

Denali Holding Inc. Reports Fiscal Year 2017 First Quarter Financial Results

June 10, 2016

- Revenue was \$12.5 billion; Non-GAAP revenue was \$12.6 billion
- Operating loss improved to \$161 million; Non-GAAP operating income was \$565 million, a 37 percent increase year-over-year
- Cash flow from operations improved approximately \$800 million year-over-year

Denali Holding Inc. ("Denali"), parent company of Dell Inc., today announced its fiscal 2017 first quarter results, with revenue of \$12.5 billion from continuing operations, down 2 percent year-over-year, driven by declines in the company's Client Solutions and Enterprise Solutions Groups, while Dell Software Group revenue was flat. The company reduced its operating loss by 52 percent and grew its non-GAAP operating income by 37 percent year-over-year.

"Overall, we were pleased with our results this quarter," said Tom Sweet, Denali's Chief Financial Officer. "We're continuing to make balanced decisions between growth and profitability, while making investments that position us to address our customers' critical IT needs in the data center. In the quarter, net income was \$55 million and Denali delivered approximately \$660 million in adjusted EBITDA, and our cash flow from operations was \$3 billion over the past year," said Mr. Sweet. "We're committed to our long-term focus to grow revenue and profitability while generating strong cash flow."

Key Business Highlights:

- Cash used in operations in the quarter was \$63 million. The company's cash generation is seasonally low in its first quarter;
- Cash from operations on a trailing twelve-month basis was approximately \$3 billion, up 103 percent;
- 13th consecutive quarter of year-over-year share gains in PCs;
- Grew Latitude commercial notebook revenue both year-over-year and sequentially;
- Grew revenue year-over-year in APJ, driven by 5 percent growth in China;
- Strong year-over-year revenue growth in Dell Storage SC product line; modular server business strength maintained; and
- Strong momentum for the company's scalable and cost-effective hybrid cloud solutions, including, the Dell Hybrid Cloud Platform for VMware, Dell Hybrid Cloud System with Microsoft, Cloud FlexPay program and Dell Red Hat OpenStack Cloud Solution.

Fiscal Year 2017 First Quarter Results:

- **Revenue** was \$12.5 billion, a 2 percent decline from the previous year;
- **Operating loss** for the quarter was \$161 million, a 52 percent improvement from the previous year;
- **Non-GAAP revenue** in the quarter was \$12.6 billion, a 3 percent decline from the previous year;
- **Non-GAAP operating income** was \$565 million, a 37 percent increase from the previous year;
- **Adjusted EBITDA** in the quarter was \$659 million, a 28 percent increase from the previous year; and
- **Cash and investments** ending the quarter totaled \$6.2 billion.



Q1 net loss from continuing operations includes approximately \$700 million of adjustments that are not reflected in non-GAAP net income from continuing operations. The majority of these adjustments are non-cash and relate to purchase accounting. Information about Denali's 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:

- **Enterprise Solutions Group** revenue was \$3.6 billion, a 2 percent decline year-over-year. Operating income for the

quarter was \$192 million, a 20 percent decline, as the company continued to make investments in its sales force and solutions that position the company to address customers' critical IT needs in the data center.

- **Client Solutions** revenue for the quarter declined by 3 percent to \$8.6 billion year-over-year. Operating income for the quarter was \$385 million, a 76 percent increase. Operating income favorability was primarily driven by strength in notebooks, growth in attached software, peripherals and services, and improved costs. The company's decline in revenue was at a slower rate than the industry as the company grew unit share for the 13th consecutive quarter.
- **Dell Software Group** revenue was \$334 million, flat year-over-year. Operating income was \$28 million, or 8.4 percent of revenue, as the company saw improvement in the quarter driven by growth in Security and Boomi, which are delivering innovative, scalable solutions.

Conference Call Information

As previously announced, Denali Holding Inc. will hold a conference call to discuss its first quarter performance today, June 10, 2016, at 11 a.m. CDT. The conference call will be broadcast live over the Internet and can be accessed at www.dell.com/investors. For those unable to listen to the live broadcast, an archived version will be available at the same location until July 10, 2016.

A slide presentation containing additional financial and operating information may be downloaded from Dell's website at www.dell.com/investors prior to the conference call.

About Denali Holding Inc. and Dell Inc.

Dell Inc., a wholly owned subsidiary of Denali Holding, Inc. listens to customers and delivers worldwide innovative technology, business solutions and services that give them the power to do more. For more information, visit www.dell.com. To communicate directly with Dell, go to www.dell.com/dellshares.

Non-GAAP Financial Measures

The press release presents information about the Company's 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 from continuing operations, non-GAAP earnings from continuing operations per share – diluted, 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 below 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 and are based on Denali's 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. Denali's results could be materially different from its expectations because of various risks, including the risks described in the section titled "Risk Factors" of the proxy statement/prospectus, filed with the Securities and Exchange Commission on June 6, 2016, forming part of Denali's Registration Statement on Form S-4 (Registration No. 333-208524). Factors or risks that could cause Denali's results to differ materially from its expectations include risks relating to Denali's proposed merger with EMC Corporation, including but not limited to: the failure to consummate or delay in consummating the proposed merger; the risk that a condition to closing of the proposed merger may not be satisfied or that required financing for the proposed merger may not be available or may be delayed; the risk that a regulatory approval that may be required for the proposed merger is delayed, is not obtained, or is obtained subject to conditions that are not anticipated; risks relating to the trading price of Class V Common Stock to be issued by Denali in the proposed merger relative to the trading price of shares of common stock of VMware, Inc.; the effect of the announcement of the proposed merger on Denali's relationships with its customers, operating results and business generally; and adverse changes in general economic or market conditions. Any or all forward-looking statements Denali makes may turn out to be wrong and can be affected by inaccurate assumptions Denali might make or by known or unknown risks, uncertainties and other factors, including those identified above. Accordingly, you should not place undue reliance on the forward-looking statements made in this press release, which speak only as of its date. Denali does not undertake to update, and expressly disclaims any obligation to update, any of its forward-looking statements, whether as a result of circumstances or events that arise after the date the statements are made, new information or otherwise.

Special Note on the Divestiture:

On March 27, 2016, Denali Holdings Inc. entered into a definitive agreement with NTT Data International L.L.C. to sell substantially all of Dell Services, including the Dell Services Federal Government business, for cash consideration of approximately \$3.1 billion. Dell Services includes process outsourcing, application management, and infrastructure services. The pending transaction does not include the global support, deployment, and professional services offerings. Accordingly, the results of operations of Dell Services have been excluded from the results of continuing operations and from segment results.

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