Rob

• Thanks everyone for joining us. With me today are Jeff Clarke, Yvonne McGill and Tyler Johnson.

• Our earnings materials are available on our IR website and I encourage you to review these materials and the presentation which includes additional content to complement our discussion this afternoon. Guidance will be covered on today’s call.

• During this call, unless otherwise indicated, all references to financial measures refer to non-GAAP financial measures, including non-GAAP gross margin, operating expenses, operating income, net income, and diluted earnings per share.

• A reconciliation of these measures to their most directly comparable GAAP measures can be found in our webdeck and our press release.

• Growth percentages refer to year-over-year change unless otherwise specified.

• 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 our webdeck and our SEC filings. We assume no obligation to update our forward-looking statements.

• Now, I’ll turn it over to Jeff.
Macro and Execution

• We delivered Q3 revenue of $22.3 billion, with solid profitability and strong cash flow.

• Operating income was $2 billion, diluted EPS was $1.88, and cash flow from operations was $2.2 billion.

• In ISG, the demand environment for traditional servers improved over the course of the quarter, and demand for AI servers continues to be strong across a wider range of customers. Demand for storage was down, as expected.

• ISG revenue was flat quarter-on-quarter with sequential growth in servers and networking revenue, driven by AI optimized servers as we began to convert more PowerEdge XE9680 backlog into revenue. For the quarter, we shipped over half a billion dollars of AI optimized servers, including our XE9680, XE9640, XE8640 and R750 & 760xa servers.

• Customer demand for these AI servers nearly doubled sequentially and demand remains well ahead of supply.

• In CSG, the demand momentum we saw in June and July continued into August, but slowed as the quarter progressed. The result was CSG revenue down sequentially and short of our expectations.
• Operationally, we executed well remaining disciplined on pricing in an increasingly competitive environment. And we controlled our expenses focusing on profit and cash flow, including outstanding working capital performance.

• And lastly, we returned another billion dollars to shareholders via share repurchase and dividends. Yvonne will go into more detail on cash flow and capital returns later.

**AI Momentum Continues**

• AI continues to dominate the technology and business conversation. Customers across the globe are turning their operations upside down to see how they can use generative AI to advance their businesses in meaningful ways. These AI initiatives are being driven at the CEO and board levels.

• And as a result, we are at the front of a significant TAM expansion.

• AI optimized server mix increased to 33% of total server orders revenue in Q3, driven by strong demand from AI focused cloud service providers and growing interest from other customer verticals. We drove improved demand margins, increased services attach and incremental unstructured storage attach over the course of the quarter.

• The XE9680 is the fastest ramping solution in Dell history and in Q3, we continued to see strong demand and big wins including customers like CoreWeave, a cloud provider that specializes in GPU-accelerated workloads, and Imbue, which is using
high performance computing clusters powered by the XE9680 servers to train foundational models.

• Our AI optimized server backlog nearly doubled versus the end of Q2 with a multi-billion dollar sales pipeline, including increasing interest across all regions.

• That all said, AI hype is everywhere and we need to be measured in our expectations. We are still in the early innings with AI as customers continue to work through their AI strategies.

• Experience over multiple technology cycles tells us that progress won’t always be linear but we are excited about the opportunity in front of us.

• We believe Dell is uniquely positioned with our broad portfolio to help customers size, characterize and build genAI solutions that meet their performance, cost and security requirements.

• Our AI strategy--AI in our products, AI built on our solutions, AI for our business and AI for our ecosystem partners--is the foundation for our actions, priorities, roadmaps & partnerships and in Q3, we continued to build our capabilities.

• We are collaborating with Meta to make it easy for our customers to deploy Meta’s Llama 2 models on-premises with Dell’s AI optimized portfolio.

• We are also collaborating with Hugging Face to help users create, fine-tune and implement their own open-source genAI models on Dell infrastructure.
• And earlier this month, we introduced the ObjectScale XF960, an all-flash, scale-out appliance for genAI and real-time analytics based on our software-defined object storage solution which can run on Linux and Red Hat Open Shift on PowerEdge servers.

**PC Recovery and Server Rebound**

• Looking forward, the recovery and ramp in PC demand we were expecting in Q3 has pushed out with large enterprise and corporate customers remaining cautious with their spending.

• The PC install base continues to age and there are exciting changes coming to the PC next year, including advances in AI enabled architectures from Intel, AMD and Windows on ARM, which will help drive a PC refresh cycle.

• We are also seeing the beginning of a traditional server rebound, and historically storage follows a couple of quarters later.

• We are leveraging our strengths to extend our leadership positions and turn new opportunities, including multicloud, edge and AI, into incremental growth.

• And we are positive on FY25 and fully expect to return to growth next year given the expected tailwinds to our various businesses, including AI.

**Wrap Up**
• Technology is everywhere, and Dell is thriving. The amount and value of data continues to grow, and as that happens, the opportunity for Dell Technologies grows in tandem.
• We have proven that over four decades, through wave after wave of innovation.
• And we’ve proven our ability to capture the growth as our TAM expands and translate that into results for our stakeholders.
• Regardless of the economic cycle, expect us to focus on growing and extending our core businesses in the areas with the most attractive profits, deliver innovation for our customers, remain disciplined in our pricing and focus on costs.
• Now over to Yvonne for the detailed Q3 financials.

Yvonne

• Thanks Jeff.
• We’re focused on driving a balance of growth, profitability and cash flow in any demand environment.
• We delivered revenue of $22.3 billion, down 10%, with strong gross margins, lower operating expense and improved working capital management.
• Gross margin was $5.3 billion and 23.7% of revenue, flat Y/Y.
• We continued to see increased pricing pressure in Q3, but remained focused on profitable opportunities, and you should expect us to continue to maintain discipline and focus going forward.
- Operating expense was $3.3 billion or 14.9% of revenue, down 5% driven by lower SG&A costs and down 7% sequentially as we actively manage our spend.
- Operating income was $2 billion, down 17%, and 8.8% of revenue with the impact of a decline in revenue partially offset by lower operating expense.
- Our tax rate was 19.2% year-to-date, or 15.4% for the quarter.
- Net income was $1.4 billion, down 19% and diluted EPS was $1.88, down 18%.
- Our recurring revenue in the quarter was $5.6 billion, up 4%, and our remaining performance obligations, or RPO, was $39 billion, flat Y/Y with growth in deferred revenue offset by a decrease in backlog.
- Deferred revenue was up primarily due to increases in software and hardware maintenance agreements and VMware resell.

**ISG**

- ISG revenue was $8.5 billion, down 12% and flat sequentially.
- Servers and networking revenue was $4.7 billion, up 9% sequentially. We saw server ASPs continue to expand in both AI optimized and traditional servers, and our AI mix of server demand accelerated again sequentially given customer interest in genAI.
- We delivered storage revenue of $3.8 billion, down 13% with demand growth in data protection and PowerScale.
• ISG operating income was $1.1 billion or 12.6% of revenue, down 170 basis points driven by a decline in revenue partially offset by an increase in gross margin rate.

• Looking forward, our many #1 positions are proof of our deep enterprise expertise, and with a TAM of $200 billion growing at a 7% CAGR over the next few years, we are confident in our ability to grow the business as the market returns to growth.

**CSG**

• Our fiscal Q3 CSG revenue was $12.3 billion, down 11%, primarily driven by a decline in units while ASPs remained flat.

• Commercial and Consumer revenue were $9.8 billion and $2.4 billion respectively.

• CSG profitability remained strong in Q3 with operating income of $0.9 billion, or 7.5% of revenue. Op Inc was down 20 basis points driven by a decline in revenue offset by lower operating expense and an increase in gross margin rate as we maintained pricing discipline and benefited from lower input costs.

• With a TAM of $400 billion growing at a 2% CAGR, we will continue to focus on commercial, the high-end of consumer, profitable relative performance and executing our direct attach motion for services, software, peripherals and financing.

**APEX**

• During the quarter, we saw continued strength in APEX in our data center utility and flex on demand offerings and added new multicloud offerings including APEX Cloud Platform for Azure and RedHat OpenShift.
DFS

• Our Q3 Dell Financial Services originations were $1.8 billion. DFS ending managed assets reached $13.9 billion, up 1%, while the overall DFS portfolio quality remains strong with credit losses near historically low levels.

Cash Flow and B/S

• Turning to our cash flow and balance sheet.

• Our cash flow from operations was $2.2 billion, primarily driven by working capital improvements and profitability.

• Working capital benefited from an approximately $200 million sequential decline in inventory, strong collections performance and continued improvement in receivables aging.

• Our cash conversion cycle improved again sequentially and is now at negative 52 days, a 20 day improvement since the end of last year.

• We ended the quarter with $9.9 billion in cash and investments, flat sequentially, driven by free cash flow generation offset by $1 billion in capital returns.

• Core leverage was 1.6x exiting Q3, flat sequentially.

• During the quarter, we repurchased 11.2 million shares of stock at an average price of $66.55 and paid a 37 cent per share quarterly dividend.

Guidance

• Turning to guidance.
• Enterprise and large corporate customers continue to be cautious in the current macro environment.

• Against that backdrop, we expect Q4 revenue to be in the range of $21.5 billion and $22.5 billion, with a midpoint of $22 billion.

• Sequentially, we expect ISG revenue to be up mid-single digits driven by sequential growth in traditional servers and seasonal growth in storage.

• We expect CSG revenue to be down low single digits sequentially. We are seeing pockets of stability in PC demand but have yet to see a broader recovery in the PC market.

• And in our other businesses segment, we expect to be down in the low twenties sequentially.

• Operating Income rate should be down marginally vs Q3 driven by a more competitive pricing environment in CSG.

• And for our tax rate, you should assume roughly 20% plus or minus 100 basis points for Q4, or 19.5% at the midpoint for the full year.

• We expect our Q4 diluted share count to be between 729 million and 733 million shares and our diluted EPS should be $1.70, plus or minus $0.10.

• We are increasing our expectations for the full year diluted earnings per share to $6.63, plus or minus $0.10.
• Turning to FY25. It’s still early in our planning process, however, I recognize you’re thinking about next year. So let me share our current thinking.

• We’re seeing signs of stability and inflection in parts of the portfolio including traditional and AI optimized servers.

• We expect revenue to return to growth next year, above our long-term financial framework.

• The opportunity is the broader IT spending recovery, with large corporate and enterprise customers, particularly in the U.S.

• We’ll continue to focus on profitable growth but will be mindful of the competitive environment and inflationary input costs as we move through the next year.

• Pricing discipline and cost controls will help mitigate these headwinds.

• Count on us to continue to execute our unique operational model, focused on cash flow and returning capital to shareholders.

• And we look forward to updating our FY25 expectations in more detail on our Q4 earnings call.

Close

• In closing, we have strong conviction in the growth of our TAM over the long-term with technology trends like AI, multicloud and edge in our favor.

• At the end of the day, our strategy is simple: leverage our unique operating advantages to extend our #1 leadership positions and capture new growth.
• This strategy, coupled with our P&L leverage and strong cash generation, drives a resilient long-term financial framework and capital allocation plan.

• We have proven our ability to generate strong cash flow through profitability and working capital efficiency, including $9.9 billion of cash flow from operations over the last twelve months.

• And at our analyst meeting last month, we committed to increasing capital returns to our shareholders.

• Expect us to continue to invest in innovation, be disciplined in how we manage the business and focus on what we can control, delivering for our customers and our shareholders.

• We’re excited about the future and confident in our ability to create meaningful long-term value for all our key stakeholders.

• Now I’ll turn it back to Rob to begin Q&A.