

Dell Technologies Reports Fiscal Year 2017 Second Quarter Financial Results

September 6, 2016

- Solid operating income improvement and focused cost management, while investing for future growth
- Strong cash flow from operations benefitted from sequential revenue growth, profitability, and improvement in working capital
- Dell and EMC transaction closes on September 7, 2016

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ROUND ROCK, Texas--(BUSINESS WIRE)--Dell Technologies today announced its fiscal 2017 second quarter results, with revenue of \$13.1 billion from continuing operations¹, an increase of 1 percent year-over-year. The company reported operating income of \$63 million, reversing an operating loss in the year-ago quarter, and achieved non-GAAP operating income of \$752 million, an improvement of 32 percent year-over-year.

"We executed well in the quarter driving \$880 million in adjusted EBITDA, up 31 percent," said Tom Sweet, chief financial officer, Dell Inc. "Our second quarter results underscore our ability to consistently balance growth and profitability, and strategically invest in areas that will drive long-term profitable growth and strong cash flow. In the quarter, cash flow from operations was \$1.9 billion and for the trailing twelve months was \$3.2 billion, an improvement of 50 percent."

Key Business Highlights:

- 14th consecutive quarter of year-over-year share gains in PCs;
- Grew worldwide commercial PC's 6.2 percent and gained 90 basis points of unit share;
- Consumer PC share outperformed the industry worldwide gaining 110 basis points of unit share;
- Servers and Networking revenue grew 1 percent year-over-year; Dell Storage SC product line revenue grew 13 percent; and,
- No. 1 worldwide flat-panel monitor provider for 13th consecutive quarter.

Fiscal Year 2017 Second Quarter Results:

- **Revenue** was \$13.1 billion, up 1 percent from the previous year;
- **Operating income** for the quarter was \$63 million, reversing an operating loss from the previous year;
- **Non-GAAP revenue** in the quarter was \$13.1 billion, flat from the previous year;
- **Non-GAAP operating income** was \$752 million, a 32 percent increase from the previous year;
- **Cash flow from operations** in the quarter was \$1.9 billion. On a trailing twelve-month basis, cash flow from operations was approximately \$3.2 billion, up 50 percent; and,
- **Cash and investments** totaled \$7.5 billion, up \$1.2 billion over the prior quarter.

Fiscal Year 2017 Second Quarter Results

	Three Months Ended			Six Months Ended		
	July 29, 2016	July 31, 2015	Change	July 29, 2016	July 31, 2015	Change
	(in millions)			(in millions)		
Net revenue	\$ 13,050	\$ 12,975	1%	\$ 25,263	\$ 25,500	(1%)
Operating income (loss)	\$ 63	\$ (103)	NM	\$ (80)	\$ (414)	NM
Net loss from continuing operations	\$ (264)	\$ (292)	NM	\$ (690)	\$ (738)	NM
Non-GAAP net revenue	\$ 13,115	\$ 13,098	0%	\$ 25,406	\$ 25,763	(1%)
Non-GAAP operating income	\$ 752	\$ 568	32%	\$ 1,287	\$ 959	34%
Adjusted EBITDA	\$ 880	\$ 673	31%	\$ 1,519	\$ 1,165	30%

Q2 GAAP net income includes approximately \$600 million of adjustments that are not reflected in our non-GAAP net income. The majority of these adjustments are non-cash and relate to purchase accounting. 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** business revenue for the quarter was \$9.2 billion, flat versus the second quarter of last year. Operating

income for the quarter was \$484 million, a 50 percent increase. Operating income favorability was primarily driven by improved cost and balanced pricing decisions. We are also seeing growth in our attached software, peripherals and services business driven by growth in displays. In displays, we remained #1 in share, gaining unit share year-over-year for the 13th consecutive quarter.

- **Enterprise Solutions Group** revenue was \$3.8 billion, unchanged year-over-year. Operating income for the quarter was \$300 million, a 7 percent increase, as the company continued to make investments to help our customers to transition from traditional data centers to hybrid environments.

Conference Call Information

As previously announced, Dell Technologies will close the Dell and EMC transaction on Wednesday, Sept. 7, 2016. The company will hold a conference call to discuss its second quarter performance on September 8, 2016, at 7 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 Oct. 8, 2016.

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

About Dell Technologies

Dell Technologies 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. For more information, visit www.dell.com. To communicate directly with Dell Technologies, 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 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. Forward-looking statements in this press release include Dell Technologies' expectations regarding long-term growth and cash flow, the closing of Dell Technologies' proposed merger with EMC Corporation, and the dispositions of the Dell Services and Dell Software businesses.

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 risks relating to Dell Technologies' 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 the Class V Common Stock to be issued by Dell Technologies in the proposed merger relative to the trading price of shares of Class A common stock of VMware, Inc.; the effect of the announcement of the proposed merger on Dell Technologies' relationships with its customers, operating results, and business generally; and adverse changes in general economic or market conditions. Other risks, uncertainties, and factors that could affect Dell Technologies' results or events in future periods include 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; weak 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, cyber-attacks, 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 becoming a newly public company; Dell Technologies' ability to develop and maintain effective internal

control over financial reporting; compliance requirements of changing environmental and safety laws; and the effect of armed hostilities, terrorism, natural disasters, and public health issues.

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 filings with the Securities and Exchange Commission, including the prospectus/proxy statement forming part of Dell Technologies' Registration Statement on Form S-4 (Registration No. 333-208524) and Dell Technologies' 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.

Special Note on the Divestitures:

On March 27, 2016, Dell Technologies 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.

On June 19, 2016, Dell Technologies entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to divest substantially all of Dell Software Group for cash consideration of approximately \$2.4 billion. Accordingly, the results of operations of Dell Software Group have been excluded from the results of continuing operations and from segment results.

¹ *All assets and liabilities, attributable to the pending divestitures of the Dell Services and Dell Software businesses, have been reclassified into the "held for sale" asset and liability categories on the balance sheet. On the income statement, the financial results of the businesses to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations.*

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