



Dell Technologies Delivers Second Quarter Fiscal 2024 Financial Results

News summary

- Second quarter revenue of \$22.9 billion
- Operating income of \$1.2 billion and non-GAAP operating income of \$2 billion
- Diluted earnings per share of \$0.63, and non-GAAP diluted earnings per share of \$1.74
- Second quarter cash flow from operations of \$3.2 billion

ROUND ROCK, Texas — August 31, 2023

Full story

Dell Technologies (NYSE: DELL) announces financial results for its fiscal 2024 second quarter. Revenue was \$22.9 billion, down 13% year-over-year and up 10% sequentially. The company generated operating income of \$1.2 billion and non-GAAP operating income of \$2 billion, down 8% and up 1% year-over-year, respectively. Diluted earnings per share was \$0.63, and non-GAAP diluted earnings per share was \$1.74, down 7% and up 4% year-over-year, respectively. Cash flow from operations for the second quarter was \$3.2 billion, driven by working capital improvements, sequential growth and profitability. The company has generated \$8.1 billion of cash flow from operations throughout the last 12 months.

Dell ended the quarter with remaining performance obligations of \$39 billion, recurring revenue of \$5.6 billion, up 8% year-over-year, and deferred revenue of \$30.3 billion, up 8% year-over-year, primarily due to increases in service and software maintenance agreements. Cash and investments were \$9.9 billion, and the company returned \$525 million to shareholders in the second quarter through share repurchases and dividends.

“Our Q2 performance underscores the power of our model to generate cash in a sequential growth environment,” said Yvonne McGill, chief financial officer, Dell Technologies. “Revenue grew 10% sequentially to \$22.9 billion, with strong cash flow from operations of \$3.2 billion in Q2 and \$8.1 billion over the last 12 months. We continue to deliver value to shareholders and have flexibility to increase our return of capital going forward.”

Second Quarter Fiscal 2024 Financial Results

	Three Months Ended			Six Months Ended		
	August 4, 2023	July 29, 2022	Change	August 4, 2023	July 29, 2022	Change
(in millions, except per share amounts and percentages; unaudited)						
Total net revenue	\$ 22,934	\$ 26,425	(13)%	\$ 43,856	\$ 52,541	(17)%
Operating income	\$ 1,165	\$ 1,270	(8)%	\$ 2,234	\$ 2,820	(21)%
Net income	\$ 455	\$ 506	(10)%	\$ 1,033	\$ 1,575	(34)%
Earnings per share - diluted	\$ 0.63	\$ 0.68	(7)%	\$ 1.42	\$ 2.06	(31)%
Non-GAAP net revenue	\$ 22,934	\$ 26,425	(13)%	\$ 43,856	\$ 52,541	(17)%
Non-GAAP operating income	\$ 1,977	\$ 1,952	1%	\$ 3,575	\$ 4,087	(13)%
Non-GAAP net income	\$ 1,283	\$ 1,266	1%	\$ 2,246	\$ 2,700	(17)%
Adjusted EBITDA	\$ 2,595	\$ 2,449	6%	\$ 4,799	\$ 5,058	(5)%
Non-GAAP earnings per share - diluted	\$ 1.74	\$ 1.68	4%	\$ 3.05	\$ 3.52	(13)%

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.

Infrastructure Solutions Group delivered second quarter revenue of \$8.5 billion, down 11% year-over-year and up 11% sequentially. Storage revenue was \$4.2 billion, with continued demand growth in PowerStore, the company's leading midrange storage array, and PowerFlex, the company's software-defined storage. PowerFlex has now grown eight consecutive quarters with second quarter demand more than doubling year-over-year. Servers and networking revenue was \$4.3 billion, with continued demand growth in AI-optimized servers. Operating income was \$1 billion, approximately 12.4% of Infrastructure Solutions Group revenue.

Client Solutions Group delivered second quarter revenue of \$12.9 billion, down 16% year-over-year and up 8% sequentially. Commercial client revenue was \$10.6 billion, with demand growth in workstations, which help organizations run complex AI workloads locally. Consumer revenue was \$2.4 billion. Operating income was \$969 million, or approximately 7.5% of Client Solutions Group revenue.

"With a better demand environment and strong execution, we delivered extraordinary Q2 results," said Jeff Clarke, vice chairman and chief operating officer, Dell Technologies. "We continue to focus on the most profitable segments of the market where we have a leading position. Demand for our proprietary software-defined storage solution has now grown eight consecutive quarters. Our client solutions group business was up 8% sequentially with strong attach rates. And AI is already showing it's a long-term tailwind, with continued demand growth across our portfolio."

Dell expanded on its May announcement of Project Helix and introduced Dell Generative AI Solutions, which spans IT infrastructure, PCs and professional services to simplify the adoption of full-stack generative AI with large language models on premises.

- The **Dell Validated Design for Generative AI with NVIDIA** is an inferencing blueprint, jointly engineered with NVIDIA, that helps customers generate higher quality, faster time-to-value predictions and decisions with their own data.
- **Dell PowerEdge XE9680 servers** are optimized for generative AI applications and are the fastest ramping new solution in Dell history.

- **Dell Precision workstations** run AI software frameworks 80% faster than the previous generation and have up to four NVIDIA RTX 6000 Ada Generation GPUs.
- **Dell Professional Services** help customers accelerate generative AI adoption and improve operational efficiency.

Operating Segments Results

	Three Months Ended			Six Months Ended		
	August 4, 2023	July 29, 2022	Change	August 4, 2023	July 29, 2022	Change
(in millions, except percentages; unaudited)						
<u>Infrastructure Solutions Group (ISG):</u>						
Net revenue:						
Servers and networking	\$ 4,274	\$ 5,209	(18)%	\$ 8,111	\$ 10,257	(21)%
Storage	4,187	4,327	(3)%	7,943	8,564	(7)%
Total ISG net revenue	\$ 8,461	\$ 9,536	(11)%	\$ 16,054	\$ 18,821	(15)%
Operating Income:						
ISG operating income	\$ 1,049	\$ 1,046	—%	\$ 1,789	\$ 2,128	(16)%
% of ISG net revenue	12.4 %	11.0 %		11.1 %	11.3 %	
% of total reportable segment operating income	52 %	52 %		49 %	50 %	
<u>Client Solutions Group (CSG):</u>						
Net revenue:						
Commercial	\$ 10,554	\$ 12,141	(13)%	\$ 20,416	\$ 24,112	(15)%
Consumer	2,388	3,349	(29)%	4,509	6,965	(35)%
Total CSG net revenue	\$ 12,942	\$ 15,490	(16)%	\$ 24,925	\$ 31,077	(20)%
Operating Income:						
CSG operating income	\$ 969	\$ 978	(1)%	\$ 1,861	\$ 2,093	(11)%
% of CSG net revenue	7.5 %	6.3 %		7.5 %	6.7 %	
% of total reportable segment operating income	48 %	48 %		51 %	50 %	

Conference call information

As previously announced, the company will hold a conference call to discuss its performance and financial guidance on Aug. 31 at 3:30 p.m. CDT. Prior to the start of the conference call, prepared remarks and a presentation containing additional financial and operating information prior to financial guidance may be downloaded from investors.delltechnologies.com. The conference call will be broadcast live over the internet and can be accessed at <https://investors.delltechnologies.com/news-events/upcoming-events>

For those unable to listen to the live broadcast, the final remarks and presentation with financial guidance will be available following the broadcast, and an archived version will be available at the same location for one year.

Environmental, Social and Governance (ESG)

Our Environmental, Social and Governance (ESG) efforts focus on driving positive impact for people and our planet while delivering long-term value for our stakeholders. ESG resources can be accessed at <https://www.dell.com/en-us/dt/corporate/social-impact/reporting/esg-governance.htm>

About Dell Technologies

Dell Technologies (NYSE:DELL) helps organizations and individuals build their digital future and transform how they work, live and play. The company provides customers with the industry's broadest and most innovative technology and services portfolio for the data era.

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Non-GAAP Financial Measures:

This press release presents information about non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, non-GAAP net income attributable to Dell Technologies Inc., non-GAAP earnings per share attributable to Dell Technologies Inc. – basic, and non-GAAP earnings per share attributable to Dell Technologies Inc. – diluted, 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 non-GAAP financial measure to the most directly comparable GAAP financial measure 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: adverse global economic conditions and instability in financial markets; 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; Dell Technologies' ability to achieve the intended benefits of its continuing strategic relationship with VMware, Inc.; Dell Technologies' execution of its strategy; Dell Technologies' ability to manage solutions and products and services transitions in an effective manner; Dell Technologies' ability to deliver high-quality products, software, and services; cyber attacks or other data security incidents; Dell Technologies' ability to successfully execute on strategic initiatives including acquisitions, divestitures or cost savings measures; Dell Technologies' foreign operations and ability to generate substantial non-U.S. net revenue; Dell Technologies' product, services, 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; material impairment of the value of goodwill or intangible assets; weak economic conditions and the effect of additional regulation on Dell Technologies' financial services activities; counterparty default risks; the loss by Dell Technologies of any contracts for ISG services and solutions and its ability to perform such contracts at their estimated costs; loss by Dell Technologies of government contracts; 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; disruptions in Dell Technologies' infrastructure; 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; expectations relating to environmental, social and governance (ESG) considerations; compliance requirements of changing environmental and safety laws, human rights laws, or other laws; the effect of armed hostilities, terrorism, natural disasters, or public health issues; the effect of global climate change and legal, regulatory, or market measures to address climate change; Dell Technologies' dependence on the services of Michael Dell and key employees; Dell Technologies' level of indebtedness; and business and financial factors and legal restrictions affecting continuation of Dell Technologies' quarterly cash dividend policy and dividend rate.

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 SEC, including Dell Technologies' annual report on Form 10-K for the fiscal year ended February 3, 2023, quarterly reports on Form 10-Q, and current reports on Form 8-K. These filings are available for review through the SEC'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.