

Dell Technologies Reports Fiscal Year 2018 Second Quarter Financial Results

ROUND ROCK, Texas – Sept. 7, 2017

News summary:

- Second quarter revenue of \$19.3 billion, non-GAAP revenue of \$19.6 billion
- Operating loss of \$1.0 billion, non-GAAP operating income of \$1.6 billion
- Cash flow from operations of \$1.8 billion
- Today marks first anniversary of historic merger between Dell and EMC

Full story

Dell Technologies (NYSE: DVMT) announces its fiscal 2018 second quarter results¹. For the second quarter, consolidated revenue was \$19.3 billion and non-GAAP revenue was \$19.6 billion. During the quarter, the company generated an operating loss of \$1.0 billion, with non-GAAP operating income of \$1.6 billion. The company generated cash flow from operations of \$1.8 billion.

“Today we celebrate one year since the historic combination between Dell and EMC. We’ve experienced great progress in bringing together our family of businesses and offering our customers and partners the most comprehensive set of solutions,” said Tom Sweet, chief financial officer, Dell Technologies. “In the second quarter, we generated strong cash flow and made progress on our de-levering goal. We were pleased with the growth velocity of our client, server, hyperconverged and all-flash array offerings. We have the right strategy, portfolio and investments in place to deliver long-term growth.”

Since Sept. 7, 2016, Dell Technologies has delivered significant results, including:

- Combining two great companies, creating the essential IT infrastructure company with more than 140,000 employees
- Combining two salesforces into one powerful go-to-market motion and creating an integrated channel program, both of which are driving velocity and revenue synergies across all segments
- Expansion of the Dell Financial Services (DFS) portfolio, now the exclusive originator of Dell EMC business and the VMware preferred finance partner
- Industry leadership in newer and fast-growing categories, including all-flash and hyperconverged infrastructure

Fiscal second quarter 2018 results

	Three Months Ended			Six Months Ended		
	August 4, 2017	July 29, 2016	Change	August 4, 2017	July 29, 2016	Change
	(in millions, except percentages; unaudited)					
Net revenue	\$ 19,299	\$ 13,080	48 %	\$ 37,115	\$ 25,321	47 %
Operating income (loss)	\$ (979)	\$ 67	NM	\$ (2,479)	\$ (72)	NM
Net loss from continuing operations	\$ (978)	\$ (262)	(273)%	\$ (2,361)	\$ (686)	(244)%
Non-GAAP net revenue	\$ 19,634	\$ 13,145	49 %	\$ 37,805	\$ 25,464	48 %
Non-GAAP operating income	\$ 1,552	\$ 756	105 %	\$ 2,749	\$ 1,295	112 %
Non-GAAP net income from continuing operations	\$ 873	\$ 362	141 %	\$ 1,454	\$ 626	132 %
Adjusted EBITDA	\$ 1,866	\$ 884	111 %	\$ 3,433	\$ 1,527	125 %

Information about Dell Technologies' use of non-GAAP financial information is provided under "Non-GAAP Financial Measures" below. All comparisons in this press release are year-over-year unless otherwise noted.

Operating segments summary

Client Solutions Group (Dell) continued to take share globally while growing profitably. Dell outperformed the market worldwide, experiencing 3.7 percent unit growth during the calendar quarter². Revenue for the second fiscal quarter was \$9.9 billion, up 7 percent year over year and the highest since the same quarter of fiscal 2015. Operating income was \$566 million for the quarter, a 17 percent increase or 5.7 percent of revenue.

Key highlights:

- Increased PC shipments by 3.7 percent, with 18 consecutive quarters of year-over-year PC unit share growth and the highest market share since 2006²
- Strong notebook momentum and double-digit revenue growth across all high-end commercial and consumer product lines
- Ranked No. 1 workstation vendor worldwide³
- No. 1 displays provider worldwide for the 16th consecutive quarter and double-digit revenue growth⁴

Infrastructure Solutions Group (Dell EMC) generated \$7.4 billion in revenue, up 7 percent quarter over quarter. Server and networking revenue was \$3.7 billion, a quarter-over-quarter and year-over-year increase of 16 percent, and storage revenue was \$3.7 billion. Operating income for the quarter was \$430 million.

Key highlights:

- Continued triple-digit demand growth for hyperconverged portfolio, including VxRail, which has more than 2,000 customers and 14,000 nodes deployed to date
- Launched and shipped new 14G servers; strong overall server demand growth in each of the major regions
- Strong all-flash growth at scale, more than 2x the nearest competitor
- Double-digit demand growth in next-generation Isilon scale-out NAS with new Infinity architecture

- Strong demand for our flexible consumption and utility models, signing several large, multi-year strategic deals

VMware segment revenue for the second quarter was \$1.9 billion, with operating income of \$561 million, or 29.4 percent of revenue.

Additional financial highlights

The company ended the quarter with a cash and investments balance of \$15.3 billion. In the second quarter, Dell Technologies paid down \$1.0 billion of core debt. Additionally, subsequent to quarter-end, the company paid down the \$1.5 billion bridge facility. Including these latest debt payments, the company has repaid approximately \$9.5 billion of gross debt, excluding DFS-related debt, since closing the EMC transaction.

Also since closing the EMC transaction, the company has repurchased a total of 19.7 million shares of Class V common stock for \$1.1 billion, under both the previously announced Class V Group and DHI Group repurchase programs. The company also has announced its board has approved an amendment to the Class V Group repurchase program for up to an additional \$300 million of repurchases over six months. This will be funded from proceeds of sales of VMware Class A common stock under a new stock purchase agreement with VMware.

Conference call information

As previously announced, the company will hold a conference call to discuss its second quarter performance today at 7 a.m. CDT. The conference call will be broadcast live over the internet and can be accessed at investors.delltechnologies.com. For those unable to listen to the live broadcast, an archived version will be available at the same location for 30 days.

A slide presentation containing additional financial and operating information may be downloaded from Dell Technologies' website at investors.delltechnologies.com.

About Dell Technologies

[Dell Technologies](http://DellTechnologies.com) is a unique family of businesses that provides the essential infrastructure for organizations to build their digital future, transform IT and protect their most important asset, information. The company services customers of all sizes across 180 countries – ranging from 98 percent of the Fortune 500 to individual consumers – with the industry's most comprehensive and innovative portfolio from the edge to the core to the cloud.

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¹ Due to the EMC transaction and to a lesser extent the Dell going-private transaction, significant non-cash bridging items will remain between GAAP and non-GAAP results for the next few years. Prior-year historical Dell Technologies financials do not include EMC historical results, thereby impacting most year-over-year comparisons

² IDC Worldwide Quarterly Personal Computing Device (PCD) Tracker CY17Q2

³ IDC WW Workstation Tracker CY17Q2

⁴ DisplaySearch Desktop Monitor Market Tracker CY17Q1

Non-GAAP Financial Measures

This press release presents information about the Company's non-GAAP net revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income from continuing operations, EBITDA and adjusted EBITDA, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with generally accepted accounting principles in the United States of America ("GAAP"). A reconciliation of each of the foregoing historical non-GAAP financial measures to the most directly comparable historical GAAP financial measures is provided in the attached tables for each of the fiscal periods indicated.

Special Note on Forward-Looking Statements:

Statements in this press release that relate to future results and events are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933 and are based on Dell Technologies' current expectations. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "confidence," "could," "estimate," "expect," "guidance," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should," "will" and "would," or similar words or expressions that refer to future events or outcomes.

Dell Technologies' results or events in future periods could differ materially from those expressed or implied by these forward-looking statements because of risks, uncertainties, and other factors that include, but are not limited to, the following: competitive pressures; Dell Technologies' reliance on third-party suppliers for products and components, including reliance on single-source or limited-source suppliers; Dell Technologies' ability to achieve favorable pricing from its vendors; adverse global economic conditions and instability in financial markets; Dell Technologies' execution of its growth, business and acquisition strategies; the success of Dell Technologies' cost efficiency measures; Dell Technologies' ability to manage solutions and products and services transitions in an effective manner; Dell Technologies' ability to deliver high-quality products and services; Dell Technologies' foreign operations and ability to generate substantial non-U.S.net revenue; Dell Technologies' product, customer, and geographic sales mix, and seasonal sales trends; the performance of Dell Technologies' sales channel partners; access to the capital markets by Dell Technologies or its customers; weak economic conditions and additional regulation; counterparty default risks; the loss by Dell Technologies of any services contracts with its customers, including government contracts, and its ability to perform such contracts at its estimated costs; Dell Technologies' ability to develop and protect its proprietary intellectual property or obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms; infrastructure disruptions, cyberattacks, or other data security breaches; Dell Technologies' ability to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest

rates; expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax audits and other tax compliance matters; impairment of portfolio investments; unfavorable results of legal proceedings; increased costs and additional regulations and requirements as a result of Dell Technologies operation as a public company; Dell Technologies' ability to develop and maintain effective internal control over financial reporting; compliance requirements of changing environmental and safety laws; the effect of armed hostilities, terrorism, natural disasters, and public health issues; the costs, time, and effort required to be dedicated to the integration of the Dell and EMC businesses; the ability to realize the anticipated synergies from the merger with EMC; the ability to integrate EMC's technology, solutions, products, and services with those of Dell in an effective manner; the impact of the financial performance of VMware; and the market volatility of Dell Technologies' pension plan assets.

This list of risks, uncertainties, and other factors is not complete. Dell Technologies discusses some of these matters more fully, as well as certain risk factors that could affect the Dell Technologies' business, financial condition, results of operations, and prospects, in its reports filed with the Securities and Exchange Commission, including Dell Technologies' Annual Report on Form 10-K for the fiscal year ended February 3, 2017, quarterly reports on Form 10-Q, and current reports on Form 8-K. These filings are available for review through the Securities and Exchange Commission's website at www.sec.gov. Any or all forward-looking statements Dell Technologies makes may turn out to be wrong and can be affected by inaccurate assumptions Dell Technologies might make or by known or unknown risks, uncertainties and other factors, including those identified in this press release. Accordingly, you should not place undue reliance on the forward-looking statements made in this press release, which speak only as of its date. Dell Technologies does not undertake to update, and expressly disclaims any duty to update, its forward-looking statements, whether as a result of circumstances or events that arise after the date they are made, new information, or otherwise.
