

Dell Technologies

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4:00 p.m. CT

Operator: Good afternoon, thank you for standing by and welcome to the Dell Incorporated VMware Spin-Off Investor Call. At this time, your participants' lines are in listen-only mode. After the speaker's presentation, we will host the question-and-answer session.

To ask a question during the session, you will need to press "star," "1" on your telephone. Please be advised today's conference is being recorded. If you do require any of assistance, please press "star," "0.

It's now my pleasure to hand today's conference over to Senior Vice President of Investor Relations, Rob Williams. Rob, I hand it to you.

Rob Williams: Thank you, (Catherine). Good afternoon and thank you for joining us. On the call today are Dell's Founder, Chairman and Chief Executive Officer, Michael Dell; our Vice Chairman and Chief Operating Officer, Jeff Clarke; and our Chief Financial Officer, Tom Sweet.

We're pleased to announce that Dell Technologies has reached the separation of distribution agreement with VMware and a special committee. We have posted a press release and presentation on our Investor Relations website and we encourage you to review these documents. Additional information about the transaction and the associated risks is included in the SEC filings of Dell Technologies and VMware.

During today's call, Tom will cover the framework and rationale for the transaction as well as our capital structure and financial model. Michael and Jeff will highlight the future for our business.

Unless, we otherwise indicate all references to financial measures refer to non-GAAP financial measures including non-GAAP revenue,

operating income and adjusted free cash flow. A reconciliation of these measures to our most directly comparable GAAP measures can be found in our web deck. Please also note that all growth percentages refer to year-over-year change unless otherwise specified.

Lastly, I'd like to remind you that all statements made during this call that relate to future results and events are forward-looking statements that are based on our current expectations.

Actual results and events could differ materially from those projected in the forward-looking statement due to a number of risks and uncertainties which are also discussed in our annual and quarter SEC filings and in the cautionary statement contain in our press release and on our website. We assumed no obligation to update our forward-looking statements.

With that, I'll turn it over to Tom.

Tom Sweet: Thank you, Rob. After the close today, both Dell Technologies and the VMware Special Committee issued press releases announcing our agreement to spin-off VMWare by distributing our VMware shares to our Dell Technologies stockholders. This transaction is consistent with our long-term value creation framework and simplifies both the Dell and VMware capital and ownership structures.

Dell and VMware are better together and will be important partners, continuing to innovate for customers as we move forward. The transaction also provides both companies with additional strategic and financial flexibility, delivering benefits to our customers, partners, investors and team members while positioning both companies for future growth.

We believe the VMware spin-off will further unlock value in our current capital structure while preserving our better together framework with VMware including our collaborative solution development and joint go-

to-market activities. Factoring in the proceeds to Dell from a VMware special cash dividend to all VMware shareholders, the transaction will be accretive to Dell's credit profile, significantly reduced our debt and position us well for investment grade ratings.

VMware will be a more broadly traded independent company with incremental growth opportunities, strong cash flow and an investment grade profile. VMware shareholders will benefit as the company moves to a single class ownership structure, making it eligible for key indices like the S&P 500 and it will have a higher public float.

Dell Technologies shareholders will benefit from future value creation at Dell as the transaction will enable investment and broader solution opportunities and attractive growth areas which Michael and Jeff will highlight later in the call. Dell shareholders will also have the opportunity to continue to participate in value creation of VMware via the share distribution.

Upon completion of the spin-off, Michael Dell will remain Chairman and Chief Executive Officer of Dell as well as Chairman of the VMware board. Zane Rowe will remain interim CEO of VMware and the VMware board will remain unchanged. In addition, Michael, Silver Lake and VMware have agreed to certain governance measures relating to board composition and shareholder actions. For additional detail, please review Dell and VMware's SEC filings.

Let me move to an overview of the transaction by breaking down the separation and distribution agreement into three parts. First, Dell and VMware have agreed to a broad commercial agreement that will preserve the benefits and synergies we have realized over the last four and a half years of great partnership between our companies.

From a product perspective, our innovation and collaboration on solutions such as VxRail, VMware Cloud on Dell EMC and VeloCloud SD-WAN as well as security and end user computing will continue as

we work together to deliver differentiated products and solutions in support of our customers.

Further, the companies have agreed on framework to identify new areas of joint interest and are currently working on approximately 10 areas of joint innovation including edge, telco, 5G and composable systems and are actively negotiating SOWs to define the scope for these joint projects.

Finally, we have formalized an executive level of governance process, very much like what we have today to ensure both teams continue to evaluate new opportunities for product collaboration and leverage our unique capabilities to deliver differentiated solutions to our customers.

Our go-to-market arrangement represents a commitment from both companies to continue driving VMware revenue through Dell. As a reminder, the Dell sales channel represented 35 percent of VMware's Fiscal Year '21 revenue. The companies will engage annually to determine sales targets and committed investments that both companies will make in order to support and accelerate VMware sales going through the Dell channel.

The agreement also preserves VMware's access to Dell financial services where VMware has originated more than \$4 billion in financing over the past three years. This is a broad, long-term partnership with initial term of five years with optional annual extensions thereafter.

Second, VMware has agreed to pay special dividend of 11.5 billion to 12 billion to its shareholders at transaction closed. Dell will receive its pro rata portion of the dividend. Based on our current 80.6 percent ownership in VMware, we would receive approximately 9.3 to 9.7 billion and we intend to use the net proceeds to pay down core debt.

Third, we have agreed to convert all of our VMware class B shares to class A in connection with the share distribution, creating a single class of VMware stock.

To understand the mechanics of the transaction, I believe what will be helpful to explain what shareholders expect if the transaction happened today for illustrative purposes. Dell owns approximately 338 million shares of VMware while there are 763 million shares of Dell outstanding.

Dell Technologies shareholders would receive a – would receive approximately 0.44 shares of VMware for each share of Dell that they held today based on the shares outstanding today, nothing that the final ratio is subject to incremental (dilution) prior to the transaction closed. After the share distribution, Dell shareholders will continue to hold their Dell shares which would then exclude any economic ownership in VMware.

Separately, they would also hold approximately 0.44 shares of VMware for each Dell share that they owned post-share distribution. The implied value of the Dell shares using current multiples in last week, Friday's closing stock price would be approximately \$38 per share or roughly 4.7 times trailing 12 months adjusted EBITDA which is a significant discount to peers and we believe represents an attractive value creation opportunity.

We have a visual illustration on slide 5 in the accompanying deck posted on our IR site. The transaction is expected to close during the fourth quarter of 2021. Subject to certain conditions including receipt of a favorable private letter ruling, an opinion that the transaction will qualify as a tax-free spin-off to Dell Technologies holders and VMware maintaining investment grade rating. A shareholder vote is not required.

Following the spin-off of VMware, our debt structure will be substantially lower and less complex. First, we will repay the existing

\$4 billion margin loan prior to close and VMware's \$4.8 billion of debt will no longer be part of Dell's balance sheet.

Second, we plan to use our dividend proceeds to pay down core non-DFS-related debt. When you combine the expected dividend proceeds of approximately 9.3 billion with our existing Fiscal Year '22 debt pay down target of at least \$5 billion, our full-year debt pay down will be more than \$14 billion.

Our DFS-related debt \$10.3 billion is of the end of Fiscal Year '21 and as a reminder, cash flow from operations is not needed to service our DFS debt as this debt is serviced by cash receipt from our DFS-owned assets. Our financing arm debt is typically removed from leverage calculation.

For illustrative purposes, we have a slide in our deck which shows what our debt levels and leverage ratios would have been had the transaction taken place at the end of last fiscal year, and assuming we used our pro rata portion of the special dividend to pay down debt.

Dell has spoken with the rating agencies at length. We remained focus on delevering to achieve investment grade ratings and expect the transaction to be credit positive. Regarding capital allocation, we will continue to focus on debt pay down, targeting roughly a 1.5X core leverage ratio overtime, even after achieving a corporate family rating of investment grade.

Once we are investment grade, there will be opportunity for a more balanced capital allocation policy including shareholder capital return and investments to grow the business. Post-spin, we expect to grow revenue over the long-term at GDP to GDP plus levels and grow faster than the market in a way that is consistent with our value creation framework.

We plan to grow operating income faster than revenue and EPS faster than operating income over the long-term. We have proven our ability

to adjust our model to deliver strong cash flow generation regardless of the environment just as we did last year during the pandemic fueled economic turndown – downturn.

As a reminder, we made proactive adjustments to our business in Fiscal Year '21 and finished the year with a record revenue, profitability and cash flow from operations. We plan to share additional details on our strategy, pro forma expectations excluding the VMware business unit and our operating model as we move closer to the transaction closed. Until then, there are few things you should consider.

First, we will be recognizing reseller revenue from our partnership with VMware which would have put us roughly at \$87 billion in revenue last fiscal year on an estimated pro forma basis. As a reminder, 35 percent of VMware's revenue came through Dell last year and our growing VMware reseller revenue will continue to benefit Dell's core business solutions. While we initially expect roughly breakeven reseller margins, these margins should improve overtime.

As a reminder, under other businesses, we still have valuable security and integrated platform as a services business – as-a-service businesses in SecureWorks and Boomi. With our reduced debt, you should expect lower interest expense. Also note, that the noncontrolling interest calculation will no longer be material.

Now, let me turn the call over to Michael and then to Jeff to highlight how we were thinking about the business going forward.

Michael Dell: Thanks, Tom. As Dell enters a new phase, I've never been more optimistic about the opportunities in front of us. By spinning off our ownership in VMware, Dell Technologies will drive additional growth opportunities for both Dell and VMware and unlock significant value for stakeholders. Both companies will remain important partners, providing Dell with a differentiated advantage in how we bring solutions to our customers.

We have all been through a challenging year in which technology became more central and relevant to our lives. And we've only scratched the surface of what technology can do to make our world a better place, whether developing vaccines faster than we thought possible or keeping connected to each other across the globe, technology has moved us forward in our darkest times.

I'm very proud of the role Dell Technologies has played for providing PCs to students, learning from home, to providing critical infrastructure that has supported the exponential growth in virtual meetings and vital medical breakthroughs. 2020 has supercharged technology trends that were already well underway and there is no going back.

Companies and organizations around the world recognized that digital transformation is more important now than ever. The dialogue with customers has also change at the highest levels. They want our help to drive better business outcomes and deploy new technologies. Whether it's artificial intelligence, machine learning, 5G or automation, they want help bringing a cloud operating model to their IT infrastructure and Dell is positioned to deliver.

With our broad set of leading solutions, VMware partnership and enormous ecosystem, Dell is unmatched in scope and scale. We are differentiated in our ability to deliver integrated simple solutions that span a customer's entire environment from public clouds to SaaS providers, to private clouds and extending all the way to the growth of the edge.

We've been there when customers needed us and now they're turning to us as their trusted technology partner for digital transformation. In a world where customers are narrowing their vendor list, focusing on fewer strategic partners, we are rising to the top and we have an advantage position in the marketplace. We are number one in the majority of the markets in which we served with a proven ability to gain share in a consolidating market.

Our estimated pro forma revenues last year would have been approximately \$87 billion and we have a size and scale advantage versus competitors with the largest direct sales force in the industry complemented our strong channel partner program. Excluding VMware, our deferred revenue balance exiting FY '21 was approximately 20.5 billion and our remaining performance obligations were over \$30 billion and up an impressive 18 percent year over year.

We have a unique set of competitive advantages that support our business. We have a supply chain that operates in 180 countries around the world and procures over \$70 billion a year. A services organization with more than 34,000 team members across the globe and a financing arm with over \$11.8 billion in DFS assets.

We are well-positioned to grow with a history of strong cash flow and we have proven our ability to adapt our model time and again. We (grow) strong as well as challenging economic cycles with our core business averaging more than \$5 billion of adjusted free cash flow over the last two years. And we have record revenue operating income and cash flow this past fiscal year despite the pandemic-induced economic downturn.

We also take great pride in following through on our commitments including our commitment to delever our balance sheet. Dell Technologies is a global technology bellwether you can trust with a history of delivering long-term value across a broad set of stakeholders from shareholders to team members, to customers, to the communities where we live and work. Our future has never been brighter and I'm looking forward to years of growth ahead.

Now, let me turn it over to Jeff to talk more about our core business and our strategy to grow.

Jeff Clarke: Thanks Michael. With technology essential not only to the world's recovery but also of the future that lies beyond, we have an unprecedented opportunity. We have long said the two tenants of our

strategy are using our unique strength to consolidate the core businesses where we lead today and to build highly differentiated and integrated solutions with VMware and across our ecosystem to capture the growing markets of tomorrow.

Having work closely with the Dell and VMware teams over the last four and a half years, we have now reached an agreement that allows us to achieve these core principles of our strategy and more. We have formalized how we work together across sales, marketing, solutions development, shared intellectual property and executive engagement.

The agreement will also enable each of us to broaden our partnership ecosystem while maintain our first invest relationship with VMware. It builds on our current operational model and the momentum we have generated including deep levels of collaboration. I'm confident Dell and VMware will be important partners well into the future.

Now, I'll talk more about our future starting with the core. The potential value creation and growth in our core businesses are significant. By consolidating share and steadily growing markets, Dell Technologies will generate powerful long-term returns. Estimates from both IDC and Gartner see IT spending growing mid-single digits in calendar year 2021 including growth in our PC server and storage markets. We expect annual growth in the GDP or better range over the long term.

We are in a technology-enabled world where we can do anything from anywhere. Instead of going to work, school, entertainment, a restaurant or shopping, it all comes to us and the PC is the hub of this new economic model. Further the total addressable market for PC is expanding. There are still millions of children around the world that need PCs.

The number of PCs in a household continues to increase and the refresh cycles are accelerating with the shift to notebooks which have higher selling prices and higher services software and peripheral attach opportunities. The PC industry shifts roughly 265 million units

per year from 2015 to 2019, and jumped up over 300 million units last year, its highest annual growth in six years.

Even more exciting, the market is projected to average 340 million units over the next several years including 357 million units this year. We have gained 560 basis points of commercial unit share over the last five years and deliver strong revenue growth, profitability and cash flow.

It's a great time to be in the PC business and we're extremely well-positioned to benefit from the current tailwinds. All of those PCs represent people who need to be connected and engaged with content, commerce and data which will drive increased infrastructure spending to support all of this activity.

While our ISG business is coming off tough compares as the industry digested unprecedented capital expense growth in 2019, followed by a pandemic this past year, we believe ISG is poised for a rebound and growth and we are well-positioned. We are starting from a position of strength in both servers and storage as well as leading HCI and multicloud solutions and have proven the ability to take share.

ISG generated approximately \$34 billion of revenue and \$4 billion of operating income (per) year on average over the last three years and we were equally optimistic about our future prospects. In servers, we are number one in (x-cities) server revenue and have gained 530 basis points of mainstream server revenue share over the last five years and have gained 1,400 basis points share over our next largest competitor over that same timeframe.

In storage, we are already far and away the number one player in every major storage category, high-end, mid-range, all-flash arrays, HCI, data protection, you name it. We are still larger than the next three biggest competitors combined and captured almost half of the more profitable high-end market in 2020 after gaining nearly 6-point share last year.

We have completed a significant portfolio refresh including entry level, high-end, network attached storage and data protection categories and now we are turning our sites towards the mid-range with PowerStore. We are poised to regain share over the coming years as the IT infrastructure market rebounds following the pandemic.

We also know long-term success means doing more than just winning the consolidation. It requires us to continue modernizing the customer experience and to increase stickiness with our customers in multiple ways which brings us to APEX announced last October at Dell Technologies World.

With APEX, we are extending our long history of offering IT as-a-service to deliver, IT resources on-demand, Dell managed infrastructure, pay-as-you use consumption, all on the foundation of trusted technology at scale. Starting in May, we'll launch the first APEX branded offerings with more coming over the course of the year, so stay tuned. This foundation sets us up to respond to accelerating customer need and capture market momentum.

APEX is important to modernize the core and to make it stickier and it's just as important for winning the future at the edge. In the not too distant future, computing will happen in three places, in public clouds, in private clouds and hybrid datacenters and at the edge which is the next great technology frontier and a significant opportunity for Dell Technologies.

Following the accelerated digital transformation of last year, customers are investing to springboard into the future of automated and intelligent outcomes. And they are racing to the edge including the adoption of 5G, a movement towards open standards in telecom and an increasing number of AI and machine learning use cases. This will drive an estimated \$700 billion in accumulative spend on edge infrastructure and datacenters within the next decade.

By extending our cloud model, an ecosystem to the edge, we can provide a consistent approach to infrastructure, data, applications and security across the entire environment. With our world-class solutions size and scale and differentiated expertise of our service and support teams, we have the necessary networks, processes, (part depot) and other infrastructure to support the edge around the world including remote locations. This is highly distributed on-premise deployment. This is what we do, it's our turf and we intend to win.

In closing, Dell-VMware relationship is strong and both companies will continue to work closely together in a first and best framework. We will innovate with VMware in our broader ecosystem to (inaudible) automated, integrated infrastructure for the data (area). We are proud of our long history of creating value and both Dell and VMware shareholders will benefit from the transaction announcement today and in the future.

We have proven we can grow share in our core businesses, have an expanding TAM and a well-positioned for growth with a history of generating strong cash flow. And we have done all of these things while maintaining a strong focus on the environmental and (short) issues.

We look forward to all of you joining us on the next phase of this journey. Now let me turn it over to Rob to begin Q&A.

Rob Williams: Thanks Jeff. As a reminder, please limit yourself to one question, so we can get to as many of you as possible. Also given the timing of this call in our fiscal quarter, we will not take questions about the quarter or current performance.

(Catherine), can you introduce the first participant?

Operator: Sure. Our first question is going to come from the line of Rod Hall with Goldman Sachs.

Rod Hall: Great. Thank you for the question and congratulations on the deal announcement here. I guess I wanted to start with a couple of questions or have a couple of questions on the nature of the relationship between Dell and VMware post the spin both an operational question, if I might, and a financial question.

So, let me start with the financial question. You said, there's a distribution agreement. Could you guys maybe elaborate on how much cash or how much payment might flow from VMware into core Dell on an annual basis from that agreement? Does that substantially change the cash flow profile of the core overtime?

And then the second question I have was bigger picture, maybe for you Michael, and that is originally back five years ago or so when you guys closed this deal, I know you had a thesis for the synergies between the two companies.

And obviously, now as we approach the spin out, that thesis is changing a little bit. I just wonder if you could talk a little bit about what change your mind on that and also how the operational relationship between these two companies looked posts the deal? Thanks.

Tom Sweet: Hey Rod, let me start with the financial question you asked and the separation and distribution agreement is focused on the separation of the entities and the distribution of the share – of the stock. From a financial perspective and in an ongoing commercial relationship, it doesn't substantially change the cash flows between the companies, right.

We are going to continue to work together like we have been over the last four and a half years as we build a tremendous partnership. You know, we're committed to continue to push and drive the VMware revenue framework as we have been doing. Jeff and his team are very focused on continuing the technical solution capabilities and development activities that are in the pipe.

So, the ongoing cash flow dynamics don't really change from the current operating structure that we're in other than as we continue to grow our revenue and continue to expand the opportunities. These obviously are commercial arrangement or commercial dynamic attached to that.

And then on the strategic relation, maybe I'll let – I'll turn it over to Michael.

Michael Dell: Yes, Rod, so look, I mean I think we got very comfortable that we could create a set of commercial relationships that would advantage us and allow us to continue to succeed. I mean, look, I think what we've seen in the last five years is that it's continued to evolve to be a multicloud world. It's not public cloud or the private cloud, it's both and now we have growth at the edge.

In all that, VMware is certainly in a very powerful position and no doubt our shareholders will benefit as they maintain their interest in VMware post the spin. And you know, we've talked about our value creation framework, the share distribution is very much in relation in that – it's consistent with that.

And we're going to maintain the benefits of the VMware relationship through the commercial agreement while unlocking the discount that's persisted despite the significant debt reduction and the synergistic revenue generation.

And so, I think those are some of the things that have changed overtime and there's advantages to both companies to formalize the agreement for how we work together and allowing both companies strategic flexibility. And look, hybrid cloud is going to continue to grow. We created the Easy Button for VMware solutions and we're excited about the opportunities ahead.

Maybe Jeff can talk a little bit about the commercial agreement in a little more detail.

Jeff Clarke: Happy to, Michael. Right, you think about the operation agreement we put in place and we formalized how we work to the last four and a half years. We really spent a tremendous amount of time formalizing the go-to market methods, how we jointly incent our sales forces, how we jointly stay aligned in front of the customer, how we put the right marketing programs in place to generate demand.

And certainly when you think about what we've done around the IP side, engineering side and innovation side, we absolutely believe we formalized that working relationship in our commercial agreement to the point that we believe we will remain strategically aligned, that the benefits that we have seen in the relationship to date continue, the high levels of execution that we performed to our table stakes.

And that we put a governance in place to ensure that we hit the go-to-market – go-to-market objectives the companies put in place that we continue to see the benefit of building these differentiated solutions that our customers are dependent on and have become dependent on from us. Let me take, VxRail as an example.

A piece of work where the two companies have done extraordinary work over the market leader, 10,000-plus happy customers, 100,000 nodes deployed in the field. We believe the relationship that we documented and the commercial agreement in place allows us to expand that leadership position, allows us to continue to innovate and drive differentiation into the platform itself to make it unique and advantage.

It allows us to continue to simplify management in the two-tier architecture that we put in place at VxRail and most importantly, it allows us to take VxRail as a building block to expand our footprint into the cloud, whether that's VxRail plus VCF sold as a subscription, sold as a customization or customized option for our customers to deploy their own public cloud or VxRail is the building block for Dell Technologies Cloud on BMC which is a VMware managed service.

And if we think about the future, in the edge, VxRail becomes the building block for the edge and we are aligned across the board on all of those key engagements going forward. So, we believe we preserved all of the value, the working relationship that we have to date in this commercial agreement and the way that we'll work in the future. I hope that helps.

Rod Hall: Yes, I agree. Thanks everyone, (great).

Jeff Clarke: Yes.

Rob Williams: Thanks Rod. Hey just a reminder, please limit to one question, so we can continue to move along. (Catherine), next question?

Operator: Our next question is going to come from the line of (Wamsi Mohan) with Bank of America.

(Wamsi Mohan): Yes, thank you and congrats on the transaction. This is clearly a big change to the portfolio. It's a great (unlock) of value for Dell. Do you see the need to own larger pieces, so to software stack down the road or will Dell portfolio look very similar to the way it is sort of post-spin if we look out a few years? Thank you.

Jeff Clarke: You know, (Wamsi), the way that I looked at it, it doesn't change our portfolio. Again, the commercial agreement that I just referred to allows us to have access and to drive deep levels of collaboration across a wide range of categories, whether that be security, next-generation datacenter, telecom, edge as I referred to earlier, software-defined wide area network, software-defined networking.

Those portions of the portfolio don't change in a way that we built the agreement and the way that we'll continue to work with VMware. If you look at where our portfolio has been migrating, we talked about this very openly and where the opportunities are, continuing to consolidate the core, continue to modernize the core using capabilities like APEX that we've called out earlier – or in earlier calls that we had.

We think about the opportunity we have in cloud and as Michael mentioned moments ago, the world is multicloud. We believe we have the right fabric, if you will, to continue to connect private clouds, public clouds, edge clouds in this era that we're moving towards just like we do today. Nothing changes in that regard and then we can continue to operate in the broader ecosystem, giving our customers choice.

We think this is exactly where our customers want us to be and we continue to be able to provide very deep solutions with VMware integrated at a level that we have going forward while continuing to provide our customers choices in new growth areas like edge and telecom.

Rob Williams: Great. All right. Thanks (Wamsi). (Catherine)?

Operator: And our next question will come from the line of Toni Sacconaghi with Bernstein.

Toni Sacconaghi: Yes, thank you. I just wanted to confirm that there's no minimum commercial revenue agreement with VMware over each of the five years. And then if I zoom out from that – part of the reason I asked this is I appreciate and applaud you for unlocking shareholder value in the near term.

But Michael, I have to ask you like 10 or 15 years from now, is Dell Technologies going to be a better company without 80 percent ownership of VMware? It's extremely rare that a company divest a faster growing, higher margin, more recurring business and preserves one that is less on all of those dimensions.

And so, I'd like to get your perspective on – again, I appreciate the value unlocked for shareholders today but 10 or 15 years from now, is Dell Technologies is going to be growing faster or slower because of this divestment and is there any commercial (keys) in the agreement that assures you that will participate in the same level or a higher level of VMware's ongoing growth?

Tom Sweet: Hey Toni, it's Tom. Let me comment on the first part of your question and then Michael can comment on his vision for the company and his perspective. But from a – we have a broad set of agreements in place on how we're going to run the relationship which is consistent with how we run it over the last four and a half years.

As part of that, there is a go-to-market framework that we're committed to where the companies are going to work together to continue to grow VMware revenue. I'm not going to get into the specifics. The documents are filed with the SEC but we are committed to continuing to work together closely and build the velocity between the two businesses.

Jeff Clarke: And Tom, maybe one point that I think would be helpful, I mean – Toni, as we think about this, it's driving differentiated growth in the high growth areas.

So when you look at the areas of high growth where we're aligned on edge, telecom and 5G and O-RAN, next-generation datacenter, multicloud, unified workspace, security, modern applications with (TAMs) and TMC, we put together a commercial agreement that incents us and aligns us on those high growth areas and dedicating and focusing our sales force to participate there.

So, it's extremely attractive for us to be in those high growth areas as it is today into the future. I hope that color helps a little bit.

Michael Dell: And Toni, you know, focus on value and being long-term focus, look I think first of all the shareholder feedback has been overwhelmingly positive for the spin. And I think there's also embedded in this a rerating opportunity for both Dell and VMware.

And as much as we grew the revenues of VMware tremendously and we had great revenue synergies across VMware and Dell Technologies over the last – almost five years, the market does not

appear to appreciate a hardware-software combination, given the discount in the current structure.

And so, we concluded this was the best route and certainly we believe the opportunities for the standalone core Dell continue to be very attractive. And obviously, our shareholders will benefit from their interest of VMware which also has a very attractive future.

Rob Williams: All right, great.

Toni Sacconaghi: Thank you and congratulations.

Rob Williams: Yes, thanks Toni. (Catherine)?

Operator: Our next question will come from the line of Aaron Rakers with Wells Fargo.

Aaron Rakers: Yes, thanks – thanks for taking the question and congratulations as well for me. I just want to go back on a deleverage discussion a little bit. You guys are receiving call at 9.3 billion of a special dividend from VMware.

I think your slide deck mentions that your (X) VMware at about 1.6 time net debt to EBITDA and you target kind of a 1-1/2 times leverage ratio. So, I guess why – what's the thought process of using all of that cash to kind of deleverage versus actually leaning in now on a more active equity capital return strategy? Thank you.

Tom Sweet: Yes, hey, Aaron. You know, look, as we think about it, assuming a \$11.5 to \$12 million dividend from VMware to all shareholders, our portion of that is 9 through the (97) as perhaps you highlighted. In addition as you know, we have talked about the fact that we wanted to pay down a minimum of \$5 billion of debt this year, organically.

So look from our perspective, what we're trying to do is position the company to be investment grade. I think once we're there, it opens up the opportunities from a capital allocation perspective. What you're

asking me is the sequencing around when do we pivot to a broader capital allocation strategy.

Our perspective and what we think appropriate for the company at this point is to get to investment grade, use the proceeds to delever the balance sheet to attain the investment grade rating and then that allows us additional flexibility on a go-forward basis. So, a fair question but we think about it as let's get to investment grade first and then we'll pivot and broaden out the capital allocation strategy.

Rob Williams: All right. Thanks Aaron. (Catherine), let's take one more question.

Operator: OK and our last question for the day will come from the line of Katy Huberty with Morgan Stanley.

Katy Huberty: Yes, thank you. As you think about standalone growth drivers for the Dell business, you mentioned the more open ecosystem post-spin. What are some examples of partnership that can exist after the VMware spin that maybe couldn't occur at the same level under your current structure?

Jeff Clarke: I don't think it couldn't occur. I think, Katy, that we look at this is we clearly believe in first and best and believe we maintained the first and best orientation that exists prior to this announcement going forward. And we're opinionated and we think the VMware technology and our deep levels of collaboration opened up all sorts of avenues of growth for us and opportunities.

But, I'd also say that we've been an open ecosystem. We provided customers choice as the leader in infrastructure equipment. We've long been someone who has provided our customers the choice they need. And I think as we explore these new areas, whether that be the 5G talk on the space or edge, it just opens up new partnership opportunities that we can continue to work where it makes sense with VMware together and to create new partnerships to give our customers choice.

I mean that's how I tend to look at it and I think that really opens a lot of doors, particularly in those big growth areas that we discussed in the past around 5G and the edge.

Rob Williams: Great, all right.

Katy Huberty: Thank you.

Rob Williams: Yes, thanks Katy, thanks Jeff. Before we end the call today, we have a number of important investor events planned for this year. We are planning an Investor Day in the fall and we'll be hosting key topic calls throughout the year, highlighting topics based on investor interest. These calls will be similar in nature to the DFS, PowerStore and ESG calls last year and the CSG call that we hosted yesterday which can all be found on our IR website.

We'll also be hosting virtual investor Q&A session at Dell Technologies World on May the 5th and we will be doing a number of virtual investor roadshows and participating in sell-side conferences throughout the year. Stay tuned to our IR website for future details or further details and reach out to Investor Relations with any questions you have.

Thanks for participating and thanks for joining us on short notice.

Operator: Thank you for dialing in for today's Dell Incorporated VMware Spin-Off Investor Conference Call. You may now disconnect.

END