



Q2 FY'17 Performance Review

September 8, 2016

DELLTechnologies

Legal Note

Non-GAAP Financial Measures:

This presentation includes information about non-GAAP revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, EBITDA, and Adjusted EBITDA (collectively the “non-GAAP financial measures”), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the historical non-GAAP financial measures and of free cash flow, which is also a non-GAAP measure, to the most directly comparable GAAP measures in the slides captioned “Supplemental Non-GAAP Measures.”

Special Note on Forward Looking Statements:

Statements in this material that relate to future results and events are forward-looking statements and are based on Dell Technologies' current expectations. In some cases, you can identify these statements by such forward-looking words as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “confidence,” “may,” “plan,” “potential,” “should,” “will” and “would,” or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors. Dell Technologies assumes no obligation to update its forward-looking statements.

Special Note on the Divestiture:

On March 27, 2016, Dell Technologies entered into a definitive agreement with NTT Data International L.L.C. to sell substantially all of Dell Services, including the Dell Services Federal Government business, for cash consideration of approximately \$3.1 billion. Dell Services includes process outsourcing, application management, and infrastructure services. The pending transaction does not include the global support, deployment, and professional services offerings. On June 19, 2016, Dell entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to sell substantially all of Dell Software Group (“DSG”) for cash consideration of approximately \$2.4 billion. Accordingly, the results of operations of Dell Services and DSG have been excluded from the results of continuing operations and from segment results.

Consolidated GAAP Results – Continuing Operations¹

Consolidated P&L

\$ in Millions - except Units

	2Q'16	1Q'17	2Q'17 ²	Y/Y Growth	Seq Growth
Units (thousands)	10,802	10,160	11,321	5%	11%
Revenues	12,975	12,213	13,050	1%	7%
Gross Margin	2,079	2,187	2,329	12%	6%
<i>GM % of revenue</i>	16.0%	17.9%	17.8%	180 bps	-10 bps
Operating Expenses	2,182	2,330	2,266	4%	-3%
<i>Opex % of revenue</i>	16.8%	19.1%	17.4%	60 bps	-170 bps
Operating Income (Loss)	(103)	(143)	63	NM	NM
<i>OpInc % of revenue</i>	-0.8%	-1.2%	0.5%	130 bps	170 bps
Income Tax	(33)	64	(22)	NM	NM
<i>Effective Tax Rate %</i>	10.2%	-17.7%	7.7%	-250 bps	2540 bps
Net Income (Loss)	(292)	(426)	(264)	NM	NM
<i>NI % of revenue</i>	-2.3%	-3.5%	-2.0%	30 bps	150 bps
Diluted EPS	(\$0.72)	(\$1.05)	(\$0.65)	NM	NM

¹ Financial results of the Dell Services and Software businesses to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations. Dell Services includes process outsourcing, application management and infrastructure services. Dell Software includes Systems & Information Management, security solutions, and Statistica businesses.

² Q2 FY'17 includes approximately \$600M of adjustments to Net Income related to purchase accounting and other items. For additional detail on these adjustments, please refer to supplemental slides at the end of this presentation.

Q2 FY'17 Consolidated Non-GAAP Results – Continuing Operations¹

Consolidated P&L

\$ in Millions - except Units

	2Q'16	1Q'17	2Q'17	Y/Y Growth	Seq Growth
Units (thousands)	10,802	10,160	11,321	5%	11%
Revenues	13,098	12,291	13,115	0%	7%
Gross Margin	2,316	2,379	2,508	8%	5%
<i>GM % of revenue</i>	17.7%	19.4%	19.1%	140 bps	-30 bps
Operating Expenses	1,748	1,844	1,756	0%	-5%
<i>Opex % of revenue</i>	13.3%	15.0%	13.4%	10 bps	-160 bps
Operating Income	568	535	752	32%	41%
<i>OpInc % of revenue</i>	4.3%	4.4%	5.7%	140 bps	130 bps
Income Tax	91	54	40	-56%	-26%
<i>Effective Tax Rate %</i>	26.5%	17.1%	10.0%	-1650 bps	-710 bps
Net Income	252	262	360	43%	37%
<i>NI % of revenue</i>	1.9%	2.1%	2.7%	80 bps	60 bps
Adjusted EBITDA ²	673	639	880	31%	38%
<i>Adj EBITDA % of revenue</i>	5.1%	5.2%	6.7%	160 bps	150 bps

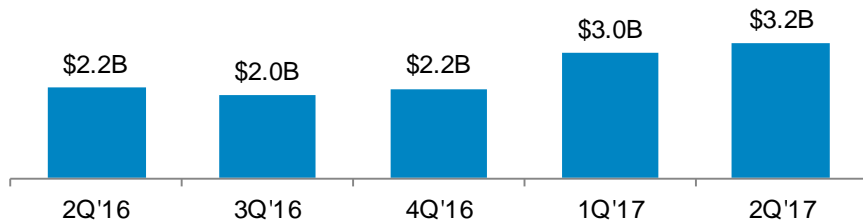
- Revenue of \$13.1B, up low-single digits on a constant currency basis
- Gross margin % up Y/Y driven by improved costs and disciplined pricing
- Operating expenses were \$1.8B at 13.4% of revenue, flat Y/Y
- Operating income of \$752M, up +32% Y/Y and 5.7% of revenue
- Adjusted EBITDA was \$880M, 6.7% of revenue and up +160 bps Y/Y

¹ Financial results of the Dell Services and Software businesses to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations. Dell Services includes process outsourcing, application management and infrastructure services. Dell Software includes Systems & Information Management, security solutions, and Statistica businesses.

² See slide 13 for adjustments to EBITDA.

Q2 FY'17 Cash and Adjusted EBITDA

TTM Cash Flow from Operations¹



Adjusted EBITDA²



- Cash flow from operations was \$1.9B, up +15% Y/Y
- Cash flow from operations TTM was \$3.2B up +50% Y/Y
- Generated \$2.9B of TTM net free cash flow³, up +26% Y/Y
- Cash and investments balance of \$7.5B, up +\$1.2B Q/Q
- Adjusted TTM EBITDA of \$3.0B

¹ Includes Discontinued Operations

² Results represent Continuing Operations

³ Cash flow from operations less capital expenditures plus on balance-sheet funding

Q2 FY'17 Capital Structure

- Finished the quarter with \$13.4B in principal debt¹, including \$8.9B of core debt²
- 3.1x core leverage ratio vs 4.3x at LBO close^{1,3}
- Repaid \$5.2B of gross debt since LBO⁴
- Remain committed to our long-term de-levering efforts while continuing to invest in the business
- Other committed financing of \$20.4B

Debt Summary (\$B)	2Q'17
Secured Debt	\$ 7.4
Senior Unsecured Debt	2.5
Total Corporate Debt	9.9
DFS Structured Debt	3.5
Total Debt excluding EMC transaction	13.4
New Investment Grade	20.0
New High Yield	3.3
EMC Transaction Related Debt	23.3
Q2 FY'17 Total Debt ⁵	\$ 36.3

¹ Excluding debt related to EMC transaction.

² Core Debt is total debt less debt related to our global financial services business (DFS); For Q2 FY'17, DFS-related debt was \$4.5B, which includes \$3.5B in structured financing debt.

³ Core leverage ratio is core debt divided by trailing twelve months adjusted EBITDA from continuing operations (excluding DFS EBITDA).

⁴ Gross debt at the Dell Technologies level, excluding Structured debt.

⁵ Includes carrying value adjustment of (\$0.4B).

Q2 FY'17 Highlights

Non-GAAP¹ Performance

Grew revenue Y/Y in **Americas**, driven by 4% growth in **U.S.**

Experienced Y/Y double digit revenue **growth** in **Dell Storage SC**

Continued **strength** in **modular server business** driven by triple digit Y/Y growth in FX product

Grew Notebook units and revenue single digits Y/Y

SecureWorks experienced strong **revenue growth** up +29% Y/Y

Achievements

14 Quarters of consecutive year over year share gains in PCs

102 Product Awards in Q2 FY17

Named **Leader** in 2016 Magic Quadrant Report for Modular Servers

Based on 2016 Gartner Magic Quadrant Report for Modular Servers

Alienware celebrated its **20th anniversary** and **grew** notebook revenue double digits Y/Y

¹ Results represent Continuing Operations

Q2 FY'17 Client Solutions Performance

- **Client Solutions** revenue flat Y/Y, but grew PC unit share Y/Y for the 14th consecutive quarter per IDC
- Consumer revenue growth of +4% offset by -2% decline in Commercial Y/Y
- Notebook performance strong in both consumer and commercial high-end products including Alienware, XPS, Mobile Workstations and Latitude

Business Unit Results¹

\$ in Millions

Client Solutions	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Revenues	8,869	9,235	8,936	8,837	8,571	9,220
Y/Y Growth, %	-14%	-9%	-9%	-6%	-3%	0%
Q/Q Growth, %	-6%	4%	-3%	-1%	-3%	8%
Operating Income	219	323	384	484	385	484
Operating Income, %	2.5%	3.5%	4.3%	5.5%	4.5%	5.2%
Y/Y Growth, bps	-360 bps	-300 bps	-90 bps	280 bps	200 bps	170 bps
Q/Q Growth, bps	-20 bps	100 bps	80 bps	120 bps	-100 bps	70 bps

¹ Reflects business unit results; the sum of the business unit revenue and operating income will not equal consolidated non-GAAP results due to unallocated items that remain at a corporate level.

Q2 FY'17 Enterprise Solutions Performance

- **ESG** revenue flat Y/Y; continue to make investments in the sales force and solutions that position us to address our customers' critical IT needs in the data center
- Server and Networking revenue up +1% Y/Y
- Storage revenue down -3% Y/Y

Business Unit Results¹

\$ in Millions

ESG	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Revenues	3,702	3,769	3,711	3,796	3,613	3,779
Y/Y Growth, %	6%	0%	4%	-2%	-2%	0%
Q/Q Growth, %	-4%	2%	-2%	2%	-5%	5%
Operating Income	239	280	257	276	192	300
Operating Income, %	6.5%	7.4%	6.9%	7.3%	5.3%	7.9%
Y/Y Growth, bps	-80 bps	-280 bps	-100 bps	-60 bps	-120 bps	50 bps
Q/Q Growth, bps	-140 bps	90 bps	-50 bps	40 bps	-200 bps	260 bps

¹ Reflects business unit results; the sum of the business unit revenue and operating income will not equal consolidated non-GAAP results due to unallocated items that remain at a corporate level.

Complementary Market Leading Portfolio

Storage	Servers	PCs	Virtualization	Cloud	Security
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Position ¹

#1 in Storage
#1 in PBBA/Backup
#1 in All-Flash Arrays

#1 in Integrated Infrastructure

#2 in x86 Servers

#3 in PC
#1 in PC Monitors

#1 in Server
Virtualization
Software

Leading Managed
Cloud, PaaS, and
Big Data

Gartner Magic
Quadrant Leader

Key Products / Brands

VMAX

ISILON

XtremIO

data domain

VCE

DELL

DELL PowerEdge

DELL

DELL ALIENWARE

WYSE

vmware vSphere

NSX

vmware vRealize

vmware Virtual SAN

Pivotal

virtustream

VMware vCloud Air

DELL Boomi

DELL SecureWorks

RSA

Other Highlights

Leadership in 20 Gartner Magic Quadrant reports
Operating in 180 countries globally
Serving 98 percent of Fortune 500 companies

Combined sales force of over 40,000
Over 20,000 patents and patent applications
\$12.7B+ in cumulative R&D investments in last three years

¹ Source is IDC and Gartner

DELL Technologies

External Reporting Structure

Three Business Units

Client Solutions Group (CSG)

Commercial

Consumer



Infrastructure Solutions Group (ISG)¹

Servers & Networking

Storage



vmware®

Other Businesses²

Pivotal

SecureWorks®

RSA

Enterprise Content Division

Boomi

Dell Financial Services³

Go-To-Market⁴

Enterprise | Commercial | Consumer & Small Business

Channel Partners

¹ ISG splits will include (1) servers & networking and (2) storage including EMC, VCE and Virtustream

² These businesses will not be classified as reportable segments, either individually or collectively

³ Dell Financial Services (DFS) results will be included in the BU of origination

⁴ Go-To-Market will include channel partners and system integrators



Q2 FY'17 Supplemental Non-GAAP Measures

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Consolidated GAAP Net Loss	(446)	(292)	(266)	(170)	(426)	(264)
Adjustments:						
Interest and Other, net	175	222	203	173	219	349
Income tax provision (benefit)	(40)	(33)	(18)	(31)	64	(22)
Depreciation and amortization	622	622	627	623	618	605
EBITDA	311	519	546	595	475	668
Adjustments:						
Stock based compensation expense	15	14	17	18	14	19
Impact of purchase accounting ²	146	128	118	95	83	75
Other corporate expenses ³	20	12	27	43	67	118
Adjusted EBITDA	492	673	708	751	639	880

¹ Results represent Continuing Operations

² This amount includes the non-cash purchase accounting adjustments related to the going-private transaction

³ Consists of severance and facility action costs and acquisition, integration, and divestiture related costs

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17	2Q'17
Consolidated GAAP Net Loss	(446)	(292)	(266)	(170)	(1,174)	(426)	(264)
<u>Non-GAAP Adjustments:</u>							
Impact of purchase accounting	172	154	149	129	604	106	98
Amortization of Intangibles	494	492	492	491	1,969	491	491
Other corporate expenses ²	33	22	44	61	160	81	97
Aggregate adj for Income Taxes	(130)	(124)	(127)	(128)	(509)	10	(62)
Total Adjustments to Net Income	569	544	558	553	2,224	688	624
Consolidated Non-GAAP Net Income	123	252	292	383	1,050	262	360

¹ Results represent Continuing Operations

² Consists of severance and facility action costs, stock-based compensation expense, and acquisition, integration, and divestiture related costs

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17	2Q'17
Consolidated GAAP revenue	12,525	12,975	12,641	12,652	50,793	12,213	13,050
<u>Non-GAAP adjustments:</u>							
Impact of purchase accounting	140	123	107	89	459	78	65
Non-GAAP revenue	12,665	13,098	12,748	12,741	51,252	12,291	13,115

¹ Results represent Continuing Operations

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17	2Q'17
Consolidated GAAP gross margin	1,912	2,079	2,125	2,252	8,368	2,187	2,329
<u>Non-GAAP adjustments:</u>							
Impact of purchase accounting	151	133	124	104	512	89	79
Amortization of Intangibles	99	98	98	97	392	101	101
Other corporate expenses ²	2	6	5	3	16	2	(1)
Total Adjustments to gross margin	252	237	227	204	920	192	179
Non-GAAP gross margin	2,164	2,316	2,352	2,456	9,288	2,379	2,508

¹ Results represent Continuing Operations

² Consists of severance and facility action costs, stock-based compensation expense, and acquisition, integration, and divestiture related costs

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17	2Q'17
Consolidated GAAP operating expenses	2,223	2,182	2,206	2,279	8,890	2,330	2,266
<u>Non-GAAP adjustments:</u>							
Impact of purchase accounting	(21)	(21)	(25)	(25)	(92)	(17)	(19)
Amortization of Intangibles	(395)	(394)	(394)	(394)	(1,577)	(390)	(390)
Other corporate expenses ²	(34)	(19)	(39)	(58)	(150)	(79)	(101)
Total Adjustments to operating expenses	(450)	(434)	(458)	(477)	(1,819)	(486)	(510)
Non-GAAP operating expenses	1,773	1,748	1,748	1,802	7,071	1,844	1,756

¹ Results represent Continuing Operations

² Consists of severance and facility action costs, stock-based compensation expense, and acquisition, integration, and divestiture related costs

Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17	2Q'17
Consolidated GAAP operating income (loss)	(311)	(103)	(81)	(27)	(522)	(143)	63
<u>Non-GAAP adjustments:</u>							
Impact of purchase accounting	172	154	149	129	604	106	98
Amortization of Intangibles	494	492	492	491	1,969	491	491
Other corporate expenses ²	36	25	44	61	166	81	100
Total Adjustments to operating income	702	671	685	681	2,739	678	689
Non-GAAP operating income	391	568	604	654	2,217	535	752

¹ Results represent Continuing Operations

² Consists of severance and facility action costs, stock-based compensation expense, and acquisition, integration, and divestiture related costs

Supplemental Non-GAAP Measures

(\$ millions)

2Q'16

3Q'16

4Q'16

1Q'17

2Q'17

Net TTM Free Cash Flow¹

Cash flow from operations (TTM)	2,164	1,993	2,162	2,994	3,245
Capital expenditures (TTM)	(482)	(444)	(482)	(460)	(487)
Financing receivables (TTM)	605	544	321	180	127

Net TTM Free Cash Flow	2,287	2,093	2,001	2,714	2,885
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Net Free Cash Flow

Cash flow from operations	1,627	459	971	(63)	1,878
Capital expenditures	(116)	(110)	(142)	(92)	(143)
Financing receivables	200	62	(9)	(73)	147

Net Free Cash Flow	1,711	411	820	(228)	1,882
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¹ Cash flow from operations less capital expenditures plus on balance-sheet funding

Supplemental Non-GAAP Measures

Consolidated P&L

\$ in Millions - except Units

	2Q'16	1Q'17	2Q'17
Units (thousands)	10,802	10,160	11,321
Revenues	13,098	12,291	13,115
Gross Margin	2,316	2,379	2,508
<i>GM % of revenue</i>	17.7%	19.4%	19.1%
Operating Expenses	1,748	1,844	1,756
<i>Opex % of revenue</i>	13.3%	15.0%	13.4%
Operating Income	568	535	752
<i>OpInc % of revenue</i>	4.3%	4.4%	5.7%
Income Tax	91	54	40
<i>Effective Tax Rate %</i>	26.5%	17.1%	10.0%
Net Income	252	262	360
<i>NI % of revenue</i>	1.9%	2.1%	2.7%
Adjusted EBITDA	673	639	880
<i>Adj EBITDA % of revenue</i>	5.1%	5.2%	6.7%

Components of Discontinued

Operations (Excluded from Consolidated P&L)

\$ in Millions - except Units

	2Q'16	1Q'17	2Q'17
Units (thousands)	-	-	-
Revenues	1,036	995	1,015
Gross Margin	410	366	382
<i>GM % of revenue</i>	39.6%	36.8%	37.6%
Operating Expenses	280	308	291
<i>Opex % of revenue</i>	27.0%	31.0%	28.7%
Operating Income	130	58	91
<i>OpInc % of revenue</i>	12.5%	5.8%	9.0%
Income Tax	46	9	8
<i>Effective Tax Rate %</i>	35.9%	12.5%	9.5%
Net Income	82	63	76
<i>NI % of revenue</i>	7.9%	6.3%	7.5%
Adjusted EBITDA	167	83	93
<i>Adj EBITDA % of revenue</i>	16.1%	8.3%	9.2%