

Denali Holding Inc. Q1 FY'17 Performance Review

June 10, 2016



Legal Note

Non-GAAP Financial Measures:

This presentation includes information about non-GAAP revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, EBITDA, and Adjusted EBITDA (collectively the "non-GAAP financial measures"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the historical non-GAAP financial measures and of free cash flow, which is also a non-GAAP measure, to the most directly comparable GAAP measures in the slides captioned "Supplemental Non-GAAP Measures."

Special Note on Forward Looking Statements:

Statements in this material 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," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors. Denali assumes no obligation to update its forward-looking statements.

Special Note on the Divestiture:

On March 27, 2016, Denali 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.



Consolidated GAAP Results – Continuing Operations¹

Consolidated P&L

\$ in Millions - except Units

	1Q'16	4Q'16	1Q'17 ²	Y/Y Growth	Seq Growth
Units (thousands)	10,229	10,611	10,160	-1%	-4%
Revenues	12,838	12,979	12,534	-2%	-3%
Gross Margin	2,129	2,488	2,418	14%	-3%
<i>GM % of revenue</i>	16.6%	19.2%	19.3%	270 bps	10 bps
Operating Expenses	2,464	2,499	2,579	5%	3%
<i>Opex % of revenue</i>	19.2%	19.3%	20.6%	140 bps	130 bps
Operating Income	(335)	(11)	(161)	52%	-1364%
<i>OpInc % of revenue</i>	-2.6%	-0.1%	-1.3%	130 bps	-120 bps
Income Tax	(38)	(26)	60	258%	331%
<i>Effective Tax Rate %</i>	7.4%	13.3%	-16.4%	-2380 bps	-2970 bps
Net Income (Loss)	(476)	(169)	(426)	11%	-152%
<i>NI % of revenue</i>	-3.7%	-1.3%	-3.4%	30 bps	-210 bps
Diluted EPS	-\$1.17	-\$0.41	-\$1.05	10%	-156%

¹ Financial results of the Dell Services business to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations. Dell Services includes process outsourcing, application management and infrastructure services.

² Q1 FY'17 includes approximately \$700M of adjustments to Net Income related to purchase accounting and other items. For additional detail on these adjustments, please refer to supplemental slides at the end of this presentation.



Q1 FY'17 Consolidated Non-GAAP Results – Continuing Operations¹

Consolidated P&L

\$ in Millions - except Units

	1Q'16	4Q'16	1Q'17	Y/Y Growth	Seq Growth
Units (thousands)	10,229	10,611	10,160	-1%	-4%
Revenues	12,985	13,075	12,612	-3%	-4%
Gross Margin	2,410	2,722	2,633	9%	-3%
<i>GM % of revenue</i>	<i>18.6%</i>	<i>20.8%</i>	<i>20.9%</i>	<i>230 bps</i>	<i>10 bps</i>
Operating Expenses	1,998	2,003	2,068	4%	3%
<i>Opex % of revenue</i>	<i>15.4%</i>	<i>15.3%</i>	<i>16.4%</i>	<i>100 bps</i>	<i>110 bps</i>
Operating Income	412	719	565	37%	-21%
<i>OpInc % of revenue</i>	<i>3.2%</i>	<i>5.5%</i>	<i>4.5%</i>	<i>130 bps</i>	<i>-100 bps</i>
Income Tax	99	111	54	-45%	-51%
<i>Effective Tax Rate %</i>	<i>43.0%</i>	<i>20.7%</i>	<i>15.0%</i>	<i>-2800 bps</i>	<i>-570 bps</i>
Net Income	131	424	306	133%	-28%
<i>NI % of revenue</i>	<i>1.0%</i>	<i>3.2%</i>	<i>2.4%</i>	<i>140 bps</i>	<i>-80 bps</i>
Adjusted EBITDA ²	513	815	659	28%	-19%
<i>Adj EBITDA % of revenue</i>	<i>4.0%</i>	<i>6.2%</i>	<i>5.2%</i>	<i>120 bps</i>	<i>-100 bps</i>

- Revenue of \$12.6B, down -3% Y/Y
- Gross margin \$ up Y/Y driven by improved costs and disciplined pricing
- Operating expenses were \$2.1B at 16.4% of revenue, up +4% Y/Y, driven by investments in the salesforce, R&D and marketing
- Operating income of \$565M, up +37% Y/Y and 4.5% of revenue
- Interest expense & other income was -\$205M, down -\$23M Y/Y
- Adjusted EBITDA was \$659M, 5.2% of revenue and up +120 bps Y/Y
- Use of cash from operations was \$63M, in-line with Q1 seasonality
- Reduced debt by ~\$500M

¹ Financial results of the Dell Services business to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations. Dell Services includes process outsourcing, application management and infrastructure services.

² See slide 10 for adjustments to EBITDA



Q1 FY'17 Highlights

Non-GAAP Performance¹

Grew revenue Y/Y in **APJ**, driven by 5% growth in **China**

Experienced strong Y/Y revenue **growth** in **Dell Storage SC** product line

Continued **strength** in **modular server business** driven by growth in FX product

Grew Latitude Commercial Notebooks revenue both Y/Y and Q/Q

SecureWorks experienced strong **revenue growth** up +28% Y/Y

Achievements

13 Quarters of consecutive year over year share gains in PCs

Based on IDC Worldwide PC Tracker Q1 CY2016

123 Product Awards in Q1 FY17

7 Leader Positions in Gartner Magic Quadrants Reports

Including PCs, software, security, servers, storage and services

No. 2 x86 server vendor worldwide

Based on IDC Worldwide Quarterly x86 Server Tracker Q1 CY2016

Boomi Named **Leader** in 2016 Magic Quadrant Report for Enterprise Integration-Platform-as-a-Service

Based on 2016 Gartner Magic Quadrant Report for Enterprise Integration-Platform-as-a-Service

No. 1 Worldwide Flat Panel Monitor provider

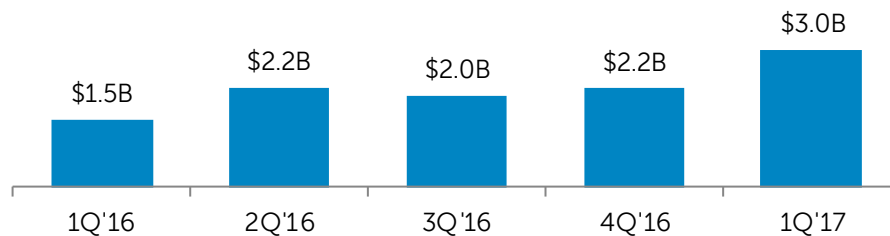
Data based on DisplaySearch CY16Q1 Worldwide Tracker

¹ Results represent Continuing Operations

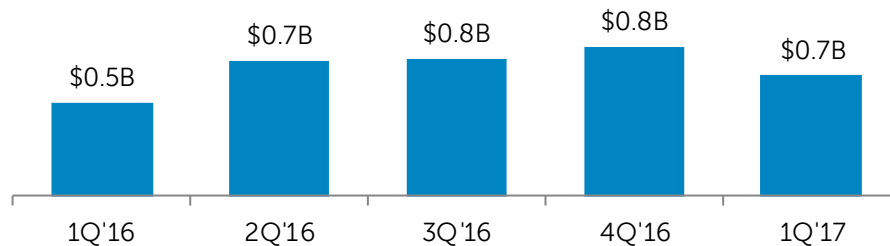


Q1 FY'17 Cash and Adjusted EBITDA

TTM Cash Flow from Operations¹



Adjusted EBITDA²



- Cash flow from operations TTM was \$3.0B up +103% Y/Y
- Generated \$2.7B of TTM net free cash flow³, up +74% Y/Y
- Cash and investments balance of \$6.2B, down ~\$500M
- Adjusted TTM EBITDA of \$3.0B

¹ Includes Discontinued Operations

² Results represent Continuing Operations

³ Cash flow from operations less capital expenditures plus on balance-sheet fundings.

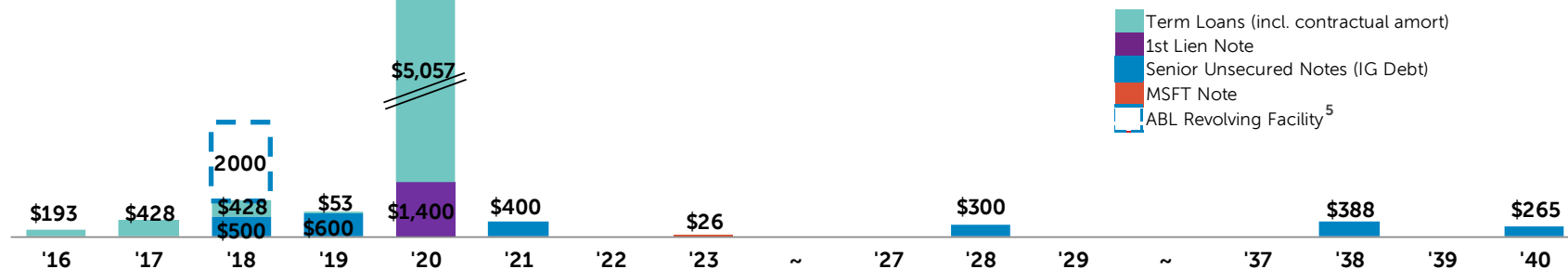


Q1 FY'17 Capital Structure

- Finished the quarter with \$13.5B in principal debt, including \$9.1B of core debt¹
- Repaid \$5.1B of gross debt since LBO²; includes \$400M IG maturity and ~\$100M term loan amortization in Q1
- Finished the quarter with \$6.2B in cash and investments, down from \$6.7B last quarter
 - Balance includes ~\$600M associated with shares that have elected appraisal rights
- Remain committed to our long-term de-levering efforts while continuing to invest in the business

Debt Maturity Profile^{3, 4}

(\$ millions)



¹ Core Debt is total debt less debt related to our global financial services business (DFS); DFS-related debt is calculated using a 7:1 leverage ratio assumption on our \$5.0B financing receivables balance at the end of the quarter. For Q1 FY'17, DFS-related debt was \$4.4B, which includes \$3.4B in structured financing debt.

² Gross debt at the Denali level, excluding Structured debt

³ Debt Maturity Profile is based on calendar year. Excludes DFS-related structured financing debt and other immaterial debt.

⁴ Excludes new debt related to EMC transaction

⁵ As of April 29, 2016, available borrowings under the ABL facility, reflecting outstanding letters of credit, totaled \$1.6 billion.



Q1 FY'17 Business Unit Performance

- **ESG** revenue declined Y/Y; continue to make investments in the sales force and solutions that position us to address our customers' critical IT needs in the data center
- **Client Solutions** revenue declined Y/Y, but grew PC unit share Y/Y for the 13th consecutive quarter per IDC
- **Software** business revenue saw improvement in the quarter driven by growth in Security and Boomi

Business Unit Results¹

\$ in Millions

	Enterprise Solutions Group	Client Solutions	Software
Revenues	3,613	8,571	334
<i>Y/Y Growth, %</i>	-2%	-3%	0%
<i>Q/Q Growth, %</i>	-5%	-3%	-3%
Operating Income	192	385	28
<i>Operating Income, %</i>	5.3%	4.5%	8.4%
<i>Y/Y Growth, bps</i>	-120 bps	200 bps	1650 bps
<i>Q/Q Growth, bps</i>	-200 bps	-100 bps	320 bps

¹ Reflects business unit results; the sum of the business unit revenue and operating income will not equal consolidated non-GAAP results due to unallocated items that remain at a corporate level.



Dell Q1 FY'17 Supplemental Non-GAAP Measures



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17
Consolidated GAAP Net Income	(476)	(294)	(227)	(169)	(426)
Adjustments:					
Interest and Other, net	179	224	205	184	205
Income tax provision (benefit)	(38)	(12)	(72)	(26)	60
Depreciation and amortization	663	664	669	665	660
EBITDA	328	582	575	654	499
Adjustments:					
Stock based compensation expense	17	15	18	19	16
Impact of acquisitions ²	147	127	115	95	68
Other corporate expenses ³	21	13	42	47	76
Adjusted EBITDA	513	737	750	815	659

¹ Results represent Continuing Operations

² This amount includes the non-cash purchase accounting adjustments related to the going-private merger.

³ Consists of severance and facility action costs, acquisition-related costs, and costs related to the going-private merger and EMC merger.



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17
Consolidated GAAP Net Income	(476)	(294)	(227)	(169)	(1,166)	(426)
<u>Non-GAAP Adjustments:</u>						
Impact of purchase accounting	180	162	157	137	636	107
Amortization of Intangibles	529	528	528	527	2,112	527
Other corporate expenses ²	35	25	60	66	186	92
Aggregate adj for Income Taxes	(137)	(132)	(139)	(137)	(545)	6
Total Adjustments to Net Income	607	583	606	593	2,389	732
Consolidated Non-GAAP Net Income	131	289	379	424	1,223	306

¹ Results represent Continuing Operations

² Consists of severance and facility action costs, acquisition-related costs, and costs related to the going-private merger and EMC merger.



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17
Consolidated GAAP revenue	12,838	13,305	12,960	12,979	52,082	12,534
<u>Non-GAAP adjustments:</u>						
Impact of purchase accounting	147	130	114	96	487	78
Total Adjustments to revenue	147	130	114	96	487	78
Non-GAAP revenue	12,985	13,435	13,074	13,075	52,569	12,612

¹ Results represent Continuing Operations



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17
Consolidated GAAP gross margin	2,129	2,320	2,347	2,488	9,284	2,418
<u>Non-GAAP adjustments:</u>						
Impact of purchase accounting	158	141	131	111	541	89
Amortization of Intangibles	121	121	121	120	483	124
Other corporate expenses ²	2	6	5	3	16	2
Total Adjustments to gross margin	281	268	257	234	1,040	215
Non-GAAP gross margin	2,410	2,588	2,604	2,722	10,324	2,633

¹ Results represent Continuing Operations

² Includes severance and facility costs, acquisition-related costs and costs related to the going-private merger and EMC merger.



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17
Consolidated GAAP operating expenses	2,464	2,402	2,441	2,499	9,806	2,579
<u>Non-GAAP adjustments:</u>						
Impact of purchase accounting	(22)	(21)	(26)	(26)	(95)	(18)
Amortization of Intangibles	(408)	(407)	(407)	(407)	(1,629)	(403)
Other corporate expenses ²	(36)	(22)	(55)	(63)	(176)	(90)
Total Adjustments to operating expenses	(466)	(450)	(488)	(496)	(1,900)	(511)
Non-GAAP operating expenses	1,998	1,952	1,953	2,003	7,906	2,068

¹ Results represent Continuing Operations

² Includes severance and facility costs, acquisition-related costs and costs related to the going-private merger and EMC merger.



Supplemental Non-GAAP Measures¹

(\$ millions)	1Q'16	2Q'16	3Q'16	4Q'16	FY16	1Q'17
Consolidated GAAP operating income	(335)	(82)	(94)	(11)	(522)	(161)
<u>Non-GAAP adjustments:</u>						
Impact of purchase accounting	180	162	157	137	636	107
Amortization of Intangibles	529	528	528	527	2,112	527
Other corporate expenses ²	38	28	60	66	192	92
Total Adjustments to operating income	747	718	745	730	2,940	726
Non-GAAP operating income	412	636	651	719	2,418	565

¹ Results represent Continuing Operations

² Includes severance and facility costs, acquisition-related costs and costs related to the going-private merger and EMC merger.



Supplemental Non-GAAP Measures

(\$ millions)

	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17
<u>Net TTM Free Cash Flow</u> ¹					
Cash flow from operations (TTM)	1,473	2,164	1,993	2,162	2,994
Capital expenditures (TTM)	(478)	(482)	(444)	(482)	(460)
Financing receivables (TTM)	564	605	544	321	180
Net TTM Free Cash Flow	1,559	2,287	2,093	2,001	2,714

Net Free Cash Flow

Cash flow from operations	(895)	1,627	459	971	(63)
Capital expenditures	(114)	(116)	(110)	(142)	(92)
Financing receivables	68	200	62	(9)	(73)
Net Free Cash Flow	(941)	1,711	411	820	(228)

¹ Cash flow from operations less capital expenditures plus on balance-sheet fundings.



Supplemental Non-GAAP Measures

Consolidated P&L

\$ in Millions - except Units

	1Q'16	4Q'16	1Q'17
Units (thousands)	10,229	10,611	10,160
Revenues	12,985	13,075	12,612
Gross Margin	2,410	2,722	2,633
<i>GM % of revenue</i>	18.6%	20.8%	20.9%
Operating Expenses	1,998	2,003	2,068
<i>Opex % of revenue</i>	15.4%	15.3%	16.4%
Operating Income	412	719	565
<i>OpInc % of revenue</i>	3.2%	5.5%	4.5%
Income Tax	99	111	54
<i>Effective Tax Rate %</i>	43.0%	20.7%	15.0%
Net Income	131	424	306
<i>NI % of revenue</i>	1.0%	3.2%	2.4%
Adjusted EBITDA	513	815	659

Components of Discontinued

Operations (Excluded from Consolidated P&L)

\$ in Millions - except Units

	1Q'16	4Q'16	1Q'17
Units (thousands)	-	-	-
Revenues	706	707	674
Gross Margin	114	124	112
<i>GM % of revenue</i>	16.1%	17.5%	16.6%
Operating Expenses	75	84	84
<i>Opex % of revenue</i>	10.6%	11.9%	12.5%
Operating Income	39	40	28
<i>OpInc % of revenue</i>	5.5%	5.7%	4.2%
Income Tax	40	10	9
<i>Effective Tax Rate %</i>	102.6%	25.0%	32.1%
Net Income	(1)	30	19
<i>NI % of revenue</i>	-0.1%	4.2%	2.8%
Adjusted EBITDA	78	81	63

