THE ECONOMIC CLUB

OF WASHINGTON, D.C.

Excerpts from the Signature Event featuring Michael Dell, Founder, Chairman and CEO, Dell INC

March 4, 2015

We have stores that actually are operated by partners in the emerging markets. For example, China, which is our largest country to sell our products into outside of the United States, we have 5,800 Dell-exclusive stores. We just opened our 400th store in India. We're opening one every 16 hours there. Business is booming in the emerging world.

[As a private company] we focus on our customers. We focus on the medium and long term. Getting away from this 90-day shot clock *[quarterly earnings]* has given us the freedom, the flexibility, to invest in our business without fear of the short-term targets. I think it's energized our team. We had a very good year last year.

The cyber challenge is a big one. We see, on behalf of our customers, about 120 billion events per day, and have really built a threat intelligence to be able to understand what's going on. You have state-sponsored groups, you have criminals, you have activists, you have espionage, and you have terrorists that are all using the cyber domain as a big attack vector.

For any company in our sector, you have to change or die. You have to evolve. For us, that's meant aggressively growing in these new areas like software services, understanding the challenges our customers have, like in cybersecurity, and helping to go build solutions, to go solve those problems.

... it's ... a multi-device world. And actually it's not just the PC and the smartphone and the tablet, it's now all these embedded computers, the wearables, the Internet of Things. You're going from this world of, let's say, a billion connected devices to a hundred billion connected devices. As the cost of semiconductors comes down, you have this instrumentation and kind of making everything smart and intelligent. That creates all this data that has to be turned into insights and knowledge. That's really the big opportunity that all organizations have, *[finding ways to]* use this data to make what you're doing more productive or reinvent it some way.

There are probably many next big things. This idea of the data economy – call it big data, machine-to-machine communication, machine learning – we think that is an enormous opportunity for not only our customers and organizations, but for the IT industry. To our calculations, there is roughly a trillion-dollar opportunity for the IT industry in turning this data into real insights. And the availability – the cost to acquire the data – just keeps going down dramatically.

[PC manufacturing is] still a little more than 50 percent *[of Dell's business]*, but I also think of it as the tip of the spear, particularly in the emerging world. You've got 3 ½ billion people in India, China, and Africa, and while IT services and data analytics and the more complex type solutions are interesting, it's not actually what they buy first. What they buy first is infrastructure, which is the actual machines that bring the data – the servers, the network – and then they get into these more complex areas. So, when I look at our small computer systems business with businesses and enterprise in these emerging/developing markets – which, by the way, still have relatively low penetration compared to the developed markets – there's robust growth there. In the developed markets, it's kind of a replacement cycle business. ... we fundamentally believe *[that]* to be able to solve the problems that customers have out there, it's a combination of hardware, software, and services together.