

Dell Technologies Reports Fiscal Year 2017 Fourth Quarter and Full Year Financial Results

ROUND ROCK, Texas – March 30, 2017

News summary

- Fourth quarter revenue of \$20.1 billion, with full-year revenue of \$61.6 billion
- Non-GAAP fourth quarter revenue of \$20.6 billion, with non-GAAP annual revenue of \$62.8 billion
- Fourth quarter operating loss of \$1.7 billion, with non-GAAP operating income of \$1.8 billion
- Fiscal 2017 accomplishments include completion of industry's largest merger transaction, combined award-winning solutions portfolio, completed announced divestitures and reduced debt

Full story

Dell Technologies (NYSE: DVMT) announces its fiscal 2017 fourth quarter and full year results, which reflect the growth and impact of the EMC transaction.

For the fourth quarter, consolidated revenue from continuing operations was \$20.1 billion and non-GAAP revenue from continuing operations was \$20.6 billion. During the quarter, the company generated an operating loss of \$1.7 billion, with a non-GAAP operating income of \$1.8 billion.

For the full year, consolidated revenue from continuing operations was \$61.6 billion and non-GAAP revenue from continuing operations was \$62.8 billion. The company generated an operating loss of \$3.3 billion, with a non-GAAP operating income of \$5.1 billion.

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, thereby impacting any year-over-year comparisons.

"I'm pleased with our overall fiscal 2017 performance, with growth in our client business and positive momentum from investments we're making in our infrastructure business," said Tom Sweet, chief financial officer, Dell Technologies Inc. "In our fiscal year 2018, we'll drive that momentum forward, beginning with our new sales go-to-market capabilities, and continue to target identified revenue and cost synergies while investing in our broad portfolio of solutions."

The company ended the year with a cash and investments balance of \$15.3 billion, an increase of \$287 million from the third quarter.

Since closing the EMC transaction, Dell Technologies has paid down approximately \$7 billion in debt and repurchased \$824 million of Class V Common Stock under the previously announced Class V Common Stock repurchase programs.

Today the company also announced the board has approved an amendment to its existing Class V Group Repurchase Program for up to an additional \$300 million over six months. The amount will be funded solely through a new VMware Class A Stock Purchase Agreement with VMware.

Fiscal year 2017 fourth quarter and full year results

	Three Months Ended			Fiscal Year Ended		
	February 3, 2017	January 29, 2016	Change	February 3, 2017	January 29, 2016	Change
	(in millions, except percentages, unaudited)					
Net revenue	\$ 20,074	\$ 12,679	58 %	\$ 61,642	\$ 50,911	21 %
Operating loss	\$ (1,668)	\$ (26)	NM	\$ (3,252)	\$ (514)	(533)%
Net loss from continuing operations	\$ (1,414)	\$ (168)	(742)%	\$ (3,737)	\$ (1,168)	(220)%
Non-GAAP net revenue	\$ 20,581	\$ 12,768	61 %	\$ 62,822	\$ 51,370	22 %
Non-GAAP operating income	\$ 1,843	\$ 655	181 %	\$ 5,113	\$ 2,225	130 %
Non-GAAP net income from continuing operations	\$ 1,091	\$ 382	186 %	\$ 2,687	\$ 1,053	155 %
Adjusted EBITDA	\$ 2,184	\$ 753	190 %	\$ 5,941	\$ 2,633	126 %

Dell Technologies' fiscal year 2017 included an additional week, which is incorporated into the company's fourth quarter results.

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 Group continued to outgrow the market worldwide for units in both commercial and consumer product categories on a calendar year basis. Revenue for the fiscal fourth quarter was \$9.8 billion, up 11 percent versus the fourth quarter of last year, and revenue for the full year was \$36.8 billion, up 2 percent year over fiscal year 2016. Operating income was \$342 million for the quarter, and \$1.8 billion for the full year.

Key calendar fourth quarter highlights include:

- PC shipments of 11 million, representing the largest volume of products shipped since the fourth quarter of 2011 ¹
- 8.2 percent year-over-year PC shipment increase, the best among the top seven PC vendors, with 16 consecutive quarters of year-over-year PC unit share growth and 150 basis points of unit share gained for the calendar year ¹
- No. 1 share position worldwide for displays, gaining unit share year-over-year for the 16th consecutive quarter ²

Infrastructure Solutions Group generated \$8.4 billion of revenue in the fourth quarter, which includes \$3.6 billion in servers and networking and \$4.8 billion in storage, and an operating income of \$1 billion.

Key calendar fourth quarter highlights:

- Regained the No. 1 worldwide server unit share position driven by strength in the mainstream PowerEdge business ³
- No. 1 market share position in all-flash arrays⁴, which exited 2016 at a more than \$4 billion demand run rate
- The industry's fastest growing hyperconverged infrastructure vendor during the calendar fourth quarter with more than 300 percent demand growth

VMware revenue for the fourth quarter was \$1.9 billion, with operating income of \$565 million, or 29.2 percent of revenue.

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 30 days.

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

Dell Technologies Investor Meeting

Dell Technologies will host a meeting for investors April 5, 2017, at 1:30 p.m. EDT in New York. The meeting will feature discussions from Chief Financial Officer Tom Sweet, Infrastructure Solutions Group President David Goulden, and Treasurer Tyler Johnson with a focus on the company's strategy, integration efforts and capital structure. Due to limited seating, onsite attendance is by invitation only. A live webcast and replay of the meeting will be available on the event page of Dell Technologies Investor Relations website at investors.delltechnologies.com.

Dell EMC World

Join us May 8-11, 2017 at Dell EMC World in Las Vegas, Dell Technology's flagship event, bringing together technology and business professionals to network, share ideas and help co-create a better future. This is the first time the Dell Technologies family of brands will be all in one place, at one conference. Meet our experts and more than 12,000 IT practitioners and business leaders who are making Digital Transformation a reality. Learn more at www.dell EMCworld.com and follow #DellEMCWorld on Twitter.

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. The company services customers of all sizes across 180 countries – ranging from 98 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 IDC Worldwide Quarterly Personal Computing Device (PCD) Tracker CY16Q4

² IDC Worldwide Quarterly PC Monitor Tracker CY16Q4

³ IDC Worldwide Quarterly Server Tracker, March 2017

⁴ IDC Worldwide Quarterly Enterprise Storage Systems Tracker, March 2017

Non-GAAP Financial Measures

The press release presents information about the Company’s 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 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; the effect of armed hostilities, terrorism, natural disasters, and public health issues; the costs, time, and effort required to be dedicated to the integration of the Dell and EMC businesses; the ability to realize the anticipated synergies from the merger with EMC; the ability to integrate EMC's technology, solutions, products, and services with those of Dell in an effective manner; 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 filings with the Securities and Exchange Commission, including Dell Technologies' annual report on Form 10-K, which we expect to file on March 31, 2017, 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 entered into a definitive agreement with NTT Data International L.L.C. to sell substantially all of Dell Services for cash consideration of approximately \$3.0 billion. On June 19, 2016, Dell entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to sell substantially all of Dell Software Group for cash consideration of approximately \$2.4 billion. On Sept. 12, 2016, EMC Corporation entered into a definitive agreement with OpenText to divest the Dell EMC Enterprise Content Division, or ECD, for cash consideration of approximately \$1.6 billion. Accordingly, the results of operations of Dell Services, Dell Software Group and ECD have been excluded from the results of continuing operations and from segment results. On October 31, 2016, Dell completed the sale of Dell Software Group. On November 2, 2016, Dell completed substantially all of the sale of Dell Services. The remainder of the Dell Services transaction closed subsequent to the fiscal year ended February 3, 2017. On January 23, 2017, Dell Technologies completed the sale of ECD.