

Dell Technologies Reports Fiscal Year 2019 Second Quarter Financial Results

ROUND ROCK, Texas – Sept. 6, 2018

News summary

- GAAP revenue up 18 percent to \$22.9 billion
- Double-digit growth across all reportable segments—Infrastructure Solutions Group, Client Solutions Group and VMware
- Strong operating cash flow and continued debt pay down
- Full-year guidance increased based on strong first half results

Full story

Dell Technologies (NYSE: DVMT) announces its fiscal 2019 second quarter results. For the second quarter, revenue was \$22.9 billion, up 18 percent, and non-GAAP revenue was \$23.1 billion, up 16 percent from the prior period. During the quarter, the company generated a GAAP operating loss of \$13 million¹, with a non-GAAP operating income of \$2.1 billion, up 13 percent. Cash flow from operations was \$2.6 billion, and excluding the impact of financing receivables, cash flow from operations would have been \$3.1 billion².

“We are in the early stages of a global, technology-led investment cycle in which every company is becoming a technology company,” said Michael Dell, chairman and CEO, Dell Technologies. “As our results indicate, Dell Technologies is perfectly positioned to grow, gain share, drive innovation and be our customers’ best, most trusted partner on the journey to their digital future.”

“Dell Technologies delivered another strong quarter, with double-digit revenue growth across all three of our reportable segments and strong cash flow generation for the first half of the year,” said Tom Sweet, chief financial officer, Dell Technologies. “Looking toward the second half of fiscal 2019, we’ll balance this growth by executing across strategic areas of the business, including driving additional share gains, continuing to generate strong cash flow and addressing our customers’ needs with our full range of capabilities.

“Given our momentum in the first half of the fiscal year, we increased the revenue, operating income and net income guidance ranges we provided on July 2, in conjunction with the Class V exchange transaction announcement.”

The company ended the second quarter with a cash and investments balance of \$21.5 billion. In the quarter, Dell Technologies paid down approximately \$2.6 billion of core debt³, and subsequent to the end of the quarter, the company prepaid \$600 million of additional debt. Over the past two years, Dell Technologies has paid down approximately \$13.7 billion in gross debt, excluding Dell Financial Services related and subsidiary debt.

Fiscal year 2019 second quarter results

	Three Months Ended			Six Months Ended			Change
	August 3, 2018	August 4, 2017	Change	August 3, 2018	August 4, 2017	Change	
	(in millions, except percentages; unaudited)						
Total net revenue	\$ 22,942	\$ 19,521	18 %	\$ 44,298	\$ 37,521	18 %	
Operating loss	\$ (13)	\$ (665)	98 %	\$ (166)	\$ (1,937)	91 %	
Net loss	\$ (461)	\$ (739)	38 %	\$ (999)	\$ (1,942)	49 %	
Non-GAAP net revenue	\$ 23,122	\$ 19,856	16 %	\$ 44,665	\$ 38,211	17 %	
Non-GAAP operating income	\$ 2,108	\$ 1,866	13 %	\$ 4,134	\$ 3,291	26 %	
Non-GAAP net income	\$ 1,349	\$ 1,112	21 %	\$ 2,523	\$ 1,873	35 %	
Adjusted EBITDA	\$ 2,459	\$ 2,180	13 %	\$ 4,842	\$ 3,975	22 %	

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.

“The second quarter completes a strong first half of fiscal 2019, where we continued to demonstrate our commitment to innovation across our entire portfolio—including new solutions that give our customers the ability to drive better business outcomes through the power of their data,” said Jeff Clarke, vice chairman, Products & Operations. “We are able to provide our customers with a differentiated experience, given Dell Technologies’ unique family of businesses. We continue to collaborate on new solutions and enhanced integrations to provide a unified, seamless experience across PC and mobile devices, software-defined data centers, hyper-converged infrastructures and multi-cloud platforms.”

Operating segments summary

Infrastructure Solutions Group revenue for the second quarter was a record \$9.2 billion, a 24 percent increase. This was driven by revenue of \$4.2 billion in storage, a 13 percent increase and revenue of \$5.1 billion in servers and networking, a 34 percent increase. Operating income for the second quarter was \$1.0 billion, or 11 percent of revenue and a 230 basis-point increase from the previous year, driven primarily by improved storage performance and operating expense leverage.

Key second quarter highlights:

- Worldwide leader for x86 servers in calendar second quarter, both in units and revenue⁴
- Triple-digit growth for VxRail and VxRack, including \$1 billion of cumulative revenue for VxRail since launching
- Enhancements to the Storage and Data Protection portfolio, including the new Integrated Data Protection Appliance DP4400 for the cloud
- Storage share gain for the second consecutive quarter expected when IDC reports results later today

“IDC has forecasted second quarter server and external storage systems spending will grow 19.6 percent and 5.5 percent respectively, and we fully expect Dell Technologies’ Infrastructure Solutions Group will gain share in both segments when IDC releases second quarter share data,” said Matt Eastwood, senior vice president of IDC’s enterprise, datacenter, cloud infrastructure and developer research groups.

Client Solutions Group revenue for the second quarter was \$11.1 billion, up 13 percent, with double-digit growth across both Commercial and Consumer. Commercial revenue grew 13 percent to \$8.1 billion and Consumer revenue was up 14 percent to \$3.0 billion. Operating income for the second quarter was \$425 million, a 20 percent decrease and 3.8 percent of revenue.

Key second quarter highlights:

- Shipped a record number of client units in the second fiscal quarter, while also expanding average selling prices
- Outperformed the PC industry and hit highest share position to date for total worldwide units and for commercial units at 18.2 percent and 22.8 percent, respectively⁵
- No. 1 share position worldwide for displays, gaining unit share year-over-year for the 20th consecutive quarter⁶
- Maintained position as No. 1 provider of workstations worldwide⁷; launched world’s most powerful 1-unit rack workstation

VMware revenue for the second quarter was \$2.2 billion, up 11 percent, with operating income of \$736 million and 33.5 percent of revenue. The company continues to see revenue synergies through the collaboration across the Dell Technologies family of businesses. The second quarter showed continued strong demand for Dell Technologies’ market-leading VxRail and VxRack hyperconverged offerings, and the company completed one of the largest VxRail hyperconverged infrastructure deals in its history. Additionally, VMworld last week showcased several

announcements illustrating leveraged innovation across Dell Technologies. These new solutions and enhanced integrations provide customers with a unified, seamless experience across PC and mobile devices, software-defined data centers, hyper-converged infrastructures and multi-cloud platforms.

Second quarter revenue from **other businesses**, including Pivotal, Secureworks, RSA Security, Virtustream and Boomi was \$574 million, up 6 percent.

Company outlook

For fiscal 2019, the company is adjusting the guidance ranges provided on July 2, upward given the momentum it has seen year-to-date. The company now expects non-GAAP revenue to be between \$90.5 billion and \$92.0 billion for the full fiscal year, non-GAAP operating income between \$8.4 billion and \$8.8 billion, and non-GAAP net income between \$4.9 billion and \$5.3 billion.

Conference call information

As previously announced, the company will hold a conference call to discuss its second quarter results today at 7:00 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 analyst meeting

Dell Technologies will host a live meeting for analysts Tues., Sept. 18, at 9:00 a.m. EDT/8:00 a.m. CDT. The invitation-only event will feature presentations and discussions from the company's executive team with a focus on its transformation, strategy and financial overview. 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.

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, significant non-cash bridging items will remain between GAAP and non-GAAP results for the next few years.
- 2 Dell Technologies initially funds DFS financing receivables with cash on hand, thereby impacting our cash flow from operations; however, the impact is offset in cash flow from financing when subsequently funded through third-party financing.
- 3 Core debt represents the total principal amount of the company's debt, less unrestricted subsidiary debt, DFS related debt, and other debt. See slide presentation on the FY19Q2 Earnings Event page for full reconciliation of the core debt amount.
- 4 IDC WW Quarterly Server Tracker CY18Q2
- 5 IDC WW Quarterly Personal Computing Device (PCD) Tracker CY18Q2
- 6 DisplaySearch Desktop Monitor Market Tracker CY18Q1
- 7 IDC WW Workstation Tracker CY18Q2

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, 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 risks relating to the proposed exchange of shares of Dell Technologies Class V common stock for shares of Class C common stock or, at the holder's election, cash (the "Class V transaction"), including the failure to consummate or delay in consummating the Class V transaction, including the failure to obtain the requisite stockholder approval or the failure of VMware Inc. ("VMware") to pay the special dividend or any inability of Dell Technologies to pay the cash consideration to Class V holders; the risk as to the trading price of Class C common stock to be issued by Dell Technologies in the Class V transaction relative to the trading price of shares of Class V common stock and VMware Class A common stock; the interests of directors and executive officers of Dell Technologies in the Class V transaction that may be different from,

or in addition to, the interests of stockholders generally; and other risks discussed in the “Risk Factors” section of the proxy statement/prospectus filed with the Securities and Exchange Commission on August 6, 2018, forming part of Dell Technologies’ Registration Statement on Form S-4. Other risks, uncertainties and factors include 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; Dell Technologies’ substantial level of indebtedness; 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 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 2, 2018, 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.