



**Dell Technologies | Citi Global Technology Conference
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Jim Suva: ...investors, thank you so much for joining us here at the Citigroup Global Technology Conference, here live in New York City, New York. This keynote session is featuring Dell Technologies, stock ticker DELL. Joining me on stage is the very well known and prominent, very honored to have himself, Michael Dell.

A few housekeeping items. No media and no press are allowed. Disclosures are available at check-in and on the Citi Investor website called Velocity. Dell has asked me to read the following Safe Harbor. I do have a brief disclosure to read from Dell directly.

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And with that, I'd like to introduce who's attending here from Dell. On stage is Michael Dell himself and in the audience is also the Chief Financial Officer, Tom Sweet. So, thank you so much for joining us here.

Michael, to kick things off with and I'll come join you on the seats, you have led the company through a tremendous amount of change since the formation from organic growth to also acquisitions, such as the EMC acquisition to the most recent spinouts. As you look back, what are some of the more strategic changes that you are most proud of and some of the ones that were more challenging?

Michael Dell: All right, Jim. Well, thank you very much for having me here. Great. Great to be with you all today. So, as I think about that question on the long arc of history, we've been helping customers for a long time, going back to the emergence of the client server computing, the sort of initial days of data centers and virtualization being built, and now multi-cloud. And all through that time, we've been executing and kind of consolidating and gaining share.

The EMC combination was a pretty historic opportunity to bring together an incredible set of capabilities and an effectively number one industry-leading portfolio across infrastructure. We believed that there would be substantial revenue synergies by being able to provide customers with a more complete solution and that over time the silos that had separated networking and storage and compute would start to disappear and customers would be more buying appliances and outcomes. And that has absolutely continued now with the evolution to multi-cloud.

If I think back about what could have gone better, it took us some time to sort of bring together the portfolios and simplify things. We now have our storage portfolio working quite well and we've had several quarters now of consistent growth in storage. We've consolidated things around our PowerMax, PowerStore, PowerFlex in terms of our core storage platforms and PowerScale. And we continue to focus on, again, modernizing the core business, consolidating share, and investing in the new areas of growth, specifically edge and teleco.

Jim Suva: A lot of change, for sure. You recently did a spinout of VMware. So, can you talk to us a little bit about your post-spin strategy now?

Michael Dell: Sure. So, the VMware spin was completed in November of last year. As many of you are aware, VMware was already a public company, so that was not new to folks. Again, what we focused on is continuing to consolidate share. We're in a \$1.4 trillion TAM. Last year, the business was a little over \$100 billion. So, still lots of opportunities to grow in our core businesses and investing in new areas.

If you think about edge, as an example, most of the physical world is in the process of becoming instrumented and intelligent and connected. And what all that means is that there's enormous amounts of data and compute that are going to be created and stay in the physical world. For example, there are roughly 600 mega cloud data centers in the world, but there are about seven million cellular base stations.

Every single one of those cellular base stations is in the process of becoming a mini-data center, a multi-access edge compute node, and we're working with 30-plus of the largest carriers to put infrastructure into those nodes because 5G is not about talking on the phone faster; it's about things talking to things and about data. And the – there is an enormous tailwind in our business around the, all the data that's being created in the world and that requires modern computer science to be able to analyze it and make sense of it and create outcomes from it. Again, those are all big drivers for our growth.

So, we'll continue to have a kind of first and best alliance with VMware, even post the proposed Broadcom acquisition. But there are other providers out there that we partner with and certainly we'll continue to invest in our own IP as well.

Jim Suva: And, Michael, there's a packed room of investors here, absolutely packed, even those standing along the wall. How should investors think about that strategy that

continues to change with cloud and edge and everything translating into financial and value creation for them as investors?

Michael Dell: So, we laid out our framework about a year ago and as a long-term framework we see our business growing a little bit faster than GDP and adding onto that our share repurchase program getting us up into the higher single digits of EPS growth and, again, a massive TAM, consistent cash flow generation. We've generated roughly \$6 billion in free cash flow a year over the last four years. And we're biased to return that capital to shareholders.

We don't have a capital intensive business. We don't have a particularly labor-intensive business. And so, we've been buying back our stock and obviously initiated a dividend, all this post the spin where we became investment grade and there's – we'd like to get to 1.5 times on the debt. We're at 1.7, so not a big distance there.

Jim Suva: And congratulations on that investment grade rating, because I know a lot of investors were kind of skeptical on that given the amount of paydown that you have to do and you did it successfully. You've been through a lot of cycles through your career, a lot of these cycles, and Dell just recently closed its second quarter. How would you characterize Dell's performance?

Michael Dell: Pretty pleased with the second quarter. Our CSG business grew 9%, 15% in commercial, -9% in consumer. The pressure is definitely being felt on consumer and retail. We don't participate there as much. Our mix is much more commercial and kind of high end consumer and gaming. But we've clearly seen customers after the enormous growth that occurred in client, the 9% growth that we had in CSG is also on top of last year's second quarter where we grew I think it was 27%. So, these are enormous growth periods.

If you sort of look at where we are on the curve and you look at kind of overall units going back to '16, '17, '18, '19, we're kind of in the right place, although there was some funny business that occurred in the middle there during the pandemic as money was raining from the sky. I don't think anybody wants to admit that they benefited from that period, but the truth is we did, right? And so, there's some of that.

But long-term, there is an expanded TAM because hybrid work is real. The way you make people more productive is you give them tools and the PC is an essential tool.

On the ISG side, 12% growth in ISG. I believe it was 15% in servers and 6% in storage. Seventh consecutive quarter of growth in the server platform. We continue to see customers building out their multi-cloud environments. Customers are very active in I would say this move from public cloud or cloud first to multi-cloud and that is to say there's a realization that not all workloads are going to work well in a particular type of infrastructure. Customers want their application and data environment to be infrastructure-agnostic. And so, they're often turning to us to help them build out that multi-cloud environment. Those are significant growth drivers for us.

So, felt pretty good about the second quarter. Again, we continue to kind of grind out gaining share. We've gained 570 basis points in PC share in the last five years, 590 basis points in servers. In PCs we've gained share in 34 out of the last 38 quarters. There's 89% of the time. And I think when the IDC data comes out for servers and storage later this month, we're confident that it'll show we gained share again.

And so, again, very large TAM and we can continue to gain share and consolidate. And when you're meeting with customers, they don't want to have more providers. They want to have fewer. And because we have number one positions in so many of these areas, we're continually able to consolidate the market. Our supply chain has been differentiated and continues to outperform and we've done all that with lower DSI.

Jim Suva: And, Michael, those are some tremendous share gains and not off easy comparables from a year ago, actually off very difficult. So, congratulations to you and your team.

Investors are a little concerned about a potential broader macroenvironment downturn, whether it be interest rates going up, employment data and things like that. How do you think about and compare your business now, say compared to prior economic downturns? Do you think about the core business any differently about weathering a potential downturn?

Michael Dell: We've been through all these before and so we know the levers to pull and I'd say we're pretty good at it. I think it helps to have a broader portfolio and, again, I think it also helps to be able to provide customers with a more complete solution. But there's no way you can be immune to overall macro things.

So, we're managing our costs appropriately and we have a history of doing that and we'll take all the right steps to kind of manage through whatever comes our way. Ultimately, we're focused on relative performance, gaining share, and coming out of whatever is in front of us stronger than when we went into it.

Jim Suva: Well, if we break it down to your two different business segments now, why don't we first start about, say, the PC market, because expectations have dramatically changed, say, from the start of the year to currently. Commercial is expected to hold up better than consumer, which seems to fit well for Dell's strategy and placement. What are you hearing from your enterprise customers in terms of demand, specifically for the PC market?

Michael Dell: Again, we're over 70% commercial. Roughly 80% is commercial and high end gaming and high end consumer. There's definitely tension in the budgets and all of the sort of macro noise that's out there has caused customers to pause and scrutinize spending more carefully. Not super-surprising.

If you look at the PC units over 40 years, which is kind of how we think about it because we've been doing it for 40 years, the volatility has been much more in the consumer portion than the commercial portion, which makes a lot of sense. It's not like you're going to in your business say to people, well, hey, economy's

not doing well; you can't have a computer. You're not going to. Like, it's an essential tool for productivity.

You might slow down the purchase rate or refresh rate for a period. But it's sort of like kind of pay me now or pay me later, you know? If you slowed down for three months or six months, it's just going to pop back up later.

And the attached motion that we had before we got started here, we were talking about your 49-inch display that you have at Citibank. I happen to like our new 5K monitor. It's 11 million pixels. You all need one of these, 5120 x 2160 resolution.

The point is that we're asking our machines to do more, whether it's in the data center or the client, and people are more productive when they have the right tools. And the only way you make people productive is to give them tools. And it turns out, the things that we sell are those productivity-enhancing tools.

We also have a substantial portion of our business which is direct, which allows us to capture some more margins, higher services and financing attach rates. But, again, there was a lot of purchasing that occurred. We had 27% growth last year in the second quarter. We're also going to start to anniversary the third year of the beginning of COVID where there were enormous deployments of client systems and I think that's going to drive some refresh as well.

On the data center side, again, it is multi-cloud. It's this explosion of data. If you want to do autonomous transportation or AI drug discovery or fintech or whatever you want to do, it involves data, right? Anything interesting in the world, data's right at the center of it. And the ASPs have been going up, because you have kind of this xPU phenomenon where it's not just the CPU, it's the GPUs, the DPU. It's all these specialized offload engines that are allowing a kind of renaissance really in computer architecture.

And a lot of customers, there are some super-sophisticated customers who will go and engineer those things themselves. But most of them, like they don't want to deal with that. So, they want us to bring them an appliance that allows their workloads to operate very efficiently.

There's also a big shift in our business from products to outcomes and this is characterized by our APEX business. And generally speaking, we sort of have three ways that customers can transact with us. We have the traditional buying products. We have subscribing or consuming a product, where they pay based on their consumption and it's based on time and usage. And the third way is really an outcome.

And as we move to the two latter models, the TAM expands significantly for us. It's quite a bit stickier. It involves more IP and we love that. So, we're pushing hard to do that. We reached a nice milestone with APEX of a billion dollars of ARR. Put it in context, we have over \$5 billion in ARR for the whole business and \$41 billion in remaining performance obligations for the whole business.

So, baby steps but we're making progress there and we think that can continue to grow. And, again, not only is it a – it's a big TAM expansion for us and

customers want to dedicate more of their time and energy towards applications, data, and creating speed to competitive advantage. And so, they don't want to deal with infrastructure and they want to consume it. For us, it's an opportunity and it's not all public cloud.

We're working with the public clouds. We also see an active build out of these hybrid private clouds. Many, many customers have told us that for certain workloads the cost of building out their own infrastructure is roughly half of what it costs to run those workloads in the public cloud. Now many of those customers also say but I don't want to be in the data center business. So, we see the rise of colos and we're working very actively with I would say all of the major colos and they have fantastic interconnectivity with all the different nodes that are out there in the network and that's also driving this move towards more of a consumption model.

Jim Suva: And, Michael, on the ISG side you've also gained a tremendous amount of share on the ISG side with servers and things like that. What are the main factors that have been giving you this strength? Some people think it's maybe inventory that your customers wanted because of supply chain challenges. Other people talk about new workloads and edge and other compute. But can you spend a little bit of time talking about ISG and the factors that are driving this continue share gain that you're really outgrowing the market?

Michael Dell: I don't think it's one thing. I think it's a number of things and even within each of the things there are many parts of those. But supply chain is a big factor.

One of the first questions we'll often get when we meet with customers is, hey, I've got this big project I'm doing. I'm going to need to deploy this new infrastructure. Can you deliver? You're not going to screw this up and my career's going to go south. They want to know that we're going to deliver for them. And this has been a big differentiator us, the superior execution of our supply chain.

Now, you've got to have a great solution that works really well. And, again, they don't want to be integrating all this stuff together. VMware is roughly 70% of the workloads out there. So, that's a kind of marquee partnership for us. But it's not all VMware. There are others as well. And being a reliable, consistent provider who can deliver globally in a predictable way, that's super-important.

Some of them have sharp pencils. But there's not a lot of price discussion. It's more, hey, we're counting on this for whatever it is, our modernization of our retail environment, our advanced manufacturing, our next generation data environment for financial services. And so, they want a reliable partner. And the ingredients, we're number one in just about all of the major areas in infrastructure. And so, it's not a super-difficult thing for them to give us more of the business.

Jim Suva: Michael...

Michael Dell: I'll say I'm a little surprised that the advantage we've had in supply chain has persisted for so long. It's maybe, well, I'll just leave it at that.

Jim Suva: Well, I was actually going to go into that. Next question is I've known you for two decades now, 20 years. But you've been doing this much longer than that. You're actually dubbed a supply chain expert, all the way from you before your company was public.

But yet, the supply chain has been, from my history, the most challenging now through COVID and supply chain parts shortages ever. And now, we're seeing higher prices, input costs, raw materials going higher, shipping costs. How have you and your customers responded to this, whether it be mitigation efforts? Can you talk a little bit about that?

Michael Dell: Sure. Well, it's multifaceted and I think part of the answer is to understand kind of the whole 360 view of this. And if you're a provider of the components and the ingredients, remember, you're in the business of digging big holes in the ground and putting billions of dollars in the ground. And, yeah, you want to know who's going to buy the parts in the next six months or whatever. But what you really want to know is who's going to buy them in three years, five years, seven years, ten years?

That's us. We, we've been doing this for – they've known us forever and we've known them forever. And so, the relationships go back four decades. And we have scale, \$100 billion in revenue last year. We've also done quite a bit to build resiliency in the supply chain.

Back in 2016, when there was a discussion of tariffs, we started moving capacity out of the countries that we thought were going to be affected by that. Turned out to be a really good thing to do. So, we've had more resiliency in the supply chain.

There's definitely been component inflation. That's helped us with ASPs. And generally, customers understand that because they see inflation in everything else. And so, they're not super-surprised by it and there's not an enormous amount of pushback by it. It's more about availability.

And it's not over. I wish it was. We still have shortages in some of the trailing nodes and certain types of silicon are harder to get and on longer lead time. But, again, our relationships and our design strategies, by that I mean we have taken steps to design multiple platforms that can source from various providers. And we're not the guys who sort of showed up at the last minute and said, hey, we need a bunch of parts.

I'll give you one other element here. A number of companies, as they outsourced to manufacturing, they decided to outsource the management of the components at a granular level. I mean they kept the management of some of the big components. We never did that. Big mistake, because any element of the supply chain that goes wrong, you're going to have a problem. And also, you can't treat these things like commodities because they, there's no replacement for the capacity. And so, you have to think about it over a long-term relationship and that's how we've done it.

Jim Suva: Michael, one thing that's come up really new is kind of a flexible consumption model. Can you talk a little bit about that, how Dell views it strategically and maybe the impact on your financials and what you're hearing about flexible consumption models?

Michael Dell: This is what I was talking about earlier with APEX. And in some sense, it's not new because we've had managed services and things like that for a long, long time and we've had various services that we've provided around the products. But it's continuing to advance and ultimately let's not be confused, the plot is more cash flow. That's the plot.

And we believe we're very much on that path. And we're kind of, I would say, going as fast as we can to build out more capabilities around APEX and figure out how we implement this across a broader set of our countries.

I think we're in 38 countries now with APEX. We've rolled APEX out to our partners. We've continued to expand the solutions into cyber recovery and backup, in addition to storage and infrastructure. And you'll continue to see us build out the portfolio around flexible consumption. And, again, we also think of it as a material TAM expansion over time.

Jim Suva: You've accomplished a lot over the years with your balance sheet. Investment grade rating, congratulations. Capital allocation now, such as stock buyback, dividends, things like that. How should the investors who are in the audience here think about your capital allocation policy and strategy that you're looking at?

Michael Dell: Well, first of all, I would say we are intrinsic value buyers of our stock. So, if the stock goes down, we buy more. And that's what we're doing. We did initiate a dividend and we talked about our long-term framework. I'd say we're at the high end of the framework in terms of capital return, maybe even a little bit higher than the range that we gave. And we're not opposed to M&A, but we haven't seen a lot that is compelling.

I know some of your investment bankers are kind of disappointed in that, but sorry. You might see smaller tuck-in type things to accelerate some of the new initiatives. But for the most part, we're biased to return of capital through share buybacks and the dividend.

Jim Suva: I mean I was just looking. Your dividend's 3%. I mean that's quite remarkable. When people think about the history of Dell, about all the acquisitions you've done and things like that, to think now I'm here on stage with you and a dividend of 3% and stock buyback. It's a quite friendly capital deployment strategy.

Michael Dell: And I think you're going to see us continue to enhance that. We're quite focused on – again, go back to this cash flow, free cash flow that we've generated consistently. Even through some of the cycles in our industry, we've had a very strong free cash flow. A significant majority of that free cash flow is going to be returned to shareholders in the form of share repurchase and dividends.

Jim Suva: That's important. Michael, you have a packed house here, people standing along the walls. As we kind of wrap it up now, maybe one last question. Why should

investors be buying Dell stock? What's the kind of couple points you want to leave with them about why this large audience should be shareholders today or tomorrow or be buying Dell stock?

Michael Dell: Well, we're an enormous TAM. It's a \$1.4 trillion TAM. We've got a \$100 billion business. We can continue to grow and consolidate that market space.

We have a history of execution and this is an environment where execution is going to continue to matter. You've seen it in our supply chain, in our free cash flow generation, and I think you've got a management that's very, very shareholder friendly that is going to lean into actions that are going to continue to enhance shareholder value. You've seen that with the various spin transactions that have created a ton of value for our shareholders and we won't be shy about exploring every opportunity to continue to create value for shareholders. And I think we can continue to grind out gaining share in a large and growing market.

Jim Suva: To all the investors in the audience, if you can please join me for a great thank you round of applause for Michael Dell and his company here.

Michael Dell: Thank you.