Kristy Bias: Thanks, Regina.

Good morning, everyone. Thanks for joining us. With me today is our Chief Financial Officer, Tom Sweet; and our Treasurer, Tyler Johnson.

On August 25th, Denali Holdings Inc. changed its name to Dell Technologies Inc. The ownership structure and obligations of Dell Technologies Inc. are the same as Denali Holding Inc.

On September 7th, 2016, we completed the EMC merger, and effectively became the newly combined company. Additional information about the Dell|EMC merger will be available on Form 8-K, which will be filed with the SEC over the next few days.

With that context, we have posted our second quarter press release and web deck on our new investor relations website, investors.delltechnologies.com. In order to facilitate the close of the Dell|EMC transaction, we filed our Q2 earnings release and financial results on Form 10-Q on September 6th.

I would like to highlight key changes to our financial statements due to our pending divestitures, before reviewing guidelines of all prepared remarks made on this call.

First, on March 27th, 2016, we entered into a definitive agreement to sell substantially all of our Dell Pure-Play Services business.

Second, on June 19th, 2016, we entered into a definitive agreement to sell substantially all of our Dell Software Group, also referenced as DSG.

Accordingly, for the Q2 External Financial Statements, the results of both Dell Services and DSG will be presented as discontinued operations. All assets and liabilities, attributable to the pending divested businesses, have
been reclassified into the "held for sale" asset and liabilities categories on the balance sheet.

On the income statement, the financial results of these businesses to be divested have been reclassified out of the activity from continuing operations, and listed separately in the category for discontinued operations. For more information, please refer to Note 2 in the Second Quarter 10-Q.

I'd like to remind you that all statements made during this call that relate to future results and events are forward-looking statements, based on current expectations. Actual results and events could differ materially from those projected due to a number of risks and uncertainties, which are discussed in the cautionary statement of our web deck. We assume no obligation to update our forward-looking statements.

Our 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 and transaction costs. Please note that due to the go-private transaction as well as the EMC merger, there will continue to be significant bridging items between our GAAP and non-GAAP results for the next few years, although the impact will decline in each subsequent quarter. Please see the supplemental slides beginning on Slide 13 for more details on the non-GAAP adjustments.

Finally, before I turn it over to Tom, note that we will be referring to non-GAAP financial measures, including non-GAAP revenue, gross margin, operating expenses, operating income, net income, EBITDA and adjusted EBITDA on a continuing operations basis. A reconciliation of each of these measures to its most directly comparable GAAP measure can be found on Form 10-Q and in the supplemental material of our web deck.

Please also note that, unless otherwise specified, all growth percentages refer to year-over-year change. Consistent with prior quarters, we will not be providing any guidance on future financial results.

Now, I'll turn it over to Tom.

Tom Sweet: Thanks, Kristy.

First, I'll cover our financial results for the second quarter and Tyler will share our cash and liquidity performance. I will then provide details on our business units, and highlight what you can expect from Dell Technologies going forward.
I was generally pleased with the execution in the quarter as we delivered growth in profitability despite continued industry demand challenges. Our second quarter results underscore our ability to balance growth and profitability and strategically invest in areas that will drive long-term growth and strong cash flow.

Unless otherwise stated, all financial results will be from continuing operations, including our Client Solutions and Enterprise Solutions Group. Revenue from the second quarter was flat at $13.1 billion, an improvement from the declines we've seen in the past five quarters. On a constant currency basis revenue grew low-single digits.

On a regional basis, revenue increased in the Americas, while revenue in both EMEA and APJ declined. Our performance also improved in select countries, including the U.S., Japan, Canada, and the UK.

Gross margin was $2.5 billion, up 8 percent and was 19.1 percent of revenue, up 140 basis points, as we continue to manage costs and drive disciplined pricing.

OPEX dollars were flat at $1.8 billion, or 13.4 percent of revenue, as we continue to execute on our cost initiatives while balancing spend across sales, marketing, and R&D. As we have mentioned in previous quarters, we invested in our sales force capacity to drive deeper coverage. We continue to be patient as the sales force ramps and remain confident that this is the right investment for long-term growth.

Operating income was $752 million, up 32 percent. On a percentage of revenue basis OPINC was up 140 basis points to 5.7 percent of revenue.

I will now turn it over to Tyler, before I get into the business unit results.

Tyler Johnson: Thanks, Tom.

We had a strong quarter of cash flow and liquidity driven by improved profitability, sequential revenue growth and disciplined working capital management.
Adjusted EBITDA was $880 million, up 31 percent. As a percent of revenue, Adjusted EBITDA was 6.7 percent, up 160 basis points. On a trailing twelve month basis, adjusted EBITDA was $3 billion. Please see slide 13 in the web deck for more details on our EBITDA adjustments.

We generated approximately $1.9 billion of cash flow from operations, including discontinued ops, an improvement of $250 million. On a trailing twelve month basis, cash flow from operations was $3.2 billion, up 50 percent.

Our cash balances have increased over the past several quarters in anticipation of the EMC transaction. Our cash and investments balance was $7.5 billion, up $1.2 billion over the prior quarter. Cash and Investments growth was partially offset by an outflow of approximately $500 million to settle the majority of the appraisal rights claims.

Q2 ending debt balances grew by $23 billion, driven by debt issued to fund the EMC transaction. These funds were deposited directly in escrow and held as restricted cash until the completion of the EMC merger. Excluding that amount, we ended the quarter with $13.4 billion of debt, of which $8.9 billion was core debt, down $100 million from last quarter due to our quarterly term loan amortization.

The remaining $4.5 billion of debt was used to fund our global financial services business, and included $3.5 billion of structured financing debt.

We have established a history of de-leveraging while continuing to invest in the business. Given our strong cash flow generation, we have reduced gross debt by $5.2 billion since the close of the LBO, where more than half was optional settlement in advance of maturity.

As mentioned, in Q2 we issued more than $23 billion to help fund the EMC acquisition which included: $20 billion of first lien notes with maturities ranging from 3 to 30 years; and $3.25 billion of five and eight-year unsecured high yield notes. This does not include other committed financing, for example the Term Loan A and B facilities, used to fund the EMC transaction. These funds were drawn at close, and therefore not reflected in our Q2 ending balance sheet.

Yesterday, we announced that our board has authorized a Class V common stock repurchase program for up to $1 billion over 2 years. Better-than-expected cash flow and additional equity create this opportunity for selective repurchase. The program size aligns with our capital allocation strategy. We
remain committed to driving profitable growth, generating strong cash flow, and rapidly deleveraging the balance sheet over the next 18 to 24 months.

Let me turn it back over to Tom who will take you through the individual business unit results.

Tom Sweet: Thanks, Tyler.

Starting with our Client Solutions business, revenue for the quarter was $9.2 billion, flat versus Q2 last year, and an improvement from year-over-year declines we’ve experienced in the past 6 quarters. Consumer revenue grew 4 percent and was offset by a 2 percent decline in Commercial revenue.

Operating Income was $484 million, up 50 percent. On a percentage of revenue basis, OPINC was up 170 basis points to 5.2 percent of revenue. The improvement was primarily driven by improved cost and balanced pricing decisions.

According to IDC, PC unit shipments for calendar Q2 declined by 4.1 percent, exceeding their forecast of a negative 7.4 percent. On a relative basis, we outperformed the market as we gained share in every form factor and benefitted from continued market consolidation. We gained 130 basis points of worldwide PC unit share, which marks the 14th consecutive quarter of year-over-year share gains.

In Commercial, worldwide PC industry shipments increased 1.3 percent, the first positive year-over-year growth in 2 years. We outperformed the industry worldwide growing 6.2 percent in commercial and gaining 90 basis points of unit share. Results were driven by strength in Windows notebooks and workstations, which outgrew the market, gaining 120 basis points of share worldwide.

In Consumer, we outperformed the industry worldwide gaining 110 basis points of unit share as we expanded our presence in key countries around the world. Overall, we had strong Notebook performance, both in consumer and commercial high-end products, which include XPS Notebooks, Alienware, Mobile Workstations, and Latitude. We need to continue to build momentum and improve the velocity of our commercial desktop business.

We also saw a higher demand for Chrome notebooks, driven primarily by the U.S. Education business. We had a record quarter for services attached to these products, and continue to drive a higher cross-sell of products and services into accounts where Chrome notebooks are sold.
In addition, we are seeing growth in our attached software and peripherals business driven by our growth in displays. In displays, we remained number one, gaining unit share year-over-year for the 13th consecutive quarter.

Attached services revenue declined slightly in the quarter, primarily driven by mix. A favorable regional mix shift to the Americas was offset by an increase in channel mix and seasonal product mix. We recently implemented a new channel incentive program designed to increase the services attach rate and continue to drive improved performance at the regional and product level.

As I mentioned last quarter, we are focused on strengthening and deepening our sales coverage and driving growth in high-end Notebooks, 2-in-1’s, and commercial desktops.

Looking forward, while the declining trend in the PC market has moderated, it is still not clear when a commercial refresh will occur. We do believe that the market will stabilize as adoption continues in new product offerings, such as Windows 10, Skylake processors, and 2-in-1’s, but we also believe the adoption will be slower than what we’ve seen historically. Given the current realities of the market, we will continue to balance revenue and margin dollar growth, and are well positioned to capture the benefits of any tailwinds.

Turning to our Enterprise Solutions Group, revenue was unchanged at $3.8 billion. Servers & Networking grew 1 percent and was offset by a 3 percent decline in Storage. Operating income grew 7 percent to $300 million, and was 7.9 percent of revenue, up 50 basis points.

Our enterprise business continues to be impacted by declines in traditional storage, the shift to more compute-centric storage, and other emerging trends including cloud computing. We believe the complementary solutions of Dell and EMC strongly position us to meet the rapidly changing needs of our customers, which I will cover in more detail. But first, let's review our second quarter results.

Servers & Networking revenue grew 1 percent, as growth in hyperscale solutions and networking was offset by a decline in PowerEdge servers. Our hyperscale server revenue was driven by a few large deals. As a reminder, this part of the business is typically lumpy and varies quarter to quarter based on deal size and timing.

The decline in PowerEdge was driven by increased competitive pressure in mainstream servers, amid a more aggressive pricing environment. We are very focused on growth in the server space, and have been actively working to ensure success in the growing cloud market. Going forward, we remain focused on driving velocity in this part of the business, increasing our competitiveness across the portfolio, and driving growth and profitability.
The decline in mainstream servers was partially offset by continued strength in our modular/blade servers. Growth in modular/blade servers was driven by triple-digit growth in our FX converged infrastructure solution. We also continue to see growth in our Datacenter Scalable Solutions business, which provides semi-custom hyperscale solutions to our customers. Combined with FX, these solutions now account for 15 percent of our server revenue.

Storage revenue declined by 3 percent in the quarter. Despite this decline, we are seeing growth in emerging categories. Our Dell Storage SC revenue grew 13 percent, and now accounts for approximately 40 percent of total storage revenue. Within SC, our All Flash and hybrid revenue grew 41 percent, and now accounts for more than 50 percent of SC revenue. Our software-defined storage revenue grew 88 percent, and is now 15 percent of total revenue, as we continue to build velocity in hyper converged solutions.

The market continues to evolve as architectural frameworks change and we are delivering solutions to address this dynamic. We offer reference architectures and engineered solutions, both designed to help customers build hybrid cloud platforms.

As I mentioned last quarter, we expect improved performance in our enterprise business as we help our customers’ transition from traditional private data centers to hybrid cloud environments. We expect our combined Dell|EMC enterprise solutions to drive growth and improve profitability as our revenue mix shifts to new emerging categories.

Now, shifting focus to our newly combined company, I look forward to what lies ahead for Dell Technologies, which is the world's largest privately controlled tech company. We are a leader in numerous high-growth areas of the $2 trillion information technology market. We will have a complementary portfolio, sales team and R&D organization across four globally recognized technology platforms. These include storage and server virtualization, where we are number one, x86 servers where we are number two in share, and PCs where we are number three worldwide and have grown share for 14 consecutive quarters. Our combined leadership will also enable us to bring strong capabilities to the fastest growing areas of the industry.

Turning to the current landscape, our customers are pivoting their IT resources to transformative solutions that drive efficiency, revenue, and competitive differentiation. To do this organizations of all sizes are modernizing their data center and IT environments, from traditional applications to cloud-native workloads. They are also evaluating and adopting emerging and rapidly growing technologies, including converged infrastructure, software-defined data center, hybrid cloud, mobility and security solutions.
From our point of view, while there has been a rise in the adoption of public cloud, in particular SaaS and test dev workloads, we see most customers arriving at a hybrid cloud future-state. As organizations seek to implement more agile, scalable, and cost effective solutions, the ease and speed of cloud is fueling new businesses and driving transformations of even the most mature IT organizations.

At the same time, the need to control security and data governance is driving customers to dynamically balance resources across on and off-prem platforms, with flexibility of application placement. With the majority of workloads still on-prem we anticipate the shift to cloud will happen gradually over the next decade. We expect a larger mix of workloads to move to a hybrid cloud environment, based on a modern data center architecture, where both traditional and cloud-native applications can run side-by-side.

Dell Technologies is well-positioned to capitalize on these trends, offering a full range of customer-centric options for traditional workloads, modern cloud infrastructure, cloud native applications, and multi-cloud environments. We have a proven history of providing customers with their flexibility and choice. We offer modular and heterogeneous solutions that enable customers to move at their own pace and on their own terms.

Our strategy includes best-in-class products and solutions that span from traditional data centers to cloud-native app development and everything in between. Based on IDC’s latest Cloud IT Infrastructure Tracker, Dell Technologies is the number one vendor for private cloud infrastructure, including both on-prem and off-prem deployments.

For enterprises looking to leverage cloud native applications, we have one of the market leading app development platforms in Pivotal, which can be run on multiple leading private and public clouds. This solution is provided through Pivotal Cloud Foundry and Pivotal Labs. We also have the market leading integration cloud platform in Boomi, which has been recognized as a leader in the Gartner magic quadrant for integration-Platform-as-a service. Boomi AtomSphere is 100 percent native cloud and is a multi-tenant platform that supports cloud-to-cloud, SaaS-to-SaaS, cloud-to-on-prem, and on-prem-to-on-prem.

Additionally, we have a world class sales leadership team and a globally coordinated go-to-market approach. We have a combined sales force of approximately 40,000 and more than 30,000 full-time customer services and support team members, which allows us to focus on our customers first. We also have a world-class channel program supporting partners, resellers, systems integrators, service providers and distributors. Combined, we believe we are in the best position to offer technology leadership, with best in class service and support.
Finally, through our financing arm, Dell Financial Services, we provide differentiated and flexible financing options that include pay as you grow and consumption-based payment programs.

Now, here's what you can expect for Dell Technologies external reporting in Q3. Dell Technologies will be separated into 3 business units, Client Solutions Group, Infrastructure Solutions Group, and VMware.

First, our Client Solutions Group business will not materially differ from what it is today. We will continue to report revenue split between consumer and commercial results. Client Solutions Group is an important element of our strategy, generating strong cash flow. Our goal is to continue to leverage our traditional strength in the PC market to acquire new customers, which enables us to cross-sell solutions and services that provide recurring revenue and profit streams.

Second, our Infrastructure Solutions Group will consist of EMC's Information Storage segment and our Enterprise Solutions Group. We will report revenue based on the existing categories we use today, which are Storage and Servers & Networking. Storage will include EMC and Dell storage businesses along with Virtustream and VCE. Our comprehensive portfolio of advanced storage solutions will include traditional storage solutions as well as next-generation storage solutions including all flash arrays, scale out file and object platforms, converged and hyper-converged systems.

Similar to the reporting structure that existed with EMC, VMware will continue to report as a separate business unit. VMware is a leader in virtualization and cloud infrastructure solutions. It develops and markets its solutions and service offerings within three main groups and allows organizations to leverage synergies and manage IT resources across complex multi-cloud, multi-device environments.

Our other businesses will include RSA, the Enterprise Content Division, SecureWorks, Pivotal, and Boomi. These businesses will not be classified as reportable segments, either individually or collectively. Within this group, SecureWorks publicly reported their Q2 earnings on Tuesday afternoon. SecureWorks grew 29 percent and is on a more than $400 million revenue run rate. Their pipeline continues to expand and they now have 4,300 clients in 59 countries. We believe this newly public company is well positioned in the cyber security space.

So in closing, I'm generally pleased with our overall performance in the quarter given the market conditions and industry dynamics that persist. We executed well in balancing revenue and profitability, and managing working capital while continuing to invest for long-term growth.
I look forward to the opportunities that lie ahead for Dell Technologies. Simply stated, our goal is to provide the essential infrastructure for organizations to build their digital future, transform IT, and protect their most important asset, which is information. We are building a new powerhouse that consists of an unmatched technology portfolio delivered by an unparalleled level of talent, scale, and reach.

And now I'll turn it back to Kristy to begin Q&A.

Kristy Bias: Thanks, Tom.

We will now begin the Q&A portion of the call. We ask that each participant ask one question, with one follow-up if you have one. Regina, can you please introduce the first participant?

Operator: Our first question will come from the line of Thomas Eagan with JP Morgan.

Please, go ahead.

Thomas Eagan: Good morning, folks. Thanks for taking my question.

Tom, you talked an awful lot about the server business. You said hyperscale was up, PowerEdge was down, and I think you also said that the modular servers and blades were doing well. Could you maybe just provide a little more color around the impact on the margin when you do well in hyperscale and you have a big lumpy high versus when you have a big -- or relatively low in PowerEdge? I was under the impression that if hyperscale was up and PowerEdge was down margins would also be negative or negatively impacted and it didn't seem to happen this quarter.

Tom Sweet: Hey, Tom, I'm happy to answer that. So in general you are right in your assumption that hyperscale generally drives a lower margin profile versus our mainstream business. I think what you saw here that helped us in terms of margin benefit, or margin mix within the ESG business was a better mix of networking and I think even though storage was down overall I think we did a better job on storage.

I would also tell you that within hyperscale the margin profiles can vary. And so I think the teams did a good job on pricing and pricing discipline and we had a good cost environment, all of which sort of combined to sort of hold up margins in that ESG business, despite a little bit of softness in the PowerEdge business, which obviously I called out in our prepared remarks that it's an area that we've got to continue to focus on and drive a better velocity within that PowerEdge business.
Thomas Eagan: Okay. And then as my follow up, and this might be something that we need to take offline at some point, but there were an awful lot of purchase accounting adjustments for the deal that were going to take place, would then affect revenue and EBITDA. And I know you will adjust that back out when you give us the adjustments when you report as a full company for the first time. But just in general, maybe Tyler, if you could comment. Is there anything that may have changed from when you originally did the bond deal in the red that would change some of those fair value adjustments that would be affected by purchase accounting?

Tyler Johnson: Yeah, I'm just thinking. It may be something we should take offline. I don't know if I've got the details that I could actually answer that question.

Thomas Eagan: Okay, thank you.

Operator: The next question will come from the line of Jeff Harlib with Barclays. Please go ahead.

Jeff Harlib: Good morning and congratulations on completing the EMC transaction. So can you just maybe provide an update on the $2 billion synergy goal with respect to the EMC acquisition, where you stand in a lot of the key areas and also how you're looking at the sales force, any changes, either rationalization or how you'll be handling the sales force going forward?

Tom Sweet: Hey, Jeff, it's Tom. So look, on the cost synergy work that we've talked about this from time to time, we do have active work streams going around the various cost out activities and targets are out. Look, I'm not going to get into a lot of detail here other than to tell you that we're on track. It comes out over an 18 month period from date of close. And we're pretty focused on ensuring that we drive the right type of cost out without impacting the customer experience and ensuring that we continue to invest in the appropriate areas to build the appropriate customer solutions.

So I guess my message to you is we're on track. I also would remind you that in addition to the cost synergies the revenue synergies are a much more interesting story as we think about the opportunity to cross sell across the portfolio and which we think has tremendous upside opportunity for us over the coming years. And we haven't essentially quantified that for everybody, but we think there's a pretty significant impact to the business if we cross-sell appropriately.

From a sales force perspective, look we're not really going to do a lot of changes to the sales organization for the foreseeable future, or at least for the rest of the year I should say. We will be adjusting coverage models as we step into the next year, but for right now we're focused on ensuring that we don't
disrupt our sales makers midway through their sales cycles, through their quota cycles and, look, as part of that there's obviously some overlap that we've got to work our way through, but I think we're well positioned to do so and the teams are working very hard over the next few months to ensure that the coverage models that we develop for the various countries around the globe are appropriate and we're ready to go at the beginning of next year.

Jeff Harlib: Okay. And a follow-up, on Client Solutions you made some cautious industry commentary. But you did see, again, share gains in units were up for the first time in a long time. Do you consider a lot of this, a lot of the sales people that you're adding across in better coverage, just some color on that? And then also with the strong margin performance, do you see that as sustainable, if component prices start to increase?

Tom Sweet: Hey, Jeff, you slid in like four questions in a row now.

Jeff Harlib: Yeah, what can I tell you? There's a lot of stuff here.

Tom Sweet: You've certainly improved over the years. So from a client perspective, I think we were generally pleased with the client performance this quarter. It was -- look; the market remains a bit challenging. I hate to keep using that term. It's clearly less negative than it was, say, a year ago. And I think the sales coverage that we've added along with our channel programs has helped us on the velocity of that business. So, yes, I do think that the sales coverage adds that we've done are helping. I don't think we're at full potential on those sales coverage ads, by the way, as we continue to ramp their productivity. So there still is work to do in that area.

And as it relates to margins, look, I think the team did a really nice job this quarter from a cost discipline and pricing discipline, I should say. Yes, it has been a cost environment, particularly from a component cost environment, that has been beneficial. But at the same point in time we're in a competitive pricing environment across the various regions and you've got to be disciplined about you cost profile and how you price.

And so can we hold onto all those cost declines? It remains to be seen. Part of that will be a dynamic around the competitive pricing environment and the pressure in the environment. On the other hand I think we're dynamic and nimble enough such that we'll adjust pricing as appropriately to find the right balance of growth and profitability, which is what we're always focused on. So I'm cautiously optimistic I would say.

Jeff Harlib: Okay. Thanks very much.

Operator: Your next question comes from the line of David Phipps with Citigroup. Please go ahead.
David Phipps: Hi, thanks for taking my question. I'd just ask you a couple of questions about the improving U.S. market that you talked about. I think it's tied to the products that Dell is offering, maybe a better jobs environment, a shift by, as you talked about, the universities to take on some of the Chromebooks, or maybe a halo effect from Dell becoming a much larger company and people taking more share, maybe just more color on that, or just fabulous execution.

Tom Sweet: Well, look, I did think we executed reasonably well. I wouldn't call it fabulous. So look, I just think if you step back and look around the globe and just look at the macro for a second and you think about the various regions of the world and the economies, in the U.S. clearly is an economy that stands out in terms of, yes, it's low-growth from a GDP, but it is positive growth. Obviously we don't have currency headwinds in the U.S., if you will, given the U.S. dollar. But I do think that the environment in the U.S. picked up a little bit, in terms of spending in the IT space and spending in the PC and server space.

It is, as you know, Q2 tends in the U.S. tends to be a very high education and public buying season, given the cycles of their year-ends and with the education institutions typically doing their major buying during the summer vacation periods.

And so we did see good velocity in that business. Chrome is an up and coming, it is a fact of life, particularly in the U.S. K through 12 environment. And we have seen the rise in Chromebooks, particularly tied to the one-on-one and student initiatives that many of the districts are driving where they're looking to try and put compute power into the hands of their students, and so that is a factor.

I do think you have to balance that Chrome phenomenon with the fact that it's generally not that great from a profitability prospective. It's low price points, and you can see that in our ASPs this quarter that were impacted by the Chrome mix. We try to be disciplined around Chrome, which is why in my comments you heard me talk about, yes, we sold Chrome but we also try to wrap as much services and other types of attach as we can to those boxes to mitigate some of that margin pressure.

So look, I think overall the U.S. market was okay, and I think the team executed reasonably well, and so we've just got to continue to move forward and continue to drive our execution. We've got a number of areas we've got to continue to work on around commercial desktop which we were not pleased with that performance. And we've got new products and new form factors coming out there to help make sure we have the right coverage from a form factor and price band perspective. And we've got to continue to focus on that.
So I think it's a bit of a combination of everything. I don't see much of a halo effect, by the way, yet from that in the PC space from the merger that we did yesterday. So we'll have to see how that develops over time.

David Phipps: Okay. And then for a follow-up, there is a microprocessor company that's trying to enter the server market. And just curious as to have you had a chance to evaluate some of the server chips, and what do you think about another alternative? For many years Dell was an Intel only company, and then it switched and had a few providers of processors which you employ now. And so what about on the server side, how do you think about the opportunity in that realm?

Tom Sweet: Look, I think we'll have to wait to see how that develops. I haven't spent a lot of time thinking about that, but there's always new entrants and new capabilities coming into the market, and it's a competitive space, and so anything that can help, anything that comes in we'll have to evaluate and ensure that we're competitively positioned.

I will tell you that that server market is in many ways fragmenting as you begin to look at what's happening in the server space. I mentioned that we saw some softness in our mainstream PowerEdge. We saw good performance in our density optimized, and within that mainstream you're beginning to see blades/modulars, and new entrants and competitors that are sort of positioning on sort of the micro-segments or micro-positions of that market.

So look, we'll wait and see how it's going and we'll react accordingly.

David Phipps: Thank you, those are my questions.

Operator: Your next question comes from the line of Jason Kilgariff with Bank of America. Please go ahead.

Jason Kilgariff: Hey, good morning, guys, and thanks for taking the question.

Again, on the -- on the cost savings, where do you stand on the 550 million of standalone that you guys outlined previously?

Tom Sweet: On track.

Jason Kilgariff: On track. Completed by the end of the year?

Tom Sweet: That's the plan.
Jason Kilgariff: Okay. And then with respect to the share buyback program announced yesterday, how are you guys thinking about the tracking stock in the context of the overall capital allocation plans of the company, and what you're trying to achieve over the next couple years?

Tom Sweet: Look, obviously we just issued the tracker yesterday, and we'll see how that develops from a trading perspective over time. It is an element of our capital structure. It is a class of common equity from Dell Technologies, you know. And so, you know, I think it's part of our permanent capital structure here as we think about it on a go forward, basis.

I don't know, Tyler, your thoughts and adds as you think about the tracker?

Tyler Johnson: Yeah, no, I think as it relates to the capital structure that's the right way to think about it. I mean, I think I'll use this as an opportunity to just emphasize that, you know, we haven't changed anything in our capital allocation plan overall, right, so deleveraging remains a priority for the company. And this is just a complement to our debt pay-downs as we go forward.

Jason Kilgariff: Okay. Great, thanks, guys.

Operator: Your next question comes from the line of Robert Schiffman with Credit Suisse. Please go ahead.

Robert Schiffman: Good morning. I'm sure there's a large group of new investment grade bondholders on the call, so if you don't mind, I may just focus on the right-hand of the balance sheet for a second.

With ample free cash flow and asset sales you're going to have somewhat chunky and large cash balances at various points. Is there a minimum or a maximum amount of cash that you want to keep on hand at any point?
And thought bonds have rallied significantly since issuance, would you consider going into the open market and buying back any public bonds, or is all debt reduction going to be focused on simply pre-payable loans?

And then as a quick follow, now that the deal has closed, do you have any longer term specifics in terms of ultimate leverage target and ultimate credit ratings beyond just with apparent investment grade? Thank you.

Tyler Johnson: Yeah, this is Tyler. So I think in terms of your first question, you're right, and there will be chunkiness in our cash balances. And, you know, look, I think we will have ample cash. I don't like to get into the minimum cash balances too much, because the reality of it, it does fluctuate over time depending on where we are in the cycle, as well as certain areas of cash where it might get temporarily trapped.

So I would just say that, look, we'll keep the right amount of cash on the balance sheet. I'll try to minimize it as I can, and, you know, you'll see the debt pay-down happen over time.

In terms of prioritizing debt, I mean, we're going to take different opportunities as they present themselves. So once again, I won't get into specific tranches of what's going to come out first. There are some requirements as it relates to sweeps and the asset sales, so obviously we'll deal with that first.

I also know they want to get to investment grade, so getting to an unsecured capital structure is very important. So that's going to play out as well as we decide which debt to take out.

And, you know, look, the reality is, too, is the term loans, the secured debt, that's more flexible to take out. So there's always -- that will always be a consideration as well.

And then from a leverage perspective, I mean, I think that, look, S&P has said that they'd like to see us come down, you know, sub three on an ongoing
basis, and that's what they would view as a potential metric to get us back to investment grade. I think we'll go below that. So over time I think we'll just see, but that's probably a good starting point to be thinking about.

Robert Schiffman: Great, thanks so much.

Operator: Your next question comes from the line of Dan Fuss with Morgan Stanley.

Dan Fuss: Hey, thanks for the question. Forgive me if this was already mentioned, but can you share how much PowerEdge declined in the quarter, and how this compares to the last few quarters, and if there were any notable factors that you'd highlight that drove it?

Tom Sweet: Yeah, look, hey, it's Tom. So I think PowerEdge in and of itself was down like 6 percent on a revenue basis, on a year over year basis. And, you know, look, the factors that drove that as we look around the globe is that we saw some softness in some of the markets, particularly China, for PowerEdge. So that's an area that we've got to continue to work at.

We were pleased with our performance generally in the Americas. We also saw some softness in some of the European countries.

And so it was bit of a mixed bag on PowerEdge, but overall, you know, we need to do a better job in that space as we think about how we drive that.

Now, I was pleased with our modular blade performance and the converged performance that we saw in the quarter, and we're going to continue to focus on that as some of the architecture changes and shifts with some of the transformations that we're seeing.

In terms of factors that we're driving around PowerEdge to improve the velocity of that, it gets back to ensuring that sales coverage that we've added is driving the right amount of opportunity identification, and so the expansion of the customer base with Power Edge, ensuring that we have the right products
and the right price bands with the right functionality. We feel pretty good about our capabilities right now in that area.

And so it's a matter of making sure that the sales force that we're at is again getting us into enough fights, so to speak, in terms of competitiveness and new customer acquisition. So that's our focus right now.

Dan Fuss: Got it. And just one quick follow-up. On the semi-custom side, if I followed you correctly, that's 15 percent of the server business now?

Tom Sweet: No, it's approximately 9 to 10. Think about it like that.

Dan Fuss: Got it. And could you just share directionally on how much is that up year over year? And then is this taking any -- is this cannibalizing at all the PowerEdge or is this all incremental?

Tom Sweet: You know, it's -- look, if you just think about what's happening in that space, you've got mainstream, you've got DCS, you've got DSS. And so DCS is traditional, sort of the web scale build-out, high density optimized. That business is growing, as we said, pretty lumpy, but DCS probably grew in the neighborhood of the mid-30 percents year over year. Our DSS is growing, low 30s year over year.

So could there potentially be a bit of impact? Potentially. There's very different sort of workloads and applications that are for these various form factors.

So what we are seeing, if you just step back, I think more importantly what we're seeing that's affecting the PowerEdge business is we are seeing new types of architectures, we are seeing some small businesses migrating to the cloud early on.

Now, the challenge with that and what we have to do there is that that may be the initial option that some small and medium businesses take. At some point that becomes cost prohibitive, and they migrate back to some sort of on-prem...
hybrid environment. And so that's the work and that's the trends that we're seeing right now.

So it's a bit of a mixed bag out there, but there's probably some impact happening in that mainstream space as a result of some of the trends we're seeing in the market and some of the trends we're seeing in our product lines.

Dan Fuss: Great, thank you.

Kristy Bias: Regina, let's take one more question.

Operator: Our final question will come from the line of Jake Kemeny with Prudential. Please go ahead.

Jake Kemeny: Hey, good morning. Can you guys just confirm that you still have a target of investment grade ratings at the corporate family level within 18 to 24 months after close?

Tyler Johnson: Yeah, I mean, absolutely. I mean, look, in the end it probably comes down to more targeting the metrics, because I can't control what the rating agencies do and what their ultimate decisions are. The conversations with those guys are always very positive and open, given what we've done since the LBO and what we expect to continue to do in the new world.

Jake Kemeny: Okay. And the share repurchase authorization is complementary to that goal, and is not something that should derail your ultimate plans to get back to investment grade at that level?

Tyler Johnson: Yeah, you're thinking about it absolutely correctly. I mean, look, we view this as an opportunity to take really excess cash up and beyond what we expected to have at this point for various reasons, and one just being overall cash generation that's been good. And so we want to take that opportunity and, like you said, it's going to be complementary. It will be secondary is the way I would think about it. The debt pay-down is a priority and getting back to those investment grade targets.
Jake Kemeny: Great, thank you.

Kristy Bias: Okay, that wraps up the Q&A portion of today's earnings call.

As a reminder, a replay of this webcast will be available on investors.delltechnologies.com.

Thanks for joining today, and please contact us if you need additional details.

Operator: This concludes today's conference call. We appreciate your participation.
You may disconnect at this time.

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