

DELL Technologies Inc.

Background

Dell Technologies Inc. (referred to hereafter as Dell) was founded on February 1st, 1984 in Austin, Texas, United States. Dell's founder Micheal Dell grew the business out of his dorm at the University of Texas, where he would provide customized upgrades to personal computers (PCs), eventually transitioning to creating the PCs for resale under the name "PC's Limited".

Products

Dell was founded on the premise of creating and selling custom-built PCs directly to consumers, a mission they maintained they have maintained to this day. Dell has broadened from selling PCs to selling a variety of personal electronics and electronic appliances: PCs, servers, electronic peripherals, smartphone components, and televisions. Servers have become Dell's most profitable product, followed by personal computers.

Financial Highlights

DELL TECHNOLOGIES INC. Condensed Consolidated Statements of Income (Loss) and Related Financial Highlights (in millions, except percentages; unaudited)						DELL TECHNOLOGIES INC. Segment Information (in millions, except percentages; unaudited; continued on next page)							
Three Months Ended			Nine Months Ended			Three Months Ended			Nine Months Ended				
November 1, 2019	November 2, 2018	Change	November 1, 2019	November 2, 2018	Change	November 1, 2019	November 2, 2018	Change	November 1, 2019	November 2, 2018	Change		
Net revenue:						Infrastructure Solutions Group (ISG):							
Products	\$ 17,485	\$ 17,825	(1)%	\$ 52,349	\$ 52,445	—%	Net Revenue:	\$ 4,241	\$ 5,054	(16)%	\$ 12,858	\$ 14,700	(13)%
Services	5,359	4,857	10%	15,773	14,335	10%	Servers and networking	4,149	3,883	7%	12,355	12,131	2%
Total net revenue	22,844	22,482	2%	68,122	66,780	2%	Storage	8,390	8,937	(6)%	25,213	26,831	(6)%
Cost of net revenue:						Total ISG net revenue							
Products	13,558	14,565	(7)%	40,526	43,114	(6)%	ISG operating income	\$ 996	\$ 935	7%	\$ 2,889	\$ 2,886	—%
Services	2,160	1,074	0%	6,347	5,722	11%	% of ISG net revenue	12%	10%	11%	11%		
Total cost of net revenue	15,718	16,539	(5)%	46,873	48,836	(4)%	% of total reportable segment operating income	41%	43%	39%	45%		
Gross margin	7,126	5,943	20%	21,249	17,944	18%	Client Solutions Group (CSG):						
Operating expenses:						Net Revenue:							
Selling, general, and administrative	5,028	5,159	(3)%	15,677	15,064	4%	Commercial	\$ 8,330	\$ 7,613	9%	\$ 25,714	\$ 23,085	11%
Research and development	1,262	1,140	11%	3,667	3,402	8%	Consumer	3,080	3,292	(6)%	8,354	9,219	(9)%
Total operating expenses	6,290	6,299	—%	19,344	18,466	5%	Total CSG net revenue	\$ 11,410	\$ 10,905	5%	\$ 34,068	\$ 32,304	5%
Operating income (loss)	836	(356)	335%	1,905	(522)	465%	Operating Income:						
Interest and other, net	(677)	(639)	(6)%	(2,000)	(1,564)	(28)%	CSG operating income	\$ 739	\$ 447	65%	\$ 2,514	\$ 1,405	79%
Income (loss) before income taxes	159	(995)	116%	(95)	(2,086)	95%	% of CSG net revenue	6%	4%	7%	4%		
Income tax benefit	(393)	(100)	(293)%	(5,208)	(192)	NM	% of total reportable segment operating income	30%	21%	34%	22%		
Net income (loss)	552	(895)	162%	5,113	(1,894)	370%	VMware:						
Less: Net income (loss) attributable to non-controlling interests	53	(19)	379%	905	117	674%	Net Revenue:	\$ 2,483	\$ 2,229	11%	\$ 7,231	\$ 6,451	12%
Net income (loss) attributable to Dell Technologies Inc.	\$ 499	\$ (876)	157%	\$ 4,208	\$ (2,011)	309%	Operating Income:						
							VMware operating income	\$ 717	\$ 768	(7)%	\$ 2,093	\$ 2,117	(1)%
							% of VMware net revenue	29%	34%	29%	33%		
							% of total reportable segment operating income	29%	36%	28%	33%		

Figure 1'

Figure 2

Figure 3:



Figures 1 and 2 show the income statement and income breakdown of the third quarter of the 2020 fiscal year. The income statement describes the revenues and expenses of the company, as well as in comparison to the revenues and expenses of the previous year, in an effort to show growth or change. The income statement shows that Dell generated a total net revenue of \$68,122 M, but ultimately suffered a net loss of \$4,208 M, a significant increase from the previous year, in which there was a net loss of \$2,011 M. Examining each segment of income shown in figure 2 reveals that Dell's Client Solutions Group (CSG) is Dell's most profitable segment of revenue, generating \$11,410 M in net

Figure 1 & 2 Source: <https://investors.delltechnologies.com/static-files/e0dcc80f-ba24-4c8b-94a4-257c705fd5d1>

Figure 3 Source: <https://www.zdnet.com/article/the-love-of-mike-what-you-need-to-know-about-dells-buy-out/>
MD & A Source: <https://investors.delltechnologies.com/node/10086/html>

revenue in the third quarter of the 2020 fiscal year. Moreover, these patterns correspond to rises in Dell's stock price over time. Figure 3 demonstrates that the net incomes of the 2020 fiscal year correspond to the increases in the fluctuating, but still increasing stock price. At the beginning of the 2020 fiscal year, Dell's stock was valued at \$46.99 per share, \$50.46 per share, a 7.3845% increase, which corresponds to Dell's service and enterprise solutions groups' revenue for these three quarters.

Future Directions

From the financial statements shown in Figures 1 and 2, Dell clearly has been responding to industry trends and developing consulting solutions for other companies to integrate their products into their other businesses. Dell's steps toward implementing solutions-based products have proven profitable, as the three major operating segments are their Consulting Solutions Group (CSG), which made \$11.4 B in net revenue in the third quarter, Infrastructure Solutions Group (ISG), which made \$8.4 B in net revenue in the third quarter, and VMWare, which made \$2.5 B in the third quarter. The ISG's revenue is a 6% decrease from the previous year, suggesting a change in its implementation may be necessary.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Dell sells custom-built PCs directly to consumers. The customization they provide differentiates them from their competitors.	Dell does not design and develop PCs or PC components. This forces them to rely on manufacturers like AMD and Intel to create PC components for Dell to sell.	Expanding Dell's services and enterprise solutions businesses This will prove to be invaluable in an increasingly digital world	The demand for smartphones and tablets is growing rapidly. Dell will fall behind if they fail to adopt a mobile-driven approach in some capacity.

Management's Discussion and Analysis

Dell has been facing a net loss for the past few quarters of the 2020 fiscal year, with net losses of \$329 M, \$4,505 M, and \$552 M for the past three quarters of the 2020 fiscal year. However, the total net revenues for the past three quarters are \$21,908 M, \$23,370M, and \$22,844 M. Although the second quarter had the highest net loss in the 2020 fiscal year, it also saw the most revenue of the three quarters and the highest positive cash flow for the business to date. The MD&A extensively describes Dell's non-GAAP practices as useful to provide greater context to the GAAP basis financial statements. With the non-GAAP basis, Dell reports total net revenue of \$23,454 M and a total net loss of \$4,232 M in the second quarter, which is a 0.4% increase and a 6.451% decrease from the net revenue and net income values of the figures from the GAAP-basis.