

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 October 28, 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>
<b>Class C Common Stock, par value of \$0.01 per share</b>	<b>DELL</b>	<b>New York Stock Exchange</b>

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 30, 2022, there were 716,128,296 shares of the registrant's common stock outstanding, consisting of 242,297,546 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 (including the risk associated with final court approval of the litigation settlement agreement described in this report), 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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**PART I — FINANCIAL INFORMATION**

**ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)**

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

<b>ASSETS</b>	<b>October 28, 2022</b>	<b>January 28, 2022</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,909	\$ 9,477
Accounts receivable, net of allowance of \$75 and \$90	11,431	12,912
Due from related party, net	203	131
Short-term financing receivables, net of allowance of \$132 and \$142 (Note 5)	4,915	5,089
Inventories	6,172	5,898
Other current assets	11,157	11,526
Total current assets	38,787	45,033
Property, plant, and equipment, net	5,847	5,415
Long-term investments	1,534	1,839
Long-term financing receivables, net of allowance of \$54 and \$47 (Note 5)	5,659	5,522
Goodwill	19,366	19,770
Intangible assets, net	6,728	7,461
Due from related party, net	612	710
Other non-current assets	6,639	6,985
Total assets	\$ 85,172	\$ 92,735
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 6,767	\$ 5,823
Accounts payable	22,507	27,143
Due to related party	712	1,414
Accrued and other	7,915	7,578
Short-term deferred revenue	14,106	14,261
Total current liabilities	52,007	56,219
Long-term debt	20,562	21,131
Long-term deferred revenue	12,983	13,312
Other non-current liabilities	2,988	3,653
Total liabilities	88,540	94,315
Commitments and contingencies (Note 11)		
Stockholders' equity (deficit):		
Common stock and capital in excess of \$0.01 par value (Note 14)	8,216	7,898
Treasury stock at cost	(3,663)	(964)
Accumulated deficit	(7,102)	(8,188)
Accumulated other comprehensive loss	(920)	(431)
Total Dell Technologies Inc. stockholders' equity (deficit)	(3,469)	(1,685)
Non-controlling interests	101	105
Total stockholders' equity (deficit)	(3,368)	(1,580)
Total liabilities and stockholders' equity	\$ 85,172	\$ 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)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
<b>Net revenue:</b>				
Products	\$ 18,938	\$ 20,979	\$ 60,212	\$ 57,361
Services	5,783	5,445	17,050	15,844
Total net revenue	<u>24,721</u>	<u>26,424</u>	<u>77,262</u>	<u>73,205</u>
<b>Cost of net revenue (a):</b>				
Products	15,601	17,833	50,281	47,959
Services	3,413	3,057	10,051	8,973
Total cost of net revenue	<u>19,014</u>	<u>20,890</u>	<u>60,332</u>	<u>56,932</u>
Gross margin	<u>5,707</u>	<u>5,534</u>	<u>16,930</u>	<u>16,273</u>
<b>Operating expenses:</b>				
Selling, general, and administrative	3,268	3,838	10,364	11,257
Research and development	677	650	1,984	1,966
Total operating expenses	<u>3,945</u>	<u>4,488</u>	<u>12,348</u>	<u>13,223</u>
Operating income	1,762	1,046	4,582	3,050
Interest and other, net	<u>(1,308)</u>	<u>3,501</u>	<u>(2,280)</u>	<u>2,921</u>
Income before income taxes	454	4,547	2,302	5,971
Income tax expense	213	864	486	1,000
Net income from continuing operations	241	3,683	1,816	4,971
Income from discontinued operations, net of income taxes (Note 2)	—	205	—	735
Net income	<u>241</u>	<u>3,888</u>	<u>1,816</u>	<u>5,706</u>
Less: Net loss attributable to non-controlling interests	(4)	(2)	(12)	(5)
Less: Net income attributable to non-controlling interests of discontinued operations	—	47	—	150
Net income attributable to Dell Technologies Inc.	<u>\$ 245</u>	<u>\$ 3,843</u>	<u>\$ 1,828</u>	<u>\$ 5,561</u>
<b>Earnings per share attributable to Dell Technologies Inc. — basic:</b>				
Continuing operations	\$ 0.34	\$ 4.81	\$ 2.47	\$ 6.53
Discontinued operations	\$ —	\$ 0.21	\$ —	\$ 0.77
<b>Earnings per share attributable to Dell Technologies Inc. — diluted:</b>				
Continuing operations	\$ 0.33	\$ 4.68	\$ 2.41	\$ 6.34
Discontinued operations	\$ —	\$ 0.19	\$ —	\$ 0.74
<b>(a) Includes related party cost of net revenue as follows (Note 16):</b>				
Products	\$ 281	\$ 355	\$ 962	\$ 1,061
Services	\$ 733	\$ 636	\$ 2,204	\$ 1,830

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)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
Net income	\$ 241	\$ 3,888	\$ 1,816	\$ 5,706
<i>Other comprehensive income (loss), net of tax</i>				
Foreign currency translation adjustments	(196)	(61)	(620)	(201)
Cash flow hedges:				
Change in unrealized gains	306	86	844	150
Reclassification adjustment for net gains included in net income	(324)	(74)	(726)	(34)
Net change in cash flow hedges	(18)	12	118	116
Pension and other postretirement plans:				
Recognition of actuarial net gains (losses) from pension and other postretirement plans	(2)	1	11	2
Reclassification adjustments for net losses from pension and other postretirement plans	1	1	1	3
Net change in actuarial net gains (losses) from pension and other postretirement plans	(1)	2	12	5
Total other comprehensive (loss), net of tax expense of \$6 and \$1, respectively, and \$14 and \$6, respectively	(215)	(47)	(490)	(80)
Comprehensive income, net of tax	26	3,841	1,326	5,626
Less: Net income (loss) attributable to non-controlling interests	(4)	45	(12)	145
Less: Other comprehensive (loss) attributable to non-controlling interests	—	—	(1)	—
Comprehensive income attributable to Dell Technologies Inc.	<u>\$ 30</u>	<u>\$ 3,796</u>	<u>\$ 1,339</u>	<u>\$ 5,481</u>

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)

	Nine Months Ended	
	October 28, 2022	October 29, 2021
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,816	\$ 5,706
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	2,302	3,721
Stock-based compensation expense	703	1,406
Deferred income taxes	(745)	(450)
Other, net (a)	648	(4,312)
<b>Changes in assets and liabilities, net of effects from acquisitions and dispositions:</b>		
Accounts receivable	803	(1,587)
Financing receivables	(286)	234
Inventories	(485)	(2,063)
Other assets and liabilities	430	(1,624)
Due from/to related party, net	(641)	—
Accounts payable	(4,466)	5,149
Deferred revenue	772	1,034
Change in cash from operating activities	851	7,214
<b>Cash flows from investing activities:</b>		
Purchases of investments	(101)	(320)
Maturities and sales of investments	99	454
Capital expenditures and capitalized software development costs	(2,244)	(2,056)
Acquisition of businesses and assets, net	—	(16)
Divestitures of businesses and assets, net	—	3,957
Other	18	34
Change in cash from investing activities	(2,228)	2,053
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of common stock	5	326
Repurchases of parent common stock	(3,090)	(35)
Repurchases of subsidiary common stock	(8)	(1,174)
Payments of dividends to stockholders	(728)	—
Proceeds from debt	8,779	13,037
Repayments of debt	(8,079)	(13,069)
Debt-related costs and other, net	(17)	(113)
Change in cash from financing activities	(3,138)	(1,028)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(343)	(54)
Change in cash, cash equivalents, and restricted cash	(4,858)	8,185

(a) During the nine months ended October 29, 2021, other, net, includes \$4.0 billion pre-tax gain on the sale of Boomi.

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)

	<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>
Change in cash, cash equivalents, and restricted cash	(4,858)	8,185
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	5,224	23,369
Less: Cash, cash equivalents, and restricted cash attributable to discontinued operations	—	12,553
Cash, cash equivalents, and restricted cash from continuing operations	<u>\$ 5,224</u>	<u>\$ 10,816</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)

Three Months Ended October 28, 2022	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					
<b>Balances as of July 29, 2022</b>	796	\$ 8,005	62	\$ (3,054)	\$ (7,106)	\$ (705)	\$ (2,860)	\$ 105	\$ (2,755)
Net income	—	—	—	—	245	—	245	(4)	241
Dividends and dividend equivalents declared (\$0.33 per common share)	—	—	—	—	(241)	—	(241)	—	(241)
Foreign currency translation adjustments	—	—	—	—	—	(196)	(196)	—	(196)
Cash flow hedges, net change	—	—	—	—	—	(18)	(18)	—	(18)
Pension and other post-retirement	—	—	—	—	—	(1)	(1)	—	(1)
Issuance of common stock	1	(22)	—	—	—	—	(22)	—	(22)
Stock-based compensation expense	—	226	—	—	—	—	226	9	235
Treasury stock repurchases	—	—	17	(609)	—	—	(609)	—	(609)
Impact from equity transactions of non-controlling interests	—	7	—	—	—	—	7	(9)	(2)
<b>Balances as of October 28, 2022</b>	<b>797</b>	<b>\$ 8,216</b>	<b>79</b>	<b>\$ (3,663)</b>	<b>\$ (7,102)</b>	<b>\$ (920)</b>	<b>\$ (3,469)</b>	<b>\$ 101</b>	<b>\$ (3,368)</b>

Nine Months Ended October 28, 2022	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					
<b>Balances as of January 28, 2022</b>	777	\$ 7,898	20	\$ (964)	\$ (8,188)	\$ (431)	\$ (1,685)	\$ 105	\$ (1,580)
Net income	—	—	—	—	1,828	—	1,828	(12)	1,816
Dividends and dividend equivalents declared (\$0.99 per common share)	—	—	—	—	(742)	—	(742)	—	(742)
Foreign currency translation adjustments	—	—	—	—	—	(619)	(619)	(1)	(620)
Cash flow hedges, net change	—	—	—	—	—	118	118	—	118
Pension and other post-retirement	—	—	—	—	—	12	12	—	12
Issuance of common stock	20	(366)	—	—	—	—	(366)	—	(366)
Stock-based compensation expense	—	677	—	—	—	—	677	26	703
Treasury stock repurchases	—	—	59	(2,699)	—	—	(2,699)	—	(2,699)
Impact from equity transactions of non-controlling interests	—	7	—	—	—	—	7	(17)	(10)
<b>Balances as of October 28, 2022</b>	<b>797</b>	<b>\$ 8,216</b>	<b>79</b>	<b>\$ (3,663)</b>	<b>\$ (7,102)</b>	<b>\$ (920)</b>	<b>\$ (3,469)</b>	<b>\$ 101</b>	<b>\$ (3,368)</b>

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)

Three Months Ended October 29, 2021	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					
<b>Balances as of July 31, 2021</b>	773	\$ 17,510	8	\$ (305)	\$ (12,033)	\$ (347)	\$ 4,825	\$ 5,118	\$ 9,943
Net income	—	—	—	—	3,843	—	3,843	45	3,888
Foreign currency translation adjustments	—	—	—	—	—	(61)	(61)	—	(61)
Cash flow hedges, net change	—	—	—	—	—	12	12	—	12
Pension and other post-retirement	—	—	—	—	—	2	2	—	2
Issuance of common stock	2	(9)	—	—	—	—	(9)	—	(9)
Stock-based compensation expense	—	204	—	—	—	—	204	268	472
Impact from equity transactions of non-controlling interests	—	138	—	—	—	—	138	(191)	(53)
<b>Balances as of October 29, 2021</b>	<u>775</u>	<u>\$ 17,843</u>	<u>8</u>	<u>\$ (305)</u>	<u>\$ (8,190)</u>	<u>\$ (394)</u>	<u>\$ 8,954</u>	<u>\$ 5,240</u>	<u>\$ 14,194</u>

Nine Months Ended October 29, 2021	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					
<b>Balances as of January 29, 2021</b>	761	\$ 16,849	8	\$ (305)	\$ (13,751)	\$ (314)	\$ 2,479	\$ 5,074	\$ 7,553
Net income	—	—	—	—	5,561	—	5,561	145	5,706
Foreign currency translation adjustments	—	—	—	—	—	(201)	(201)	—	(201)
Cash flow hedges, net change	—	—	—	—	—	116	116	—	116
Pension and other post-retirement	—	—	—	—	—	5	5	—	5
Issuance of common stock	14	19	—	—	—	—	19	—	19
Stock-based compensation expense	—	569	—	—	—	—	569	837	1,406
Revaluation of redeemable shares	—	472	—	—	—	—	472	—	472
Impact from equity transactions of non-controlling interests	—	(66)	—	—	—	—	(66)	(816)	(882)
<b>Balances as of October 29, 2021</b>	<u>775</u>	<u>\$ 17,843</u>	<u>8</u>	<u>\$ (305)</u>	<u>\$ (8,190)</u>	<u>\$ (394)</u>	<u>\$ 8,954</u>	<u>\$ 5,240</u>	<u>\$ 14,194</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 designs, develops, manufactures, markets, sells, and supports a wide range of comprehensive and integrated solutions, products, and services. Dell Technologies offerings include servers and networking, storage, cloud solutions, 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 October 28, 2022 and January 28, 2022, the results of its operations, corresponding comprehensive income, statement of stockholders’ equity for the three and nine months ended October 28, 2022 and October 29, 2021, and cash flows for the nine months ended October 28, 2022 and October 29, 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 its operations, corresponding comprehensive income, statement of stockholders’ equity for the three and nine months ended October 28, 2022 and October 29, 2021, and cash flows for the nine months ended October 28, 2022 and October 29, 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 October 28, 2022 and January 28, 2022, the Company held approximately 82.7% and 83.9%, respectively, of the outstanding equity interest in Secureworks, excluding restricted stock awards (“RSAs”), and approximately 82.7% 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 (loss) 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 \$101 million and \$105 million as of October 28, 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.

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

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 and nine months ended October 29, 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 Dell 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.

*Other Events* — During the nine months ended October 28, 2022, Dell Technologies recognized \$181 million in costs associated with exiting the Company’s business in Russia, primarily related to asset impairments and other exit related costs.

*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. Adoption of the guidance is not expected to have a material impact on the Company’s financial results.

*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, 2024. 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)**  
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**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, which could have 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 Technologies 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 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 and nine months ended October 29, 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)**  
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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 and nine months ended October 29, 2021:

	<b>Three Months Ended October 29, 2021</b>	<b>Nine Months Ended October 29, 2021</b>
	(in millions)	
Net revenue	\$ 1,970	\$ 5,798
Cost of net revenue	(556)	(1,632)
Operating expenses	2,223	6,384
Interest and other, net	65	232
Income from discontinued operations before income taxes	238	814
Income tax expense	33	79
Income from discontinued operations, net of income taxes	<u>\$ 205</u>	<u>\$ 735</u>

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 nine months ended October 29, 2021 included within the Condensed Consolidated Statements of Cash Flows:

	<b>Nine Months Ended October 29, 2021</b>
	(in millions)
Depreciation and amortization	\$ 1,004
Capital expenditures	\$ 263
Stock-based compensation expense	\$ 814

**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:

	October 28, 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)							
<b>Assets:</b>								
Money market funds	\$ 709	\$ —	\$ —	\$ 709	\$ 3,737	\$ —	\$ —	\$ 3,737
Marketable equity and other securities	50	—	—	50	86	—	—	86
Derivative instruments	—	730	—	730	—	253	—	253
<b>Total assets</b>	<b>\$ 759</b>	<b>\$ 730</b>	<b>\$ —</b>	<b>\$ 1,489</b>	<b>\$ 3,823</b>	<b>\$ 253</b>	<b>\$ —</b>	<b>\$ 4,076</b>
<b>Liabilities:</b>								
Derivative instruments	\$ —	\$ 147	\$ —	\$ 147	\$ —	\$ 138	\$ —	\$ 138
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 147</b>	<b>\$ —</b>	<b>\$ 147</b>	<b>\$ —</b>	<b>\$ 138</b>	<b>\$ —</b>	<b>\$ 138</b>

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 \$166 million and \$192 million as of October 28, 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 October 28, 2022 and January 28, 2022, the Company held strategic investments in non-marketable equity and other securities of \$1.3 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. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for additional information about our strategic investments.

*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:

	October 28, 2022		January 28, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in billions)			
Senior Notes	\$ 16.2	\$ 15.3	\$ 16.1	\$ 18.5
Legacy Notes and Debentures	\$ 0.9	\$ 0.9	\$ 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.

**DELL TECHNOLOGIES INC.**  
**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. All equity and other securities as well as long-term fixed income debt securities are recorded as long-term investments in the Condensed Consolidated Statements of Financial Position. Short-term fixed income debt securities are recorded as other current assets in the Condensed Consolidated Statements of Financial Position.

As of October 28, 2022 and January 28, 2022, total investments were \$1.6 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 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:

	<b>October 28, 2022</b>				<b>January 28, 2022</b>			
	<b>Cost</b>	<b>Unrealized Gain</b>	<b>Unrealized Loss</b>	<b>Carrying Value</b>	<b>Cost</b>	<b>Unrealized Gain</b>	<b>Unrealized Loss</b>	<b>Carrying Value</b>
	(in millions)							
Marketable	\$ 56	\$ 17	\$ (23)	\$ 50	\$ 126	\$ 79	\$ (119)	\$ 86
Non-marketable	717	961	(411)	1,267	593	900	(52)	1,441
Total equity and other securities	<u>\$ 773</u>	<u>\$ 978</u>	<u>\$ (434)</u>	<u>\$ 1,317</u>	<u>\$ 719</u>	<u>\$ 979</u>	<u>\$ (171)</u>	<u>\$ 1,527</u>

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
<i>Marketable securities</i>				
Unrealized gain	\$ 50	\$ —	\$ 57	\$ 40
Unrealized loss	(10)	(51)	(29)	(133)
Net unrealized gain (loss)	40	(51)	28	(93)
<i>Non-marketable securities</i>				
Unrealized gain	—	87	72	416
Unrealized loss	(13)	(12)	(333)	(35)
Net unrealized gain (loss) (a) (b)	(13)	75	(261)	381
Net unrealized gain (loss) on equity and other securities	<u>\$ 27</u>	<u>\$ 24</u>	<u>\$ (233)</u>	<u>\$ 288</u>

- (a) For the three and nine months ended October 28, 2022, net unrealized losses on non-marketable securities were primarily attributable to the recognition of impairments on equity and other securities, which were generally in line with extended public equity market declines. In evaluating these investments for impairment, the Company used 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.
- (b) For the three and nine months ended October 29, 2021, net unrealized gains on non-marketable securities were due to upward adjustments for observable price changes offset by losses primarily attributable to downward adjustments for observable price changes.

*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:

	<b>October 28, 2022</b>				<b>January 28, 2022</b>			
	<b>Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Loss</b>	<b>Carrying Value</b>	<b>Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Loss</b>	<b>Carrying Value</b>
	(in millions)							
Fixed income debt securities	\$ 348	\$ 37	\$ (94)	\$ 291	\$ 333	\$ 26	\$ (47)	\$ 312

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

**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 \$2.3 billion and \$2.0 billion for the three months ended October 28, 2022 and October 29, 2021, respectively, and \$6.7 billion and \$5.8 billion for the nine months ended October 28, 2022 and October 29, 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, including utility, subscription, and as-a-Service models, which enable the Company to offer its customers the option to pay over time to provide them with financial flexibility to meet their changing technological requirements.

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

**Financing Receivables**

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

	October 28, 2022			January 28, 2022		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
(in millions)						
<i>Financing receivables, net:</i>						
Customer receivables, gross (a)	\$ 685	\$ 9,938	\$ 10,623	\$ 750	\$ 9,833	\$ 10,583
Allowances for losses	(87)	(99)	(186)	(102)	(87)	(189)
Customer receivables, net	598	9,839	10,437	648	9,746	10,394
Residual interest	—	137	137	—	217	217
Financing receivables, net	\$ 598	\$ 9,976	\$ 10,574	\$ 648	\$ 9,963	\$ 10,611
Short-term	\$ 598	\$ 4,317	\$ 4,915	\$ 648	\$ 4,441	\$ 5,089
Long-term	\$ —	\$ 5,659	\$ 5,659	\$ —	\$ 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					
	October 28, 2022			October 29, 2021		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
(in millions)						
<i>Allowance for financing receivable losses:</i>						
Balances at beginning of period	\$ 91	\$ 92	\$ 183	\$ 126	\$ 161	\$ 287
Charge-offs, net of recoveries	(12)	(1)	(13)	(9)	(20)	(29)
Provision charged to income statement	8	8	16	(5)	(28)	(33)
Balances at end of period	\$ 87	\$ 99	\$ 186	\$ 112	\$ 113	\$ 225

	Nine Months Ended					
	October 28, 2022			October 29, 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	(37)	(5)	(42)	(32)	(25)	(57)
Provision charged to income statement	22	17	39	(4)	(35)	(39)
Balances at end of period	\$ 87	\$ 99	\$ 186	\$ 112	\$ 113	\$ 225

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

*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:

	October 28, 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	\$ 444	\$ 42	\$ 15	\$ 501	\$ 520	\$ 40	\$ 11	\$ 571
Revolving — DBC	165	16	3	184	158	18	3	179
Fixed-term — Consumer and Commercial	9,524	391	23	9,938	9,444	345	44	9,833
Total customer receivables, gross	<u>\$ 10,133</u>	<u>\$ 449</u>	<u>\$ 41</u>	<u>\$ 10,623</u>	<u>\$ 10,122</u>	<u>\$ 403</u>	<u>\$ 58</u>	<u>\$ 10,583</u>

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 Company's 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.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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*Credit Quality*

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

<b>October 28, 2022</b>									
<b>Fixed-term — Consumer and Commercial</b>									
<b>Fiscal Year of Origination</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>Years Prior</b>	<b>Revolving — DPA</b>	<b>Revolving — DBC</b>	<b>Total</b>
	(in millions)								
Higher	\$ 2,504	\$ 2,055	\$ 1,086	\$ 447	\$ 70	\$ 2	\$ 124	\$ 49	\$ 6,337
Mid	946	691	450	154	30	2	144	54	2,471
Lower	791	416	199	81	12	2	233	81	1,815
Total	<u>\$ 4,241</u>	<u>\$ 3,162</u>	<u>\$ 1,735</u>	<u>\$ 682</u>	<u>\$ 112</u>	<u>\$ 6</u>	<u>\$ 501</u>	<u>\$ 184</u>	<u>\$ 10,623</u>

<b>January 28, 2022</b>									
<b>Fixed-term — Consumer and Commercial</b>									
<b>Fiscal Year of Origination</b>									
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Years Prior</b>	<b>Revolving — DPA</b>	<b>Revolving — DBC</b>	<b>Total</b>
	(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.

**DELL TECHNOLOGIES INC.**  
**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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
Net revenue — products	\$ 207	\$ 183	\$ 646	\$ 607
Cost of net revenue — products	164	162	532	467
Gross margin — products	<u>\$ 43</u>	<u>\$ 21</u>	<u>\$ 114</u>	<u>\$ 140</u>

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:

	<b>October 28, 2022</b>
	(in millions)
Fiscal 2023 (remaining three months)	\$ 723
Fiscal 2024	2,191
Fiscal 2025	1,524
Fiscal 2026	895
Fiscal 2027 and beyond	<u>387</u>
Total undiscounted cash flows	5,720
Fixed-term loans	4,864
Revolving loans	685
Less: Unearned income	<u>(646)</u>
Total customer receivables, gross	<u>\$ 10,623</u>

**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:

	<b>October 28, 2022</b>	<b>January 28, 2022</b>
	(in millions)	
Equipment under operating lease, gross	\$ 3,417	\$ 2,643
Less: Accumulated depreciation	(1,336)	(935)
Equipment under operating lease, net	<u>\$ 2,081</u>	<u>\$ 1,708</u>

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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
Income related to lease payments	\$ 297	\$ 187	\$ 782	\$ 510
Depreciation expense	\$ 212	\$ 140	\$ 571	\$ 383

**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:

	<b>October 28, 2022</b>
	(in millions)
Fiscal 2023 (remaining three months)	\$ 287
Fiscal 2024	865
Fiscal 2025	604
Fiscal 2026	256
Fiscal 2027 and beyond	65
Total	<u>\$ 2,077</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:

	<b>October 28, 2022</b>	<b>January 28, 2022</b>
	(in millions)	
<b>DFS debt</b>		
<i>DFS U.S. debt:</i>		
Asset-based financing and securitization facilities	\$ 3,226	\$ 3,054
Fixed-term securitization offerings	3,302	3,011
Other	87	135
<b>Total DFS U.S. debt</b>	<u>6,615</u>	<u>6,200</u>
<i>DFS international debt:</i>		
Securitization facility	688	739
Other borrowings	1,004	785
Note payable	250	250
Dell Bank senior unsecured eurobonds	1,494	1,672
<b>Total DFS international debt</b>	<u>3,436</u>	<u>3,446</u>
<b>Total DFS debt</b>	<u>\$ 10,051</u>	<u>\$ 9,646</u>
Total short-term DFS debt	\$ 5,626	\$ 5,803
Total long-term DFS debt	\$ 4,425	\$ 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 October 28, 2022, the total debt capacity related to the U.S. asset-based financing and securitization facilities was \$5.0 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.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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 June 21, 2024, 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 October 28, 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 0.33% 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 \$797 million as of October 28, 2022. Subsequent to October 28, 2022, the Company extended the term of this facility to be effective through December 21, 2024.

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 October 28, 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 \$332 million as of October 28, 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 \$598 million as of October 28, 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 \$290 million as of October 28, 2022 and is effective through April 20, 2023.

*Note Payable* — On May 25, 2022, the Company entered into an unsecured credit agreement to fund receivables in Mexico. As of October 28, 2022, the aggregate principal amount of the note payable was \$250 million. The note bears interest at an annual rate of 4.24% and will mature on May 31, 2024.

*Dell Bank Senior Unsecured Eurobonds* — 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. On October 18, 2022, Dell Bank issued 500 million Euro of 4.5% senior unsecured five year eurobonds due October 2027. The issuances of the senior unsecured eurobonds support the expansion of the financing operations in Europe.

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

	October 28, 2022	January 28, 2022
	(in millions)	
<b>Assets held by consolidated VIEs</b>		
Other current assets	\$ 302	\$ 535
Financing receivables, net of allowance		
Short-term	\$ 3,791	\$ 3,368
Long-term	\$ 3,022	\$ 3,141
Property, plant, and equipment, net	\$ 1,094	\$ 945
<b>Liabilities held by consolidated VIEs</b>		
Debt, net of unamortized debt issuance costs		
Short-term	\$ 4,996	\$ 4,560
Long-term	\$ 2,207	\$ 2,235

Lease and loan payments and associated equipment transferred via securitization through SPEs were \$1.6 billion and \$1.4 billion for the three months ended October 28, 2022 and October 29, 2021, respectively, and \$4.5 billion and \$4.1 billion for the nine months ended October 28, 2022 and October 29, 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 \$431 million and \$180 million for the nine months ended October 28, 2022 and October 29, 2021, respectively. The Company's continuing involvement in these customer receivables is primarily limited to servicing arrangements.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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 October 28, 2022, the remaining terms of the Company's leases range from less than one month to approximately ten years. As of October 28, 2022 and January 28, 2022, there were no material finance leases for which the Company was a lessee.

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 Company's lessor arrangements.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
Operating lease costs	\$ 67	\$ 81	\$ 207	\$ 261
Variable costs	25	28	73	75
<b>Total lease costs</b>	<b>\$ 92</b>	<b>\$ 109</b>	<b>\$ 280</b>	<b>\$ 336</b>

During the nine months ended October 28, 2022 and October 29, 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:

	<b>Classification</b>	<b>October 28, 2022</b>	<b>January 28, 2022</b>
		(in millions, except for term and discount rate)	
Operating lease right-of-use assets	Other non-current assets	\$ 727	\$ 871
Current operating lease liabilities	Accrued and other current liabilities	\$ 247	\$ 287
Non-current operating lease liabilities	Other non-current liabilities	584	720
<b>Total operating lease liabilities</b>		<b>\$ 831</b>	<b>\$ 1,007</b>
Weighted-average remaining lease term (in years)		5.17	5.51
Weighted-average discount rate		3.26 %	3.01 %

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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The following table presents supplemental cash flow information related to leases for the periods indicated:

	<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities — operating cash outflows from operating leases (a)	\$ 230	\$ 379
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 134	\$ 132

(a) Cash paid for amounts included in the measurement of lease liabilities - operating cash outflows from operating leases from discontinued operations was \$135 million for the nine months ended October 29, 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:

	<b>October 28, 2022</b>
	(in millions)
Fiscal 2023 (remaining three months)	\$ 65
Fiscal 2024	231
Fiscal 2025	170
Fiscal 2026	134
Fiscal 2027	103
Thereafter	197
<b>Total lease payments</b>	<b>900</b>
Less: Imputed interest	(69)
<b>Total</b>	<b>\$ 831</b>
Current operating lease liabilities	\$ 247
Non-current operating lease liabilities	\$ 584

As of October 28, 2022, the Company's undiscounted operating leases that had not yet commenced were immaterial.

**DELL TECHNOLOGIES INC.**  
**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:

	October 28, 2022	January 28, 2022
	(in millions)	
<b>Senior Notes:</b>		
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
<b>Legacy Notes and Debentures:</b>		
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)	10,051	9,646
Other	287	337
<b>Total debt, principal amount</b>	<b>\$ 27,590</b>	<b>\$ 27,235</b>
Unamortized discount, net of unamortized premium	(126)	(134)
Debt issuance costs	(135)	(147)
<b>Total debt, carrying value</b>	<b>\$ 27,329</b>	<b>\$ 26,954</b>
Total short-term debt, carrying value	\$ 6,767	\$ 5,823
Total long-term debt, carrying value	\$ 20,562	\$ 21,131

**Commercial Paper Program**

On July 18, 2022, the Company established a commercial paper program under which the Company may issue unsecured notes in a maximum aggregate face amount of \$5.0 billion outstanding at any time, with maturities up to 397 days from the date of issue. The notes will be sold on customary terms in the U.S. commercial paper market on a private placement basis. The proceeds of the notes will be used for general corporate purposes. As of October 28, 2022, the Company had no outstanding borrowings under the commercial paper program. Commercial paper issuances and repayments with maturities of 90 days or less are presented on a net basis within cash flows from financing activities on the Condensed Consolidated Statements of Cash Flows.

**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 (together with the registered senior notes subsequently issued in exchange, the "Senior Notes"). Interest on these borrowings is payable semiannually.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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In June 2021, Dell International L.L.C. and EMC Corporation, wholly-owned subsidiaries of Dell Technologies Inc. and issuers of the Senior Notes (the “Issuers”), completed an offer 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 unregistered Senior Notes. The aggregate principal amount of unregistered Senior Notes remaining outstanding following the settlement of the exchange offer 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 Inc. (“Dell”), a wholly-owned subsidiary of Dell Technologies Inc., prior to the acquisition of Dell by Dell Technologies Inc. in the going-private transaction that closed in October 2013. Interest on these borrowings is payable semiannually.

*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* — As of October 28, 2022, the Company’s revolving credit facility, which was entered into on November 1, 2021 (the “2021 Revolving Credit Facility”), matures on November 1, 2026. This facility provides the Company with revolving commitments in an aggregate principal amount of \$5.0 billion as of October 28, 2022 for general corporate purposes, including liquidity support for the Company’s commercial paper program, 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.

Borrowings under the 2021 Revolving Credit Facility bear interest at a rate per annum equal to an applicable margin plus, at the borrowers’ option, either (a) the specified London Interbank Offered Rate (“LIBOR”) or (b) a base rate. The margin applicable to LIBOR and base rate borrowings varies based upon the Company’s existing date ratings. 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 October 28, 2022, available borrowings under the 2021 Revolving Credit Facility totaled \$5.0 billion.

Subsequent to October 28, 2022, the Company entered into an amendment to the 2021 Revolving Credit Facility to (i) transition from a LIBOR-based borrowing rate to a borrowing rate based on SOFR (Secured Overnight Financing Rate), (ii) extend the maturity date by one year to November 1, 2027, and (iii) increase the revolving commitments by \$1.0 billion to an aggregate principal amount of \$6.0 billion. The other terms of the 2021 Revolving Credit Facility remain unchanged.

*Covenants* — The credit agreement governing the 2021 Revolving Credit Facility and the indentures governing the Senior Notes and the Legacy Notes and Debentures impose various 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 October 28, 2022.

**DELL TECHNOLOGIES INC.**  
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**Aggregate Future Maturities**

The following table presents the aggregate future maturities of the Company's debt as of October 28, 2022 for the periods indicated:

	<b>Maturities by Fiscal Year</b>						<b>Total</b>
	<b>2023 (remaining three months)</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Thereafter</b>	
	(in millions)						
Senior Notes	\$ —	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,250	\$ 7,050	\$ 16,300
Legacy Notes and Debentures	—	—	—	—	—	952	952
DFS Debt	2,166	4,154	2,424	255	552	500	10,051
Other	2	157	105	20	1	2	287
Total maturities, principal amount	2,168	5,311	3,529	1,275	6,803	8,504	27,590
Associated carrying value adjustments	(5)	(5)	(9)	(8)	(51)	(183)	(261)
Total maturities, carrying value amount	<u>\$ 2,163</u>	<u>\$ 5,306</u>	<u>\$ 3,520</u>	<u>\$ 1,267</u>	<u>\$ 6,752</u>	<u>\$ 8,321</u>	<u>\$ 27,329</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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 and nine months ended October 28, 2022 and October 29, 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 DFS operations 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:

	<b>October 28, 2022</b>	<b>January 28, 2022</b>
	(in millions)	
<i>Foreign exchange contracts:</i>		
Designated as cash flow hedging instruments	\$ 8,987	\$ 7,879
Non-designated as hedging instruments	5,967	8,713
Total	\$ 14,954	\$ 16,592
<i>Interest rate contracts:</i>		
Non-designated as hedging instruments	\$ 6,214	\$ 6,715

The following tables present 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:

<b>Derivatives in Cash Flow Hedging Relationships</b>	<b>Gain (Loss) Recognized in Accumulated OCI, Net of Tax, on Derivatives</b>	<b>Location of Gain (Loss) Reclassified from Accumulated OCI into Income</b>	<b>Gain (Loss) Reclassified from Accumulated OCI into Income</b>
	(in millions)		(in millions)
<i>For the three months ended October 28, 2022:</i>			
		Total net revenue	\$ 324
Foreign exchange contracts	\$ 306	Total cost of net revenue	—
Interest rate contracts	—	Interest and other, net	—
Total	\$ 306		\$ 324
<i>For the three months ended October 29, 2021:</i>			
		Total net revenue	\$ 65
Foreign exchange contracts	\$ 86	Total cost of net revenue	8
Interest rate contracts	—	Interest and other, net	—
Total	\$ 86	Income from discontinued operations	\$ 1
		Total	\$ 74

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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<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 nine months ended October 28, 2022:</i>			
		Total net revenue	\$ 754
Foreign exchange contracts	\$ 844	Total cost of net revenue	(28)
Interest rate contracts	—	Interest and other, net	—
<b>Total</b>	<b>\$ 844</b>	<b>Total</b>	<b>\$ 726</b>
<i>For the nine months ended October 29, 2021:</i>			
		Total net revenue	\$ 28
Foreign exchange contracts	\$ 150	Total cost of net revenue	3
Interest rate contracts	—	Interest and other, net	—
<b>Total</b>	<b>\$ 150</b>	Income from discontinued operations	<b>\$ 3</b>
		<b>Total</b>	<b>\$ 34</b>

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>Nine Months Ended</u>		<u>Location of Gain (Loss) Recognized</u>
	<u>October 28, 2022</u>	<u>October 29, 2021</u>	<u>October 28, 2022</u>	<u>October 29, 2021</u>	
	(in millions)				
Foreign exchange contracts	\$ 71	\$ (97)	\$ (234)	\$ (269)	Interest and other, net
Interest rate contracts	46	4	64	1	Interest and other, net
Foreign exchange contracts	—	12	—	27	Income from discontinued operations
<b>Total</b>	<b>\$ 117</b>	<b>\$ (81)</b>	<b>\$ (170)</b>	<b>\$ (241)</b>	

**DELL TECHNOLOGIES INC.**  
**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 of the dates indicated:

	<b>October 28, 2022</b>				
	<b>Other Current Assets</b>	<b>Other Non- Current Assets</b>	<b>Other Current Liabilities</b>	<b>Other Non- Current Liabilities</b>	<b>Total Fair Value</b>
	(in millions)				
<i>Derivatives designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	\$ 241	\$ —	\$ 20	\$ —	\$ 261
Foreign exchange contracts in a liability position	(34)	—	(4)	—	(38)
Net asset	207	—	16	—	223
<i>Derivatives not designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	816	—	58	—	874
Foreign exchange contracts in a liability position	(465)	—	(121)	(3)	(589)
Interest rate contracts in an asset position	8	164	—	—	172
Interest rate contracts in a liability position	—	—	(1)	(96)	(97)
Net asset (liability)	359	164	(64)	(99)	360
Total derivatives at fair value	<u>\$ 566</u>	<u>\$ 164</u>	<u>\$ (48)</u>	<u>\$ (99)</u>	<u>\$ 583</u>

	<b>January 28, 2022</b>				
	<b>Other Current Assets</b>	<b>Other Non- Current Assets</b>	<b>Other Current Liabilities</b>	<b>Other Non- Current Liabilities</b>	<b>Total Fair Value</b>
	(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>

**DELL TECHNOLOGIES INC.**  
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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:

<b>October 28, 2022</b>						
<b>Gross Amounts of Recognized Assets/ (Liabilities)</b>	<b>Gross Amounts Offset in the Statement of Financial Position</b>	<b>Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position</b>	<b>Gross Amounts not Offset in the Statement of Financial Position</b>		<b>Net Amount of Assets/ (Liabilities) Recognized in the Statement of Financial Position</b>	
			<b>Financial Instruments</b>	<b>Cash Collateral Received or Pledged</b>		
(in millions)						
<i>Derivative instruments:</i>						
Financial assets	\$ 1,307	\$ (577)	\$ 730	\$ —	\$ —	\$ 730
Financial liabilities	(724)	577	(147)	—	35	(112)
Total derivative instruments	\$ 583	\$ —	\$ 583	\$ —	\$ 35	\$ 618

<b>January 28, 2022</b>						
<b>Gross Amounts of Recognized Assets/ (Liabilities)</b>	<b>Gross Amounts Offset in the Statement of Financial Position</b>	<b>Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position</b>	<b>Gross Amounts not Offset in the Statement of Financial Position</b>		<b>Net Amount of Assets/ (Liabilities) Recognized in the Statement of Financial Position</b>	
			<b>Financial Instruments</b>	<b>Cash Collateral Received or Pledged</b>		
(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

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

	<b>Infrastructure Solutions Group</b>	<b>Client Solutions Group</b>	<b>Other Businesses</b>	<b>Total</b>
	(in millions)			
<i>Balances as of January 28, 2022</i>	\$ 15,106	\$ 4,237	\$ 427	\$ 19,770
Impact of foreign currency translation and other	(398)	(5)	(1)	(404)
<i>Balances as of October 28, 2022</i>	<u>\$ 14,708</u>	<u>\$ 4,232</u>	<u>\$ 426</u>	<u>\$ 19,366</u>

**Intangible Assets**

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

	<b>October 28, 2022</b>			<b>January 28, 2022</b>		
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	(in millions)					
Customer relationships	\$ 16,957	\$ (14,340)	\$ 2,617	\$ 16,956	\$ (13,938)	\$ 3,018
Developed technology	9,631	(8,708)	923	9,635	(8,405)	1,230
Trade names	885	(782)	103	885	(757)	128
Definite-lived intangible assets	27,473	(23,830)	3,643	27,476	(23,100)	4,376
Indefinite-lived trade names	3,085	—	3,085	3,085	—	3,085
Total intangible assets	<u>\$ 30,558</u>	<u>\$ (23,830)</u>	<u>\$ 6,728</u>	<u>\$ 30,561</u>	<u>\$ (23,100)</u>	<u>\$ 7,461</u>

Amortization expense related to definite-lived intangible assets was \$0.2 billion and \$0.4 billion for the three months ended October 28, 2022 and October 29, 2021, respectively, and \$0.7 billion and \$1.3 billion for the nine months ended October 28, 2022 and October 29, 2021, respectively. There were no material impairment charges related to intangible assets during the three or nine months ended October 28, 2022 and October 29, 2021.

**DELL TECHNOLOGIES INC.**  
**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:

	<b>October 28, 2022</b>
	(in millions)
Fiscal 2023 (remaining three months)	\$ 244
Fiscal 2024	776
Fiscal 2025	607
Fiscal 2026	474
Fiscal 2027	361
Thereafter	1,181
Total	<u>\$ 3,643</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 during the three months ended October 28, 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. 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. These methodologies require 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 three months ended October 28, 2022, the fair values of each of the reporting units exceeded their carrying values. No impairment test was performed during the nine months ended October 28, 2022 other than the Company's annual impairment review.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
<i>Deferred revenue:</i>				
Deferred revenue at beginning of period	\$ 28,025	\$ 26,668	\$ 27,573	\$ 25,592
Revenue deferrals	4,128	4,459	14,675	15,048
Revenue recognized	(5,064)	(4,786)	(14,994)	(14,155)
Other (a)	—	—	(165)	(144)
Deferred revenue at end of period	<u>\$ 27,089</u>	<u>\$ 26,341</u>	<u>\$ 27,089</u>	<u>\$ 26,341</u>
Short-term deferred revenue	\$ 14,106	\$ 13,426	\$ 14,106	\$ 13,426
Long-term deferred revenue	\$ 12,983	\$ 12,915	\$ 12,983	\$ 12,915

(a) For the nine months ended October 28, 2022, Other represents the reclassification of deferred revenue to accrued and other liabilities. For the nine months ended October 29, 2021, Other consists of divested deferred revenue from the sale of Boomi.

*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 October 28, 2022 was approximately \$39 billion. The Company expects to recognize approximately 60% 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.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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 October 28, 2022, such purchase obligations were \$2.7 billion, \$0.6 billion, and \$0.8 billion for the remaining three 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 incurrence of a 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. Trial was 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 the defendants that contain indemnification

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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. As described in Note 19 of the Notes to the Condensed Consolidated Financial Statements, the plaintiffs and the defendants agreed to settle this action, subject to court approval, subsequent to October 28, 2022.

*Class Actions Related to VMware, Inc.'s Acquisition of Pivotal Software, Inc.* — Two purported stockholders brought putative class action complaints arising out of VMware, Inc.'s acquisition of Pivotal Software, Inc. ("Pivotal") 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 reached a settlement on June 2, 2022, subject to court approval. On October 4, 2022, the court entered a final order and judgment approving 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 October 28, 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.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**NOTE 12 — INCOME AND OTHER TAXES**

For the three months ended October 28, 2022, the Company's effective income tax rate was 46.9% on pre-tax income of \$0.5 billion compared to 19.0% on pre-tax income of \$4.5 billion for the three months ended October 29, 2021. For the nine months ended October 28, 2022, the Company's effective income tax rate was 21.1% on pre-tax income of \$2.3 billion compared to 16.7% on pre-tax income of \$6.0 billion for the nine months ended October 29, 2021. For both the three and nine months ended October 28, 2022, the changes in the Company's effective tax rates were primarily attributable to changes in discrete tax items. The Company's effective tax rate for both the three and nine months ended October 28, 2022 includes the impact of a \$1.0 billion expense recognized in connection with an agreement to settle the Class V transaction litigation described in Note 11 and Note 19 of the Notes to the Condensed Consolidated Financial Statements. Other changes to the Company's effective income tax rates were primarily driven by a change in the 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 is attributable 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 Company's effective income tax rate for the remaining quarter 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 October 28, 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. Unrecognized tax benefits were \$1.2 billion as of both October 28, 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.

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

	<b>Foreign Currency Translation Adjustments</b>	<b>Cash Flow Hedges</b>	<b>Pension and Other Postretirement Plans</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
	(in millions)			
<i>Balances as of January 28, 2022</i>	\$ (526)	\$ 129	\$ (34)	\$ (431)
Other comprehensive income (loss) before reclassifications	(620)	844	11	235
Amounts reclassified from accumulated other comprehensive income (loss)	—	(726)	1	(725)
Total change for the period	(620)	118	12	(490)
Less: Change in comprehensive (loss) attributable to non-controlling interests	(1)	—	—	(1)
<i>Balances as of October 28, 2022</i>	<u>\$ (1,145)</u>	<u>\$ 247</u>	<u>\$ (22)</u>	<u>\$ (920)</u>

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.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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The following table presents reclassifications out of accumulated other comprehensive income (loss), net of tax, to net income for the periods indicated:

	<b>Three Months Ended</b>					
	<b>October 28, 2022</b>			<b>October 29, 2021</b>		
	<b>Cash Flow Hedges</b>	<b>Pensions</b>	<b>Total</b>	<b>Cash Flow Hedges</b>	<b>Pensions</b>	<b>Total</b>
	(in millions)					
<i>Total reclassifications, net of tax:</i>						
Net revenue	\$ 324	\$ —	\$ 324	\$ 65	\$ —	\$ 65
Cost of net revenue	—	—	—	8	—	8
Operating expenses	—	(1)	(1)	—	(1)	(1)
Income from discontinued operations	—	—	—	1	—	1
<b>Total reclassifications, net of tax</b>	<b>\$ 324</b>	<b>\$ (1)</b>	<b>\$ 323</b>	<b>\$ 74</b>	<b>\$ (1)</b>	<b>\$ 73</b>

	<b>Nine Months Ended</b>					
	<b>October 28, 2022</b>			<b>October 29, 2021</b>		
	<b>Cash Flow Hedges</b>	<b>Pensions</b>	<b>Total</b>	<b>Cash Flow Hedges</b>	<b>Pensions</b>	<b>Total</b>
	(in millions)					
<i>Total reclassifications, net of tax:</i>						
Net revenue	\$ 754	\$ —	\$ 754	\$ 28	\$ —	\$ 28
Cost of net revenue	(28)	—	(28)	3	—	3
Operating expenses	—	(1)	(1)	—	(3)	(3)
Income from discontinued operations	—	—	—	3	—	3
<b>Total reclassifications, net of tax</b>	<b>\$ 726</b>	<b>\$ (1)</b>	<b>\$ 725</b>	<b>\$ 34</b>	<b>\$ (3)</b>	<b>\$ 31</b>

**DELL TECHNOLOGIES INC.**  
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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:

	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
		(in millions)	
<i>Common stock as of October 28, 2022</i>			
Class A	600	379	379
Class B	200	95	95
Class C	7,900	323	244
Class D	100	—	—
	<u>8,800</u>	<u>797</u>	<u>718</u>
<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	—	—
	<u>9,143</u>	<u>777</u>	<u>757</u>

On June 29, 2022, the authorized capital stock provisions of the Company's certificate of incorporation were amended to eliminate the Class V Common Stock as the fifth authorized series of Dell Technologies common stock. In connection with the elimination of authorized Class V Common Stock, the Company's certificate of incorporation also was amended to decrease by 343 million shares the total number of shares of common stock which Dell Technologies is authorized to issue.

**Preferred Stock**

The Company is authorized to issue one million shares of preferred stock, par value \$0.01 per share. As of October 28, 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 series 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 nine months ended October 28, 2022, there were no conversions of shares of Class A Common Stock or Class B Common Stock into shares of Class C Common Stock.

**DELL TECHNOLOGIES INC.**  
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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 the outstanding Dell Technologies Common Stock at an initial rate of \$0.33 per share per fiscal quarter.

The Company paid the following dividends during the nine months ended October 28, 2022:

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend per Share</b>	<b>Amount (in millions)</b>
February 24, 2022	April 20, 2022	April 29, 2022	\$ 0.33	\$ 248
June 7, 2022	July 20, 2022	July 29, 2022	\$ 0.33	\$ 242
September 6, 2022	October 19, 2022	October 28, 2022	\$ 0.33	\$ 238

**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 under which the Company is authorized to repurchase up to \$5 billion of shares of the Company's Class C Common Stock with no fixed expiration date. During the nine months ended October 28, 2022, the Company repurchased approximately 59 million shares of Class C Common Stock for a total purchase price of approximately \$2.7 billion.

The above repurchases of Class C Common Stock exclude shares withheld from stock awards to settle employee tax withholding obligations related to the vesting of such awards.

The Company did not repurchase any shares of Class C Common Stock during the nine months ended October 29, 2021 under the previous stock repurchase program.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
<i>Earnings per share attributable to Dell Technologies Inc. — basic</i>				
Continuing operations	\$ 0.34	\$ 4.81	\$ 2.47	\$ 6.53
Discontinued operations	\$ —	\$ 0.21	\$ —	\$ 0.77
<i>Earnings per share attributable to Dell Technologies Inc. — diluted</i>				
Continuing operations	\$ 0.33	\$ 4.68	\$ 2.41	\$ 6.34
Discontinued operations	\$ —	\$ 0.19	\$ —	\$ 0.74

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
(in millions)				
<i>Numerator: Continuing operations</i>				
Net income attributable to Dell Technologies Inc. from continuing operations - basic and diluted	\$ 245	\$ 3,685	\$ 1,828	\$ 4,976
<i>Numerator: Discontinued operations</i>				
Income from discontinued operations, net of income taxes - basic	\$ —	\$ 158	\$ —	\$ 585
Incremental dilution from VMware, Inc. (a)	—	(2)	—	(7)
Income from discontinued operations, net of income taxes, attributable to Dell Technologies Inc. - diluted	\$ —	\$ 156	\$ —	\$ 578
<i>Denominator: Dell Technologies Common Stock weighted-average shares outstanding</i>				
Weighted-average shares outstanding — basic	728	766	740	762
Dilutive effect of options, restricted stock units, restricted stock, and other	15	22	19	23
Weighted-average shares outstanding — diluted	743	788	759	785
Weighted-average shares outstanding — antidilutive	18	—	11	—

(a) The incremental dilution from VMware, Inc. 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 before the VMware Spin-off.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**NOTE 16 — RELATED PARTY TRANSACTIONS**

VMware is considered to be a related party of the Company as a result of Michael Dell's ownership interests 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. 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 and nine months ended October 28, 2022 and October 29, 2021, costs incurred associated with products and services purchased from VMware for internal use were immaterial.
- Dell Technologies sells and leases products and sells services to VMware. For the three and nine months ended October 28, 2022 and October 29, 2021, revenue recognized from sales of services to VMware 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 and are reflected within sales and leases of products to VMware in the table below.
- Dell Technologies and VMware also enter into joint marketing, sales, and branding arrangements, for which both parties may incur costs. For the three and nine months ended October 28, 2022 and October 29, 2021, consideration received from VMware for joint marketing, sales, and branding arrangements was immaterial.
- 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 and nine months ended October 28, 2022 and October 29, 2021, collaborative technology projects 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 and nine months ended October 28, 2022.
- Prior to the completion of the VMware Spin-off, Dell Technologies provided support services and support from Dell Technologies personnel to VMware in certain geographic regions where VMware did not have an established legal entity. These employees were managed by VMware but Dell Technologies incurred the costs for these such services. The costs incurred by Dell Technologies on VMware's behalf to these employees were charged to VMware. For the three and nine months ended October 29, 2021, costs associated with such seconded employees were immaterial. Remaining activity related to seconded employees occurring after the completion of the VMware Spin-off is governed by the transition services agreement discussed above.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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		Nine Months Ended	
		October 28, 2022	October 29, 2021	October 28, 2022	October 29, 2021
(in millions)					
Sales and leases of products to VMware	Net revenue - products	\$ 49	\$ 56	\$ 130	\$ 134
Purchase of VMware products for resale	Cost of net revenue - products	\$ 281	\$ 355	\$ 962	\$ 1,061
Purchase of VMware services for resale	Cost of net revenue - services	\$ 733	\$ 636	\$ 2,204	\$ 1,830

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

	Classification	October 28, 2022	January 28, 2022
(in millions)			
Deferred costs related to VMware products and services for resale	Other current assets	\$ 2,560	\$ 2,571
Deferred costs related to VMware products and services for resale	Other non-current assets	\$ 1,984	\$ 2,311

#### Due To/From Related Party

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

	October 28, 2022	January 28, 2022
(in millions)		
Due from related party, net, current (a)	\$ 203	\$ 131
Due from related party, net, non-current (b)	\$ 612	\$ 710
Due to related party, current (c)	\$ 712	\$ 1,414

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

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

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

#### 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.

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

Net receipts from VMware pursuant to the Tax Agreements were immaterial during the three and nine months ended October 28, 2022 and October 29, 2021, and primarily relate to VMware's portion of the Transition Tax, federal income taxes on Dell Technologies' consolidated tax return, and state tax payments for combined states.

As a result of the activity under the Tax Agreements with VMware, amounts due from VMware were \$569 million and \$621 million as of October 28, 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 three 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 October 28, 2022 and January 28, 2022 was \$157 million and \$144 million, respectively.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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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, docking stations, and other electronics), as well as third-party software and peripherals. CSG also includes services offerings, 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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
<i>Consolidated net revenue:</i>				
Infrastructure Solutions Group	\$ 9,630	\$ 8,564	\$ 28,451	\$ 25,147
Client Solutions Group	13,775	16,556	44,852	44,135
Reportable segment net revenue	23,405	25,120	73,303	69,282
Other businesses (a)	1,313	1,310	3,951	3,940
Unallocated transactions (b)	3	2	8	7
Impact of purchase accounting (c)	—	(8)	—	(24)
Total consolidated net revenue	<u>\$ 24,721</u>	<u>\$ 26,424</u>	<u>\$ 77,262</u>	<u>\$ 73,205</u>
<i>Consolidated operating income:</i>				
Infrastructure Solutions Group	\$ 1,374	\$ 894	\$ 3,502	\$ 2,634
Client Solutions Group	1,060	1,142	3,153	3,208
Reportable segment operating income	2,434	2,036	6,655	5,842
Other businesses (a)	(57)	(81)	(192)	(248)
Unallocated transactions (b)	3	1	4	—
Impact of purchase accounting (c)	(21)	(12)	(33)	(47)
Amortization of intangibles	(245)	(431)	(732)	(1,318)
Transaction-related expenses (d)	(8)	(229)	(16)	(295)
Stock-based compensation expense (e)	(235)	(214)	(703)	(592)
Other corporate expenses (f)	(109)	(24)	(401)	(292)
Total consolidated operating income	<u>\$ 1,762</u>	<u>\$ 1,046</u>	<u>\$ 4,582</u>	<u>\$ 3,050</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. During the nine months ended October 28, 2022, other corporate expenses includes impairment and other costs incurred in connection with exiting the Company's business in Russia.

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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The following table presents the disaggregation of net revenue by reportable segment, and by major product categories within the segments for the periods indicated:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 28, 2022</u>	<u>October 29, 2021</u>	<u>October 28, 2022</u>	<u>October 29, 2021</u>
	(in millions)			
<i>Net revenue:</i>				
<i>Infrastructure Solutions Group:</i>				
Servers and networking	\$ 5,201	\$ 4,561	\$ 15,458	\$ 13,181
Storage	4,429	4,003	12,993	11,966
Total ISG net revenue	<u>\$ 9,630</u>	<u>\$ 8,564</u>	<u>\$ 28,451</u>	<u>\$ 25,147</u>
<i>Client Solutions Group:</i>				
Commercial	\$ 10,747	\$ 12,300	\$ 34,859	\$ 32,685
Consumer	3,028	4,256	9,993	11,450
Total CSG net revenue	<u>\$ 13,775</u>	<u>\$ 16,556</u>	<u>\$ 44,852</u>	<u>\$ 44,135</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**NOTE 18 — SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION**

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

	<u>October 28, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
<i>Cash, cash equivalents, and restricted cash:</i>		
Cash and cash equivalents	\$ 4,909	\$ 9,477
Restricted cash - other current assets (a)	300	534
Restricted cash - other non-current assets (a)	15	71
Total cash, cash equivalents, and restricted cash	<u>\$ 5,224</u>	<u>\$ 10,082</u>
<i>Inventories, net:</i>		
Production materials	\$ 4,119	\$ 3,653
Work-in-process	954	855
Finished goods	1,099	1,390
Total inventories, net	<u>\$ 6,172</u>	<u>\$ 5,898</u>
<i>Deferred Costs:</i>		
Total deferred costs, current (b)	\$ 5,000	\$ 4,996
<i>Property, plant, and equipment, net:</i>		
Computer equipment	\$ 7,569	\$ 6,497
Land and buildings	3,020	3,095
Machinery and other equipment	3,086	2,714
Total property, plant, and equipment	13,675	12,306
Accumulated depreciation and amortization	(7,828)	(6,891)
Total property, plant, and equipment, net	<u>\$ 5,847</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:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 28, 2022</u>	<u>October 29, 2021</u>	<u>October 28, 2022</u>	<u>October 29, 2021</u>
	(in millions)			
<i>Warranty liability:</i>				
Warranty liability at beginning of period	\$ 463	\$ 471	\$ 480	\$ 473
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties (a)	243	281	710	724
Service obligations honored	(241)	(248)	(725)	(693)
Warranty liability at end of period	<u>\$ 465</u>	<u>\$ 504</u>	<u>\$ 465</u>	<u>\$ 504</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.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**Interest and other, net**

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)			
<i>Interest and other, net:</i>				
Investment income, primarily interest	\$ 21	\$ 10	\$ 52	\$ 30
Gain (loss) on investments, net	44	18	(197)	377
Interest expense	(272)	(406)	(835)	(1,255)
Foreign exchange	(72)	(33)	(227)	(152)
Gain on disposition of businesses and assets	—	3,968	—	3,968
Legal settlement	(1,000)	—	(1,000)	—
Other	(29)	(56)	(73)	(47)
<b>Total interest and other, net</b>	<b>\$ (1,308)</b>	<b>\$ 3,501</b>	<b>\$ (2,280)</b>	<b>\$ 2,921</b>

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

**NOTE 19 — SUBSEQUENT EVENTS**

**Settlement of Class Action Litigation Related to the Class V Transaction**

Subsequent to October 28, 2022, the plaintiffs and the defendants in the class action litigation related to the Class V transaction described in Note 11 of the Notes to the Condensed Consolidated Financial Statements agreed to settle the action (the “settlement”), subject to approval of the settlement by the Delaware Chancery Court.

Under the terms of the settlement, the plaintiffs have agreed to dismissal of all claims upon payment of a total of \$1.0 billion (the “settlement amount”), which amount will include all costs, expenses and fees of the plaintiff class relating to the action and its resolution. The settlement terms provide that it is a condition of the settlement that the settlement amount will be paid by the Company and/or the Company’s insurers on behalf of the defendants pursuant to indemnification obligations of the Company to the defendants.

The settlement is further conditioned on the execution of a definitive settlement agreement containing the foregoing terms and customary terms for class action settlements, and final approval of the settlement by the court.

If the court does not grant final approval of the settlement and all of its material terms, or the settlement does not otherwise become final or effective, proceedings in the action will continue.

The settlement agreement provided additional information surrounding conditions that existed as of October 28, 2022 and, as such, was treated as a recognized subsequent event. 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. Accordingly, the Company established a \$1.0 billion liability on the Condensed Consolidated Statements of Financial Position as of October 28, 2022 and recognized \$1.0 billion expense within interest and other, net within the Condensed Consolidated Statements of Income for the three months ended October 28, 2022.

Other than the matter identified above, there were no known events occurring after October 28, 2022 and up until the date of 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. (individually and together with its consolidated subsidiaries, “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 and nine months ended October 29, 2021. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations for the three and nine months ended October 29, 2021.*

*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 will include 53 weeks and Fiscal 2022 included 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 portfolios 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. 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 Dell APEX 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 durable competitive advantages 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 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, machine learning, artificial intelligence, and data analytics 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, docking stations, and other electronics), as well as third-party software and peripherals. CSG also includes services offerings, including support and deployment, configuration, and extended warranty services. 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, our 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.

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, consist 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 discussed below 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 the 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. We further strengthen customer relationships through flexible consumption models, including utility, subscription, and as-a-Service models, which enable us to offer our customers the option to pay over time to provide them with financial flexibility to meet their changing technological requirements. We have historically seen an increasing interest in our various financing options during times of macroeconomic uncertainty. The results of these operations are allocated to our segments based on the underlying product or service financed and may be impacted by, among other items, changes in the interest rate environment and the translation of those changes to pricing. 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 and nine months ended October 29, 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 included in this report 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

The Company is considered to be a related party of VMware as a result of Michael Dell’s ownership interests 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, Inc. 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 have commercial value, which could result in a loss of a substantial part of our investment in the companies.

During the first nine months of Fiscal 2023, we recognized a net loss of \$197 million on our strategic investments, which was generally in line with overall public equity market declines. As of October 28, 2022 and January 28, 2022, we held strategic investments in non-marketable securities of \$1.3 billion and \$1.4 billion, respectively. See Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information.

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**

Macroeconomic conditions continue to evolve globally and to affect the demand for our offerings. During the third quarter of Fiscal 2023, we experienced a decline in the demand for our CSG offerings, which continued to decrease in line with industry-wide declines. During the quarter, demand for our ISG offerings also declined, most notably for our server product offerings, as a result of customer uncertainty in response to the macroeconomic environment. We anticipate that challenges in the demand environment will impact ISG net revenue growth for the remainder of Fiscal 2023. Within CSG, we expect that demand for our offerings will result in a decrease in CSG net revenue for the remainder of Fiscal 2023.

We will continue to actively monitor global events and make prudent decisions to navigate this environment. We believe our durable competitive advantages continue to position us for long-term success.

**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 nine months of Fiscal 2023, we continued to be affected by industry-wide constraints in the supply of limited-source components in certain product offerings, principally within ISG. These constraints began to diminish during the third quarter of Fiscal 2023, primarily as a result of declines in overall demand environment as well as improving supply positions. We anticipate the supply of such components will continue to normalize through the remainder of Fiscal 2023 and as we enter Fiscal 2024.

Supply chain dynamics also continue to impact logistics and component costs, which we refer to as input costs. Logistics costs remained elevated for the first nine months of Fiscal 2023 as a result of both expedited shipments and overall rate costs in the freight network. During the third quarter of Fiscal 2023, logistics costs began to decline as rate costs decreased and we reduced our use of expedited shipments. We expect that our logistics costs will continue to decline for the remainder of Fiscal 2023.

Component costs were deflationary during the third quarter and first nine months of Fiscal 2023, a trend we expect to continue for the remainder of Fiscal 2023. We expect that industry-wide price increases of certain processors will affect our cost of net revenue beginning in Fiscal 2024. We anticipate that costs of our other key commodities will remain deflationary as we enter Fiscal 2024. 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.

In response to these pressures, we continue to take steps to actively address our customers' demands while balancing profitability and growth.

**Product Backlog** — Product backlog represents the value of unfulfilled manufacturing orders and is included as a component of remaining performance obligations to the extent we determine that the manufacturing orders are non-cancelable. Our business model generally gives us the ability to optimize product backlog at any point in time, such as by expediting shipping or prioritizing customer orders for products that have shorter lead times. We exited Fiscal 2022 with elevated backlog levels as a result of industry-wide constraints in the supply of limited-source components. During the first nine months of Fiscal 2023, we lowered our backlog levels across both CSG and ISG as supply positions improved and demand declined.

**Foreign Currency Exposure** — 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 third quarter and first nine months of Fiscal 2023 and Fiscal 2022. As a result, our operating results can be, and particularly in recent periods have been, 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.

**Ukraine War** — We are monitoring and responding to effects of the ongoing war in Ukraine. When Russia invaded Ukraine, we made the decision to not sell, service, or support products in Russia, Belarus, and restricted regions of Ukraine. Operations in Russia and Ukraine accounted for less than 1% of net revenue in Fiscal 2022. During the first nine months of Fiscal 2023, we recognized \$181 million in costs associated with exiting our business in Russia, primarily related to asset impairments and other exit related costs. We have resumed product sales to non-sanctioned areas in Ukraine. We are focused on providing products and support to Ukrainian customers as they rebuild infrastructure and restore businesses and the financial sector.

The war and the related economic sanctions are impacting markets worldwide. Our business may be adversely affected by potential effects of the war and such sanctions, including 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 war on our business operations and financial performance will depend on future developments. We will continue to monitor 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 coronavirus, as well as the impact the pandemic has on our employees, customers, business partners, and communities. As discussed above, we continue to manage through the impacts of the COVID-19 pandemic on our supply chain. The ongoing impact of the COVID-19 pandemic on our business operations and financial performance remains uncertain and will depend on future developments. 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.”

*Inflation Reduction Act* — During the third quarter of Fiscal 2023, the Inflation Reduction Act of 2022 (the “2022 Act”) was enacted into law. The statute includes a 15% corporate alternative minimum tax on adjusted financial statement income which is effective for the fiscal year ended February 2, 2024. The new law also imposes a 1% excise tax on share repurchases, which will be effective for repurchases made after December 31, 2022. We do not expect the 2022 Act to have a material impact on our consolidated financial statements or on our capital allocation decisions. We will continue to evaluate the impact of the law as further information becomes available.

*Other 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.

*ISG* — We expect that ISG will continue to be impacted by the changing nature of the IT infrastructure market and competitive environment. With our scale and strong solutions portfolio, we believe we are well-positioned to respond to ongoing competitive dynamics. Within our server and networking offerings, 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.

We expect that growth throughout industries will continue to generate long-term 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. We are focused on commercial and high-end consumer computing devices as we believe they are the most stable and profitable segments of the PC market. Competitive dynamics continue to be a factor in our CSG business and to impact pricing and operating results. We remain committed to our long-term strategy for CSG and 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. We expect that the CSG demand environment will continue to be subject to seasonal trends.

***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, loans, and immediate pay models designed to match customers' consumption and financing preferences. We believe these options are particularly advantageous for our customers during times of economic uncertainty as they provide customers with financial flexibility to further enable them to procure our solutions.

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 Dell 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 that is primarily related to hardware and software maintenance as well as subscription, as-a-Service, usage-based offerings, and operating leases.

### **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, services net revenue, and net revenue no longer differ from the most comparable GAAP financial measures. Such non-GAAP financial measures are provided below for all periods presented to show 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 continue to amortize over the estimated useful lives in the periods following the transactions. The fair value adjustments that are still amortizing 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. During the third quarter of Fiscal 2022, we recognized a pre-tax gain of \$4.0 billion on the sale of Boomi. 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. During the third quarter of Fiscal 2023, we recognized \$1.0 billion of expense within interest and other, net, in connection with an agreement to settle the Class V transaction litigation. See Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report for information about this matter. Further, during the first nine months of Fiscal 2023, we recognized \$181 million in costs associated with exiting our business in Russia, primarily related to asset impairments and other exit related 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 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			Nine Months Ended		
	October 28, 2022	% Change	October 29, 2021	October 28, 2022	% Change	October 29, 2021
	(in millions, except percentages)					
Product net revenue	\$ 18,938	(10)%	\$ 20,979	\$ 60,212	5 %	\$ 57,361
Non-GAAP adjustments:						
Impact of purchase accounting	—		—	—		—
Non-GAAP product net revenue	\$ 18,938	(10)%	\$ 20,979	\$ 60,212	5 %	\$ 57,361
Services net revenue	\$ 5,783	6 %	\$ 5,445	\$ 17,050	8 %	\$ 15,844
Non-GAAP adjustments:						
Impact of purchase accounting	—		8	—		24
Non-GAAP services net revenue	\$ 5,783	6 %	\$ 5,453	\$ 17,050	7 %	\$ 15,868
Net revenue	\$ 24,721	(6)%	\$ 26,424	\$ 77,262	6 %	\$ 73,205
Non-GAAP adjustments:						
Impact of purchase accounting	—		8	—		24
Non-GAAP net revenue	\$ 24,721	(6)%	\$ 26,432	\$ 77,262	6 %	\$ 73,229
Product gross margin	\$ 3,337	6 %	\$ 3,146	\$ 9,931	6 %	\$ 9,402
Non-GAAP adjustments:						
Amortization of intangibles	106		148	315		448
Impact of purchase accounting	—		1	2		3
Stock-based compensation expense	12		14	38		34
Other corporate expenses	(2)		1	14		5
Non-GAAP product gross margin	\$ 3,453	4 %	\$ 3,310	\$ 10,300	4 %	\$ 9,892
Services gross margin	\$ 2,370	(1)%	\$ 2,388	\$ 6,999	2 %	\$ 6,871
Non-GAAP adjustments:						
Impact of purchase accounting	—		8	—		24
Stock-based compensation expense	25		22	74		62
Other corporate expenses	17		1	83		17
Non-GAAP services gross margin	\$ 2,412	— %	\$ 2,419	\$ 7,156	3 %	\$ 6,974

	Three Months Ended			Nine Months Ended		
	October 28, 2022	% Change	October 29, 2021	October 28, 2022	% Change	October 29, 2021
	(in millions, except percentages)					
Gross margin	\$ 5,707	3 %	\$ 5,534	\$ 16,930	4 %	\$ 16,273
Non-GAAP adjustments:						
Amortization of intangibles	106		148	315		448
Impact of purchase accounting	—		9	2		27
Stock-based compensation expense	37		36	112		96
Other corporate expenses	15		2	97		22
Non-GAAP gross margin	<u>\$ 5,865</u>	2 %	<u>\$ 5,729</u>	<u>\$ 17,456</u>	3 %	<u>\$ 16,866</u>
Operating expenses	\$ 3,945	(12)%	\$ 4,488	\$ 12,348	(7)%	\$ 13,223
Non-GAAP adjustments:						
Amortization of intangibles	(139)		(283)	(417)		(870)
Impact of purchase accounting	(21)		(3)	(31)		(20)
Transaction-related expenses	(8)		(229)	(16)		(295)
Stock-based compensation expense	(198)		(178)	(591)		(496)
Other corporate expenses	(94)		(22)	(304)		(270)
Non-GAAP operating expenses	<u>\$ 3,485</u>	(8)%	<u>\$ 3,773</u>	<u>\$ 10,989</u>	(3)%	<u>\$ 11,272</u>
Operating income	\$ 1,762	68 %	\$ 1,046	\$ 4,582	50 %	\$ 3,050
Non-GAAP adjustments:						
Amortization of intangibles	245		431	732		1,318
Impact of purchase accounting	21		12	33		47
Transaction-related expenses	8		229	16		295
Stock-based compensation expense	235		214	703		592
Other corporate expenses	109		24	401		292
Non-GAAP operating income	<u>\$ 2,380</u>	22 %	<u>\$ 1,956</u>	<u>\$ 6,467</u>	16 %	<u>\$ 5,594</u>
Net income from continuing operations	\$ 241	(93)%	\$ 3,683	\$ 1,816	(63)%	\$ 4,971
Non-GAAP adjustments:						
Amortization of intangibles	245		431	732		1,318
Impact of purchase accounting	21		12	33		47
Transaction-related (income) expenses	4		(3,689)	(2)		(3,635)
Stock-based compensation expense	235		214	703		592
Other corporate expenses	1,112		24	1,420		292
Fair value adjustments on equity investments	(44)		(18)	197		(380)
Aggregate adjustment for income taxes	(109)		656	(494)		329
Non-GAAP net income	<u>\$ 1,705</u>	30 %	<u>\$ 1,313</u>	<u>\$ 4,405</u>	25 %	<u>\$ 3,534</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			Nine Months Ended		
	October 28, 2022	% Change	October 29, 2021	October 28, 2022	% Change	October 29, 2021
	(in millions, except percentages)					
Net income from continuing operations	\$ 241	(93)%	\$ 3,683	\$ 1,816	(63)%	\$ 4,971
Adjustments:						
Interest and other, net (a)	1,308		(3,501)	2,280		(2,921)
Income tax expense (benefit)	213		864	486		1,000
Depreciation and amortization	832		908	2,302		2,717
EBITDA	<u>\$ 2,594</u>	33 %	<u>\$ 1,954</u>	<u>\$ 6,884</u>	19 %	<u>\$ 5,767</u>
EBITDA	\$ 2,594	33 %	\$ 1,954	\$ 6,884	19 %	\$ 5,767
Adjustments:						
Stock-based compensation expense	235		214	703		592
Impact of purchase accounting (b)	—		8	—		28
Transaction-related expenses (c)	8		229	16		295
Other corporate expenses (d)	109		24	401		292
Adjusted EBITDA	<u>\$ 2,946</u>	21 %	<u>\$ 2,429</u>	<u>\$ 8,004</u>	15 %	<u>\$ 6,974</u>

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

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

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

(d) 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. During the first nine months of Fiscal 2023, other corporate expenses includes \$181 million of costs incurred in connection with exiting our business in Russia.

## 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			Three Months Ended			Nine Months Ended			Nine Months Ended		
	October 28, 2022		% Change	October 29, 2021		October 28, 2022		% Change	October 29, 2021		October 29, 2021	
	Dollars	% of Net Revenue		Dollars	% of Net Revenue	Dollars	% of Net Revenue		Dollars	% of Net Revenue	Dollars	% of Net Revenue
(in millions, except percentages)												
<b>Net revenue:</b>												
Products	\$ 18,938	76.6 %	(10)%	\$ 20,979	79.4 %	\$ 60,212	77.9 %	5 %	\$ 57,361	78.4 %		
Services	5,783	23.4 %	6 %	5,445	20.6 %	17,050	22.1 %	8 %	15,844	21.6 %		
Total net revenue	\$ 24,721	100.0 %	(6)%	\$ 26,424	100.0 %	\$ 77,262	100.0 %	6 %	\$ 73,205	100.0 %		
<b>Gross margin:</b>												
Products (a)	\$ 3,337	17.6 %	6 %	\$ 3,146	15.0 %	\$ 9,931	16.5 %	6 %	\$ 9,402	16.4 %		
Services (b)	2,370	41.0 %	(1)%	2,388	43.9 %	6,999	41.0 %	2 %	6,871	43.4 %		
Total gross margin	\$ 5,707	23.1 %	3 %	\$ 5,534	20.9 %	\$ 16,930	21.9 %	4 %	\$ 16,273	22.2 %		
Operating expenses	\$ 3,945	16.0 %	(12)%	\$ 4,488	16.9 %	\$ 12,348	16.0 %	(7)%	\$ 13,223	18.0 %		
Operating income	\$ 1,762	7.1 %	68 %	\$ 1,046	4.0 %	\$ 4,582	5.9 %	50 %	\$ 3,050	4.2 %		
Net income from continuing operations	\$ 241	1.0 %	(93)%	\$ 3,683	13.9 %	\$ 1,816	2.4 %	(63)%	\$ 4,971	6.8 %		

### Non-GAAP Financial Information

	Three Months Ended			Three Months Ended			Nine Months Ended			Nine Months Ended		
	October 28, 2022		% Change	October 29, 2021		October 28, 2022		% Change	October 29, 2021		October 29, 2021	
	Dollars	% of Non-GAAP Net Revenue		Dollars	% of Non-GAAP Net Revenue	Dollars	% of Non-GAAP Net Revenue		Dollars	% of Non-GAAP Net Revenue	Dollars	% of Non-GAAP Net Revenue
(in millions, except percentages)												
<b>Non-GAAP net revenue:</b>												
Products	\$ 18,938	76.6 %	(10)%	\$ 20,979	79.4 %	\$ 60,212	77.9 %	5 %	\$ 57,361	78.3 %		
Services	5,783	23.4 %	6 %	5,453	20.6 %	17,050	22.1 %	7 %	15,868	21.7 %		
Total non-GAAP net revenue	\$ 24,721	100.0 %	(6)%	\$ 26,432	100.0 %	\$ 77,262	100.0 %	6 %	\$ 73,229	100.0 %		
<b>Non-GAAP gross margin:</b>												
Products (a)	\$ 3,453	18.2 %	4 %	\$ 3,310	15.8 %	\$ 10,300	17.1 %	4 %	\$ 9,892	17.2 %		
Services (b)	2,412	41.7 %	— %	2,419	44.4 %	7,156	42.0 %	3 %	6,974	44.0 %		
Total non-GAAP gross margin	\$ 5,865	23.7 %	2 %	\$ 5,729	21.7 %	\$ 17,456	22.6 %	3 %	\$ 16,866	23.0 %		
Non-GAAP operating expenses	\$ 3,485	14.1 %	(8)%	\$ 3,773	14.3 %	\$ 10,989	14.2 %	(3)%	\$ 11,272	15.4 %		
Non-GAAP operating income	\$ 2,380	9.6 %	22 %	\$ 1,956	7.4 %	\$ 6,467	8.4 %	16 %	\$ 5,594	7.6 %		
Non-GAAP net income	\$ 1,705	6.9 %	30 %	\$ 1,313	5.0 %	\$ 4,405	5.7 %	25 %	\$ 3,534	4.8 %		
EBITDA	\$ 2,594	10.5 %	33 %	\$ 1,954	7.4 %	\$ 6,884	8.9 %	19 %	\$ 5,767	7.9 %		
Adjusted EBITDA	\$ 2,946	11.9 %	21 %	\$ 2,429	9.2 %	\$ 8,004	10.4 %	15 %	\$ 6,974	9.5 %		

- (a) Product gross margin and non-GAAP product gross margin percentages are calculated as a percentage of product net revenue and non-GAAP product net revenue, respectively.
- (b) Services gross margin and non-GAAP services gross margin percentages are calculated as a percentage of services net revenue and non-GAAP services net revenue, respectively.

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 third quarter of Fiscal 2023, our net revenue decreased 6%, primarily driven by a decrease in net revenue for CSG which was partially offset by growth in net revenue for ISG. CSG net revenue decreased as a result of an overall decline in the demand environment for our CSG offerings. Our net revenue during the first nine months of Fiscal 2023 increased 6%, primarily due to growth in net revenue for ISG. Growth in net revenue for ISG for the third quarter and first nine months of Fiscal 2023 was driven by strength across both servers and networking and storage.

During the third quarter and first nine months of Fiscal 2023, our operating income increased 68% to \$1.8 billion and 50% to \$4.6 billion, respectively. These increases were primarily driven by growth in operating income for ISG and the favorable impact of a decrease in amortization of intangible assets. For the third quarter of Fiscal 2023, the increase was also attributable to a decrease in transaction-related expenses primarily associated with costs incurred in connection with the VMware Spin-off during the third quarter of Fiscal 2022 that did not reoccur during Fiscal 2023. Growth in ISG operating income for the third quarter and first nine months of Fiscal 2023 was driven by both our server and networking and storage offerings. During the third quarter and first nine months of Fiscal 2023, our non-GAAP operating income increased 22% to \$2.4 billion and 16% to \$6.5 billion driven by the same ISG dynamics discussed above.

Operating income as a percentage of net revenue increased 310 basis points to 7.1% during the third quarter of Fiscal 2023 and 170 basis points to 5.9% during the first nine months of Fiscal 2023.

For the third quarter of Fiscal 2023, the increase was principally attributable to improvement in gross margin as percentage of net revenue and to a decrease in operating expenses as a percentage of net revenue. Gross margin as a percentage of net revenue increased as a result of a shift in mix towards ISG and, to a lesser extent, a decrease in cost of net revenue as a result of a decline in input costs.

For the first nine months of Fiscal 2023, the increase was principally due to a decrease in operating expenses as a percentage of net revenue, partially offset by a decline in gross margin as a percentage of net revenue. Gross margin percentage declined primarily due to the impacts of an overall increase in input costs and foreign currency exchange rate fluctuations, which were not entirely offset by pricing adjustments, as we balanced profitability with competitive positioning.

For both the third quarter and first nine months of Fiscal 2023, operating expense as a percentage of net revenue declined due to disciplined cost management, a reduction in performance-based compensation, and the favorable impacts of a decrease in both the amortization of intangible assets and transaction-related expenses incurred in connection with the VMware Spin-off in Fiscal 2022.

Non-GAAP operating income as a percentage of net revenue increased 220 basis points to 9.6% during the third quarter of Fiscal 2023 and 80 basis points to 8.4% during the first nine months of Fiscal 2023, driven by the same disciplined cost management and gross margin dynamics discussed above.

Cash provided by operating activities was \$0.9 billion and \$7.2 billion during the first nine months of Fiscal 2023 and Fiscal 2022, respectively. During the first nine months of Fiscal 2022, \$3.2 billion of the \$7.2 billion total represented cash provided by operating activities attributable to VMware, Inc. Cash provided by operating activities during the first nine months of Fiscal 2023 declined primarily as a result of unfavorable working capital dynamics as compared to the first nine months of Fiscal 2022. Working capital was primarily impacted by increased inventory balances, as we proactively managed supply chain dynamics, coupled with the timing of purchases and payments to vendors during a declining demand environment. See “Liquidity, Cash Requirements, and Market Conditions” for further information on our cash flow metrics.

We continue to see opportunities to create value and grow in response to 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 third quarter of Fiscal 2023, our net revenue decreased 6% primarily driven by a decline in net revenue for CSG that was partially offset by growth in net revenue for ISG. Our net revenue during the first nine months of Fiscal 2023 increased 6%, primarily due to growth in net revenue for 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 third quarter of Fiscal 2023, our product net revenue decreased 10%, primarily driven by a decline in CSG product net revenue, which was partially offset by growth in ISG product net revenue. CSG product net revenue decreased primarily due to a decline in units sold for both our consumer and commercial offerings. During the first nine months of Fiscal 2023, our product net revenue increased 5%, driven primarily by growth within ISG product net revenue. For both the third quarter and first nine months of Fiscal 2023, ISG product net revenue growth was driven primarily by an increase in product net revenue from our server and networking offerings and, to a lesser extent, growth in product net revenue attributable to our storage offerings.
- **Services Net Revenue** — Services net revenue includes revenue from our services offerings and support services related to hardware products and software licenses. During the third quarter and first nine months of Fiscal 2023, services net revenue increased 6% and 8%, respectively, driven principally by strength in hardware support and maintenance and third-party software support and maintenance within CSG. 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 decreased during the third quarter of Fiscal 2023, driven by declines in CSG product net revenue, which was partially offset by growth in ISG product net revenue. During the first nine months of Fiscal 2023, net revenue increased in all regions, driven primarily by growth in ISG.

## Gross Margin

During the third quarter and first nine months of Fiscal 2023, gross margin increased 3% to \$5.7 billion and 4% to \$16.9 billion, respectively, and non-GAAP gross margin increased 2% to \$5.9 billion and 3% to \$17.5 billion, respectively. These increases were driven by growth in ISG gross margin, partially offset by declines in CSG gross margin. For the first nine months of Fiscal 2023, the increase was further offset by a decline in other businesses gross margin.

During the third quarter of Fiscal 2023, our gross margin and non-GAAP gross margin percentage increased 220 basis points to 23.1% and 200 basis points to 23.7%, respectively. These increases in gross margin percentage were primarily attributable to a shift in mix towards ISG and, to a lesser extent, a decrease in cost of net revenue as a result of a decline in input costs.

During the first nine months of Fiscal 2023, gross margin and non-GAAP gross margin percentage decreased 30 basis points to 21.9% and 40 basis points to 22.6%, respectively. The declines in gross margin percentage were primarily due to the impacts of an overall increase in input costs and foreign currency exchange rate fluctuations, which were not entirely offset by pricing adjustments, as we balanced profitability with competitive positioning.

- **Product Gross Margin** — During both the third quarter and first nine months of Fiscal 2023, product gross margin increased 6% to \$3.3 billion and \$9.9 billion, respectively, and non-GAAP product gross margin increased 4% to \$3.5 billion and \$10.3 billion, respectively. These increases were driven primarily by growth in ISG product gross margin due to continued growth in product net revenue for our server and networking offerings and, to a lesser extent, growth in product net revenue for our storage offerings. The increases in ISG product gross margin were partially offset by declines in CSG product gross margin. The decline in CSG product gross margin for the third quarter of Fiscal 2023 was principally due to a decrease in product net revenue for both our consumer and commercial offerings. For the first nine months of Fiscal 2023, the decline in CSG product gross margin was driven by a decrease in product net revenue for our consumer offerings.

During the third quarter of Fiscal 2023, product gross margin percentage and non-GAAP product gross margin percentage increased 260 basis points to 17.6% and 240 basis points to 18.2%, respectively. The increases in product gross margin percentage were primarily attributable to growth in both ISG and CSG product gross margin percentages coupled with a shift in mix towards ISG.

During the first nine months of Fiscal 2023, product gross margin percentage increased 10 basis points to 16.5%. The favorable impacts of a decrease in amortization of intangible assets coupled with a shift in mix towards ISG were mostly offset by an increase in input costs and foreign currency exchange rate fluctuations, which were not entirely offset by pricing adjustments. During the first nine months of Fiscal 2023, non-GAAP product gross margin percentage decreased 10 basis points to 17.1%, driven by the mix and input cost dynamics discussed above.

- *Services Gross Margin* — During the third quarter of Fiscal 2023, both services gross margin and non-GAAP services gross margin remained flat at \$2.4 billion, while, during the first nine months of Fiscal 2023, services gross margin and non-GAAP services gross margin increased 2% to \$7.0 billion and 3% to \$7.2 billion, respectively. Increases in CSG services gross margin for both periods were mostly offset by declines in other businesses services gross margin. CSG services gross margin increased as a result of growth within hardware support and maintenance associated with products sold in prior periods, while other businesses services gross margin declined due to the impacts of the divestiture of Boomi during the third quarter of Fiscal 2022.

During the third quarter and first nine months of Fiscal 2023, services gross margin percentage decreased 290 basis points to 41.0% and 240 basis points to 41.0%, respectively, and non-GAAP services gross margin percentage decreased 270 basis points to 41.7% and 200 basis points to 42.0%, respectively. These decreases were driven by the impacts of the divestiture of Boomi during the third quarter of Fiscal 2022 coupled with declines in services gross margin percentage for ISG and, to a lesser extent, a shift in mix towards CSG.

### Vendor Programs

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 third quarter and first nine months of Fiscal 2023 and for the third quarter and first nine months 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 our vendor rebate programs that will materially impact our results in the near term. We anticipate that the impact of industry-wide price increases of certain processors will impact our cost of net revenue beginning in Fiscal 2024. We will continue to take pricing actions to balance profitability and growth while actively addressing our customers' demands.

## Operating Expenses

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

	Three Months Ended			Nine Months Ended				
	October 28, 2022		October 29, 2021		October 28, 2022		October 29, 2021	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	Dollars	% of Net Revenue	% Change

(in millions, except percentages)

<i>Operating expenses:</i>										
Selling, general, and administrative	\$ 3,268	13.3 %	(15)%	\$ 3,838	14.4 %	\$ 10,364	13.4 %	(8)%	\$ 11,257	15.3 %
Research and development	677	2.7 %	4 %	650	2.5 %	1,984	2.6 %	1 %	1,966	2.7 %
Total operating expenses	\$ 3,945	16.0 %	(12)%	\$ 4,488	16.9 %	\$ 12,348	16.0 %	(7)%	\$ 13,223	18.0 %

	Three Months Ended			Nine Months Ended				
	October 28, 2022		October 29, 2021		October 28, 2022		October 29, 2021	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	Dollars	% of Net Revenue	% Change

(in millions, except percentages)

Non-GAAP operating expenses	\$ 3,485	14.1 %	(8)%	\$ 3,773	14.3 %	\$ 10,989	14.2 %	(3)%	\$ 11,272	15.4 %
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During the third quarter and first nine months of Fiscal 2023, total operating expenses decreased 12% and 7%, respectively, primarily driven by a decrease in selling, general, and administrative expenses.

- ***Selling, General, and Administrative*** — Selling, general, and administrative (“SG&A”) expenses decreased 15% and 8% during the third quarter and first nine months of Fiscal 2023, respectively. The decreases in SG&A expenses were primarily attributable to decreases in amortization of intangible assets, employee compensation and benefits, and outside services expenses. Employee compensation and benefits expense decreased primarily as a result of a reduction in performance-based compensation and disciplined cost management. The decline in outside services expense was primarily attributable to expenses incurred in Fiscal 2022, principally related to the VMware Spin-off, that did not reoccur in Fiscal 2023.
- ***Research and Development*** — Research and development (“R&D”) expenses are primarily composed of personnel-related expenses incurred in connection with product development. R&D expenses increased 4% and 1% during the third quarter and first nine months of Fiscal 2023, respectively, driven by an increase in employee compensation and benefits as we continue to invest in R&D initiatives.

As a percentage of net revenue, R&D expenses for the third quarter of Fiscal 2023 and Fiscal 2022 were 2.7% and 2.5%, respectively, and for the first nine months of Fiscal 2023 and Fiscal 2022, were 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.

During the third quarter and first nine months of Fiscal 2023, non-GAAP operating expenses decreased 8% and 3%, respectively, principally due to a decline in employee compensation and benefits expense primarily resulting from a reduction in performance-based compensation and disciplined cost management.

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 third quarter and first nine months of Fiscal 2023, our operating income increased 68% to \$1.8 billion and 50% to \$4.6 billion, respectively. These increases were primarily driven by growth in operating income for ISG and the favorable impact of a decrease in amortization of intangible assets. For the third quarter of Fiscal 2023, the increase was also attributable to a decrease in transaction-related expenses primarily associated with costs incurred in connection with the VMware Spin-off during the third quarter of Fiscal 2022 that did not reoccur during Fiscal 2023. Growth in ISG operating income for the third quarter and first nine months of Fiscal 2023 was driven by both our server and networking and storage offerings. During the third quarter and first nine months of Fiscal 2023, our non-GAAP operating income increased 22% to \$2.4 billion and 16% to \$6.5 billion, driven by the same ISG dynamics discussed above.

Operating income as a percentage of net revenue increased 310 basis points to 7.1% during the third quarter of Fiscal 2023 and 170 basis points to 5.9% during the first nine months of Fiscal 2023.

For the third quarter of Fiscal 2023, the increase was due to improvement in gross margin as percentage of net revenue and to a decrease in operating expenses as a percentage of net revenue. Gross margin as a percentage of net revenue increased as a result of a shift in mix towards ISG and, to a lesser extent, a decrease in cost of net revenue as a result of a decline in input costs.

For the first nine months of Fiscal 2023, the increase was principally due to a decrease in operating expenses as a percentage of net revenue, partially offset by a decline in gross margin as a percentage of net revenue. Gross margin percentage declined primarily due to the impacts of an overall increase in input costs and foreign currency exchange rate fluctuations, which were not entirely offset by pricing adjustments, as we balanced profitability with competitive positioning.

For both the third quarter and first nine months of Fiscal 2023, operating expense percentage declined due to disciplined cost management coupled with the favorable impacts of a decrease in the amortization of intangible assets and a decrease in transaction-related expenses incurred in connection with the VMware Spin-off in Fiscal 2022.

Non-GAAP operating income as a percentage of net revenue increased 220 basis points to 9.6% during the third quarter of Fiscal 2023 and 80 basis points to 8.4% during the first nine months of Fiscal 2023, driven by the same disciplined cost management and gross margin dynamics discussed above.

## Interest and Other, Net

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

	Three Months Ended		Nine Months Ended	
	October 28, 2022	October 29, 2021	October 28, 2022	October 29, 2021
	(in millions)			
<i>Interest and other, net:</i>				
Investment income, primarily interest	\$ 21	\$ 10	\$ 52	\$ 30
Gain (loss) on investments, net	44	18	(197)	377
Interest expense	(272)	(406)	(835)	(1,255)
Foreign exchange	(72)	(33)	(227)	(152)
Gain on disposition of businesses and assets	—	3,968	—	3,968
Legal settlement	(1,000)	—	(1,000)	—
Other	(29)	(56)	(73)	(47)
<b>Total interest and other, net</b>	<b>\$ (1,308)</b>	<b>\$ 3,501</b>	<b>\$ (2,280)</b>	<b>\$ 2,921</b>

During the third quarter and first nine months of Fiscal 2023, the change in interest and other, net was unfavorable by \$4.8 billion and \$5.2 billion, respectively. The unfavorable change was primarily attributable to the pre-tax gain of \$4.0 billion on the sale of Boomi recognized during the third quarter of Fiscal 2022 and \$1.0 billion of expense recognized in the third quarter of Fiscal 2023 in connection with an agreement to settle the Class V transaction litigation. These factors were partially offset by a decrease in interest expense as a result of lower average outstanding debt balances.

For additional information about the settlement agreement, see Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report.

## Income and Other Taxes

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

	Three Months Ended		Nine Months Ended	
	October 28, 2022	October 29, 2021	October 28, 2022	October 29, 2021
	(in millions, except percentages)			
Income before income taxes	\$ 454	\$ 4,547	\$ 2,302	\$ 5,971
Income tax expense	\$ 213	\$ 864	\$ 486	\$ 1,000
Effective income tax rate	46.9 %	19.0 %	21.1 %	16.7 %

For the third quarter of Fiscal 2023 and Fiscal 2022, our effective income tax rate was 46.9% and 19.0%, respectively. For the first nine months of Fiscal 2023 and Fiscal 2022, our effective income tax rate was 21.1% and 16.7%, respectively. For the third quarter and first nine months of Fiscal 2023, the changes in our effective tax rates were primarily attributable to changes in discrete tax items. Our effective tax rate for both the three and nine months ended October 28, 2022, includes the impact of a \$1.0 billion expense recognized in connection with an agreement to settle the Class V transaction litigation. Other changes to our effective income tax rates were primarily driven by a change in the 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. See Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about the Class V litigation settlement agreement.

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 the remaining quarter 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. If the provision is not deferred or repealed, we expect that its application will result in a significant increase in our cash tax liabilities for Fiscal 2023, as well as a significant increase to our deferred tax assets.

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 October 28, 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.

See “Introduction – Business Trends and Challenges – Inflation Reduction Act” for a discussion of recent tax legislation.

### **Net Income from Continuing Operations**

Net income from continuing operations was \$0.2 billion and \$3.7 billion for the third quarter of Fiscal 2023 and Fiscal 2022, respectively, and \$1.8 billion and \$5.0 billion for the first nine months of Fiscal 2023 and Fiscal 2022, respectively. The decreases were driven principally by an unfavorable change in interest and other, net, partially offset by an increase in operating income coupled with a decrease in tax expense.

Non-GAAP net income was \$1.7 billion and \$1.3 billion for the third quarter of Fiscal 2023 and Fiscal 2022, respectively, and \$4.4 billion and \$3.5 billion for the first nine months of Fiscal 2023 and Fiscal 2022, respectively. The increases were primarily attributable to an increase in non-GAAP operating income and a favorable change in interest and other, net, partially offset by an increase in tax expense.

**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			Nine Months Ended		
	October 28, 2022	% Change	October 29, 2021	October 28, 2022	% Change	October 29, 2021
(in millions, except percentages)						
<i>Net revenue:</i>						
Servers and networking	\$ 5,201	14 %	\$ 4,561	\$ 15,458	17 %	\$ 13,181
Storage	4,429	11 %	4,003	12,993	9 %	11,966
Total ISG net revenue	\$ 9,630	12 %	\$ 8,564	\$ 28,451	13 %	\$ 25,147
<i>Operating income:</i>						
ISG operating income	\$ 1,374	54 %	\$ 894	\$ 3,502	33 %	\$ 2,634
% of segment net revenue	14.3 %		10.4 %	12.3 %		10.5 %

**Net Revenue** — During the third quarter and first nine months of Fiscal 2023, ISG net revenue increased 12% and 13%, respectively, driven by strength across both server and networking and storage offerings.

Revenue from sales of servers and networking increased 14% and 17% during the third quarter and first nine months of Fiscal 2023, respectively. The increases were primarily driven by an increase in average selling price of our server offerings, the effect of which was partially offset by a decrease in units sold. The average selling price for our server offerings increased as a result of richer configurations and continued pricing discipline in response to the macroeconomic environment.

During the third quarter and first nine months of Fiscal 2023, storage revenue increased 11% and 9%, respectively, due to continued 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 Dell 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 third quarter and first nine months of Fiscal 2023.

**Operating Income** — During the third quarter and first nine months of Fiscal 2023, ISG operating income as a percentage of net revenue increased 390 basis points to 14.3% and 180 basis points to 12.3%, respectively, principally due to a decrease in operating expenses as a percentage of net revenue that resulted from strong revenue growth and disciplined cost management. The increase in ISG operating income as a percentage of net revenue during the first nine months of Fiscal 2023 was partially offset by the impacts of an increase in cost of net revenue and foreign currency exchange rate fluctuations which were not entirely offset by pricing adjustments.

## Client Solutions Group

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

	Three Months Ended			Nine Months Ended		
	October 28, 2022	% Change	October 29, 2021	October 28, 2022	% Change	October 29, 2021
(in millions, except percentages)						
<b>Net revenue:</b>						
Commercial	\$ 10,747	(13)%	\$ 12,300	\$ 34,859	7 %	\$ 32,685
Consumer	3,028	(29)%	4,256	9,993	(13)%	11,450
Total CSG net revenue	\$ 13,775	(17)%	\$ 16,556	\$ 44,852	2 %	\$ 44,135
<b>Operating income:</b>						
CSG operating income	\$ 1,060	(7)%	\$ 1,142	\$ 3,153	(2)%	\$ 3,208
% of segment net revenue	7.7 %		6.9 %	7.0 %		7.3 %

**Net Revenue** — During the third quarter of Fiscal 2023, CSG net revenue decreased 17% primarily driven by declines in net revenue across both our commercial and consumer offerings. CSG net revenue during the first nine months of Fiscal 2023 increased 2%, driven by an increase in revenue attributable to our commercial offerings, which was partially offset by a decline in consumer net revenue.

Commercial net revenue decreased 13% during the third quarter of Fiscal 2023 due to a decline in units sold, partially offset by the effect of an increase in the average selling price of our commercial offerings.

During the first nine months of Fiscal 2023, commercial net revenue increased 7% as a result of an increase in the average selling price of our commercial offerings, the effect of which was partially offset by a decrease in units sold.

Consumer net revenue decreased 29% and 13% during the third quarter and first nine months of Fiscal 2023, respectively, primarily due to a decrease in units sold, which was partially offset by the effect of an increase in the average selling price of our consumer offerings.

Our average selling prices for our CSG offerings increased as a result of richer configurations, a shift in mix towards commercial offerings, and continued actions to manage pricing in response to the macroeconomic environment.

From a geographical perspective, net revenue attributable to CSG decreased across all regions during the third quarter of Fiscal 2023. During the first nine months of Fiscal 2023, CSG net revenue increased in the Americas, remained flat in APJ, and decreased in EMEA.

**Operating Income** — During the third quarter of Fiscal 2023, CSG operating income as a percentage of net revenue increased 80 basis points to 7.7% primarily as a result of a decrease in input costs. The effect of this impact was partially offset by operating expenses as a percentage of revenue, which increased as a result of a decline in CSG net revenue that outpaced a reduction in operating expenses.

During the first nine months of Fiscal 2023, CSG operating income as a percentage of net revenue decreased 30 basis points to 7.0%, primarily due to the impacts of an increase in input costs and foreign currency exchange rate fluctuations which were not entirely offset by pricing adjustments, as we balanced profitability with competitive positioning. The effect of these impacts was partially offset by a decrease in operating expenses as a percentage of revenue as a result of disciplined cost management and a decline in performance-based compensation.

## 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 \$11.4 billion and \$12.9 billion as of October 28, 2022 and January 28, 2022, respectively. We maintain an allowance for expected credit losses to cover receivables that may be deemed uncollectible. The allowance for expected credit losses is an estimate based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and its reasonable and supportable expectation of future conditions, as well as specific identifiable customer accounts that are deemed at risk. As of October 28, 2022 and January 28, 2022, the allowance for expected credit losses was \$75 million and \$90 million, respectively. Based on our assessment, we believe that we are adequately reserved for expected credit losses. We are monitoring the impact of current economic conditions on our expected losses and have not experienced deterioration in delinquency or loss rates. 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

We offer 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. We further strengthen customer relationships through flexible consumption models, including utility, subscription, and as-a-Service models, which enable us to offer our customers the option to pay over time to provide them with financial flexibility to meet their changing technological requirements. We have historically seen an increasing interest in our various financing options during times of macroeconomic uncertainty. New financing originations were \$2.3 billion and \$2.0 billion for the third quarter of Fiscal 2023 and Fiscal 2022, respectively, and \$6.7 billion and \$5.8 billion for the first nine months of Fiscal 2023 and Fiscal 2022, respectively.

Our 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. Upon commencement of sales-type leases, we typically qualify for up-front revenue recognition. Upon origination of operating leases, we record equipment under operating leases, classified as property, plant, and equipment. Over the contract term of an operating lease, we recognize rental revenue and depreciation expense, classified as cost of net revenue.

As of both October 28, 2022 and January 28, 2022, our financing receivables, net were \$10.6 billion. We maintain an allowance to cover expected financing receivable credit losses and evaluate credit loss expectations based on our total portfolio. For the third quarter of Fiscal 2023 and Fiscal 2022, the principal charge-off rate for our financing receivables portfolio was 0.5% and 1.1%, respectively. For the first nine months of Fiscal 2023 and Fiscal 2022, the principal charge-off rate for our financing receivables portfolio was 0.5% and 0.7%, respectively. 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 October 28, 2022 and January 28, 2022, the residual interest recorded as part of financing receivables was \$137 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 expected losses. 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 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 third quarter and first nine months of Fiscal 2023 and Fiscal 2022.

As of October 28, 2022 and January 28, 2022, equipment under operating leases, net was \$2.1 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 third quarter and first nine months 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, CASH REQUIREMENTS, AND MARKET CONDITIONS****Liquidity and Capital Resources**

To support our ongoing business operations, we rely on operating cash flows, which are impacted by trends in the demand environment, 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 and commercial paper program, will be sufficient over at least the next twelve months and for the foreseeable future thereafter to meet our material cash requirements, including funding of our operations, debt-related payments, capital expenditures, and other corporate needs. Our cash and cash equivalent balances will be impacted in the near-term as a result of certain non-recurring cash outflows, including payment of the Class V transaction litigation settlement.

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>October 28, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
<i>Cash and cash equivalents, and available borrowings:</i>		
Cash and cash equivalents	\$ 4,909	\$ 9,477
Remaining available borrowings under revolving credit facilities	4,999	4,969
Total cash, cash equivalents, and available borrowings	<u>\$ 9,908</u>	<u>\$ 14,446</u>

During the first nine months of Fiscal 2023, cash and cash equivalents decreased by \$4.6 billion, as a result of the return of capital to our stockholders through share repurchases and dividend payments, as well as capital expenditures.

Our revolving credit facilities as of October 28, 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 October 28, 2022, there were no borrowings outstanding under the facility and remaining available borrowings totaled approximately \$5.0 billion. The 2021 Revolving Credit Facility also acts as a backstop to provide liquidity support for our commercial paper program discussed below. Subsequent to the close of the third quarter of Fiscal 2023, we entered into an amendment to the 2021 Revolving Credit Facility which, in part, increased the aggregate borrowing capacity to \$6.0 billion.

During the second quarter of Fiscal 2023, we established a commercial paper program under which we may issue unsecured notes in a maximum aggregate face amount of \$5.0 billion outstanding at any time, with maturities up to 397 days from the date of issue. During the third quarter of Fiscal 2023, we issued and repaid unsecured notes under the program, which we utilized to support general corporate activities. As of October 28, 2022, we had no outstanding borrowings under the program.

We may regularly use our available borrowings from the 2021 Revolving Credit Facility and issuances under the commercial paper program 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 our debt.

During the third quarter of Fiscal 2023, we entered into a factoring arrangement with a third-party financial institution to sell certain high-quality trade accounts receivable on a non-recourse basis and sold \$500 million of receivables pursuant to this arrangement. Proceeds from the sales of trade receivables are included in cash from operating activities in the Condensed Consolidated Statements of Cash Flows. We may elect to factor trade accounts receivable from time to time as part of our overall liquidity and working capital management strategy.

Debt

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

	October 28, 2022	Change	January 28, 2022
		(in millions)	
<b>Core debt</b>			
Senior Notes	\$ 16,300	\$ —	\$ 16,300
Legacy Notes and Debentures	952	—	952
DFS allocated debt	(1,023)	110	(1,133)
Total core debt	16,229	110	16,119
<b>DFS related debt</b>			
DFS debt	10,051	405	9,646
DFS allocated debt	1,023	(110)	1,133
Total DFS related debt	11,074	295	10,779
<b>Other</b>			
Total debt, principal amount	287	(50)	337
Carrying value adjustments	27,590	355	27,235
Total debt, carrying value	(261)	20	(281)
Total debt, carrying value	\$ 27,329	\$ 375	\$ 26,954

As of October 28, 2022, the outstanding principal amount of our debt increased \$0.4 billion from January 28, 2022 to \$27.6 billion, driven primarily by net DFS activity.

We define core debt as the total principal amount of our debt, less DFS related debt and other debt. Our core debt was \$16.2 billion and \$16.1 billion as of October 28, 2022 and January 28, 2022, respectively. See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional 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 additional 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 commercial paper program or 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 we consider appropriate in light of market conditions and other relevant factors.

Cash Flows

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

	<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	<b>October 29, 2021</b>
	(in millions)	
<b>Net change in cash from:</b>		
Operating activities	\$ 851	\$ 7,214
Investing activities	(2,228)	2,053
Financing activities	(3,138)	(1,028)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(343)	(54)
Change in cash, cash equivalents, and restricted cash	<u>\$ (4,858)</u>	<u>\$ 8,185</u>

Cash flows for the nine months ended October 29, 2021 are inclusive of cash flows attributable to VMware, Inc.. Effective November 1, 2021, as a result of the VMware Spin-off, cash flows ceased to include cash flows attributable to VMware, Inc. 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 provided by operating activities was \$0.9 billion during the first nine months of Fiscal 2023 compared to \$7.2 billion during the first nine months of Fiscal 2022. During the first nine months of Fiscal 2022, \$3.2 billion of the total \$7.2 billion represents cash provided by operating activities attributable to VMware, Inc.

The decline in cash provided by operating activities was primarily attributable to unfavorable working capital dynamics as compared to the first nine months of Fiscal 2022. Working capital was primarily impacted by increased inventory balances, as we proactively managed supply chain dynamics, coupled with the timing of purchases and payments to vendors during a declining demand environment.

Cash provided by operating activities during the first nine months of Fiscal 2022 was driven by strong profitability coupled with favorable working capital dynamics.

**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, acquisitions and divestitures, strategic investments, and the maturities, sales, and purchases of investments. During the first nine months of Fiscal 2023, cash used in investing activities was \$2.2 billion and was primarily applied to capital expenditures. For the first nine months of Fiscal 2022, cash provided by investing activities was \$2.1 billion, primarily driven by net cash proceeds related to the divestiture of Boomi in the third quarter of Fiscal 2022, partially offset by cash used for 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 \$3.1 billion during the first nine months of Fiscal 2023 and primarily consisted of repurchases of common stock, inclusive of payments to settle employee tax withholding on stock-based compensation, and the payment of quarterly dividends. The effects of these financing activities were partially offset by net cash proceeds from DFS debt issuances. Cash used in financing activities was \$1.0 billion during the first nine months of Fiscal 2022 and primarily consisted of debt repayments and repurchases of common stock by our public subsidiaries, partially offset by net cash proceeds from the issuance of VMware Notes and DFS debt.

**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, the initial funding is classified as a capital expenditure and reflected as cash flows used in investing activities. DFS new financing originations were \$6.7 billion and \$5.8 billion during the first nine months of Fiscal 2023 and Fiscal 2022, respectively. As of October 28, 2022, DFS had \$10.6 billion of total net financing receivables and \$2.1 billion of equipment under DFS operating leases, net.

## Cash Requirements and Expenditures

**Capital Expenditures** — We spent \$2.2 billion and \$2.1 billion during the first nine months of Fiscal 2023 and Fiscal 2022, respectively, on property, plant, and equipment and capitalized software development costs, of which the funding of equipment under DFS operating leases totaled \$0.8 billion and \$0.6 billion, respectively. 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 \$3.1 billion and \$3.3 billion, of which approximately \$1.1 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 fixed expiration date under which we are authorized to repurchase up to \$5 billion of shares of our Class C Common Stock. During the first nine months of Fiscal 2023, we repurchased approximately 59 million shares of Class C Common Stock under this program for a total purchase price of approximately \$2.7 billion.

**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 nine months ended October 28, 2022, the Company paid the following dividends:

Declaration Date	Record Date	Payment Date	Dividend per Share		Amount (in millions)
February 24, 2022	April 20, 2022	April 29, 2022	\$	0.33	\$ 248
June 7, 2022	July 20, 2022	July 29, 2022	\$	0.33	\$ 242
September 6, 2022	October 19, 2022	October 28, 2022	\$	0.33	\$ 238

**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 October 28, 2022, such purchase obligations were \$2.7 billion, \$0.6 billion, and \$0.8 billion for the remaining three 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 additional 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 Inc., 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 Inc. 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:

	<b>Nine Months Ended</b>	
	<b>October 28, 2022</b>	
	(in millions)	
Net revenue (a)	\$	7,462
Gross margin (b)		3,148
Operating income		788
Interest and other, net (c)		(2,778)
Loss before income taxes		(1,990)
Net loss attributable to Obligor Group	\$	(1,705)

(a) Includes net revenue from services provided and product sales to Non-Obligor Subsidiaries of \$625 million and \$128 million, respectively.

(b) Includes cost of net revenue from resale of solutions purchased from Non-Obligor Subsidiaries and the Related Party of \$747 million and \$382 million, respectively. Includes costs of net revenue from shared services provided by Non-Obligor Subsidiaries of \$486 million.

(c) Includes interest expense on inter-company loan payables of \$969 million.

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

	<u>October 28, 2022</u>	<u>January 28, 2022</u>
	(in millions)	
<b>ASSETS</b>		
Current assets	\$ 2,975	\$ 3,106
Intercompany receivables	—	988
Due from related party, net	118	59
Short-term intercompany loan receivables	207	—
Total current assets	3,300	4,153
Due from related party, net	612	710
Goodwill and intangible assets	14,980	15,399
Other non-current assets	2,877	2,810
Total assets	<u>\$ 21,769</u>	<u>\$ 23,072</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 6,582	\$ 4,625
Intercompany payable	563	—
Due to related party	98	192
Total current liabilities	7,243	4,817
Long-term debt	16,018	17,001
Intercompany loan payables	37,602	37,509
Other non-current liabilities	3,307	3,473
Total liabilities	<u>\$ 64,170</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 October 28, 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 October 28, 2022.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the fiscal quarter ended October 28, 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 and Note 19 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 third quarter of Fiscal 2023.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Weighted Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs</b>
		(in millions, except per share amounts)		
Repurchases from July 30, 2022 to August 26, 2022	1.1	\$ 45.52	1.1	\$ 2,199
Repurchases from August 27, 2022 to September 23, 2022	7.1	\$ 37.94	7.1	\$ 1,930
Repurchases from September 24, 2022 to October 28, 2022	8.1	\$ 35.53	8.1	\$ 1,643
Total	<u>16.3</u>		<u>16.3</u>	

All shares were purchased in open-market transactions pursuant to a stock repurchase program approved by our Board of Directors in September 2021 authorizing the repurchase of up to \$5 billion of shares of Class C Common Stock. The repurchase program does not have a fixed expiration date.

See Note 14 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about the stock repurchase program.

**ITEM 6 — EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

Exhibit Number	Description
<a href="#">4.1††</a>	<a href="#">Consent to the Extension of Registration Rights Under the Second Amended and Restated Registration Rights Agreement, dated September 22, 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.</a>
<a href="#">10.1††*</a>	<a href="#">Form of Amended and Restated Indemnification Agreement Between Dell Technologies Inc. and members of its Board of Directors.</a>
<a href="#">22.1††</a>	<a href="#">List of Guarantor Subsidiaries and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize Securities of Dell Technologies Inc.</a>
<a href="#">31.1††</a>	<a href="#">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.</a>
<a href="#">31.2††</a>	<a href="#">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.</a>
<a href="#">32.1†††</a>	<a href="#">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.</a>
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).
	* Management contracts or compensation plans or arrangements in which directors or executive officers participate.
	†† 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: December 5, 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 December 31, 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 December 31, 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 September 22, 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

## INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “**Agreement**”) is made and entered into, effective as of \_\_\_\_\_, 2022, by and between Dell Technologies Inc., a Delaware corporation (the “**Company**”), and \_\_\_\_\_ (“**Indemnitee**”).

### *Recitals*

- A. Competent and experienced persons are reluctant to serve or to continue to serve as directors or officers of corporations unless they are provided with adequate protection through insurance or indemnification (or both) against claims against them arising out of their service and activities as directors.
- B. Uncertainties relating to the availability of adequate insurance for directors and officers have increased the difficulty for corporations to attract and retain competent and experienced persons to serve as directors or officers.
- C. The Board of Directors of the Company (the “**Board**”) has determined that the continuation of present trends in litigation will make it more difficult to attract and retain competent and experienced persons to serve as directors or officers of the Company and, in some cases, of its subsidiaries, that this situation is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure its directors and officers that there will be increased certainty of adequate protection in the future.
- D. It is reasonable, prudent and necessary for the Company to obligate itself contractually to indemnify its directors and officers to the fullest extent permitted by applicable law in order to induce them to serve or continue to serve as directors or officers of the Company or its subsidiaries.
- E. Indemnitee’s willingness to continue to serve in his or her current capacity is predicated, in substantial part, upon the Company’s willingness to indemnify him or her to the fullest extent permitted by the laws of the State of Delaware and upon the other undertakings set forth in this Agreement.
- F. In recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee’s continued service, and to enhance Indemnitee’s ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of any amendment to the Company’s Certificate of Incorporation or Bylaws (collectively, the “**Constituent Documents**”), any Change of Control (as defined in Section 1(a)) or any change in the composition of the Board), the Company wishes to provide in this Agreement for the indemnification of and the advancement of Expenses (as defined in Section 1(e)) to Indemnitee as set forth in this Agreement.

Now, therefore, for and in consideration of the foregoing premises, Indemnitee’s agreement to continue to serve the Company in his or her current capacity and the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. **Certain Definitions** — In addition to terms defined elsewhere herein, the following terms shall have the respective meanings indicated below when used in this Agreement:
  - (a) “**Change of Control**” shall mean the occurrence of any of the following events:

- (i) The acquisition after the date of this Agreement by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) (a “**Person**”), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that for purposes of this paragraph (i), the following acquisitions shall not constitute a Change of Control:
- (A) any acquisition directly from the Company or any Controlled Affiliate of the Company;
  - (B) any acquisition by the Company or any Controlled Affiliate of the Company;
  - (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Controlled Affiliate of the Company;
  - (D) any acquisition by Mr. Michael S. Dell, his Affiliates or Associates (as such terms are defined in Rule 12b-2 promulgated under the Exchange Act), his heirs or any trust or foundation to which he has transferred or may transfer Outstanding Company Common Stock or Outstanding Company Voting Securities; or
  - (E) any acquisition by any entity or its security holders pursuant to a transaction that complies with clauses (A), (B), and (C) of paragraph (iii) below;
- (ii) Individuals who, as of the date of this Agreement, constitute the Board (collectively, the “**Incumbent Directors**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company subsequent to the date of this Agreement and whose election or appointment by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the then Incumbent Directors, shall be considered as an Incumbent Director, unless such individual’s initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
- (iii) Consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all the assets of the Company or an acquisition of assets of another corporation (a “**Business Combination**”), unless, in each case, following such Business Combination (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than

50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the corporation resulting from such Business Combination and any Person referred to in clause (D) of paragraph (i) above) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership of the Company existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

- (iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company; or
- (v) The occurrence of any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) under the Exchange Act, whether or not the Company is then subject to such reporting requirement.

Notwithstanding the foregoing, in no event shall a Change in Control be deemed to have occurred if, after the occurrence of any of the events described in Sections 1(a)(i), 1(a)(ii), 1(a)(iii), 1(a)(iv) or 1(a)(v), Denali Holding Inc., a Delaware corporation, directly or indirectly through a Controlled Affiliate, beneficially owns a majority of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors.

- (b) “**Claim**” shall mean (i) any threatened, asserted, pending or completed claim, demand, action, suit or proceeding (including any cross claim or counterclaim in any action, suit or proceeding), whether civil, criminal, administrative, arbitrative, investigative or other and whether made pursuant to federal, state or other law (including securities laws); and (ii) any inquiry or investigation (including discovery), whether made, instituted or conducted by the Company or any other party, including any federal, state or other governmental entity, that Indemnitee in good faith believes might lead to the institution of any such claim, demand, action, suit or proceeding.
- (c) “**Controlled Affiliate**” shall mean any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit, that is directly or indirectly controlled by the Company. For purposes of this definition, the term “control” shall mean the possession, directly or

indirectly, of the power to direct or cause the direction of the management or policies of an entity or enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise; provided, however, that direct or indirect beneficial ownership of capital stock or other interests in an entity or enterprise entitling the holder to cast 20% or more of the total number of votes generally entitled to be cast in the election of directors (or persons performing comparable functions) of such entity or enterprise shall be deemed to constitute “control” for purposes of this definition.

- (d) “**Disinterested Director**” shall mean a director of the Company who is not a party to the Claim with respect to which indemnification is sought by Indemnitee.
- (e) “**Expenses**” shall mean all costs, expenses (including attorneys’ and experts’ fees and expenses) and obligations paid or incurred in connection with investigating, defending (including affirmative defenses and counterclaims), being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in (including on appeal), any Claim relating to an Indemnifiable Claim.
- (f) “**Indemnifiable Claim**” shall mean any Claim based upon, arising out of or resulting from any of the following:
  - (i) Any actual, alleged or suspected act or failure to act by Indemnitee in his or her capacity as a director or officer of the Company or as a director, officer, employee, member, manager, trustee, fiduciary or agent (collectively, a “**Representative**”) of any Controlled Affiliate or other corporation, limited liability company, partnership, joint venture, employee benefit plan, trust or other entity or enterprise, whether or not for profit, as to which Indemnitee is or was serving at the request of the Company as a Representative;
  - (ii) Any actual, alleged or suspected act or failure to act by Indemnitee with respect to any business, transaction, communication, filing, disclosure or other activity of the Company or any other entity or enterprise referred to in clause (i) of this Section 1(f); or
  - (iii) Indemnitee’s status as a current or former director or officer of the Company or as a current or former Representative of the Company or any other entity or enterprise referred to in clause (i) of this Section 1(f) or any actual, alleged or suspected act or failure to act by Indemnitee in connection with any obligation or restriction imposed upon Indemnitee by reason of such status.

In addition to any service at the actual request of the Company, for purposes of this Agreement, Indemnitee shall be deemed to be serving or to have served at the request of the Company as a Representative of another entity or enterprise if Indemnitee is or was serving as a director, officer, employee, member, manager, trustee, fiduciary or agent of such entity or enterprise and (A) such entity or enterprise is or at the time of such service was a Controlled Affiliate, (B) such entity or enterprise is or at the time of such service was an employee benefit plan (or related trust) sponsored or maintained by the Company or a Controlled Affiliate or (C) the Company or a Controlled Affiliate directly or indirectly

caused Indemnitee to be nominated, elected, appointed, designated, employed, engaged or selected to serve in such capacity.

- (g) **“Indemnifiable Losses”** shall mean any and all Losses relating to, arising out of or resulting from any indemnifiable Claim.
  - (h) **“Independent Counsel”** shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and, as of the time of selection with respect to any Indemnifiable Claim, is not nor in the past five years has been retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or other indemnitees under similar indemnification agreements) or (ii) any other party to the Indemnifiable Claim giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.
  - (i) **“Losses”** means any and all Expenses, damages (including punitive, exemplary and the multiplied portion of any damages), losses, liabilities, judgments, payments, fines, penalties (whether civil, criminal or other), awards and amounts paid in settlement (including all interest, assessments and other charges paid or incurred in connection with or with respect to any of the foregoing).
2. **Indemnification Obligation** — Subject to Section 9, the Company shall indemnify, defend and hold harmless Indemnitee, to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against any and all Indemnifiable Claims and Indemnifiable Losses.
3. **Exclusions** — Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any Claim involving Indemnitee:
- (a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess Losses beyond the amount paid under any insurance policy or other indemnity provision; or
  - (b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the **“Sarbanes-Oxley Act”**)), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the

compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

- (c) except as provided in Sections 5 and 24 of this Agreement, in connection with any Claim initiated by Indemnitee, including any Claim initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Claim prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.
4. **Advancement of Expenses** — Indemnitee shall have the right to advancement by the Company prior to the final disposition of any Indemnifiable Claim of any and all Expenses relating to, arising out of or resulting from any Indemnifiable Claim paid or incurred by Indemnitee and as to which Indemnitee provides supporting documentation. Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within 15 calendar days after any request by Indemnitee, the Company shall, in accordance with such request (but without duplication), (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses or (c) reimburse Indemnitee for such Expenses; provided, however, that Indemnitee shall repay, without interest, any amounts actually advanced to Indemnitee that, at the final disposition of the Indemnifiable Claim to which the advance related, were in excess of amounts paid or incurred by Indemnitee with respect to Expenses relating to, arising out of or resulting from such Indemnifiable Claim. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it ultimately is determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 4 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 3.
  5. **Indemnification for Additional Expenses** — Without limiting the generality or effect of the foregoing, the Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within 15 calendar days of such request accompanied by supporting documentation for specific Expenses to be reimbursed or advanced, any and all Expenses paid or incurred by Indemnitee in connection with any Claim made, instituted or conducted by Indemnitee for (a) indemnification or reimbursement or advance payment of Expenses by the Company under any provision of this Agreement or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Indemnifiable Claims or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless in each case of whether Indemnitee ultimately is determined to be entitled to such indemnification, reimbursement, advance or insurance recovery, as the case may be; provided, however, that Indemnitee shall return, without interest, any such advance of Expenses (or portion thereof) that remains unspent at the final disposition of the Claim to which the advance related.
  6. **Indemnification For Expenses of a Witness** — Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of an Indemnifiable Claim, a witness or otherwise asked to participate in any Claim to which Indemnitee is not a party, Indemnitee shall be

indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

7. **Partial Indemnity** — If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss but not for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.
8. **Procedure for Notification** — To obtain indemnification under this Agreement with respect to an Indemnifiable Claim or Indemnifiable Loss, Indemnitee shall submit to the Company a written request therefor, including a brief description (based upon information then available to Indemnitee) of such Indemnifiable Claim or Indemnifiable Loss. If, at the time of the receipt of such request, the Company has directors' and officers' liability insurance in effect under which coverage for such Indemnifiable Claim or Indemnifiable Loss is potentially available, the Company shall give prompt written notice of such Indemnifiable Claim or Indemnifiable Loss to the applicable insurers in accordance with the procedures set forth in the applicable policies. The Company shall provide to Indemnitee a copy of such notice delivered to the applicable insurers and copies of all subsequent correspondence between the Company and such insurers regarding the Indemnifiable Claim or Indemnifiable Loss, in each case substantially concurrently with the delivery or receipt thereof by the Company. The failure by Indemnitee to timely notify the Company of any Indemnifiable Claim or Indemnifiable Loss shall not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not otherwise learn of such Indemnifiable Claim or Indemnifiable Loss and such failure results in forfeiture by the Company of substantial defenses, rights or insurance coverage.
9. **Determination of Right to Indemnification** —
  - (a) To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim in accordance with Section 2 and no Standard of Conduct Determination (as defined in paragraph (b) below) shall be required.
  - (b) To the extent that the provisions of Section 9(a) are inapplicable to an Indemnifiable Claim that shall have been finally disposed of, any determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law that is a legally required condition precedent to indemnification of Indemnitee hereunder against Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim (a "**Standard of Conduct Determination**") shall be made as follows:
    - (i) If a Change of Control has not occurred, or if a Change of Control has occurred but Indemnitee has requested that the Standard of Conduct Determination be made pursuant to this clause (i):
      - (A) By a majority vote of the Disinterested Directors, even if less than a quorum of the Board;

- (B) If such Disinterested Directors so direct, by a majority vote of a committee of Disinterested Directors designated by a majority vote of all Disinterested Directors; or
  - (C) If there are no such Disinterested Directors, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee; and
- (ii) If a Change of Control has occurred and Indemnitee has not requested that the Standard of Conduct Determination be made pursuant to clause (i) above, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee.

Indemnitee will cooperate with the person or persons making such Standard of Conduct Determination, including providing to such person or persons, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. The Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within 15 calendar days of such request, accompanied by supporting documentation for specific expenses to be reimbursed or advanced, any and all costs and expenses (including attorneys' and experts' fees and expenses) incurred by Indemnitee in so cooperating with the person making such Standard of Conduct Determination.

- (c) The Company shall use its reasonable best efforts to cause any Standard of Conduct Determination required under Section 9(b) to be made as promptly as practicable. If (i) the person or persons empowered or selected under Section 9(b) to make the Standard of Conduct Determination shall not have made a determination within 30 days after the later of (A) receipt by the Company of written notice from Indemnitee advising the Company of the final disposition of the applicable Indemnifiable Claim (the date of such receipt being the "**Notification Date**") and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, that is permitted under the provisions of Section 9(e) to make such determination and (ii) Indemnitee shall have fulfilled his or her obligations set forth in the second sentence of Section 9(b), then Indemnitee shall be deemed to have satisfied the applicable standard of conduct; provided, however, that such 30-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person making such determination in good faith requires such additional time to obtain or evaluate documentation or information relating thereto.
- (d) If (i) Indemnitee shall be entitled to indemnification hereunder against any Indemnifiable Losses pursuant to Section 9(a), (ii) no determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses or (iii) Indemnitee has been determined or deemed pursuant to Section 9(b) or (c) to have satisfied any applicable standard of conduct under Delaware law that is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, then the Company shall pay to Indemnitee, within 15 calendar days after the later of (x) the Notification Date with respect to the Indemnifiable Claim or portion thereof to which such Indemnifiable Losses are

related, out of which such Indemnifiable Losses arose or from which such Indemnifiable Losses resulted and (y) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) above shall have been satisfied, an amount equal to the amount of such Indemnifiable Losses.

- (e) If a Standard of Conduct Determination is to be made by Independent Counsel pursuant to Section 9(b)(i), the Independent Counsel shall be selected by the Board and the Company shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. If a Standard of Conduct Determination is to be made by Independent Counsel pursuant to Section 9(b)(ii), the Independent Counsel shall be selected by Indemnitee and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either case, Indemnitee or the Company, as applicable, may, within five business days after receiving written notice of selection from the other, deliver to the other a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not satisfy the criteria set forth in the definition of “Independent Counsel” in Section 1(h) and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person or firm so selected shall act as Independent Counsel. If such written objection is properly and timely made and substantiated, (i) the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit and (ii) the non-objecting party may, at its option, select an alternative Independent Counsel and give written notice to the other party advising such other party of the identity of the alternative Independent Counsel so selected, in which case the provisions of the two immediately preceding sentences and clause (i) of this sentence shall apply to such subsequent selection and notice. If applicable, the provisions of clause (ii) of the immediately preceding sentence shall apply to successive alternative selections. If no Independent Counsel that is permitted under the foregoing provisions of this Section 9(e) to make the Standard of Conduct Determination shall have been selected within 30 days after the Company gives its initial notice pursuant to the first sentence of this Section 9(e) or Indemnitee gives its initial notice pursuant to the second sentence of this Section 9(e), as the case may be, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware for resolution of any objection that has been made by the Company or Indemnitee to the other’s selection of Independent Counsel or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person or firm with respect to whom all objections are so resolved or the person or firm so appointed will act as Independent Counsel. In all events, the Company shall pay all of the reasonable fees and expenses of the Independent Counsel incurred in connection with the Independent Counsel’s determination pursuant to Section 9(b).

10. ***Presumption of Entitlement*** — In making any Standard of Conduct Determination, the person or persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by Indemnitee in the Court of Chancery of the State of Delaware. No determination by the Company (including by its directors or any Independent Counsel)

that Indemnitee has not satisfied any applicable standard of conduct shall be a defense to any Claim by Indemnitee for indemnification by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

11. **No Other Presumption** — For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its *equivalent*, or an entry of an order of probation prior to judgment, shall not create a presumption that Indemnitee did not meet any applicable standard of conduct or that indemnification hereunder is otherwise not permitted.
12. **Non-Exclusivity** — The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Constituent Documents, the substantive laws of the State of Delaware, any other contract or otherwise (collectively, “**Other Indemnity Provisions**”). No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Constituent Documents and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Subject to Section 15, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.
13. **Liability Insurance and Funding** — For the duration of Indemnitee’s service as a director or officer of the Company and thereafter for so long as Indemnitee shall be subject to any pending or possible Indemnifiable Claim, to the extent the Company maintains policies of directors’ and officers’ liability insurance providing coverage for directors and officers of the Company, Indemnitee shall be covered by such policies, in accordance with their terms, to the maximum extent of the coverage available for any other director or officer of the Company. Upon request of Indemnitee, the Company shall provide Indemnitee with a copy of all directors’ and officers’ liability insurance applications, binders, policies, declarations, endorsements and other related materials and shall provide Indemnitee with a reasonable opportunity to review and comment on the same. Without limiting the generality or effect of the two immediately preceding sentences, no discontinuation or significant reduction in the scope or amount of coverage from one policy period to the next shall be effective (a) without the prior approval thereof by a majority vote of the Incumbent Directors, even if less than a quorum, or (b) if at the time that any such discontinuation or significant reduction in the scope or amount of coverage is proposed there are no Incumbent Directors, without the prior written consent of Indemnitee (which consent shall not be unreasonably withheld or delayed). In all policies of directors’ and officers’ liability insurance obtained by the Company, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company’s directors and officers most favorably insured by such policy. The Company may, but shall not be required to, create a trust fund, grant a security interest or use other means, including a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance expenses pursuant to this Agreement.

14. **Subrogation** — The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of expenses and/or insurance provided by an Indemnitee-Related Entity (as defined herein). The Company hereby agrees that (i) it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Indemnitee-Related Entity to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the Certificate of Incorporation or Bylaws (or any agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Indemnitee-Related Entity, and (iii) it irrevocably waives, relinquishes and releases the Indemnitee-Related Entity from any and all claims against the Indemnitee-Related Entity for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Indemnitee-Related Entity on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Indemnitee-Related Entity shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The term “Indemnitee-Related Entity” means any company, corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise (other than the Company or the insurer under and pursuant to an insurance policy of the Company) from whom an Indemnitee may be entitled to indemnification or advancement of Expenses with respect to which the Company may also have an indemnification or advancement obligation.
15. **No Duplication of Payments** — Subject to the provisions of Section 14 of this Agreement, the Company shall not be liable under this Agreement to make any payment to Indemnitee with respect to any Indemnifiable Losses to the extent Indemnitee has otherwise actually received payment (net of Expenses incurred in connection therewith) under any insurance policy, the Constituent Documents or Other Indemnity Provisions or otherwise (including from any entity or enterprise referred to in clause (i) of the definition of “Indemnifiable Claim” in Section 1(f)) with respect to such Indemnifiable Losses otherwise indemnifiable hereunder.
16. **Defense of Claims** — The Company shall be entitled to participate in the defense of any Indemnifiable Claim or to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee; provided, however, that if Indemnitee believes, after consultation with counsel selected by Indemnitee, that (a) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (b) the named parties in any such Indemnifiable Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company or (c) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel with respect to any particular Indemnifiable Claim) at the Company’s expense. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Indemnifiable Claim effected without the Company’s prior written consent. The Company shall not, without the prior written consent of Indemnitee, effect any settlement of any threatened or pending Indemnifiable Claim that Indemnitee is or could have been a party unless such settlement solely involves the payment of money

and includes a complete and unconditional release of Indemnitee from all liability on any claims that are the subject matter of such Indemnifiable Claim. Neither the Company nor Indemnitee shall unreasonably withhold its consent to any proposed settlement; provided, however, that Indemnitee may withhold consent to (i) any settlement that does not provide a complete and unconditional release of Indemnitee or (ii) any settlement which imposes a monetary payment obligation upon Indemnitee which is not being paid in full by the Company, insurance coverage or any other party for the benefit of Indemnitee.

17. **Successors and Binding Agreement** —

- (a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all the business or assets of the Company, by agreement in form and substance satisfactory to Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including any person acquiring directly or indirectly all or substantially all the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the “Company” for purposes of this Agreement), but shall not otherwise be assignable or delegatable by the Company.
- (b) This Agreement shall inure to the benefit of and be enforceable by Indemnitee’s personal or legal representatives, executors, administrators, successors, heirs, distributees, legatees and other successors.
- (c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 17(a) and 17(b). Without limiting the generality or effect of the foregoing, Indemnitee’s right to receive payments hereunder shall not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by Indemnitee’s will or by the laws of descent and distribution, and in the event of any attempted assignment or transfer contrary to this Section 17(c), the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

18. **Duration of Agreement** — This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or (b) one (1) year after the final termination of any proceeding then pending in respect of an Indemnifiable Claim and of any proceeding commenced by Indemnitee pursuant to Section 24 of this Agreement relating thereto.

19. **Notices** — For all purposes of this Agreement, all communications, including notices, consents, requests or approvals, required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the

Company (to the attention of the Secretary of the Company) and to Indemnitee at the addresses shown on the signature page hereto, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

20. **Governing Law** — The validity, interpretation, construction and performance of this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the Chancery Court of the State of Delaware for all purposes in connection with any action or proceeding that arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the Chancery Court of the State of Delaware.
21. **Validity** — If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent, and only to the extent, necessary to make it enforceable, valid or legal. In the event that any court or other adjudicative body shall decline to reform any provision of this Agreement held to be invalid, unenforceable or otherwise illegal as contemplated by the immediately preceding sentence, the parties thereto shall take all such action as may be necessary or appropriate to replace the provision so held to be invalid, unenforceable or otherwise illegal with one or more alternative provisions that effectuate the purpose and intent of the original provisions of this Agreement as fully as possible without being invalid, unenforceable or otherwise illegal.
22. **Amendments; Waivers** — No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.
23. **Complete Agreement** — No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement.
24. **Legal Fees and Expenses** — It is the intent of the Company that Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable or institutes any litigation or other action or proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent Indemnitee in

connection with any such interpretation, enforcement or defense, including the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and Indemnitee agree that a confidential relationship shall exist between Indemnitee and such counsel. Without respect to whether Indemnitee prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by Indemnitee in connection with any of the foregoing.

25. ***Certain Interpretive Matters*** —

- (a) No provision of this Agreement shall be interpreted in favor of, or against, either of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.
- (b) It is the Company's intention and desire that the provisions of this Agreement be construed liberally, subject to their express terms, to maximize the protections to be provided to Indemnitee hereunder.
- (c) All references in this Agreement to Sections, paragraphs, clauses and other subdivisions refer to the corresponding Sections, paragraphs, clauses and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Sections, subsections or other subdivisions of this Agreement are for convenience only, do not constitute any part of such Sections, subsections or other subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "*this Agreement*," "*herein*," "*hereby*," "*hereunder*," and "*hereof*," and words of similar import, refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The word "*or*" is not exclusive, and the word "*including*" (in its various forms) means "including without limitation." Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise expressly requires.

26. ***Counterparts*** — This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together shall constitute one and the same agreement.

In witness whereof, Indemnitee has executed, and the Company has caused its duly authorized representative to execute, this Agreement as of the date first above written.

**DELL TECHNOLOGIES INC. INDEMNITEE**

Address: One Dell Way Address: \_\_\_\_\_  
Round Rock, TX 78682 \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: Richard J. Rothberg Name: \_\_\_\_\_

Title: Executive Vice President, General Counsel and Secretary Title: Director, Dell Technologies Inc.

## 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 October 28, 2022.

#### **Description of Senior Notes**

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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 October 28, 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”).

<b>Name of Subsidiary</b>	<b>Jurisdiction of Incorporation or Organization</b>	<b>Obligor Type</b>
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.

December 5, 2022

/s/ MICHAEL S. DELL

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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.

December 5, 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 October 28, 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.

December 5, 2022

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/s/ MICHAEL S. DELL

Michael S. Dell  
*Chairman and Chief Executive Officer*

December 5, 2022

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/s/ THOMAS W. SWEET

Thomas W. Sweet  
*Executive Vice President and Chief Financial Officer*