including failure to make required payments, failure to comply with covenants, and the occurrence of certain events of bankruptcy and insolvency. The 2021 Revolving Credit Facility is also subject to an interest coverage ratio covenant that is tested at the end of each fiscal quarter with respect to the Company’s preceding four fiscal quarters. The Company was in compliance with this financial covenant as of April 29, 2022.

Aggregate Future Maturities

The following tables presents the aggregate future maturities of the Company’s debt as of April 29, 2022 for the periods indicated:

	Maturities by Fiscal Year						
	2023 (remaining nine months)	2024	2025	2026	2027	Thereafter	Total
	(in millions)						
Senior Notes	\$ —	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,250	\$ 7,050	\$ 16,300
Legacy Notes and Debentures	—	—	—	—	—	952	952
DFS Debt	5,201	2,612	1,294	165	550	3	9,825
Other	23	165	109	20	1	2	320
Total maturities, principal amount	5,224	3,777	2,403	1,185	6,801	8,007	27,397
Associated carrying value adjustments	(5)	(6)	(9)	(8)	(56)	(191)	(275)
Total maturities, carrying value amount	\$ 5,219	\$ 3,771	\$ 2,394	\$ 1,177	\$ 6,745	\$ 7,816	\$ 27,122

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NOTE 8 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward and option contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures, respectively.

The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge the exposures, thereby reducing volatility of earnings and protecting the fair values of assets and liabilities. The earnings effects of the derivative instruments are presented in the same income statement line items as the earnings effects of the hedged items. For derivatives designated as cash flow hedges, the Company assesses hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative. The Company does not have any derivatives designated as fair value hedges.

Foreign Exchange Risk

The Company uses foreign currency forward and option contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted transactions denominated in currencies other than the U.S. Dollar. Hedge accounting is applied based upon the criteria established by accounting guidance for derivative instruments and hedging activities. The risk of loss associated with purchased options is limited to premium amounts paid for the option contracts. The risk of loss associated with forward contracts is equal to the exchange rate differential from the time the contract is entered into until the time it is settled. The majority of these contracts typically expire in twelve months or less.

During the three months ended April 29, 2022 and April 30, 2021, the Company did not discontinue any cash flow hedges related to foreign exchange contracts that had a material impact on the Company's results of operations due to the probability that the forecasted cash flows would not occur.

The Company uses forward contracts to hedge monetary assets and liabilities denominated in a foreign currency. These contracts generally expire in three months or less, are considered economic hedges, and are not designated for hedge accounting. The change in the fair value of these instruments represents a natural hedge as their gains and losses offset the changes in the underlying fair value of the monetary assets and liabilities due to movements in currency exchange rates.

In connection with expanded offerings of DFS in Europe, forward contracts are used to hedge financing receivables denominated in foreign currencies other than Euro. These contracts are not designated for hedge accounting and most expire within three years or less.

Interest Rate Risk

The Company uses interest rate swaps to hedge the variability in cash flows related to the interest rate payments on structured financing debt. The interest rate swaps economically convert the variable rate on the structured financing debt to a fixed interest rate to match the underlying fixed rate being received on fixed-term customer leases and loans. These contracts are not designated for hedge accounting and most expire within four years or less.

Interest rate swaps are utilized to manage the interest rate risk, at a portfolio level, associated with DFS operations in Europe. The interest rate swaps economically convert the fixed rate on financing receivables to a three-month Euribor floating rate in order to match the floating rate nature of the banks' funding pool. These contracts are not designated for hedge accounting and most expire within five years or less.

The Company utilizes cross-currency amortizing swaps to hedge the currency and interest rate risk exposure associated with the European securitization program. The cross currency swaps combine a Euro-based interest rate swap with a British Pound or U.S. Dollar foreign exchange forward contract in which the Company pays a fixed or floating British Pound or U.S. Dollar amount and receives a fixed or floating amount in Euros linked to the one-month Euribor. The notional value of the swaps amortizes in line with the expected cash flows and run-off of the securitized assets. The swaps are not designated for hedge accounting and expire within five years or less.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Derivative Instruments

The following table presents the notional amounts of outstanding derivative instruments as of the dates indicated:

	<u>April 29, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
<i>Foreign exchange contracts:</i>		
Designated as cash flow hedging instruments	\$ 8,758	\$ 7,879
Non-designated as hedging instruments	8,047	8,713
Total	<u>\$ 16,805</u>	<u>\$ 16,592</u>
<i>Interest rate contracts:</i>		
Non-designated as hedging instruments	\$ 6,146	\$ 6,715

The following table presents the effect of derivative instruments designated as hedging instruments on the Condensed Consolidated Statements of Financial Position and the Condensed Consolidated Statements of Income for the periods indicated:

<u>Derivatives in Cash Flow Hedging Relationships</u>	<u>Gain (Loss) Recognized in Accumulated OCI, Net of Tax, on Derivatives</u>	<u>Location of Gain (Loss) Reclassified from Accumulated OCI into Income</u>	<u>Gain (Loss) Reclassified from Accumulated OCI into Income</u>
	(in millions)		(in millions)
<i>For the three months ended April 29, 2022</i>			
		Total net revenue	\$ 123
Foreign exchange contracts	\$ 372	Total cost of net revenue	(27)
Interest rate contracts	—	Interest and other, net	—
Total	<u>\$ 372</u>	Total	<u>\$ 96</u>
<i>For the three months ended April 30, 2021</i>			
		Total net revenue	\$ (30)
Foreign exchange contracts	\$ (1)	Total cost of net revenue	2
Interest rate contracts	—	Interest and other, net	—
Total	<u>\$ (1)</u>	Income from discontinued operations	1
		Total	<u>\$ (27)</u>

The following table presents the effect of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Income as of the dates indicated:

	<u>Three Months Ended</u>		<u>Location of Gain (Loss) Recognized</u>
	<u>April 29, 2022</u>	<u>April 30, 2021</u>	
	(in millions)		
Foreign exchange contracts	\$ (231)	\$ (29)	Interest and other, net
Interest rate contracts	17	1	Interest and other, net
Foreign exchange contracts	—	5	Income from discontinued operations
Total	<u>\$ (214)</u>	<u>\$ (23)</u>	

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The Company presents its foreign exchange derivative instruments on a net basis in the Condensed Consolidated Statements of Financial Position due to the right of offset by its counterparties under master netting arrangements. The following tables present the fair value of those derivative instruments presented on a gross basis as the dates indicated:

April 29, 2022					
	Other Current Assets	Other Non- Current Assets	Other Current Liabilities	Other Non- Current Liabilities	Total Fair Value
(in millions)					
<i>Derivatives designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	\$ 290	\$ —	\$ 200	\$ —	\$ 490
Foreign exchange contracts in a liability position	(1)	—	(8)	—	(9)
Net asset	289	—	192	—	481
<i>Derivatives not designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	480	1	303	—	784
Foreign exchange contracts in a liability position	(389)	—	(609)	(2)	(1,000)
Interest rate contracts in an asset position	—	90	—	—	90
Interest rate contracts in a liability position	—	—	—	(64)	(64)
Net asset (liability)	91	91	(306)	(66)	(190)
Total derivatives at fair value	<u>\$ 380</u>	<u>\$ 91</u>	<u>\$ (114)</u>	<u>\$ (66)</u>	<u>\$ 291</u>
January 28, 2022					
	Other Current Assets	Other Non- Current Assets	Other Current Liabilities	Other Non- Current Liabilities	Total Fair Value
(in millions)					
<i>Derivatives designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	\$ 135	\$ —	\$ 50	\$ —	\$ 185
Foreign exchange contracts in a liability position	(5)	—	(8)	—	(13)
Net asset	130	—	42	—	172
<i>Derivatives not designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	280	2	106	—	388
Foreign exchange contracts in a liability position	(189)	—	(244)	(5)	(438)
Interest rate contracts in an asset position	—	30	—	—	30
Interest rate contracts in a liability position	—	—	—	(37)	(37)
Net asset (liability)	91	32	(138)	(42)	(57)
Total derivatives at fair value	<u>\$ 221</u>	<u>\$ 32</u>	<u>\$ (96)</u>	<u>\$ (42)</u>	<u>\$ 115</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following tables present the gross amounts of the Company's derivative instruments, amounts offset due to master netting agreements with the Company's counterparties, and the net amounts recognized in the Condensed Consolidated Statements of Financial Position as of the dates indicated:

April 29, 2022						
Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position		Net Amount of Assets/ (Liabilities) Recognized in the Statement of Financial Position	
			Financial Instruments	Cash Collateral Received or Pledged		
(in millions)						
<i>Derivative instruments:</i>						
Financial assets	\$ 1,364	\$ (893)	\$ 471	\$ —	\$ —	\$ 471
Financial liabilities	(1,073)	893	(180)	—	42	(138)
Total derivative instruments	\$ 291	\$ —	\$ 291	\$ —	\$ 42	\$ 333
January 28, 2022						
Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position		Net Amount of Assets/ (Liabilities) Recognized in the Statement of Financial Position	
			Financial Instruments	Cash Collateral Received or Pledged		
(in millions)						
<i>Derivative instruments:</i>						
Financial assets	\$ 603	\$ (350)	\$ 253	\$ —	\$ —	\$ 253
Financial liabilities	(488)	350	(138)	—	24	(114)
Total derivative instruments	\$ 115	\$ —	\$ 115	\$ —	\$ 24	\$ 139

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NOTE 9 — GOODWILL AND INTANGIBLE ASSETS
Goodwill

The Infrastructure Solutions Group and Client Solutions Group reporting units are consistent with the reportable segments identified in Note 17 of the Notes to the Condensed Consolidated Financial Statements. Other businesses consists of VMware Resale, Secureworks, and Virtustream, which each represent separate reporting units.

The following table presents goodwill allocated to the Company's reportable segments and changes in the carrying amount of goodwill as of the dates indicated:

	Infrastructure Solutions Group	Client Solutions Group	Other Businesses	Total
	(in millions)			
<i>Balances as of January 28, 2022</i>	\$ 15,106	\$ 4,237	\$ 427	\$ 19,770
Impact of foreign currency translation	(172)	—	—	(172)
<i>Balances as of April 29, 2022</i>	<u>\$ 14,934</u>	<u>\$ 4,237</u>	<u>\$ 427</u>	<u>\$ 19,598</u>

Intangible Assets

The following table presents the Company's intangible assets as of the dates indicated:

	April 29, 2022			January 28, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Customer relationships	\$ 16,956	\$ (14,071)	\$ 2,885	\$ 16,956	\$ (13,938)	\$ 3,018
Developed technology	9,634	(8,507)	1,127	9,635	(8,405)	1,230
Trade names	885	(765)	120	885	(757)	128
Definite-lived intangible assets	27,475	(23,343)	4,132	27,476	(23,100)	4,376
Indefinite-lived trade names	3,085	—	3,085	3,085	—	3,085
Total intangible assets	<u>\$ 30,560</u>	<u>\$ (23,343)</u>	<u>\$ 7,217</u>	<u>\$ 30,561</u>	<u>\$ (23,100)</u>	<u>\$ 7,461</u>

Amortization expense related to definite-lived intangible assets was \$243 million and \$445 million for the three months ended April 29, 2022 and April 30, 2021, respectively. There were no material impairment charges related to intangible assets during the three months ended April 29, 2022 and April 30, 2021.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following table presents the estimated future annual pre-tax amortization expense of definite-lived intangible assets as of the date indicated:

	<u>April 29, 2022</u>
	(in millions)
Fiscal 2023 (remaining nine months)	\$ 732
Fiscal 2024	776
Fiscal 2025	607
Fiscal 2026	474
Fiscal 2027	361
Thereafter	1,182
Total	<u>\$ 4,132</u>

Goodwill and Intangible Assets Impairment Testing

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the third fiscal quarter and whenever events or circumstances may indicate that an impairment has occurred.

For the annual impairment review in the third quarter of Fiscal 2022, the Company elected to bypass the assessment of qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount, including goodwill. In electing to bypass the qualitative assessment, the Company proceeded directly to perform a quantitative goodwill impairment test to measure the fair value of each goodwill reporting unit relative to its carrying amount, and to determine the amount of goodwill impairment loss to be recognized, if any.

Management exercised significant judgment related to the above assessment, including the identification of goodwill reporting units, assignment of assets and liabilities to goodwill reporting units, assignment of goodwill to reporting units, and determination of the fair value of each goodwill reporting unit. The fair value of each goodwill reporting unit is generally estimated using a combination of public company multiples and discounted cash flow methodologies, except with respect to Secureworks, which is a publicly-traded entity, in which case the fair value is determined based primarily on the public company market valuation. The discounted cash flow and public company multiples methodologies require significant judgment, including estimation of future revenues, gross margins, and operating expenses, which are dependent on internal forecasts, current and anticipated economic conditions and trends, selection of market multiples through assessment of the reporting unit's performance relative to peer competitors, the estimation of the long-term revenue growth rate and discount rate of the Company's business, and the determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the fair value of the goodwill reporting unit, potentially resulting in a non-cash impairment charge.

The fair value of the indefinite-lived trade names is generally estimated using discounted cash flow methodologies. The discounted cash flow methodology requires significant judgment, including estimation of future revenue, the estimation of the long-term revenue growth rate of the Company's business and the determination of the Company's weighted average cost of capital and royalty rates. Changes in these estimates and assumptions could materially affect the fair value of the indefinite-lived intangible assets, potentially resulting in a non-cash impairment charge.

Based on the results of the annual impairment test performed during the fiscal year ended January 28, 2022, the fair values of each of the reporting units exceeded their carrying values. No impairment test was performed during the three months ended April 29, 2022.

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NOTE 10 — DEFERRED REVENUE

Deferred Revenue — Deferred revenue consists of support and deployment services, software maintenance, training, Software-as-a-Service, and undelivered hardware and professional services, consisting of installations and consulting engagements. Deferred revenue is recorded when the Company has invoiced or payments have been received for undelivered products or services where transfer of control has not occurred. Revenue is recognized as the Company's performance obligations under the contract are completed.

The following table presents the changes in the Company's deferred revenue for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Deferred revenue:</i>		
Deferred revenue at beginning of period	\$ 27,573	\$ 25,592
Revenue deferrals	4,975	5,279
Revenue recognized	(4,980)	(4,589)
Other (a)	(165)	—
Deferred revenue at end of period	<u>\$ 27,403</u>	<u>\$ 26,282</u>
Short-term deferred revenue	\$ 14,329	\$ 13,641
Long-term deferred revenue	\$ 13,074	\$ 12,641

(a) Other represents the reclassification of deferred revenue to accrued and other liabilities.

Remaining Performance Obligations — Remaining performance obligations represent the aggregate amount of the transaction price allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include deferred revenue plus unbilled amounts not yet recorded in deferred revenue. The value of the transaction price allocated to remaining performance obligations as of April 29, 2022 was approximately \$42 billion. The Company expects to recognize approximately 62% of remaining performance obligations as revenue in the next twelve months, and the remainder thereafter.

The aggregate amount of the transaction price allocated to remaining performance obligations does not include amounts owed under cancelable contracts where there is no substantive termination penalty. The Company applied the practical expedient to exclude the value of remaining performance obligations for contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidation, adjustments for revenue that have not materialized, and adjustments for currency.

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NOTE 11 — COMMITMENTS AND CONTINGENCIES**Purchase Obligations**

The Company has contractual obligations to purchase goods or services, which specify significant terms (including fixed or minimum quantities to be purchased), fixed, minimum, or variable price provisions; and the approximate timing of the transaction. As of April 29, 2022, such purchase obligations were \$3.1 billion, \$0.4 billion, and \$0.8 billion for the remaining nine months of Fiscal 2023, Fiscal 2024, and Fiscal 2025 and thereafter, respectively.

Legal Matters

The Company is involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business, including those identified below, consisting of matters involving consumer, antitrust, tax, intellectual property, and other issues on a global basis. Pursuant to the Separation and Distribution Agreement referred to below, Dell Technologies shares responsibility with VMware for certain matters, as indicated below, and VMware has agreed to indemnify Dell Technologies in whole or in part with respect to certain matters.

The Company accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company's accrued liabilities are recorded in the period in which such a determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made.

The following is a discussion of the Company's significant legal matters and other proceedings:

Class Actions Related to the Class V Transaction — On December 28, 2018, the Company completed a transaction (the "Class V transaction") in which it paid \$14.0 billion in cash and issued 149,387,617 shares of its Class C Common Stock to holders of its Class V Common Stock in exchange for all outstanding shares of Class V Common Stock. As a result of the Class V transaction, the tracking stock feature of the Company's capital structure associated with the Class V Common Stock was terminated. In November 2018, four purported stockholders brought putative class action complaints arising out of the Class V transaction. The actions were captioned Hallandale Beach Police and Fire Retirement Plan v. Michael Dell et al. (Civil Action No. 2018-0816-JTL), Howard Karp v. Michael Dell et al. (Civil Action No. 2019-0032-JTL), Miramar Police Officers' Retirement Plan v. Michael Dell et al. (Civil Action No. 2019-0049-JTL), and Steamfitters Local 449 Pension Plan v. Michael Dell et al. (Civil Action No. 2019-0115-JTL). The four actions were consolidated in the Delaware Chancery Court into In Re Dell Class V Litigation (Consol. C.A. No. 2018-0816-JTL). The suit currently names as defendants Michael S. Dell and certain of the other directors serving on the board of directors at the time of the Class V transaction, certain stockholders of the Company, consisting of Michael S. Dell and Silver Lake Group LLC and certain of its affiliated funds, and Goldman Sachs & Co. LLC ("Goldman Sachs"), which served as financial advisor to the Company in connection with the Class V transaction. In an amended complaint filed in August 2019, the plaintiffs generally allege that the director and stockholder defendants breached their fiduciary duties under Delaware law to the former holders of Class V Common Stock in connection with the Class V transaction by offering a transaction value that was allegedly billions of dollars below the fair value. The plaintiffs contend that the offer understated the value of shares surrendered by the former stockholders, which the plaintiffs allege should have reflected higher alternative valuations, including a valuation related to the value of the shares of VMware, Inc. common stock, and that the difference in values was wrongfully appropriated by the stockholder defendants. On August 20, 2021, the plaintiffs added Goldman Sachs as a defendant and allege that it aided and abetted the alleged primary violations. In the complaint, the plaintiffs seek, among other remedies, a judicial declaration that the director and stockholder defendants breached their fiduciary duties. The plaintiffs also seek in the complaint disgorgement of all profits, benefits, and other compensation obtained by the defendants as a result of such alleged conduct and an award of unspecified damages, fees, and costs. The defendants filed a motion to dismiss the action in September 2019. The court denied the motion in June 2020 and the case is currently in the discovery phase. Trial is scheduled to begin on December 5, 2022. The Company is not a defendant in this action but is subject to director indemnification provisions under its certificate of incorporation and bylaws, and is a party to agreements with

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the defendants that contain indemnification obligations of the Company, conditioned on the satisfaction of the requirements set forth in such agreements, relating to service as a director, ownership of the Company's securities, and provision of services, as applicable.

Class Actions Related to VMware, Inc.'s Acquisition of Pivotal — Two purported stockholders brought putative class action complaints arising out of VMware, Inc.'s acquisition of Pivotal Software, Inc. on December 30, 2019. The two actions were consolidated in the Delaware Chancery Court into In re: Pivotal Software, Inc. Stockholders Litigation (Civil Action No. 2020-0440-KSJM). The complaint names as defendants the Company, VMware, Inc., Michael S. Dell, and certain officers of Pivotal. The plaintiffs generally allege that the defendants breached their fiduciary duties to the former holders of Pivotal Class A Common Stock in connection with VMware, Inc.'s acquisition of Pivotal by allegedly causing Pivotal to enter into a transaction that favored the interests of Pivotal's controlling stockholders at the expense of such former stockholders. The parties have reached an agreement to settle the litigation and are seeking the court's approval of the settlement.

Other Litigation — Dell does not currently anticipate that any of the other various legal proceedings it is involved in will have a material adverse effect on its business, financial condition, results of operations, or cash flows.

In accordance with the relevant accounting guidance, the Company provides disclosures of matters where it is at least reasonably possible that the Company could experience a material loss exceeding the amounts already accrued for these or other proceedings or matters. In addition, the Company also discloses matters based on its consideration of other matters and qualitative factors, including the experience of other companies in the industry, and investor, customer, and employee relations considerations. As of April 29, 2022, the Company does not believe there is a reasonable possibility that a material loss exceeding the amounts already accrued for these or other proceedings or matters has been incurred. However, since the ultimate resolution of any such proceedings and matters is inherently unpredictable, the Company's business, financial condition, results of operations, or cash flows could be materially affected in any particular period by unfavorable outcomes in one or more of these proceedings or matters. Whether the outcome of any claim, suit, assessment, investigation, or legal proceeding, individually or collectively, could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows will depend on a number of factors, including the nature, timing, and amount of any associated expenses, amounts paid in settlement, damages, or other remedies or consequences.

Indemnifications Obligations

In the ordinary course of business, the Company enters into various contracts under which it may agree to indemnify other parties for losses incurred from certain events as defined in the relevant contract, such as litigation, regulatory penalties, or claims relating to past performance. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnification obligations have not been material to the Company.

Under the Separation and Distribution Agreement described in Note 2 of the Notes to the Condensed Consolidated Financial Statements, Dell Technologies has agreed to indemnify VMware, Inc., each of its subsidiaries and each of their respective directors, officers, and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to Dell Technologies as part of the separation of Dell Technologies and VMware and their respective businesses as a result of the VMware Spin-off (the "Separation"). VMware similarly has agreed to indemnify Dell Technologies, Inc., each of its subsidiaries and each of their respective directors, officers, and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to VMware as part of the Separation. Dell Technologies expects VMware to fully perform under the terms of the Separation and Distribution Agreement.

For information on the cross-indemnifications related to the tax matters agreement between the Company and VMware described in Note 2 of the Notes to the Condensed Consolidated Financial Statements effective upon the Separation on November 1, 2021, see Note 2 and Note 16 of the Notes to the Condensed Consolidated Financial Statements.

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NOTE 12 — INCOME AND OTHER TAXES

For the three months ended April 29, 2022, the Company's effective income tax rate was 11.9% on pre-tax income of \$1.2 billion compared to 5.7% on pre-tax income of \$0.7 billion for the three months ended April 30, 2021. The change in the Company's effective income tax rate was attributable in part to the impact of discrete tax benefits related to stock-based compensation of \$91 million and \$97 million for the three months ended April 29, 2022 and April 30, 2021, respectively. The change in the Company's effective income tax rate was also due to a change in the Company's jurisdictional mix of income and higher U.S. tax on foreign operations, the effects of which were partially offset by higher benefits from foreign tax credits.

Higher U.S. tax on foreign operations was due to the capitalization of research and development costs. Under the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, research and development costs incurred for tax years beginning after December 31, 2021 must be capitalized and amortized ratably over five or 15 years for tax purposes, depending on where the research activities are conducted. The effective income tax rate for future quarters of Fiscal 2023 may be impacted by actions taken by the U.S. government to defer or repeal this provision, as well as by the actual mix of jurisdictions in which income is generated and the impact of any discrete tax items.

The differences between the estimated effective income tax rates and the U.S. federal statutory rate of 21% principally result from the Company's geographical distribution of income, differences between the book and tax treatment of certain items, and discrete tax items. In certain jurisdictions, the Company's tax rate is significantly less than the applicable statutory rate as a result of tax holidays. The majority of the Company's foreign income that is subject to these tax holidays and lower tax rates is attributable to Singapore and China. A significant portion of these income tax benefits relate to a tax holiday that will be effective until January 31, 2029. The Company's other tax holidays will expire in whole or in part during fiscal years 2030 through 2031. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met. As of April 29, 2022, the Company was not aware of any matters of non-compliance related to these tax holidays.

The Internal Revenue Service is currently conducting tax examinations of the Company for fiscal years 2015 through 2019. The Company is also currently under income tax audits in various state and foreign jurisdictions. The Company is undergoing negotiations, and in some cases contested proceedings, relating to tax matters with the taxing authorities in these jurisdictions. The Company believes that it has valid positions supporting its tax returns and that it has provided adequate reserves related to all matters contained in tax periods open to examination. Although the Company believes it has made adequate provisions for the uncertainties surrounding these audits, should the Company experience unfavorable outcomes, such outcomes could have a material impact on its results of operations, financial position, and cash flows. With respect to major U.S., state and foreign taxing jurisdictions, the Company is generally not subject to tax examinations for years prior to the fiscal year ended January 29, 2010.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. The unrecognized tax benefits were \$1.2 billion as of both April 29, 2022 and January 28, 2022, and are included in other non-current liabilities in the Condensed Consolidated Statements of Financial Position. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

The Company takes certain non-income tax positions in the jurisdictions in which it operates and has received certain non-income tax assessments from various jurisdictions. The Company believes that a material loss in these matters is not probable and that it is not reasonably possible that a material loss exceeding amounts already accrued has been incurred. The Company believes its positions in these non-income tax litigation matters are supportable and that it ultimately will prevail in the matters. In the normal course of business, the Company's positions and conclusions related to its non-income taxes could be challenged and assessments may be made. To the extent new information is obtained and the Company's views on its positions, probable outcomes of assessments, or litigation change, changes in estimates to the Company's accrued liabilities would be recorded in the period in which such a determination is made. In the resolution process for income tax and non-income tax audits, the Company is required in certain situations to provide collateral guarantees or indemnification to regulators and tax authorities until the matter is resolved.

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NOTE 13 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) is presented in stockholders' equity (deficit) in the Condensed Consolidated Statements of Financial Position and consists of amounts related to foreign currency translation adjustments, unrealized net gains (losses) on cash flow hedges, and actuarial net gains (losses) from pension and other postretirement plans.

The following table presents changes in accumulated other comprehensive income (loss), net of tax, by the following components as of the dates indicated:

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Pension and Other Postretirement Plans	Accumulated Other Comprehensive Income (Loss)
	(in millions)			
<i>Balances as of January 28, 2022</i>	\$ (526)	\$ 129	\$ (34)	\$ (431)
Other comprehensive income (loss) before reclassifications	(286)	372	17	103
Amounts reclassified from accumulated other comprehensive income (loss)	—	(96)	—	(96)
Total change for the period	(286)	276	17	7
<i>Balances as of April 29, 2022</i>	\$ (812)	\$ 405	\$ (17)	\$ (424)

Amounts related to the Company's cash flow hedges are reclassified to net income during the same period in which the items being hedged are recognized in earnings. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for more information on the Company's derivative instruments.

The following table presents reclassifications out of accumulated other comprehensive income (loss), net of tax, to net income for the periods indicated:

	Three Months Ended					
	April 29, 2022			April 30, 2021		
	Cash Flow Hedges	Pensions	Total	Cash Flow Hedges	Pensions	Total
	(in millions)					
<i>Total reclassifications, net of tax:</i>						
Net revenue	\$ 123	\$ —	\$ 123	\$ (30)	\$ —	\$ (30)
Cost of net revenue	(27)	—	(27)	2	—	2
Income from discontinued operations	—	—	—	1	—	1
Total reclassifications, net of tax	\$ 96	\$ —	\$ 96	\$ (27)	\$ —	\$ (27)

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NOTE 14 — CAPITALIZATION

The following table presents the Company's authorized, issued, and outstanding common stock as of the dates indicated:

	Authorized	Issued	Outstanding
	(in millions)		
<i>Common stock as of April 29, 2022</i>			
Class A	600	379	379
Class B	200	95	95
Class C	7,900	321	273
Class D	100	—	—
Class V	343	—	—
	9,143	795	747
<i>Common stock as of January 28, 2022</i>			
Class A	600	379	379
Class B	200	95	95
Class C	7,900	303	283
Class D	100	—	—
Class V	343	—	—
	9,143	777	757

Under the Company's certificate of incorporation, the Company is prohibited from issuing any of the authorized shares of Class V Common Stock.

Preferred Stock

The Company is authorized to issue one million shares of preferred stock, par value \$0.01 per share. As of April 29, 2022 and January 28, 2022, no shares of preferred stock were issued or outstanding.

Common Stock

Dell Technologies Common Stock — The Class A Common Stock, the Class B Common Stock, the Class C Common Stock, and the Class D Common Stock are collectively referred to as Dell Technologies Common Stock. The par value for all classes of Dell Technologies Common Stock is \$0.01 per share. The Class A Common Stock, the Class B Common Stock, the Class C Common Stock, and the Class D Common Stock share equally in dividends declared or accumulated and have equal participation rights in undistributed earnings.

Voting Rights — Each holder of record of (a) Class A Common Stock is entitled to ten votes per share of Class A Common Stock; (b) Class B Common Stock is entitled to ten votes per share of Class B Common Stock; (c) Class C Common Stock is entitled to one vote per share of Class C Common Stock; and (d) Class D Common Stock is not entitled to any vote on any matter except to the extent required by provisions of Delaware law (in which case such holder is entitled to one vote per share of Class D Common Stock).

Conversion Rights — Under the Company's certificate of incorporation, at any time and from time to time, any holder of Class A Common Stock or Class B Common Stock has the right to convert all or any of the shares of Class A Common Stock or Class B Common Stock, as applicable, held by such holder into shares of Class C Common Stock on a one-to-one basis.

During the three months ended April 29, 2022, there were no conversions of shares of Class A or Class B Common Stock into shares of Class C Common Stock.

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Dividends

On February 24, 2022, the Company announced that its Board of Directors has adopted a dividend policy under which the Company intends to pay quarterly cash dividends on its common stock at an initial rate of \$0.33 per share per fiscal quarter.

During the three months ended April 29, 2022, the Company paid an initial quarterly dividend under the new policy in the amount of \$248 million to the holders of record of all of the issued and outstanding shares of common stock as of the close of business on April 20, 2022.

Repurchases of Common Stock

Effective as of September 23, 2021, the Company's Board of Directors terminated the Company's previous stock repurchase program and approved a new stock repurchase program (the "2021 Stock Repurchase Program") under which the Company is authorized to use assets to repurchase up to \$5 billion of shares of the Company's Class C Common Stock with no established expiration date. During the three months ended April 29, 2022, the Company repurchased approximately 28.8 million shares of Class C Common Stock for a total purchase price of approximately \$1.5 billion.

The above repurchases of Class C Common Stock exclude shares repurchased to settle employee tax withholding related to the vesting of stock awards. Pursuant to the respective award agreements, these shares were withheld in conjunction with the net share settlement upon the vesting of restricted stock units during the period.

The Company did not repurchase any shares of Class C Common Stock during the three months ended April 30, 2021 under the previous stock repurchase program.

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NOTE 15 — EARNINGS PER SHARE

Basic earnings per share is based on the weighted-average effect of all common shares issued and outstanding and is calculated by dividing net income by the weighted-average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive instruments. The Company excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is antidilutive.

The following table presents basic and diluted earnings per share for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
<i>Earnings per share attributable to Dell Technologies Inc. - basic</i>		
Continuing operations	\$ 1.42	\$ 0.87
Discontinued operations	\$ —	\$ 0.30
<i>Earnings per share attributable to Dell Technologies Inc. — diluted</i>		
Continuing operations	\$ 1.37	\$ 0.84
Discontinued operations	\$ —	\$ 0.29

The following table presents the computation of basic and diluted earnings per share for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Numerator: Continuing operations</i>		
Net income attributable to Dell Technologies Inc. from continuing operations - basic and diluted	\$ 1,072	\$ 660
<i>Numerator: Discontinued operations</i>		
Income from discontinued operations, net of income taxes - basic	\$ —	\$ 227
Incremental dilution from VMware (a)	—	(2)
Income from discontinued operations, net of income taxes, attributable to Dell Technologies Inc. - diluted	\$ —	\$ 225
<i>Denominator: Dell Technologies Common Stock weighted-average shares outstanding</i>		
Weighted-average shares outstanding — basic	754	757
Dilutive effect of options, restricted stock units, restricted stock, and other	26	25
Weighted-average shares outstanding — diluted	780	782
Weighted-average shares outstanding — antidilutive	1	—

(a) The incremental dilution from VMware represents the impact of VMware, Inc.'s dilutive securities on diluted earnings per share of Dell Technologies Common Stock, and is calculated by multiplying the difference between VMware, Inc.'s basic and diluted earnings (loss) per share by the number of shares of VMware, Inc. common stock held by the Company.

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NOTE 16 — RELATED PARTY TRANSACTIONS

Effective upon the completion of the VMware Spin-off, VMware is considered to be a related party of the Company. The related party relationship is a result of Michael Dell's ownership interest in both Dell Technologies and VMware as well as Mr. Dell's continued service as Chairman and Chief Executive Officer of Dell Technologies and as Chairman of the Board of VMware, Inc. See Note 1 and Note 2 of the Notes to the Condensed Consolidated Financial Statements for more information about the VMware Spin-off.

The information provided below includes a summary of transactions with VMware, Inc. and with its consolidated subsidiaries (collectively, "VMware"). Transactions with related parties other than VMware during the periods presented were immaterial, individually and in aggregate.

Transactions with VMware

Dell Technologies and VMware engage in the following ongoing related party transactions:

- Pursuant to original equipment manufacturer and reseller arrangements, Dell Technologies integrates or bundles VMware's products and services with Dell Technologies' products and sells them to end-users. Dell Technologies also acts as a distributor, purchasing VMware's standalone products and services for resale to end-user customers. Where applicable, costs under these arrangements are presented net of rebates received by Dell Technologies.
- Dell Technologies procures products and services from VMware for its internal use. For the three months ended April 29, 2022 and April 30, 2021, cost incurred associated with products and services purchased from VMware for internal use was immaterial.
- Dell Technologies sells and leases products and sells services to VMware. For the three months ended April 29, 2022 and April 30, 2021, revenue recognized from sales of services to VMware was immaterial.
- Dell Technologies and VMware also enter into joint marketing, sales, and branding arrangements, for which both parties may incur costs. For the three months ended April 29, 2022 and April 30, 2021, consideration received from VMware for joint marketing, sales, and branding arrangements was immaterial.
- DFS provides financing to certain VMware end users. Upon acceptance of the financing arrangement by both VMware's end users and DFS, DFS recognizes amounts due to related parties on the Condensed Consolidated Statements of Financial Position. Associated financing fees are recorded to product net revenue on the Condensed Consolidated Statements of Income.
- Dell Technologies and VMware enter into agreements to collaborate on technology projects in which one party pays the corresponding party for services or the reimbursement of costs. For the three months ended April 29, 2022 and April 30, 2021, collaborative technology projects were immaterial.
- Dell Technologies provides support services and support from Dell Technologies personnel to VMware in certain geographic regions where VMware does not have an established legal entity. These employees are managed by VMware but Dell Technologies incurs the costs for these such services. The costs incurred by Dell Technologies on VMware's behalf to these employees are charged to VMware. For the three months ended April 29, 2022 and April 30, 2021, costs associated with such seconded employees were immaterial.
- Dell Technologies and VMware entered into a transition services agreement in connection with the VMware Spin-off to provide various support services including investment advisory services, certain support services from Dell Technologies personnel, and other transitional services. Costs associated with this agreement were immaterial for the three months ended April 29, 2022.

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The following table presents information about the impact of Dell Technologies' related party transactions with VMware on the Condensed Consolidated Statements of Income for the periods indicated:

	Classification	Three Months Ended	
		April 29, 2022	April 30, 2021
		(in millions)	
Sales and leases of products to VMware	Net revenue - products	46	47
Purchase of VMware products for resale	Cost of net revenue - products	255	319
Purchase of VMware services for resale	Cost of net revenue - services	709	578

The following table presents information about the impact of Dell Technologies' related party transactions with VMware on the Condensed Consolidated Statements of Financial Position for the periods indicated:

	Classification	April 29, 2022		January 28, 2022	
		(in millions)			
Deferred costs related to VMware products and services for resale	Other current assets	\$ 2,493		\$ 2,571	
Deferred costs related to VMware products and services for resale	Other non-current assets	\$ 2,060		\$ 2,311	

Related Party Tax Matters

Tax Agreements — In connection with the VMware Spin-off and concurrently with the execution of the Separation and Distribution Agreement, effective as of April 14, 2021, Dell Technologies and VMware entered into a Tax Matters Agreement (the "Tax Matters Agreement") and agreed to terminate the tax sharing agreement as amended on December 30, 2019 (together with the Tax Matters Agreement, the "Tax Agreements"). The Tax Matters Agreement governs Dell Technologies' and VMware's respective rights and obligations, both for pre-spin-off periods and post-spin-off periods, regarding income and other taxes, and related matters, including tax liabilities and benefits, attributes, and returns.

Net payments made to VMware pursuant to the Tax Agreements were immaterial during the three months ended April 29, 2022 and April 30, 2021, and relate to VMware's portion of federal income taxes on Dell Technologies' consolidated tax return as well as state tax payments for combined states.

The timing of the tax payments due to and from related parties is governed by the Tax Agreements. VMware's portion of the mandatory one-time transition tax on accumulated earnings of foreign subsidiaries (the "Transition Tax") is governed by a letter agreement between VMware and Dell Technologies entered into on April 1, 2019.

As a result of the activity under the Tax Agreements with VMware, amounts due from VMware were \$630 million and \$621 million as of April 29, 2022 and January 28, 2022, respectively, primarily related to VMware's estimated tax obligation resulting from the Transition Tax. The 2017 Tax Cuts and Jobs Act included a deferral election for an eight-year installment payment method on the Transition Tax. Dell Technologies expects VMware to pay the remainder of its Transition Tax over a period of four years.

Indemnification — Upon consummation of the VMware Spin-off, Dell Technologies recorded net income tax indemnification receivables from VMware related to certain income tax liabilities for which Dell Technologies is jointly and severally liable, but for which it is indemnified by VMware under the Tax Matters Agreement. The amounts that VMware may be obligated to pay Dell Technologies could vary depending on the outcome of certain unresolved tax matters, which may not be resolved for several years. The net receivable as of April 29, 2022 was \$147 million.

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Due To/From Related Party

The following table presents amounts due to and from VMware as of the dates indicated:

	<u>April 29, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
Due from related party, net, current (a)	\$ 131	\$ 131
Due from related party, net, non-current (b)	\$ 713	\$ 710
Due to related party, current (c)	\$ 622	\$ 1,414

(a) Amounts due from related party, current consists of amounts due from VMware, inclusive of current net tax receivables from VMware under the Tax Agreements. Amounts, excluding tax, are generally settled in cash within 60 days of each quarter-end.

(b) Amounts in due from related party, non-current consists of non-current portion of net receivables from VMware under the Tax Agreements.

(c) Amounts in due to related party, current includes amounts due to VMware which are generally settled in cash within 60 days of each quarter-end.

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NOTE 17 — SEGMENT INFORMATION

The Company has two reportable segments that are based on the following business units: Infrastructure Solutions Group (“ISG”) and Client Solutions Group (“CSG”).

ISG enables the digital transformation of the Company’s customers through its trusted multi-cloud and big data solutions, which are built upon a modern data center infrastructure. The ISG comprehensive portfolio of advanced storage solutions includes traditional storage solutions as well as next-generation storage solutions (such as all-flash arrays, scale-out file, object platforms, and software-defined solutions), while the Company’s server portfolio includes high-performance rack, blade, tower, and hyperscale servers. The ISG networking portfolio helps business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes. ISG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

CSG includes sales to commercial and consumer customers of branded hardware (such as desktops, workstations, and notebooks) and branded peripherals (such as displays and projectors), as well as services and third-party software and peripherals. CSG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

The reportable segments disclosed herein are based on information reviewed by the Company’s management to evaluate the business segment results. The Company’s measure of segment revenue and segment operating income for management reporting purposes excludes operating results of other businesses, unallocated corporate transactions, the impact of purchase accounting, amortization of intangible assets, transaction-related expenses, stock-based compensation expense, and other corporate expenses, as applicable. The Company does not allocate assets to the above reportable segments for internal reporting purposes.

As described in Note 1 and Note 2 of the Notes to the Condensed Consolidated Financial Statements, the Company completed the VMware Spin-off on November 1, 2021.

Pursuant to the CFA described in such Notes, Dell Technologies continues to act as a distributor of VMware’s standalone products and services and purchase such products and services for resale to end-user customers (“VMware Resale”). Dell Technologies also continues to integrate VMware’s products and services with Dell Technologies’ offerings and sell them to end users. The results of such operations are classified as continuing operations within the Company’s Condensed Consolidated Statements of Income. The results of standalone VMware Resale transactions are reflected in other businesses. The results of integrated offering transactions are reflected within CSG or ISG, depending upon the nature of the underlying offering sold. The Company’s prior period segment results have been recast to reflect this change.

In accordance with applicable accounting guidance, the results of VMware, excluding Dell’s resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for prior periods presented.

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The following table presents a reconciliation of net revenue by the Company's reportable segments to the Company's consolidated net revenue as well as a reconciliation of segment operating income to the Company's consolidated operating income for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Consolidated net revenue:</i>		
Infrastructure Solutions Group	\$ 9,285	\$ 8,033
Client Solutions Group	15,587	13,311
Reportable segment net revenue	24,872	21,344
Other businesses (a)	1,239	1,252
Unallocated transactions (b)	5	2
Impact of purchase accounting (c)	—	(8)
Total consolidated net revenue	<u>\$ 26,116</u>	<u>\$ 22,590</u>
<i>Consolidated operating income:</i>		
Infrastructure Solutions Group	\$ 1,082	\$ 778
Client Solutions Group	1,115	1,080
Reportable segment operating income	2,197	1,858
Other businesses (a)	(64)	(90)
Unallocated transactions (b)	2	2
Impact of purchase accounting (c)	(9)	(20)
Amortization of intangibles	(243)	(445)
Transaction-related expenses (d)	(5)	(29)
Stock-based compensation expense (e)	(232)	(172)
Other corporate expenses (f)	(96)	(117)
Total consolidated operating income	<u>\$ 1,550</u>	<u>\$ 987</u>

- (a) Other businesses consists of (i) VMware Resale, (ii) Secureworks, and (iii) Virtustream, and do not meet the requirements for a reportable segment, either individually or collectively.
- (b) Unallocated transactions includes other corporate items that are not allocated to Dell Technologies' reportable segments.
- (c) Impact of purchase accounting includes non-cash purchase accounting adjustments that are primarily related to the EMC merger transaction that was completed in September 2016.
- (d) Transaction-related expenses includes acquisition, integration, and divestiture related costs, as well as the costs incurred in the VMware Spin-off described in Note 1 and Note 2 of the Notes to the Condensed Consolidated Financial Statements.
- (e) Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date.
- (f) Other corporate expenses includes impairment charges, incentive charges related to equity investments, severance, facility action, payroll taxes associated with stock-based compensation, and other costs.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

The following table presents the disaggregation of net revenue by reportable segment, and by major product categories within the segments for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Net revenue:</i>		
<i>Infrastructure Solutions Group:</i>		
Servers and networking	\$ 5,048	\$ 4,140
Storage	4,237	3,893
Total ISG net revenue	<u>\$ 9,285</u>	<u>\$ 8,033</u>
<i>Client Solutions Group:</i>		
Commercial	\$ 11,971	\$ 9,808
Consumer	3,616	3,503
Total CSG net revenue	<u>\$ 15,587</u>	<u>\$ 13,311</u>

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

NOTE 18 — SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION

The following table presents additional information on selected asset accounts included in the Condensed Consolidated Statements of Financial Position as of the dates indicated:

	April 29, 2022	January 28, 2022
	(in millions)	
<i>Cash, cash equivalents, and restricted cash:</i>		
Cash and cash equivalents	\$ 6,654	\$ 9,477
Restricted cash - other current assets (a)	546	534
Restricted cash - other non-current assets (a)	76	71
Total cash, cash equivalents, and restricted cash	<u>\$ 7,276</u>	<u>\$ 10,082</u>
<i>Inventories, net:</i>		
Production materials	\$ 4,123	\$ 3,653
Work-in-process	885	855
Finished goods	1,269	1,390
Total inventories, net	<u>\$ 6,277</u>	<u>\$ 5,898</u>
<i>Deferred Costs:</i>		
Total deferred costs, current (b)	\$ 4,979	\$ 4,996
<i>Property, plant, and equipment, net:</i>		
Computer equipment	\$ 6,851	\$ 6,497
Land and buildings	3,052	3,095
Machinery and other equipment	2,798	2,714
Total property, plant, and equipment	12,701	12,306
Accumulated depreciation and amortization	(7,185)	(6,891)
Total property, plant, and equipment, net	<u>\$ 5,516</u>	<u>\$ 5,415</u>

(a) Restricted cash includes cash required to be held in escrow pursuant to DFS securitization arrangements.

(b) Deferred costs are included in other current assets in the Condensed Consolidated Statements of Financial Position.

Warranty Liability

The following table presents changes in the Company's liability for standard limited warranties for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Warranty liability:</i>		
Warranty liability at beginning of period	\$ 480	\$ 473
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties (a)	223	202
Service obligations honored	(235)	(217)
Warranty liability at end of period	<u>\$ 468</u>	<u>\$ 458</u>

(a) Changes in cost estimates related to pre-existing warranties are aggregated with accruals for new standard warranty contracts. The Company's warranty liability process does not differentiate between estimates made for pre-existing warranties and those made for new warranty obligations.

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Interest and other, net

The following table presents information regarding interest and other, net for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Interest and other, net:</i>		
Investment income, primarily interest	\$ 15	\$ 10
Gain on investments, net	14	193
Interest expense	(265)	(433)
Foreign exchange	(89)	(52)
Other	(12)	(6)
Total interest and other, net	<u>\$ (337)</u>	<u>\$ (288)</u>

DELL TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

NOTE 19 — SUBSEQUENT EVENTS

There were no known events occurring after April 29, 2022 and up until the date of the issuance of this report that would materially affect the information presented herein.

ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management’s discussion and analysis should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes included in the Company’s annual report on Form 10-K for the fiscal year ended January 28, 2022 and the unaudited Condensed Consolidated Financial Statements included in this report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs, and that are subject to numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied in any forward-looking statements.

Unless otherwise indicated, all results presented are prepared in a manner that complies, in all material respects, with generally accepted accounting principles in the United States of America (“GAAP”). Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.

Unless the context indicates otherwise, references in this report to “we,” “us,” “our,” the “Company,” and “Dell Technologies” mean Dell Technologies Inc. and its consolidated subsidiaries, references to “Dell” mean Dell Inc. and Dell Inc.’s consolidated subsidiaries, and references to “EMC” mean EMC Corporation and EMC Corporation’s consolidated subsidiaries.

On November 1, 2021, the Company completed its spin-off of VMware, Inc (“VMware”). In accordance with applicable accounting guidance, the results of VMware, excluding Dell’s resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for prior periods presented. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations.

Our fiscal year is the 52- or 53-week period ending on the Friday nearest January 31. We refer to our fiscal year ending February 3, 2023 as “Fiscal 2023” and our fiscal year ended January 28, 2022 as “Fiscal 2022.” Fiscal 2023 includes 53 weeks and Fiscal 2022 includes 52 weeks.

INTRODUCTION

Company Overview

Dell Technologies helps organizations build their digital futures and individuals transform how they work, live and play. We provide customers with one of the industry’s broadest and most innovative solutions portfolio for the data era, including traditional infrastructure and extending to multi-cloud environments. We continue to seamlessly deliver differentiated and holistic IT solutions to our customers which has helped drive consistent revenue growth.

Dell Technologies’ integrated solutions help customers modernize their IT infrastructure, manage and operate in a multi-cloud world, address workforce transformation, and provide critical solutions that keep people and organizations connected, which has proven even more important through the COVID-19 pandemic. We are helping customers accelerate their digital transformations to improve and strengthen business and workforce productivity. With our extensive portfolio and our commitment to innovation, we offer secure, integrated solutions that extend from the edge to the core to the cloud, and we are at the forefront of the software-defined and cloud native infrastructure era. As further evidence of our commitment to innovation, we are evolving and expanding our IT as-a-Service and cloud offerings including APEX-branded solutions which provide our customers with greater flexibility to scale IT to meet their evolving business needs and budgets.

Dell Technologies’ end-to-end portfolio is supported by a world-class organization that operates globally in approximately 180 countries across key functional areas, including technology and product development, marketing, sales, financial services, and services. Our go-to-market engine includes a 32,000-person sales force and a global network of over 200,000 channel partners. Dell Financial Services and its affiliates (“DFS”) offer customers payment flexibility and enable synergies across the business. We employ approximately 35,000 full-time service and support professionals and maintain more than 2,400 vendor-managed service centers. We manage a world-class supply chain that drives long-term growth and operating efficiencies, with approximately \$75 billion in annual procurement expenditures and over 750 parts distribution centers. Together, these elements provide a critical foundation for our success.

Our Vision and Strategy

Our vision is to become the most essential technology company for the data era. We seek to address our customers' evolving needs and their broader digital transformation objectives as they embrace today's hybrid multi-cloud environment. We intend to execute on our vision by focusing on two overarching strategic priorities:

- Grow and modernize our core offerings in the markets in which we predominantly compete
- Pursue attractive new growth opportunities such as Edge, Telecom, data management, and as-a-Service consumption models

We believe that we are uniquely positioned in the data and multi-cloud era and that our results will benefit from our durable competitive advantages. We intend to continue to execute our business model to position our company for long-term success while balancing liquidity, profitability, and growth.

We are seeing an accelerated rate of change in the IT industry and increased demand for simpler, more agile IT as companies leverage multiple clouds in their IT environments. COVID-19 has accelerated the introduction and adoption of new technologies to ensure productivity and collaboration from anywhere. To meet our customer needs, we continue to invest in research and development, sales, and other key areas of our business to deliver superior products and solutions capabilities and to drive long-term sustainable growth.

Products and Services

We design, develop, manufacture, market, sell, and support a wide range of comprehensive and integrated solutions, products, and services. We are organized into two business units, referred to as Infrastructure Solutions Group and Client Solutions Group, which are our reportable segments.

- *Infrastructure Solutions Group ("ISG")* — ISG enables our customers' digital transformation through our trusted multi-cloud and big data solutions, which are built upon modern data center infrastructure. ISG helps customers in the area of hybrid cloud deployment with the goal of simplifying, streamlining, and automating cloud operations. ISG solutions are built for multi-cloud environments and are optimized to run cloud native workloads in both public and private clouds, as well as traditional on-premise workloads.

Our comprehensive portfolio of advanced storage solutions includes traditional storage solutions as well as next-generation storage solutions (such as all-flash arrays, scale-out file, object platforms, and software-defined solutions). Our PowerStore offering, a differentiated midrange storage solution that enables seamless updates using microservices and container-based software architecture, allows us to compete more effectively within midrange storage. We continue to make enhancements to our storage solutions offerings and expect that these offerings will drive long-term improvements in the business.

Our server portfolio includes high-performance rack, blade, tower, and hyperscale servers, optimized to run high value workloads, including artificial intelligence and machine learning. Our networking portfolio helps our business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes.

Our strengths in server, storage, and virtualization software solutions enable us to offer leading converged and hyper-converged solutions, allowing our customers to accelerate their IT transformation by acquiring scalable integrated IT solutions instead of building and assembling their own IT platforms. ISG also offers attached software, peripherals and services, including support and deployment, configuration, and extended warranty services.

Approximately half of ISG revenue is generated by sales to customers in the Americas, with the remaining portion derived from sales to customers in the Europe, Middle East, and Africa region ("EMEA") and the Asia-Pacific and Japan region ("APJ").

- *Client Solutions Group ("CSG")* — CSG includes branded hardware (such as desktops, workstations, and notebooks) and branded peripherals (such as displays and projectors), as well as third-party software and peripherals. Our computing devices are designed with our commercial and consumer customers' needs in mind, and we seek to

optimize performance, reliability, manageability, design, and security. For our customers that are seeking to simplify client lifecycle management, Dell PC as a Service offering combines hardware, software, lifecycle services, and financing into one all-encompassing solution that provides predictable pricing per seat per month. CSG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

Approximately half of CSG revenue is generated by sales to customers in the Americas, with the remaining portion derived from sales to customers in EMEA and APJ.

Our other businesses, described below, consists of our resale of standalone VMware offerings, referred to as VMware Resale, as well as product and service offerings of SecureWorks Corp. (“Secureworks”) and Virtustream. These businesses are not classified as reportable segments, either individually or collectively.

- *VMware Resale* consists of our sale of standalone VMware offerings. Under the Commercial Framework Agreement entered into as part of our spin-off of VMware, Dell Technologies continues to act as a key channel partner in this relationship, reselling VMware offerings to our customers. This partnership is intended to facilitate mutually beneficial growth for both Dell and VMware.

VMware works with customers in the areas of hybrid and multi-cloud, modern applications, networking, security, and digital workspaces, helping customers manage their IT resources across private clouds and complex multi-cloud, multi-device environments.

- *Secureworks* (NASDAQ: SCWX) is a leading global provider of intelligence-driven information security solutions singularly focused on protecting its clients from cyber attacks. The solutions offered by Secureworks enable organizations of varying size and complexity to fortify their cyber defenses to prevent security breaches, detect malicious activity in near real time, prioritize and respond rapidly to security incidents and predict emerging threats.
- *Virtustream* offers cloud software and Infrastructure-as-a-Service solutions that enable customers to migrate, run, and manage mission-critical applications in cloud-based IT environments.

We believe the collaboration, innovation, and coordination of the operations and strategies across all segments of our business, as well as our differentiated go-to-market model, will continue to drive revenue synergies. Through our research and development activities, we are able to engineer leading innovative solutions that incorporate the distinct set of hardware, software, and services across all segments of our business.

Our products and services offerings are continually evolving in response to industry dynamics. As a result, reclassifications of certain products and services solutions in major product categories may be required. For further discussion regarding our current reportable segments, see “Results of Operations — Business Unit Results” and Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Dell Financial Services

DFS supports our businesses by offering and arranging various financing options and services for our customers globally. DFS originates, collects, and services customer receivables primarily related to the purchase or use of our product, software, and services solutions. We also arrange financing for some of our customers in various countries where DFS does not currently operate as a captive entity. DFS further strengthens our customer relationships through its flexible consumption models which provide our customers with financial flexibility to meet their changing technological requirements. Our flexible consumption models enable us to offer our customers the option to pay over time and, in certain cases, based on utilization. The results of these operations are allocated to our segments based on the underlying product or service financed. For additional information about our financing arrangements, see Note 5 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Recent Transactions

Spin-Off of VMware, Inc. — On November 1, 2021, we completed our spin-off of VMware by means of a special stock dividend (the “VMware Spin-off”). The VMware Spin-off was effectuated pursuant to a Separation and Distribution Agreement, dated as of April 14, 2021 between Dell Technologies and VMware. As part of the transaction, VMware paid a special cash dividend, pro rata, to each holder of VMware common stock in an aggregate amount equal to \$11.5 billion, of which Dell Technologies received \$9.3 billion.

In connection with and upon completion of the VMware Spin-off, we entered into a Commercial Framework Agreement (the “CFA”) with VMware, which provides the framework under which we and VMware will continue our commercial relationship after the transaction. Pursuant to the CFA, we continue to act as a distributor of VMware’s standalone products and services and purchase such products and services for resale to customers. We also continue to integrate VMware’s products and services with Dell Technologies’ offerings and sell them to customers. The results of such operations are presented as continuing operations within our Condensed Consolidated Statements of Income for all periods presented.

The results of VMware, excluding Dell’s resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for the three months ended April 30, 2021. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for additional information about the VMware Spin-off.

Boomi Divestiture — On October 1, 2021, we completed the sale of Boomi, Inc. (“Boomi”) and certain related assets for a total cash consideration of approximately \$4.0 billion, resulting in a pre-tax gain on sale of \$4.0 billion. The Company ultimately recorded a \$3.0 billion gain, net of \$1.0 billion in tax expense. Prior to the divestiture, the operating results of Boomi were included within other businesses and did not qualify for presentation as discontinued operations. See Note 1 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about this transaction.

Relationship with VMware

Effective upon the completion of the VMware Spin-off, VMware is considered to be a related party of the Company. The related party relationship is a result of Michael Dell’s ownership interest in both Dell Technologies and VMware and Mr. Dell’s continued service as Chairman and Chief Executive Officer of Dell Technologies and as Chairman of the Board of VMware. Following the completion of the VMware Spin-off, the majority of transactions that occur between Dell Technologies and VMware consist of Dell Technologies’ purchase of VMware products and services for resale, either on a standalone basis or as a part of integrated offerings. For more information regarding related party transactions with VMware, see Note 16 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Strategic Investments and Acquisitions

As part of our strategy, we will continue to evaluate opportunities for strategic investments through our venture capital investment arm, Dell Technologies Capital, with a focus on emerging technology areas that are relevant to all segments of our business and that will complement our existing portfolio of solutions. Our investment areas include storage, software-defined networking, management and orchestration, security, machine learning and artificial intelligence, Big Data and analytics, cloud, edge computing, and software development operations. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our initial investment in the companies. As of April 29, 2022 and January 28, 2022, Dell Technologies held strategic investments in non-marketable securities of \$1.5 billion and \$1.4 billion, respectively.

In addition to these investments, we also may make disciplined acquisitions targeting businesses that advance our strategic objectives and accelerate our innovation agenda.

Business Trends and Challenges

Ukraine — We are monitoring and responding to effects of the ongoing military conflict in Ukraine. As a result of the conflict, we are not selling, servicing or supporting products in Russia, Belarus, and the Donetsk and Luhansk regions of Ukraine. Operations in Russia and Ukraine accounted for less than 1% of net revenue in Fiscal 2022 and assets attributable to Russian operations accounted for less than 0.5% of total assets as of April 29, 2022.

The conflict and the related economic sanctions are impacting markets worldwide. Our business may be adversely affected by effects of the conflict, which could include supply chain disruptions, product shipping delays, macroeconomic impacts resulting from the exclusion of Russian financial institutions from the global banking system, volatility in foreign exchange rates and interest rates, inflationary pressures, and heightened cybersecurity and data theft threats. The full impact of the conflict on our business operations and financial performance remains uncertain and will depend on future developments. We will continue to monitor the conflict and assess the related restrictions and other effects and pursue prudent decisions for our team members, customers, and business.

COVID-19 Pandemic and Response — We continue to monitor the COVID-19 pandemic and variants of the virus, as well as the impact the pandemic has on our employees, customers, business partners, and communities. Our crisis management team is actively engaged in evaluating changes in our environment and aligning our response to recommendations of the World Health Organization and the U.S. Centers for Disease Control and Prevention, and with governmental regulations. We are deploying return-to-site processes based on our ongoing assessments of local conditions. We continue to monitor regional conditions and utilize remote work practices to ensure the health and safety of our employees, customers, and business partners.

As discussed below, we continue to manage through the impacts of the COVID-19 pandemic on our supply chain. The full impact of the COVID-19 pandemic on our business operations and financial performance remains uncertain and will depend on future developments, including the severity, duration, and scope of the pandemic across different geographies; the effectiveness of actions taken to contain, mitigate or prevent the spread of variants of the virus; the further development, availability, and acceptance of effective treatments or vaccines; and governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic. We will continue to actively monitor global events and pursue prudent decisions to navigate in this uncertain and ever-changing environment. For additional information about impacts of COVID-19 on our operations, see "Results of Operations—Consolidated Results" and "—Business Unit Results."

Supply Chain — Dell Technologies maintains limited-source supplier relationships for certain components, because the relationships are advantageous in the areas of performance, quality, support, delivery, capacity, and price considerations.

During the first quarter of Fiscal 2023, we continued to be impacted by industry-wide constraints in the supply of limited-source components in certain product offerings as a result of the global impacts of COVID-19. Demand for such components continues to outpace supply, resulting in an increase in orders pending fulfillment and extended lead times for our customers for certain products, as well as an increase in logistics costs. Logistics costs remain elevated as a result of both expedited shipments of components and overall rate costs in the freight network as capacity remains constrained.

Component cost trends are dependent on the strength or weakness of actual end user demand and supply dynamics, which will continue to evolve and ultimately impact the translation of the cost environment to pricing and operating results. Component costs were deflationary during the first quarter of Fiscal 2023.

We expect to continue to manage supply constraints and anticipate that the overall cost environment will be inflationary for the remainder of Fiscal 2023. In response to these pressures, we continue to take steps to actively address our customers' demands while balancing profitability and growth.

ISG — We expect that ISG will continue to be impacted by the changing nature of the IT infrastructure market and competitive environment. During the first quarter of Fiscal 2023, ISG net revenue benefited from continued demand for IT infrastructure. While we expect ISG net revenue growth to continue throughout the remainder of Fiscal 2023, we anticipate that the rate of growth will moderate in the second half of the fiscal year. With our scale and strong solutions portfolio, we believe we are well-positioned to respond to ongoing competitive dynamics. Within servers and networking, we will continue to be selective in determining whether to pursue certain large hyperscale and other server transactions. We continue to focus on customer base expansion and lifetime value of customer relationships.

Growth throughout industries is generating continued demand for our storage solutions and services. Cloud native applications are expected to continue as a primary growth driver in the infrastructure market. We benefit from offering solutions that address the emerging trends of enterprises deploying software-defined storage, hyper-converged infrastructure, and modular solutions based on server-centric architectures. These trends are changing the way customers are consuming our traditional storage offerings. We continue to expand our offerings in external storage arrays, which incorporate flexible, cloud-based functionality.

Through our research and development efforts, we are developing new solutions in this rapidly changing industry that we believe will enable us to continue to provide superior solutions to our customers. Our customer base includes a growing number of service providers, such as cloud service providers, Software-as-a-Service companies, consumer webtech providers, and telecommunications companies. These service providers turn to Dell Technologies for our advanced solutions that enable efficient service delivery at cloud scale. Through our collaborative, customer-focused approach to innovation, we strive to deliver new and relevant solutions and software to the market quickly and efficiently.

CSG — Our CSG offerings are an important element of our strategy, generating strong cash flow and opportunities for cross-selling of complementary solutions. During the first quarter of Fiscal 2023, CSG net revenue growth continued at a more moderate rate than in Fiscal 2022. We expect CSG net revenue growth to continue to moderate throughout Fiscal 2023 as customers shift investment towards IT infrastructure and industry-wide demand for consumer offerings declines. Further, we expect that the CSG demand environment will continue to be subject to seasonal trends.

Competitive dynamics continue to be a factor in our CSG business and will impact pricing and operating results. We remain committed to our long-term strategy for CSG and we will continue to make investments to innovate across the portfolio while benefiting from consolidation trends that are occurring in the markets in which we compete.

Recurring Revenue and Consumption Models — Our customers are seeking new and innovative models that address how they consume our solutions. We offer options including as-a-Service, utility, leases, and immediate pay models designed to match customers' consumption and financing preferences. We continue to evolve and build momentum across our family of as-a-Service offerings as we pursue our strategy of modernizing our core business solutions, with APEX at the forefront. We expect that our flexible consumption models and as-a-Service offerings will further strengthen our customer relationships and provide a foundation for growth in recurring revenue.

These offerings typically result in multiyear agreements which generate recurring revenue streams over the term of the arrangement. We define recurring revenue as revenue recognized primarily related to hardware and software maintenance as well as subscription, as-a-Service, and usage-based offerings, and operating leases.

Macroeconomic Risks and Uncertainties — The impacts of trade protection measures, including increases in tariffs and trade barriers, changes in government policies and international trade arrangements, and geopolitical issues may affect our ability to conduct business in some non-U.S. markets. We monitor and seek to mitigate these risks with adjustments to our manufacturing, supply chain, and distribution networks.

We manage our business on a U.S. dollar basis. However, we have a large global presence, generating approximately half of our net revenue from sales to customers outside of the United States during the first quarters of Fiscal 2023 and Fiscal 2022. As a result, our revenue can be impacted by fluctuations in foreign currency exchange rates. We utilize a comprehensive hedging strategy intended to mitigate the impact of foreign currency volatility over time, and we adjust pricing when possible to further minimize foreign currency impacts.

Key Performance Metrics

Our key performance metrics include net revenue, operating income, and cash flows from operations, which are discussed elsewhere in this management's discussion and analysis.

NON-GAAP FINANCIAL MEASURES

In this management's discussion and analysis, we use supplemental measures of our performance which are derived from our consolidated financial information but which are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures include non-GAAP product net revenue; non-GAAP services net revenue; non-GAAP net revenue; non-GAAP product gross margin; non-GAAP services gross margin; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income; non-GAAP net income; earnings before interest and other, net, taxes, depreciation, and amortization ("EBITDA"); and adjusted EBITDA. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for net revenue, gross margin, operating expenses, operating income, or net income from continuing operations prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

Effective in the first quarter of Fiscal 2023, non-GAAP product net revenue, non-GAAP services net revenue, and non-GAAP net revenue no longer differ from the most comparable GAAP financial measures. Such non-GAAP financial measures are provided below for all periods presented as a result of purchase accounting adjustments that impacted such financial measures in prior periods.

We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. Management considers these non-GAAP measures in evaluating our operating trends and performance. Moreover, we believe these non-GAAP financial measures provide our stakeholders with useful and transparent information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period to period comparisons. There are limitations to the use of the non-GAAP financial measures presented in this report. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Non-GAAP product net revenue, non-GAAP services net revenue, non-GAAP net revenue, non-GAAP product gross margin, non-GAAP services gross margin, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, and non-GAAP net income, as defined by us, exclude amortization of intangible assets, the impact of purchase accounting, transaction-related expenses, stock-based compensation expense, other corporate expenses and, for non-GAAP net income, fair value adjustments on equity adjustments and an aggregate adjustment for income taxes. As the excluded items have a material impact on our financial results, our management compensates for this limitation by relying primarily on our GAAP results and using non-GAAP financial measures supplementally or for projections when comparable GAAP financial measures are not available.

Reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure are presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. The discussion below includes information on each of the excluded items as well as our reasons for excluding them from our non-GAAP results. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

The following is a summary of the items excluded from the most comparable GAAP financial measures to calculate our non-GAAP financial measures:

- Amortization of Intangible Assets — Amortization of intangible assets primarily consists of amortization of customer relationships, developed technology, and trade names. In connection with our acquisition by merger of EMC on September 7, 2016, referred to as the "EMC merger transaction," and the acquisition of Dell Inc. by Dell Technologies Inc. on October 29, 2013, referred to as the "going-private transaction," all of the tangible and intangible assets and liabilities of EMC and Dell, Inc. and its consolidated subsidiaries, respectively, were accounted for and recognized at fair value on the transaction dates. Accordingly, for the periods presented, amortization of intangible assets represents amortization associated with intangible assets recognized in connection with the EMC merger transaction and the going-private transaction. Amortization charges for purchased intangible assets are significantly impacted by the timing and magnitude of our acquisitions, and these charges may vary in amount from period to period. We exclude these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate an enhanced understanding of our current operating performance and provide more meaningful period to period comparisons.

- *Impact of Purchase Accounting* — The impact of purchase accounting includes purchase accounting adjustments related to the EMC merger transaction and, to a lesser extent, the going-private transaction, recorded under the acquisition method of accounting in accordance with the accounting guidance for business combinations. Accordingly, all of the assets and liabilities acquired in such transactions were accounted for and recognized at fair value as of the respective transaction dates, and the fair value adjustments are being amortized over the estimated useful lives in the periods following the transactions. The fair value adjustments primarily relate to property, plant, and equipment. We believe that excluding the impact of purchase accounting for purposes of calculating the non-GAAP financial measures presented below facilitates an enhanced understanding of our current operating performance and provides more meaningful period to period comparisons.
- *Transaction-related (income) expenses* — Transaction-related expenses typically consist of acquisition, integration, and divestiture related costs, as well as the costs incurred in the VMware Spin-off, and are expensed as incurred. These expenses primarily represent costs for legal, banking, consulting, and advisory services. From time to time, this category also may include transaction-related income related to divestitures of businesses or asset sales. We exclude these items for purposes of calculating the non-GAAP financial measures presented below to facilitate an enhanced understanding of our current operating performance and provide more meaningful period to period comparisons.
- *Stock-based Compensation Expense* — Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date. We estimate the fair value of service-based stock options using the Black-Scholes valuation model. To estimate the fair value of performance-based awards containing a market condition, we use the Monte Carlo valuation model. For all other share-based awards, the fair value is based on the closing price of the Class C Common Stock as reported on the NYSE on the date of grant. Although stock-based compensation is an important aspect of the compensation of our employees and executives, the fair value of the stock-based awards may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. We believe that excluding stock-based compensation expense for purposes of calculating the non-GAAP financial measures presented below facilitates an enhanced understanding of our current operating performance and provides more meaningful period to period comparisons.
- *Other Corporate Expenses* — Other corporate expenses consist of impairment charges, incentive charges related to equity investments, severance, facility action, payroll taxes associated with stock-based compensation, and other costs. Severance costs are primarily related to severance and benefits for employees terminated pursuant to cost savings initiatives. We continue to optimize our facilities footprint and may incur additional costs as we seek opportunities for operational efficiencies. Other corporate expenses vary from period to period and are significantly impacted by the timing and nature of these events. Therefore, although we may incur these types of expenses in the future, we believe that eliminating these charges for purposes of calculating the non-GAAP financial measures presented below facilitates an enhanced understanding of our current operating performance and provides more meaningful period to period comparisons.
- *Fair Value Adjustments on Equity Investments* — Fair value adjustments on equity investments primarily consist of the gain (loss) on strategic investments, which includes the recurring fair value adjustments of investments in publicly-traded companies, as well as those in privately-held companies, which are adjusted for observable price changes, and, to a lesser extent, any potential impairments. See Note 3 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information on our strategic investment activity. Given the volatility in the ongoing adjustments to the valuation of these strategic investments, we believe that excluding these gains and losses for purposes of calculating non-GAAP net income presented below facilitates an enhanced understanding of our current operating performance and provides more meaningful period to period comparisons.
- *Aggregate Adjustment for Income Taxes* — The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments described above, as well as an adjustment for discrete tax items. Due to the variability in recognition of discrete tax items from period to period, we believe that excluding these benefits or charges for purposes of calculating non-GAAP net income facilitates an enhanced understanding of our current operating performance and provides more meaningful period to period comparisons. The tax effects are determined based on the tax jurisdictions where the above items were incurred. See Note 12 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information on our income taxes.

The following table presents a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP measure for the periods indicated:

	Three Months Ended		
	April 29, 2022	% Change	April 30, 2021
	(in millions, except percentages)		
Product net revenue	\$ 20,464	17 %	\$ 17,487
Non-GAAP adjustments:			
Impact of purchase accounting	—		(1)
Non-GAAP product net revenue	<u>\$ 20,464</u>	17 %	<u>\$ 17,486</u>
Services net revenue	\$ 5,652	11 %	\$ 5,103
Non-GAAP adjustments:			
Impact of purchase accounting	—		9
Non-GAAP services net revenue	<u>\$ 5,652</u>	11 %	<u>\$ 5,112</u>
Net revenue	\$ 26,116	16 %	\$ 22,590
Non-GAAP adjustments:			
Impact of purchase accounting	—		8
Non-GAAP net revenue	<u>\$ 26,116</u>	16 %	<u>\$ 22,598</u>
Product gross margin	\$ 3,455	13 %	\$ 3,053
Non-GAAP adjustments:			
Amortization of intangibles	104		151
Impact of purchase accounting	2		—
Stock-based compensation expense	13		9
Other corporate expenses	3		3
Non-GAAP product gross margin	<u>\$ 3,577</u>	11 %	<u>\$ 3,216</u>
Services gross margin	\$ 2,329	5 %	\$ 2,211
Non-GAAP adjustments:			
Amortization of intangibles	—		(1)
Impact of purchase accounting	—		9
Stock-based compensation expense	25		19
Other corporate expenses	10		10
Non-GAAP services gross margin	<u>\$ 2,364</u>	5 %	<u>\$ 2,248</u>

	Three Months Ended		
	April 29, 2022	% Change	April 30, 2021
	(in millions, except percentages)		
Gross margin	\$ 5,784	10 %	\$ 5,264
Non-GAAP adjustments:			
Amortization of intangibles	104		150
Impact of purchase accounting	2		9
Stock-based compensation expense	38		28
Other corporate expenses	13		13
Non-GAAP gross margin	<u>\$ 5,941</u>	9 %	<u>\$ 5,464</u>
Operating expenses	\$ 4,234	(1)%	\$ 4,277
Non-GAAP adjustments:			
Amortization of intangibles	(139)		(295)
Impact of purchase accounting	(7)		(11)
Transaction-related expenses	(5)		(29)
Stock-based compensation expense	(194)		(144)
Other corporate expenses	(83)		(104)
Non-GAAP operating expenses	<u>\$ 3,806</u>	3 %	<u>\$ 3,694</u>
Operating income	\$ 1,550	57 %	\$ 987
Non-GAAP adjustments:			
Amortization of intangibles	243		445
Impact of purchase accounting	9		20
Transaction-related expenses	5		29
Stock-based compensation expense	232		172
Other corporate expenses	96		117
Non-GAAP operating income	<u>\$ 2,135</u>	21 %	<u>\$ 1,770</u>
Net income from continuing operations	\$ 1,069	62 %	\$ 659
Non-GAAP adjustments:			
Amortization of intangibles	243		445
Impact of purchase accounting	9		20
Transaction-related (income) expenses	(2)		29
Stock-based compensation expense	232		172
Other corporate expenses	96		117
Fair value adjustments on equity investments	(14)		(194)
Aggregate adjustment for income taxes	(199)		(193)
Non-GAAP net income	<u>\$ 1,434</u>	36 %	<u>\$ 1,055</u>

In addition to the above measures, we also use EBITDA and adjusted EBITDA to provide additional information for evaluation of our operating performance. Adjusted EBITDA excludes purchase accounting adjustments related to the EMC merger transaction and the going-private transaction, acquisition, integration, and divestiture related costs, impairment charges, and severance, facility action, and other costs, and stock-based compensation expense. We believe that, due to the non-operational nature of the purchase accounting entries, it is appropriate to exclude these adjustments.

As is the case with the non-GAAP measures presented above, users should consider the limitations of using EBITDA and adjusted EBITDA, including the fact that those measures do not provide a complete measure of our operating performance. EBITDA and adjusted EBITDA do not purport to be alternatives to net income as measures of operating performance or to cash flows from operating activities as a measure of liquidity. In particular, EBITDA and adjusted EBITDA are not intended to be a measure of free cash flow available for management's discretionary use, as these measures do not consider certain cash requirements, such as working capital needs, capital expenditures, contractual commitments, interest payments, tax payments, and other debt service requirements.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to net income for the periods indicated:

	Three Months Ended		
	April 29, 2022	% Change	April 30, 2021
	(in millions, except percentages)		
Net income from continuing operations	\$ 1,069	62 %	\$ 659
Adjustments:			
Interest and other, net (a)	337		288
Income tax expense (benefit) (b)	144		40
Depreciation and amortization	726		905
EBITDA	<u>\$ 2,276</u>	20 %	<u>\$ 1,892</u>
EBITDA	\$ 2,276	20 %	\$ 1,892
Adjustments:			
Stock-based compensation expense	232		172
Impact of purchase accounting (c)	—		12
Transaction-related expenses (d)	5		29
Other corporate expenses (e)	96		117
Adjusted EBITDA	<u>\$ 2,609</u>	17 %	<u>\$ 2,222</u>

(a) See "Results of Operations — Interest and Other, Net" for more information on the components of interest and other, net.

(b) See Note 12 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information on discrete tax items recorded during the first quarter of Fiscal 2023 and Fiscal 2022.

(c) This amount includes the non-cash purchase accounting adjustments related to the EMC merger transaction and the going-private transaction.

(d) Transaction-related expenses consist of acquisition, integration, and divestiture related costs, as well as the costs incurred in the VMware Spin-off.

(e) Other corporate expenses includes impairment charges, incentive charges related to equity investments, severance, facility action, payroll taxes associated with stock-based compensation, and other costs.

RESULTS OF OPERATIONS

Consolidated Results

The following table summarizes our consolidated results for the periods indicated. Unless otherwise indicated, all changes identified for the current period results represent comparisons to results for the prior corresponding fiscal period.

	Three Months Ended				
	April 29, 2022			April 30, 2021	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
	(in millions, except percentages)				
<i>Net revenue:</i>					
Products	\$ 20,464	78.4 %	17 %	\$ 17,487	77.4 %
Services	5,652	21.6 %	11 %	5,103	22.6 %
Total net revenue	\$ 26,116	100.0 %	16 %	\$ 22,590	100.0 %
<i>Gross margin:</i>					
Products (a)	\$ 3,455	16.9 %	13 %	\$ 3,053	17.5 %
Services (b)	2,329	41.2 %	5 %	2,211	43.3 %
Total gross margin	\$ 5,784	22.1 %	10 %	\$ 5,264	23.3 %
Operating expenses	\$ 4,234	16.2 %	(1)%	\$ 4,277	18.9 %
Operating income	\$ 1,550	5.9 %	57 %	\$ 987	4.4 %
Net income from continuing operations	\$ 1,069	4.1 %	62 %	\$ 659	2.9 %

Non-GAAP Financial Information

	Three Months Ended				
	April 29, 2022			April 30, 2021	
	Dollars	% of Non-GAAP Net Revenue	% Change	Dollars	% of Non-GAAP Net Revenue
	(in millions, except percentages)				
<i>Non-GAAP net revenue:</i>					
Products	\$ 20,464	78.4 %	17 %	\$ 17,486	77.4 %
Services	5,652	21.6 %	11 %	5,112	22.6 %
Total non-GAAP net revenue	\$ 26,116	100.0 %	16 %	\$ 22,598	100.0 %
<i>Non-GAAP gross margin:</i>					
Products (a)	\$ 3,577	17.5 %	11 %	\$ 3,216	18.4 %
Services (b)	2,364	41.8 %	5 %	2,248	44.0 %
Total non-GAAP gross margin	\$ 5,941	22.7 %	9 %	\$ 5,464	24.2 %
Non-GAAP operating expenses	\$ 3,806	14.5 %	3 %	\$ 3,694	16.4 %
Non-GAAP operating income	\$ 2,135	8.2 %	21 %	\$ 1,770	7.8 %
Non-GAAP net income	\$ 1,434	5.5 %	36 %	\$ 1,055	4.7 %
EBITDA	\$ 2,276	8.7 %	20 %	\$ 1,892	8.4 %
Adjusted EBITDA	\$ 2,609	10.0 %	17 %	\$ 2,222	9.8 %

(a) Product gross margin percentages represent product gross margin as a percentage of product net revenue, and non-GAAP product gross margin percentages represent non-GAAP product gross margin as a percentage of non-GAAP product net revenue.

(b) Services gross margin percentages represent services gross margin as a percentage of services net revenue, and non-GAAP services gross margin percentages represent non-GAAP services gross margin as a percentage of non-GAAP services net revenue.

Non-GAAP product net revenue, non-GAAP services net revenue, non-GAAP net revenue, non-GAAP product gross margin, non-GAAP services gross margin, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, EBITDA, and adjusted EBITDA are not measurements of financial performance prepared in accordance with GAAP. Non-GAAP financial measures as a percentage of revenue are calculated based on non-GAAP net revenue. See “Non-GAAP Financial Measures” for additional information about these non-GAAP financial measures, including our reasons for including these measures, material limitations with respect to the usefulness of the measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

Overview

During the first quarter of Fiscal 2023, our net revenue increased 16% due to growth in net revenue for both CSG and ISG. CSG net revenue benefited primarily from strength in our commercial offerings. ISG net revenue growth resulted from demand for overall investment in IT infrastructure as customers continue to invest in digital transformation.

During the first quarter of Fiscal 2023, our operating income increased 57% to \$1.6 billion and our non-GAAP operating income increased 21% to \$2.1 billion. These increases were primarily due to growth in operating income for ISG, driven principally by our storage offerings. Operating income also benefited from the favorable impact of a decrease in amortization of intangible assets.

Operating income and non-GAAP operating income as a percentage of net revenue increased 150 basis points to 5.9% and 40 basis points to 8.2%, respectively, primarily driven by ISG. ISG operating income as a percentage of net revenue increased as a result of a decrease in operating expenses as a percentage of net revenue due to strong revenue growth coupled with disciplined cost management. These factors were partially offset by declines in gross margin as a percentage of net revenue for both CSG and ISG which declined in part as a result of increased cost of net revenue that was not entirely offset by pricing adjustments. Operating income as a percentage of net revenue also increased as a result of the favorable impact of a decrease in amortization of intangible assets.

Cash used by operating activities was \$0.3 billion during the first quarter of Fiscal 2023. Operating cash flows during the first quarter of the fiscal year are typically lower due to seasonal revenue trends as well as the timing of annual personnel-related payments. Operating cash flows were also impacted by higher than normal inventory balances as we continue to proactively manage supply chain challenges. During the first quarter of Fiscal 2022, cash provided by operating activities was \$2.2 billion. See “Market Conditions, Liquidity, Capital Commitments, and Contractual Cash Obligations” for further information on our cash flow metrics.

We continue to see opportunities to create value and grow in response to resilient demand for our IT solutions driven by a technology-enabled world. We have demonstrated our ability to adjust to changing market conditions with complementary solutions across both segments of our business, an agile workforce, and the strength of our global supply chain. As we continue to innovate and modernize our core offerings, we believe that Dell Technologies is well-positioned for long-term profitable growth.

Net Revenue

During the first quarter of Fiscal 2023, our net revenue increased 16% primarily due to an increase in net revenue for both CSG and ISG. See “Business Unit Results” for further information.

- ***Product Net Revenue*** — Product net revenue includes revenue from the sale of hardware products and software licenses. During the first quarter of Fiscal 2023, our product net revenue increased 17% driven by growth within both CSG and ISG. CSG product net revenue increased principally due to an increase in average selling price for our commercial offerings. ISG product net revenue growth was primarily attributable to growth in net revenue for servers and networking, driven by an increase in average selling price, and, to a lesser extent, an increase in net revenue for storage.
- ***Services Net Revenue*** — Services net revenue includes revenue from our services offerings and support services related to hardware products and software licenses. During the first quarter of Fiscal 2023, services net revenue increased 11%, driven primarily by growth in CSG services net revenue and, to a lesser extent, growth in ISG services net revenue. Growth in CSG services net revenue was primarily due to increases in services net revenue attributable to both hardware support and maintenance and third-party software support and maintenance. ISG services net revenue increased primarily as a result of growth within hardware support services. A substantial portion of services net revenue is derived from

offerings that have been deferred over a period of time, and, as a result, reported services net revenue growth rates will be different than reported product net revenue growth rates.

From a geographical perspective, net revenue generated by sales to customers in all regions increased during the first quarter of Fiscal 2023, driven by both CSG and ISG.

Gross Margin

During the first quarter of Fiscal 2023, our gross margin increased 10% to \$5.8 billion and our non-GAAP gross margin increased 9% to \$5.9 billion. These increases were driven primarily by growth in ISG gross margin and, to a lesser extent, growth within CSG gross margin as we benefited from continued strength across both businesses.

During the first quarter of Fiscal 2023, our gross margin percentage decreased 120 basis points to 22.1% due to a decline in gross margin percentage for both CSG and ISG, the effect of which was partially offset by the favorable impact of a decrease in amortization of intangible assets. Both CSG and ISG gross margin percentage declined in part as a result of increased cost of net revenue that was not entirely offset by pricing adjustments. Increased cost of net revenue was principally driven by the cumulative effect of cost inflation that occurred throughout Fiscal 2022, which broadly impacted our product offerings. ISG gross margin percentage also declined as a result of a shift in revenue mix towards servers and networking. Non-GAAP gross margin percentage decreased 150 basis points to 22.7% due to the same CSG and ISG dynamics discussed above.

- **Products Gross Margin** — During the first quarter of Fiscal 2023, product gross margin increased 13% to \$3.5 billion and non-GAAP product gross margin increased 11% to \$3.6 billion primarily driven by growth within ISG. ISG product gross margin increased principally due to revenue growth in our storage offerings coupled with an increase in the average selling price of our server offerings.

During the first quarter of Fiscal 2023, product gross margin percentage decreased 60 basis points to 16.9%, primarily due to a decline in product gross margin percentage for CSG. The decline in CSG product gross margin percentage was partially offset by growth in product gross margin percentage for ISG coupled with the favorable impact of a decrease in amortization of intangible assets. Non-GAAP product gross margin percentage decreased 90 basis points to 17.5% and was driven by the same CSG and ISG impacts discussed above.

- **Services Gross Margin** — During the first quarter of Fiscal 2023, services gross margin and non-GAAP services gross margin both increased 5% to \$2.3 billion and \$2.4 billion, respectively. The increases were driven primarily by increased CSG services gross margin as a result of growth within hardware support and maintenance associated with products sold in prior periods.

Services gross margin percentage decreased 210 basis points to 41.2% and non-GAAP services gross margin percentage decreased 220 basis points to 41.8%. The decreases were primarily driven by declines in services gross margin percentage across CSG and ISG, to a lesser extent, a shift in mix towards CSG.

Vendor Programs and Settlements

Our gross margin is affected by our ability to achieve competitive pricing with our vendors and contract manufacturers, including through our negotiation of a variety of vendor rebate programs to achieve lower net costs for the various components we include in our products. Under these programs, vendors provide us with rebates or other discounts from the list prices for the components, which are generally elements of their pricing strategy. We account for vendor rebates and other discounts as a reduction in cost of net revenue. We manage our costs on a total net cost basis, which includes supplier list prices reduced by vendor rebates and other discounts.

The terms and conditions of our vendor rebate programs are largely based on product volumes and are generally negotiated either at the beginning of the annual or quarterly period, depending on the program. The timing and amount of vendor rebates and other discounts we receive under the programs may vary from period to period, reflecting changes in the competitive environment. We monitor our component costs and seek to address the effects of any changes to terms that might arise under our vendor rebate programs. Our gross margins for the first quarter of Fiscal 2023 and the first quarter of Fiscal 2022 were not materially affected by any changes to the terms of our vendor rebate programs, as the amounts we received under these programs were generally stable relative to our total net cost. We are not aware of any significant changes to vendor pricing or rebate programs that may impact our results in the near term.

Operating Expenses

The following table presents information regarding our operating expenses for the periods indicated:

	Three Months Ended				
	April 29, 2022			April 30, 2021	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
	(in millions, except percentages)				
<i>Operating expenses:</i>					
Selling, general, and administrative	\$ 3,553	13.6 %	(3)%	\$ 3,658	16.2 %
Research and development	681	2.6 %	10 %	619	2.7 %
Total operating expenses	\$ 4,234	16.2 %	(1)%	\$ 4,277	18.9 %

	Three Months Ended				
	April 29, 2022			April 30, 2021	
	Dollars	% of Non-GAAP Net Revenue	% Change	Dollars	% of Non-GAAP Net Revenue
	(in millions, except percentages)				
Non-GAAP operating expenses	\$ 3,806	14.5 %	3 %	\$ 3,694	16.4 %

During the first quarter of Fiscal 2023, total operating expenses remained essentially flat as a decrease in selling, general, and administrative expenses was mostly offset by an increase in research and development expenses. Non-GAAP operating expenses increased 3% primarily as a result of increased employee compensation and benefits driven by growth in employee headcount.

- *Selling, General, and Administrative* — Selling, general, and administrative (“SG&A”) expenses decreased 3% during the first quarter of Fiscal 2023. The decrease was primarily attributable to a decrease in amortization of intangible assets, partially offset by an increase in employee compensation and benefits principally due to growth in employee headcount.
- *Research and Development* — Research and development (“R&D”) expenses are primarily composed of personnel-related expenses related to product development. During the first quarter of Fiscal 2023, R&D expenses grew 10% as a result of an increase in employee compensation and benefits primarily due to growth in employee headcount. As a percentage of net revenue, R&D expenses for the first three months of Fiscal 2023 and Fiscal 2022 were essentially flat at approximately 2.6% and 2.7%, respectively. We intend to continue supporting R&D initiatives to innovate and introduce new and enhanced solutions into the market.

We continue to make selective investments designed to enable growth, marketing, and R&D, while balancing our efforts to drive cost efficiencies in the business. We also expect to continue making investments in support of our own digital transformation to modernize our IT operations.

Operating Income

During the first quarter of Fiscal 2023, our operating income increased 57% to \$1.6 billion and our non-GAAP operating income increased 21% to \$2.1 billion. These increases were principally attributable to growth in operating income for ISG, driven primarily by our storage offerings. Operating income also benefited from the favorable impact of a decrease in amortization of intangible assets.

Operating income and non-GAAP operating income as a percentage of net revenue increased 150 basis points to 5.9% and 40 basis points to 8.2%, respectively, primarily driven by ISG. ISG operating income as a percentage of net revenue increased as a result of a decrease in operating expenses as a percentage of net revenue due to strong revenue growth coupled with disciplined cost management. These factors were partially offset by a decline in gross margin as a percentage of net revenue for both CSG and ISG which declined in part as a result of increased cost of net revenue that was not entirely offset by pricing adjustments. Operating income as a percentage of net revenue further benefited from the favorable impact of the decrease in amortization of intangible assets.

Interest and Other, Net

The following table presents information regarding interest and other, net for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Interest and other, net:</i>		
Investment income, primarily interest	\$ 15	\$ 10
Gain on investments, net	14	193
Interest expense	(265)	(433)
Foreign exchange	(89)	(52)
Other	(12)	(6)
Total interest and other, net	<u>\$ (337)</u>	<u>\$ (288)</u>

During the first quarter of Fiscal 2023, the change in interest and other, net was unfavorable by \$49 million primarily due to a decrease in gain on investments, net, partially offset by a decrease in interest expense resulting from debt repayments.

Income and Other Taxes

The following table presents information regarding our income and other taxes for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions, except percentages)	
Income before income taxes	\$ 1,213	\$ 699
Income tax expense	\$ 144	\$ 40
Effective income tax rate	11.9 %	5.7 %

For the first quarter of Fiscal 2023 and the first quarter of Fiscal 2022, our effective income tax rates were 11.9% on pre-tax income of \$1.2 billion, and 5.7% on pre-tax income of \$0.7 billion, respectively. The change in our effective income tax rate was primarily driven by the impact of discrete tax benefits related to stock-based compensation, a change in our jurisdictional mix of income, and higher U.S. tax on foreign operations, the effects of which were partially offset by higher benefits from foreign tax credits.

Higher U.S. tax on foreign operations was due to the capitalization of research and development costs. Under the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, research and development expenses incurred for tax years beginning after December 31, 2021 must be capitalized and amortized ratably over five or 15 years for tax purposes, depending on where the research activities were conducted. Our effective income tax rate for future quarters of Fiscal 2023 may be impacted by actions taken by the U.S. government to defer or repeal this provision, as well as by the actual mix of jurisdictions in which income is generated and the impact of any discrete tax items. In addition, if the provision is not deferred or repealed, we expect it will result in a significant increase in our cash tax liabilities for Fiscal 2023, as well as significantly reduce our deferred tax liabilities.

Our effective income tax rate can fluctuate depending on the geographic distribution of our worldwide earnings, as our foreign earnings are generally taxed at lower rates than in the United States. The differences between our effective income tax rate and the U.S. federal statutory rate of 21% principally result from the geographical distribution of income, differences between the book and tax treatment of certain items, and discrete tax items. In certain jurisdictions, our tax rate is significantly less than the applicable statutory rate as a result of tax holidays. The majority of our foreign income that is subject to these tax holidays is attributable to Singapore and China. A significant portion of these income tax benefits relates to a tax holiday that will be effective until January 31, 2029. Our other tax holidays will expire in whole or in part during Fiscal 2030 through Fiscal 2031. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met. As of April 29, 2022, we were not aware of any matters of noncompliance related to these tax holidays.

For further discussion regarding tax matters, including the status of income tax audits, see Note 12 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Net Income from Continuing Operations

Net income from continuing operations was \$1.1 billion in the first quarter of Fiscal 2023, compared to \$0.7 billion in the first quarter of Fiscal 2022 while non-GAAP net income was \$1.4 billion in the first quarter of Fiscal 2023, compared to \$1.1 billion in the first quarter of Fiscal 2022. The increases were primarily attributable to an increase in operating income, partially offset by an increase in tax expense during the period. Non-GAAP net income further benefited from a favorable change in interest and other, net.

Business Unit Results

Our reportable segments are based on the ISG and CSG business units. A description of our business units is provided under “Introduction.” See Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this report for a reconciliation of net revenue and operating income by reportable segment to consolidated net revenue and consolidated operating income (loss), respectively.

Infrastructure Solutions Group

The following table presents net revenue and operating income attributable to ISG for the periods indicated:

	Three Months Ended		
	April 29, 2022	% Change	April 30, 2021
(in millions, except percentages)			
<i>Net revenue:</i>			
Servers and networking	\$ 5,048	22 %	\$ 4,140
Storage	4,237	9 %	3,893
Total ISG net revenue	\$ 9,285	16 %	\$ 8,033
<i>Operating income:</i>			
ISG operating income	\$ 1,082	39 %	\$ 778
<i>% of segment net revenue</i>	<i>11.7 %</i>		<i>9.7 %</i>

Net Revenue — During the first quarter of Fiscal 2023, ISG net revenue increased 16% due to growth in net revenue for both servers and networking and storage as a result of demand for IT infrastructure as customers continue to invest in digital transformation.

Revenue from the sales of servers and networking increased 22% during the first quarter of Fiscal 2023. The increased revenue was primarily driven by an increase in average selling price of our server offerings as we continue to manage pricing in response to supply chain challenges including component availability and increased logistics costs.

During the first quarter of Fiscal 2023, storage revenue increased 9% due to strength across the majority of our storage offerings.

ISG customers are interested in new and innovative models that address how they consume our solutions. We offer options that include as-a-Service, utility, leases, and immediate pay models which are designed to match customers’ consumption and financing preferences. Our multiyear agreements typically result in recurring revenue streams over the term of the arrangement. We expect that our flexible consumption models and as-a-Service offerings through APEX will further strengthen our customer relationships and provide a foundation for growth in recurring revenue.

From a geographical perspective, net revenue attributable to ISG increased in all regions during the first quarter of Fiscal 2023.

Operating Income — During the first quarter of Fiscal 2023, ISG operating income as a percentage of net revenue increased 200 basis points to 11.7% primarily due to a decrease in operating expenses as a percentage of revenue that resulted from strong revenue growth coupled with disciplined cost management. The favorable impact of the decrease in operating expenses as a percentage of revenue was partially offset by the impact of a shift in revenue mix towards servers and networking.

Client Solutions Group

The following table presents net revenue and operating income attributable to CSG for the periods indicated:

	Three Months Ended		
	April 29, 2022	% Change	April 30, 2021
	(in millions, except percentages)		
<i>Net revenue:</i>			
Commercial	\$ 11,971	22 %	\$ 9,808
Consumer	3,616	3 %	3,503
Total CSG net revenue	\$ 15,587	17 %	\$ 13,311
<i>Operating income:</i>			
CSG operating income	\$ 1,115	3 %	\$ 1,080
<i>% of segment net revenue</i>	<i>7.2 %</i>		<i>8.1 %</i>

Net Revenue — During the first quarter of Fiscal 2023, CSG net revenue increased 17% primarily driven by an increase in revenue attributable to our commercial offerings.

Commercial and consumer net revenue increased 22% and 3%, respectively, primarily due to an increase in average selling price across our product offerings. To a lesser extent, an increase in units sold of commercial offerings also contributed to net revenue growth. Within consumer, the effect of increased average selling price was partially offset by a decrease in units sold. We increased average selling prices for both our commercial and consumer offerings as we continued to manage pricing in response to supply chain challenges including component availability and increased logistic costs.

From a geographical perspective, net revenue attributable to CSG increased across all regions during the first quarter of Fiscal 2023.

Operating Income — During the first quarter of Fiscal 2023, CSG operating income as a percentage of net revenue decreased 90 basis points to 7.2% primarily as a result of increased cost of net revenue that was not entirely offset by pricing adjustments. Increased cost of net revenue was principally driven by the cumulative effect of cost inflation that occurred throughout Fiscal 2022, which broadly impacted our product offerings. These factors were partially offset by a decrease in operating expenses as a percentage of revenue.

OTHER BALANCE SHEET ITEMS

Accounts Receivable

We sell products and services directly to customers and through a variety of sales channels, including retail distribution. Our accounts receivable, net, was \$11.8 billion and \$12.9 billion as of April 29, 2022 and January 28, 2022, respectively. We maintain an allowance for expected credit losses to cover receivables that may be deemed uncollectible. As of April 29, 2022 and January 28, 2022, the allowance for expected credit losses was \$72 million and \$90 million, respectively. Based on our assessment, we believe that we are adequately reserved for expected credit losses. We will continue to monitor the aging of our accounts receivable and take actions, where necessary, to reduce our exposure to credit losses.

Dell Financial Services and Financing Receivables

The Company offers or arranges various financing options and services for our customers globally, including through captive financing operations. DFS originates, collects, and services customer receivables primarily related to the purchase of our product, software, and service solutions. The Company further strengthens our customer relationships through its flexible consumption models, which enable us to offer our customers the option to pay over time and, in certain cases, based on utilization, to provide them with financial flexibility to meet their changing technological requirements. New financing originations were \$2.1 billion and \$1.9 billion for the first quarter of Fiscal 2023 and Fiscal 2022, respectively.

The Company's leases are generally classified as sales-type leases or operating leases. Amounts due from lessees under sales-type leases or direct financing leases are recorded as part of financing receivables, with interest income recognized over the contract term. On commencement of sales-type leases, we typically qualify for up-front revenue recognition. On originations of operating leases, we record equipment under operating leases, classified as property, plant, and equipment, and recognize rental revenue and depreciation expense, classified as cost of net revenue, over the contract term.

As of April 29, 2022 and January 28, 2022, our financing receivables, net were \$10.2 billion and \$10.6 billion, respectively. We maintain an allowance to cover expected financing receivable credit losses and evaluate credit loss expectations based on our total portfolio. For both the first quarter of Fiscal 2023 and Fiscal 2022, the principal charge-off rate for our financing receivables portfolio was 0.5%. The credit quality of our financing receivables has improved in recent years as the mix of high-quality commercial accounts in our portfolio has continued to increase. We continue to monitor broader economic indicators and their potential impact on future credit loss performance. We have an extensive process to manage our exposure to customer credit risk, including active management of credit lines and our collection activities. We also sell selected fixed-term financing receivables without recourse to unrelated third parties on a periodic basis, primarily to manage certain concentrations of customer credit exposure. Based on our assessment of the customer financing receivables, we believe that we are adequately reserved.

We retain a residual interest in equipment leased under our lease programs. As of April 29, 2022 and January 28, 2022, the residual interest recorded as part of financing receivables was \$176 million and \$217 million, respectively. The decline in residual interest was principally attributable to a corresponding increase in originations of operating leases. The amount of the residual interest is established at the inception of the lease based upon estimates of the value of the equipment at the end of the lease term using historical studies, industry data, and future value-at-risk demand valuation methods. On a quarterly basis, we assess the carrying amount of our recorded residual values for impairment. Generally, expected losses as a result of residual value risk on equipment under lease are not considered to be significant primarily because of the existence of a secondary market with respect to the equipment. Further, the lease agreement clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. No expected losses were recorded related to residual assets during the first quarter of Fiscal 2023 and Fiscal 2022.

As of April 29, 2022 and January 28, 2022, equipment under operating leases, net was \$1.9 billion and \$1.7 billion, respectively. We assess the carrying amount of the equipment under operating leases for impairment whenever events or circumstances may indicate that an impairment has occurred. No material impairment losses were recorded related to such equipment during the first quarter of Fiscal 2023 and Fiscal 2022.

DFS offerings are initially funded through cash on hand at the time of origination, most of which is subsequently replaced with asset-backed financing. For DFS offerings which qualify as sales-type leases, the initial funding of financing receivables is reflected as an impact to cash flows from operations, and is largely subsequently offset by cash proceeds from financing.

For DFS operating leases, the initial funding is classified as a capital expenditure and reflected as an impact to cash flows used in investing activities.

See Note 5 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about our financing receivables and the associated allowances, and equipment under operating leases.

LIQUIDITY, CAPITAL COMMITMENTS, AND MARKET CONDITIONS

Liquidity and Capital Resources

To support our ongoing business operations, we rely on operating cash flows as our primary source of liquidity. We monitor the efficiency of our balance sheet to ensure that we have adequate liquidity to support our business and strategic initiatives. In addition to internally generated cash, we have access to other capital sources to finance our strategic initiatives and fund growth in our financing operations. Our strategy is to deploy capital from any potential source, whether internally generated cash or debt, depending on the adequacy and availability of that source of capital and whether it can be accessed in a cost-effective manner.

We believe that our current cash and cash equivalents, together with cash that will be provided by future operations and borrowings expected to be available under our revolving credit facility, will be sufficient over at least the next twelve months and for the foreseeable future thereafter meet our material cash requirements, including funding of our operations, debt-related payments, capital expenditures, and other corporate needs.

As part of our overall capital allocation strategy, we intend to drive growth while maintaining our investment grade rating and focusing on returning capital to our stockholders through both share repurchase programs and dividend payments.

The following table presents our cash and cash equivalents as well as our available borrowings as of the dates indicated:

	<u>April 29, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
<i>Cash and cash equivalents, and available borrowings:</i>		
Cash and cash equivalents	\$ 6,654	\$ 9,477
Remaining available borrowings under revolving credit facilities	4,969	4,969
Total cash, cash equivalents, and available borrowings	<u>\$ 11,623</u>	<u>\$ 14,446</u>

During the first quarter of Fiscal 2023, cash and cash equivalents decreased by \$2.8 billion, primarily driven by return of approximately \$1.75 billion of capital to stockholders through both share repurchases and our first quarterly dividend payment.

Our revolving credit facilities as of April 29, 2022 consist of the 2021 Revolving Credit Facility, which has a maximum capacity of \$5.0 billion. Available borrowings under this facility are reduced by draws on the facility and outstanding letters of credit. As of April 29, 2022, there were no borrowings outstanding under the facility and remaining available borrowings totaled approximately \$5.0 billion. We may regularly use our available borrowings from the 2021 Revolving Credit Facility on a short-term basis for general corporate purposes. See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about the 2021 Revolving Credit Facility.

Debt

The following table presents our outstanding debt as of the dates indicated:

	April 29, 2022	Change	January 28, 2022
	(in millions)		
Core debt			
Senior Notes	\$ 16,300	\$ —	\$ 16,300
Legacy Notes and Debentures	952	—	952
DFS allocated debt	(728)	405	(1,133)
Total core debt	16,524	405	16,119
DFS related debt			
DFS debt	9,825	179	9,646
DFS allocated debt	728	(405)	1,133
Total DFS related debt	10,553	(226)	10,779
Other			
Total debt, principal amount	320	(17)	337
Carrying value adjustments	27,397	162	27,235
Total debt, carrying value	(275)	6	(281)
Total debt, carrying value	\$ 27,122	\$ 168	\$ 26,954

During the first quarter of Fiscal 2023, the outstanding principal amount of our debt increased by \$0.2 billion to \$27.4 billion as of April 29, 2022, primarily driven by net DFS debt activity.

We define core debt as the total principal amount of our debt, less DFS related debt and other debt. Our core debt was \$16.5 billion and \$16.1 billion as of April 29, 2022 and January 28, 2022, respectively. See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our debt.

DFS related debt primarily represents debt from our securitization and structured financing programs. Our risk of loss under these programs is limited to transferred lease and loan payments and associated equipment, as the credit holders have no recourse to Dell Technologies.

To fund expansion of the DFS business, we balance the use of the securitization and structured financing programs with other sources of liquidity. We approximate the amount of our debt used to fund the DFS business by applying a 7:1 debt to equity ratio to the sum of our financing receivables balance and equipment under our DFS operating leases, net. The debt to equity ratio is based on the underlying credit quality of the assets. See Note 5 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our DFS debt.

We have made steady progress in paying down debt and we will continue to pursue deleveraging as an important component of our overall strategy. As a result of our debt reduction and liability management strategy, we achieved an investment grade corporate family rating from three major credit rating agencies during Fiscal 2022.

We believe we will continue to be able to make our debt principal and interest payments, including the short-term maturities, from existing and expected sources of cash, primarily from operating cash flows. Cash used for debt principal and interest payments may include short-term borrowings under our revolving credit facility. Under our variable-rate debt, we could experience variations in our future interest expense from potential fluctuations in applicable reference rates, or from possible fluctuations in the level of DFS debt required to meet future demand for customer financing. There are no scheduled maturities related to our outstanding core debt during Fiscal 2023. However, at our sole discretion, we may purchase, redeem, prepay, refinance, or otherwise retire any amount of our outstanding indebtedness under the terms of such indebtedness at any time and from time to time, in open market or negotiated transactions with the holders of such indebtedness or otherwise, as appropriate market conditions exist.

Cash Flows

The following table presents a summary of our Condensed Consolidated Statements of Cash Flows for the periods indicated:

	Three Months Ended	
	April 29, 2022	April 30, 2021
	(in millions)	
<i>Net change in cash from:</i>		
Operating activities	\$ (269)	\$ 2,238
Investing activities	(720)	(519)
Financing activities	(1,706)	(1,638)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(111)	(5)
Change in cash, cash equivalents, and restricted cash	<u>\$ (2,806)</u>	<u>\$ 76</u>

Cash flows for the three months ended April 30, 2021 are inclusive of cash flows attributable to VMware. Effective November 1, 2021, as a result of the VMware Spin-off, cash flows ceased to include VMware. See “Introduction” and Note 1 and Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information regarding the VMware Spin-off.

Operating Activities — Cash used by operating activities of \$0.3 billion during the first quarter of Fiscal 2023 primarily reflected lower seasonal sales trends affecting parts of our business as well as the timing of annual personnel-related payments. Operating cash flows were also impacted by higher than normal inventory balances as we continue to proactively manage supply chain challenges. During the first quarter of Fiscal 2022, cash provided by operating activities was \$2.2 billion, of which \$1.3 billion related to VMware, and was driven by both working capital management and profitability.

Investing Activities — Investing activities primarily consist of cash used to fund capital expenditures for property, plant, and equipment, which includes equipment under DFS operating leases. Additional activities include capitalized software development costs, strategic investments, and the maturities, sales, and purchases of investments. During the first quarter of Fiscal 2023 and Fiscal 2022, cash used in investing activities was \$0.7 billion and \$0.5 billion, respectively, and was primarily used by capital expenditures.

Financing Activities — Financing activities primarily consist of the proceeds and repayments of debt and cash used to repurchase common stock. Cash used in financing activities was \$1.7 billion during the first quarter of Fiscal 2023 and primarily consisted of repurchases of common stock, including shares repurchased to settle employee tax withholding on stock-based compensation, and the payment of our first quarterly dividend. Cash used in financing activities of \$1.6 billion during the first quarter of Fiscal 2022 primarily consisted of debt repayments and repurchases of common stock by our public subsidiaries.

DFS Cash Flow Impacts — DFS offerings are initially funded through cash on hand at the time of origination, most of which is subsequently replaced with asset-backed financing. For DFS offerings that qualify as sales-type leases, the initial funding of financing receivables is reflected as an impact to cash flows from operations and is largely subsequently offset by cash proceeds from financing. For DFS operating leases, which have increased under the current lease accounting standard, the initial funding is classified as a capital expenditure and reflected as cash flows used in investing activities. DFS new financing originations were \$2.1 billion and \$1.9 billion during the first quarter of Fiscal 2023 and Fiscal 2022, respectively. As of April 29, 2022, DFS had \$10.2 billion of total net financing receivables and \$1.9 billion of equipment under DFS operating leases, net.

Capital Commitments

Capital Expenditures — We spent \$0.7 billion during the first quarter of Fiscal 2023 and Fiscal 2022 on property, plant, and equipment and capitalized software development costs, of which the funding of equipment under DFS operating leases totaled \$0.2 billion for both periods. Product demand, product mix, the use of contract manufacturers, and ongoing investments in operating and information technology infrastructure, influence the level and prioritization of our capital expenditures. Aggregate capital expenditures for Fiscal 2023 are currently expected to total between \$2.9 billion and \$3.1 billion, of which approximately \$0.9 billion of expenditures are expected to be applied to equipment under DFS operating leases and approximately \$0.3 billion to capitalized software development costs.

Repurchases of Common Stock — Effective as of September 23, 2021, our board of directors approved a stock repurchase program with no established expiration date under which we are authorized to repurchase up to \$5 billion of shares of our Class C Common Stock. During the first quarter of Fiscal 2023, we repurchased approximately 29 million shares of Class C Common Stock for a total purchase price of approximately \$1.5 billion. These amounts exclude shares repurchased to settle employee tax withholding related to the vesting of stock awards.

Dividend Payments — On February 24, 2022, the Company announced that its Board of Directors has adopted a dividend policy under which the Company intends to pay quarterly cash dividends on its common stock at an initial rate of \$0.33 per share per fiscal quarter.

During the three months ended April 29, 2022, the Company paid an initial quarterly dividend under the new policy in the amount of \$248 million to the holders of record of all of the issued and outstanding shares of common stock as of the close of business on April 20, 2022.

Purchase Obligations — Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on us. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be canceled without penalty.

We utilize several suppliers to manufacture sub-assemblies for our products. Our efficient supply chain management allows us to enter into flexible and mutually beneficial purchase arrangements with our suppliers in order to minimize inventory risk. Consistent with industry practice, we acquire raw materials or other goods and services, including product components, by issuing to suppliers authorizations to purchase based on our projected demand and manufacturing needs. These purchase orders are typically fulfilled within 30 days and are entered into during the ordinary course of business in order to establish best pricing and continuity of supply for our production. Purchase orders are not included in purchase obligations, as they typically represent our authorization to purchase rather than binding purchase obligations.

As of April 29, 2022, such purchase obligations were \$3.1 billion, \$0.4 billion, and \$0.8 billion for the remaining nine months of Fiscal 2023, Fiscal 2024, and Fiscal 2025 and thereafter, respectively.

Market Conditions

We regularly monitor economic conditions and associated impacts on the financial markets and our business. We consistently evaluate the financial health of our supplier base, carefully manage customer credit, diversify counterparty risk, and monitor the concentration risk of our cash and cash equivalents balances globally. We routinely monitor our financial exposure to borrowers and counterparties.

We monitor credit risk associated with our financial counterparties using various market credit risk indicators such as credit ratings issued by nationally recognized credit rating agencies and changes in market credit default swap levels. We perform periodic evaluations of our positions with these counterparties and may limit exposure to any one counterparty in accordance with our policies. We monitor and manage these activities depending on current and expected market developments.

We use derivative instruments to hedge certain foreign currency exposures. We use forward contracts and purchased options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted transactions denominated in currencies other than the U.S. dollar. In addition, we primarily use forward contracts and may use purchased options to hedge monetary assets and liabilities denominated in a foreign currency. See Note 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our use of derivative instruments.

We are exposed to interest rate risk related to our variable-rate debt portfolio. In the normal course of business we follow established policies and procedures to manage this risk, including monitoring of our asset and liability mix. As a result, we do not anticipate any material losses from interest rate risk.

Summarized Guarantor Financial Information

As discussed in Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report, Dell International L.L.C. and EMC Corporation (the “Issuers”), both of which are wholly-owned subsidiaries of Dell Technologies, completed private offerings of multiple series of senior secured notes issued on June 1, 2016, March 20, 2019, and April 9, 2020 (the “Senior Notes”). In June 2021, the Issuers completed an exchange offer and issued \$18.4 billion aggregate principal amount of registered senior notes under the Securities Act of 1933 in exchange for the same principal amount and substantially identical terms of the Senior Notes. The aggregate principal amount of unregistered Senior Notes remaining outstanding following the settlement of the exchange offer was approximately \$0.1 billion. During Fiscal 2022, the tangible and intangible assets of the Issuers and guarantors that secured obligations under the Senior Notes were released as collateral. As a result, the Senior Notes became fully unsecured. In addition, all guarantees of the Senior Notes by subsidiaries of Dell Inc. were released.

Guarantees — The Senior Notes are guaranteed on a joint and several unsecured basis by Dell Technologies and its wholly-owned subsidiaries, Denali Intermediate, Inc. and Dell Inc. (collectively, the “Guarantors”).

Basis of Preparation of the Summarized Financial Information — The tables below are summarized financial information provided in conformity with Rule 13-01 of the SEC’s Regulation S-X. The summarized financial information of the Issuers and Guarantors (collectively, the “Obligor Group”) is presented on a combined basis, excluding intercompany balances and transactions between entities in the Obligor Group. The Obligor Group’s amounts due from, amounts due to, and transactions with Non-Obligor Subsidiaries and VMware, Inc. and its consolidated subsidiaries (the “Related Party”) have been presented separately. The Obligor Group’s investment balances in Non-Obligor Subsidiaries have been excluded.

The following table presents summarized results of operations information for the Obligor Group for the period indicated:

	Three Months Ended	
	April 29, 2022	
	(in millions)	
Net revenue (a)	\$	2,504
Gross margin (b)		1,115
Operating income		275
Interest and other, net (c)		(544)
Loss before income taxes		(269)
Net loss attributable to Obligor Group	\$	(171)

(a) Includes net revenue from services provided and product sales to Non-Obligor Subsidiaries of \$277 million and \$35 million, respectively.

(b) Includes cost of net revenue from resale of solutions purchased from Non-Obligor Subsidiaries and the Related Party of \$251 million and \$171 million, respectively. Includes costs of net revenue from shared services provided by Non-Obligor Subsidiaries of \$184 million.

(c) Includes interest expense on inter-company loan payables of \$302 million.

The following table presents summarized balance sheet information for the Obligor Group as of the dates indicated:

	April 29, 2022	January 28, 2022
	(in millions)	
ASSETS		
Current assets	\$ 3,038	\$ 3,106
Intercompany receivables	623	988
Due from related party, net	65	59
Total current assets	3,726	4,153
Due from related party, net	713	710
Goodwill and intangible assets	15,259	15,399
Other non-current assets	2,857	2,810
Total assets	<u>\$ 22,555</u>	<u>\$ 23,072</u>
LIABILITIES		
Current liabilities	\$ 4,616	\$ 4,625
Due to related party	81	192
Total current liabilities	4,697	4,817
Long-term debt	17,006	17,001
Intercompany loan payables	37,476	37,509
Other non-current liabilities	3,515	3,473
Total liabilities	<u>\$ 62,694</u>	<u>\$ 62,800</u>

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see “Part II — Item 7A — Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2022. Our exposure to market risks has not changed materially from that set forth in our Annual Report.

ITEM 4 — CONTROLS AND PROCEDURES

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 under the Securities Exchange Act of 1934 (the “Exchange Act”). See Exhibits 31.1 and 31.2 filed with this report. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of April 29, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of April 29, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended April 29, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The information required by this item is incorporated herein by reference to the information set forth under the caption “Legal Matters” in Note 11 of the Notes to the Condensed Consolidated Financial Statements included in Part I of this report.

ITEM 1A — RISK FACTORS

In addition to the other information set forth in this report, the risks discussed in “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2022 could materially affect our business, operating results, financial condition, or prospects. The risks described in our Annual Report on Form 10-K and our subsequent SEC reports are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that also may materially adversely affect our business, operating results, financial condition, or prospects.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Purchases of Equity Securities**

The following table presents information with respect to our purchases of Class C Common Stock during the first quarter of Fiscal 2023.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
Repurchases from January 28, 2022 through February 25, 2022	5,519,159	\$ 58.41	5,519,159	\$ 4,018,878,121
Repurchases from February 26, 2022 through March 25, 2022	10,080,160	\$ 51.66	10,080,160	\$ 3,498,165,262
Repurchases from March 26, 2022 through April 29, 2022	13,167,300	\$ 48.49	13,167,300	\$ 2,859,681,208
Total	<u>28,766,619</u>			<u>\$ 2,859,681,208</u>

Effective as of September 23, 2021, our board of directors terminated our previous stock repurchase program and approved a new stock repurchase program with no established expiration date under which we may repurchase from time to time, through open market purchases, block trades, or accelerated or other structured share purchases, up to \$5 billion of shares of Class C Common Stock, exclusive of any fees, commissions, or other expenses related to such repurchases.

ITEM 5 — OTHER INFORMATION

Iran Threat Reduction and Syria Human Rights Act of 2012

Set forth below is a description of matters reported by us pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with the filing of this quarterly report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that such matters have been disclosed in this quarterly report.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury’s Office of Foreign Assets Control issued General License No. 1B (the “OFAC General License”), which generally authorizes U.S. companies to engage in certain licensing, permitting, certification, notification and related transactions with the FSB to the extent such activities are required for the importation, distribution, or use of information technology products in the Russian Federation.

As permitted under the OFAC General License, our subsidiary Dell LLC and other subsidiaries periodically file notifications with the FSB in connection with the importation and distribution of our products in the Russian Federation. During our fiscal quarter ended April 29, 2022, Dell LLC filed notifications with the FSB. No payments were issued or received, and no gross revenue or net profits were generated, in connection with these filing activities. Dell Technologies and its subsidiaries do not sell products or provide services to the FSB. To the extent permitted by applicable law, including by the OFAC General License, we expect to continue to file notifications with the FSB to qualify our products for importation and distribution in the Russian Federation.

ITEM 6 — EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
4.1 ††	Consent to the Extension of Registration Rights Under the Second Amended and Restated Registration Rights Agreement, dated March 31, 2022, among Dell Technologies Inc. (the “Company”) and SL SPV-2 L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., Silver Lake Partners V DE (AIV), L.P., Silver Lake Technology Investors V, L.P.
22.1 ††	List of Guarantor Subsidiaries and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize Securities of Dell Technologies Inc.
31.1 ††	Certification of Michael S. Dell, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 ††	Certification of Thomas W. Sweet, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 †††	Certifications of Michael S. Dell, Chairman and Chief Executive Officer, and Thomas W. Sweet, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 .INS††	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101 .SCH††	Inline XBRL Taxonomy Extension Schema Document.
101 .CAL††	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101 .DEF††	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101 .LAB††	Inline XBRL Taxonomy Extension Label Linkbase Document.
101 .PRE††	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104 ††	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

†† Filed with this report.
††† Furnished with this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELL TECHNOLOGIES INC.

By: _____ /s/ BRUNILDA RIOS
Brunilda Rios
*Senior Vice President, Corporate Finance and
Chief Accounting Officer*
(On behalf of registrant and as principal accounting officer)

Date: June 6, 2022

Dell Technologies Inc.**Consent to the Extension of Registration Rights Under the Second Amended and Restated
Registration Rights Agreement**

Reference is made herein to the Second Amended and Restated Registration Rights Agreement, dated as of December 25, 2018, as amended by Amendment No. 1, dated as of May 27, 2019, Amendment No. 2, dated as of April 15, 2020, and Amendment No. 3, dated as of September 15, 2020 (as so amended, the "Registration Rights Agreement"), by and among Dell Technologies Inc. (the "Company"), a Delaware corporation, and each of (a) Michael S. Dell and Susan Lieberman Dell Separate Property Trust, (b) SL SPV-2, L.P., a Delaware limited partnership, Silver Lake Partners IV, L.P., a Delaware limited partnership, Silver Lake Technology Investors IV, L.P., a Delaware limited partnership, Silver Lake Partners V DE (AIV), L.P., a Delaware limited partnership, and Silver Lake Technology Investors V, L.P., a Delaware limited partnership (collectively, the "SLP Stockholders"), and (c) Venezia Investments Pte. Ltd., a Singapore corporation. Capitalized terms used but not defined in this Consent shall have the meanings ascribed to such terms in the Registration Rights Agreement. Capitalized terms defined in this Consent shall have the meanings ascribed to such terms herein for purposes of this Consent and the Registration Rights Agreement.

WHEREAS, pursuant to Section 2.1(a) of the Registration Rights Agreement, the Company is required to use its reasonable best efforts to file a Shelf Registration Statement for a public offering of the Registrable Securities no later than the first day on which such filing can be made with the SEC on or after December 31, 2020 (such date, the "Shelf Registration Filing Deadline");

WHEREAS, in accordance with Section 2.1(a) of the Registration Rights Agreement, the Shelf Registration Filing Deadline may be extended for one or more periods of up to three months each upon the express written consent of the Company and the SLP Stockholders; and

WHEREAS, the Company and the SLP Stockholders wish to consent to an extension of the Shelf Registration Filing Deadline for a period of three months to June 30, 2022;

NOW, THEREFORE, the Company and the SLP Stockholders hereby consent and agree that, for all purposes under the Registration Rights Agreement, the Shelf Registration Filing Deadline shall be extended to no later than the first day on which such filing can be made with the SEC on or after June 30, 2022.

Except as expressly set forth in this Consent, no other terms and conditions of the Registration Rights Agreement are hereby amended, modified, supplemented or waived.

This Consent and all claims or causes of action (whether in tort, contract or otherwise) that may be based upon, arise out of or relate to this Consent or the negotiation, execution, interpretation or performance of this Consent (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Consent) shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable rules or principles of conflicts of laws.

[Signature pages follow.]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Consent this March 31, 2022.

COMPANY:

DELL TECHNOLOGIES INC.

By: /s/ Christopher A. Garcia Name: Christopher A. Garcia
Title: Senior Vice President and Assistant Secretary

SLP STOCKHOLDERS:

SL SPV-2, L.P.

By: SLTA SPV-2, L.P., its General Partner

By: SLTA SPV-2 (GP), L.L.C., its General Partner By: Silver Lake Group, L.L.C., its
Managing Member

By: /s/ Andrew J. Schader
Name: Andrew J. Schader
Title: Managing Director

SILVER LAKE PARTNERS IV, L.P.

By: Silver Lake Technology Associates IV, L.P., its General Partner

By: SLTA IV (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By: /s/ Andrew J. Schader Name: Andrew J. Schader
Title: Managing Director

SILVER LAKE TECHNOLOGY INVESTORS IV, L.P.

By: Silver Lake Technology Associates IV, L.P., its General Partner

By: SLTA IV (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By: /s/ Andrew J. Schader Name: Andrew J. Schader
Title: Managing Director

SILVER LAKE PARTNERS V DE (AIV), L.P.

By: Silver Lake Technology Associates V, L.P., its General Partner

By: SLTA V (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By: /s/ Andrew J. Schader Name: Andrew J. Schader
Title: Managing Director

SILVER LAKE TECHNOLOGY INVESTORS V, L.P.

By: Silver Lake Technology Associates V, L.P., its General Partner

By: SLTA V (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By: /s/ Andrew J. Schader Name: Andrew J. Schader
Title: Managing Director

Subsidiary Guarantors and Issuers of Guaranteed Securities

Guaranteed Securities

The following securities (collectively referred to in this exhibit as the “Senior Notes”) issued by Dell International L.L.C., a Delaware limited liability company and wholly-owned subsidiary of Dell Technologies Inc. (“Dell Technologies”), and EMC Corporation, a Massachusetts corporation and wholly-owned subsidiary of Dell Technologies, were outstanding as of April 29, 2022.

Description of Senior Notes

5.450% Senior Notes due 2023
 4.000% Senior Notes due 2024
 5.850% Senior Notes due 2025
 6.020% Senior Notes due 2026
 4.900% Senior Notes due 2026
 6.100% Senior Notes due 2027
 5.300% Senior Notes due 2029
 6.200% Senior Notes due 2030
 8.100% Senior Notes due 2036
 8.350% Senior Notes due 2046
 3.375% Senior Notes due December 2041
 3.450% Senior Notes due December 2051

Obligors

As of April 29, 2022, the obligors under the Senior Notes consisted of Dell Technologies, as a guarantor, and its subsidiaries listed in the following table (together with Dell Technologies, the “Obligors”).

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Obligor Type
Dell Inc.	Delaware	Guarantor
Dell International L.L.C.	Delaware	Issuer
Denali Intermediate Inc.	Delaware	Guarantor
EMC Corporation	Massachusetts	Issuer

**CERTIFICATION OF MICHAEL S. DELL, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael S. Dell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 6, 2022

/s/ MICHAEL S. DELL

Michael S. Dell
Chairman and Chief Executive Officer

**CERTIFICATION OF THOMAS W. SWEET, EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas W. Sweet, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 6, 2022

/s/ THOMAS W. SWEET

Thomas W. Sweet

Executive Vice President and Chief Financial Officer

**CERTIFICATIONS OF MICHAEL S. DELL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
AND THOMAS W. SWEET, EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER, PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of Dell Technologies Inc. hereby certify that (a) Dell Technologies Inc.'s Quarterly Report on Form 10-Q for the three months ended April 29, 2022, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (b) information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Dell Technologies Inc.

June 6, 2022

/s/ MICHAEL S. DELL

Michael S. Dell

Chairman and Chief Executive Officer

June 6, 2022

/s/ THOMAS W. SWEET

Thomas W. Sweet

Executive Vice President and Chief Financial Officer