

Dell Technologies Reports Fiscal Year 2018 Fourth Quarter and Full Year Financial Results

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D~~ELL~~EMC

Pivotal

RSA

Secureworks

virtustream

vmware

News summary

- Strong velocity with record revenue of \$21.9 billion for the fourth quarter, up 9 percent
- \$6.8 billion cash flow from operations for the full year and paid \$10 billion of debt since EMC transaction close
- Exited the fiscal year with growth across all segments; strong customer acceptance across the Dell Technologies portfolio
- Leader in 21 of the top market share categories

Full story

Dell Technologies (NYSE: DVMT) announces its fiscal 2018 fourth quarter and full year results. For the fourth quarter, consolidated revenue was \$21.9 billion, up 9 percent, and non-GAAP revenue was \$22.2 billion, up 8 percent from the prior period. During the quarter, the company generated a GAAP operating loss of \$321 million¹, with a non-GAAP operating income of \$2.1 billion, up 15 percent.

For the full year, consolidated revenue was \$78.7 billion and non-GAAP revenue was \$79.9 billion. The company generated an annual GAAP operating loss of \$3.3 billion, with a non-GAAP operating income of \$6.9 billion.

"I was pleased with our results in fiscal 2018. We finished the year with good revenue and profitability momentum, with non-GAAP operating income up 15 percent year-over-year," said Tom Sweet, chief financial officer, Dell Technologies. "We drove velocity at or above market rate in multiple areas of the business and generated strong operating cash flow as we brought the full capabilities of Dell Technologies together. In fiscal 2019 we'll continue to execute our long-term strategy, capitalizing on our broad portfolio of solutions for customers at every stage of the digital transformation journey."

The company ended the year with a cash and investments balance of \$20.3 billion, an increase of \$2.3 billion from the third quarter and an increase of \$5.0 billion from last year. Since closing the EMC transaction, Dell Technologies has paid down approximately \$10 billion in gross debt, excluding Dell Financial Services debt.

Fiscal year 2018 fourth quarter and full year results

	Three Months Ended			Fiscal Year Ended		
	February 2, 2018	February 3, 2017	Change	February 2, 2018	February 3, 2017	Change
	(in millions, except percentages; unaudited)					
Net revenue	\$ 21,935	\$ 20,074	9 %	\$ 78,660	\$ 61,642	28 %
Operating loss	\$ (321)	\$ (1,668)	81 %	\$ (3,333)	\$ (3,252)	(2) %
Net loss from continuing operations	\$ (553)	\$ (1,414)	61 %	\$ (3,855)	\$ (3,737)	(3) %
Non-GAAP net revenue	\$ 22,219	\$ 20,581	8 %	\$ 79,929	\$ 62,822	27 %
Non-GAAP operating income	\$ 2,120	\$ 1,843	15 %	\$ 6,855	\$ 5,113	34 %
Non-GAAP net income from continuing operations	\$ 1,097	\$ 1,091	1 %	\$ 3,660	\$ 2,687	36 %
Adjusted EBITDA	\$ 2,466	\$ 2,184	13 %	\$ 8,217	\$ 5,941	38 %

Dell Technologies' fiscal year 2017 included an additional week, which is incorporated into the company's fourth quarter results for FY2017. Fourth quarter fiscal 2018 non-GAAP operating income excludes approximately \$2.4 billion of adjustments, and full year fiscal 2018 non-GAAP operating income excludes approximately \$10.2 billion of adjustments, primarily related to purchase accounting and amortization of intangible assets.

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.

"We exited the year with growth across all of our segments, with particular strength in commercial client and in servers and networking. In addition, we saw demand growth up double digits for all-flash and triple digits for hyper-converged infrastructure in the fourth quarter, and we see a significant opportunity to ignite momentum in traditional storage in fiscal 2019," said Jeff Clarke, vice-chairman, Products & Operations, Dell Technologies. "With our industry leadership, innovation and laser-like focus on making our solutions easy to buy and own, we'll continue in fiscal year 2019 to deliver on the commitments we make to customers."

Operating segments summary

Client Solutions Group revenue for the fiscal fourth quarter was \$10.6 billion, up 8 percent versus the fourth quarter of last year. Commercial revenue grew 9 percent to \$7.3 billion and Consumer revenue was up 6 percent to \$3.3 billion. Revenue for the full year was \$39.5 billion. Operating income for the fourth quarter was \$581 million, a 70 percent increase, and was \$2.2 billion for the full year.

Key fourth quarter highlights include:

- Year-over-year worldwide PC share growth for 20th consecutive quarter²
- No. 1 share position worldwide for displays, gaining unit share year over year for the 18th consecutive quarter³
- Record holiday season sales for consumer and gaming products
- Record-high 87 product awards at the Consumer Electronics Show

Infrastructure Solutions Group revenue for the fourth quarter was \$8.8 billion, a 5 percent increase. This was driven by \$4.6 billion in servers and networking, a 27 percent increase, and \$4.2 billion in storage. Revenue for the full year was \$30.7 billion, with servers and networking revenue at \$15.4 billion and storage revenue at \$15.3 billion. Operating income was \$748 million for the fourth quarter and \$2.2 billion for the full year.

Key fourth quarter highlights:

- Third consecutive quarter of record server revenue, fueled by double-digit growth for both PowerEdge and Cloud servers
- Worldwide leader for x86 servers in calendar fourth quarter, both in units and revenue⁴
- No. 1 market share position in all-flash arrays⁵
- Demand for all-flash offerings exited fiscal 2018 at a nearly \$5 billion run rate

VMware revenue for the fourth quarter was \$2.3 billion, up 20 percent, with operating income of \$834 million, up 48 percent, and 35.8 percent of revenue.

Fourth quarter revenue from **other businesses**, including Pivotal, RSA, Secureworks and Virtustream, was \$492 million, up 3 percent.

Conference call information

As previously announced, the company will hold a conference call to discuss its fourth quarter and full-year 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 one year.

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

Dell Technologies World

Join us April 30 - May 3 in Las Vegas at Dell Technologies World, the company's flagship event that brings together latest emerging trends, technology and gurus, from the edge to the core to the cloud. During the event, experts from all seven Dell Technologies businesses will demonstrate to customers and partners the connected ecosystem of IT infrastructure, applications, devices and security that can enable real transformation across their organizations. Learn more at www.delltechnologiesworld.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 99 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 as well as 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 for the first and second quarters and a portion of the third quarter in fiscal 2017, thereby impacting any year-over-year comparisons for the full year. EMC results are included for the full fourth quarter of Fiscal 2017, thereby year-over-year results are comparable for the fourth quarter.

2 IDC WW Quarterly Personal Computing Device (PCD) Tracker CY17Q4

3 DisplaySearch Desktop Monitor Market Tracker CY17Q3

4 Dell Inc. and HPE/New H3C Group were statistically tied in worldwide x86 server revenue due to a difference of one percent or less in the share of revenue. IDC WW Quarterly Server Tracker CY17Q4

5 IDC WW Quarterly Enterprise Storage Systems Tracker CY17Q4

Non-GAAP Financial Measures:

This press release presents information about Dell Technologies' 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 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.