

DELL INC. NDQ-DELL

RECENT PRICE **10.24** P/E RATIO **9.8** (Trailing: 6.9 Median: 21.0) RELATIVE P/E RATIO **0.64** DIV'D YLD **3.1%**

VALUE LINE

TIMELINESS 5 Lowered 10/5/12
SAFETY 3 Lowered 1/7/11
TECHNICAL 2 Raised 1/4/13
 BETA .95 (1.00 = Market)

High: 31.3 31.1 37.2 42.6 42.3 32.2 30.8 26.0 17.3 17.5 17.6 18.4
 Low: 16.0 21.9 22.6 31.1 28.6 19.0 21.6 8.7 7.8 11.3 13.0 8.7

Target Price Range
 2015 2016 2017
 64
 48
 40
 32
 24
 20
 16
 12
 8
 6

2015-17 PROJECTIONS
 Price Gain Ann'l Total
 High 25 (+145%) 28%
 Low 18 (+75%) 18%

LEGENDS
 — 9.0 x "Cash Flow" p sh
 ... Relative Price Strength
 2-for-1 split 3/99
 Options: Yes
 Shaded areas indicate recessions



% TOT. RETURN 11/12
 THIS STOCK VL ARITH. INDEX
 1 yr. -38.3 14.2
 3 yr. -31.2 45.5
 5 yr. -60.4 35.5

Insider Decisions
 F M A M J J A S O
 to Buy 1 0 0 0 0 0 0 0 0
 Options 1 4 0 0 0 0 0 0 0
 to Sell 1 5 2 0 0 0 0 1 0

Institutional Decisions
 1Q2012 2Q2012 3Q2012
 to Buy 302 228 249
 to Sell 329 388 333
 Hlds(000) 1226631112161122754

Percent shares traded
 36
 24
 12

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | © VALUE LINE PUB. LLC | 15-17 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------------|--------|
| 2.80 | 4.79 | 7.17 | 9.81 | 12.26 | 11.98 | 13.73 | 16.21 | 19.80 | 23.99 | 25.80 | 29.68 | 31.43 | 27.03 | 32.06 | 35.25 | 32.70 | 31.80 | Sales per sh ^A | 37.05 |
| .21 | .39 | .61 | .78 | .98 | .78 | .90 | 1.14 | 1.47 | 1.81 | 1.37 | 1.73 | 1.67 | 1.17 | 1.88 | 2.51 | 1.95 | 1.85 | "Cash Flow" per sh | 2.70 |
| .17 | .32 | .53 | .68 | .84 | .65 | .80 | 1.01 | 1.29 | 1.56 | 1.14 | 1.31 | 1.25 | .73 | 1.35 | 1.88 | 1.30 | 1.10 | Earnings per sh ^{A B} | 1.75 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | .16 | .32 | Div'ds Decl'd per sh ^C | .40 |
| .04 | .07 | .12 | .15 | .19 | .12 | .12 | .13 | .21 | .31 | .40 | .40 | .23 | .19 | .23 | .38 | .30 | .30 | Cap'l Spending per sh | .60 |
| .39 | .50 | .91 | 2.06 | 2.16 | 1.80 | 1.89 | 2.46 | 2.61 | 1.77 | 1.99 | 1.81 | 2.20 | 2.88 | 4.05 | 5.06 | 6.05 | 6.80 | Book Value per sh ^E | 10.55 |
| 2768.8 | 2576.0 | 2543.0 | 2575.0 | 2601.0 | 2602.0 | 2579.0 | 2556.0 | 2485.0 | 2330.0 | 2226.0 | 2060.0 | 1944.0 | 1957.0 | 1918.0 | 1761.0 | 1735.0 | 1730.0 | Common Shs Outst'g ^D | 1700.0 |
| 12.6 | 26.8 | 49.7 | 62.3 | 45.0 | 38.9 | 33.3 | 31.6 | 28.0 | 23.1 | 22.3 | 19.7 | 14.3 | 17.7 | 10.2 | 8.2 | | | Avg Ann'l P/E Ratio | 13.0 |
| .79 | 1.54 | 2.58 | 3.55 | 2.93 | 1.99 | 1.82 | 1.80 | 1.48 | 1.23 | 1.20 | 1.05 | .86 | 1.18 | .65 | .52 | | | Relative P/E Ratio | .85 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Avg Ann'l Div'd Yield | 1.8% |

CAPITAL STRUCTURE as of 11/2/12
 Total Debt \$9,034 mill. Due in 5 Yrs. \$6,663 mill.
 LT Debt \$5,310 mill. LT Interest \$245 mill.
 (34% of Cap'l)
 (LT Interest Earned: 16.9x; Total Int.: 16.2x)
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 1,737,271,657 shs. as of 11/26/12
MARKET CAP: \$17.8 billion (Large Cap)

| | | | | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-----------------------------|-------|
| 35404 | 41444 | 49205 | 55908 | 57420 | 61133 | 61101 | 52902 | 61494 | 62071 | 56700 | 55000 | Sales (\$mill) ^A | 63000 |
| 8.6% | 9.2% | 9.3% | 9.3% | 6.2% | 6.6% | 6.5% | 5.7% | 7.2% | 8.6% | 7.0% | 6.5% | Operating Margin | 8.5% |
| 211.0 | 263.0 | 334.0 | 393.0 | 471.0 | 607.0 | 769.0 | 852.0 | 970.0 | 936.0 | 1150 | 1300 | Depreciation (\$mill) | 1600 |
| 2122.0 | 2645.0 | 3323.0 | 3825.0 | 2583.0 | 2947.0 | 2478.0 | 1433.0 | 2635.0 | 3492.0 | 2275 | 1900 | Net Profit (\$mill) | 2975 |
| 29.9% | 29.0% | 25.2% | 23.7% | 22.8% | 23.0% | 25.5% | 29.2% | 21.3% | 17.6% | 15.0% | 15.0% | Income Tax Rate | 20.0% |
| 6.0% | 6.4% | 6.8% | 6.8% | 4.5% | 4.8% | 4.1% | 2.7% | 4.3% | 5.6% | 4.0% | 3.5% | Net Profit Margin | 4.7% |
| d9.0 | d263.0 | 2761.0 | 1779.0 | 2148.0 | 1354.0 | 5292.0 | 5285.0 | 9538.0 | 7447.0 | 3500 | 4500 | Working Cap'l (\$mill) | 7000 |
| 506.0 | 505.0 | 505.0 | 504.0 | 569.0 | 362.0 | 1898.0 | 3417.0 | 5146.0 | 6387.0 | 5300 | 5000 | Long-Term Debt (\$mill) | 8000 |
| 4873.0 | 6280.0 | 6485.0 | 4129.0 | 4439.0 | 3735.0 | 4271.0 | 5641.0 | 7766.0 | 8917.0 | 10500 | 11850 | Shr. Equity (\$mill) | 17950 |
| 39.6% | 39.1% | 47.7% | 82.9% | 51.9% | 72.3% | 41.1% | 16.6% | 21.3% | 23.7% | 15.0% | 12.0% | Return on Total Cap'l | 12.0% |
| 43.5% | 42.1% | 51.2% | 92.6% | 58.2% | 78.9% | 58.0% | 25.4% | 33.9% | 39.2% | 21.5% | 16.0% | Return on Shr. Equity | 16.5% |
| 43.5% | 42.1% | 51.2% | 92.6% | 58.2% | 78.9% | 58.0% | 25.4% | 33.9% | 39.2% | 19.0% | 11.5% | Retained to Com Eq | 13.0% |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 12% | 29% | All Div'ds to Net Prof | 23% |

CURRENT POSITION

| | 2010 | 2011 | 11/2/12 |
|------------------|-------|-------|---------|
| Cash Assets | 14365 | 14818 | 11272 |
| Receivables | 6493 | 6476 | 6187 |
| Inventory (FIFO) | 1301 | 1404 | 1364 |
| Other | 6862 | 6750 | 6839 |
| Current Assets | 29021 | 29448 | 25662 |
| Accts Payable | 11293 | 11656 | 10556 |
| Debt Due | 851 | 2867 | 3724 |
| Other | 7339 | 7478 | 7531 |
| Current Liab. | 19483 | 22001 | 21811 |

BUSINESS: Dell Inc. is a leading global computer systems & services company. Markets via sales teams to corporate & institutional customers, and via the Internet. Overseas: 51% of '11 sales. Large enterprise market, 30% of fiscal '11 sales (34% of op. profits); Public, 27% (30%); Small/mid. business, 24% (30%); Consumer, 19% (6%). Products: desktop, 23% of sales; mobility, 31%; software & peripherals, 17%; servers & networking, 13%; services, 13%; storage, 3%. R&D, 1.4% of '11 sales. Empl.: 109,400. Michael Dell owns 13.97% of stock; all officers & directors, 14.73%; South-eastern Asset Mgt., 9.9%; BlackRock, 5.3% (5/12 Proxy). Chairman: M. Dell. Inc.: DE. Address: One Dell Way, Round Rock, TX 78682. Tel.: 512-338-4400. Internet: www.dell.com.

ANNUAL RATES

| Past 10 Yrs. | Past 5 Yrs. | Est'd '09-'11 to '15-'17 |
|--------------------|-------------|--------------------------|
| of change (per sh) | | |
| Sales | 10.5% | 6.5% |
| "Cash Flow" | 8.0% | 3.5% |
| Earnings | 6.0% | 5.0% |
| Dividends | -- | NMF |
| Book Value | 7.0% | 17.5% |

Dell's January-period results probably will be very similar to its October-term showing. In that quarter, servers/networking equipment was the company's only product group to post a sales increase, and Dell's consumer business registered a \$65 million operating loss.

QUARTERLY SALES (\$mill.)^A

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|--------------------|---------|---------|---------|---------|------------------|
| 2009 | 12342 | 12764 | 12896 | 14900 | 52902 |
| 2010 | 14874 | 15534 | 15394 | 15692 | 61494 |
| 2011 | 15017 | 15658 | 15365 | 16031 | 62071 |
| 2012 | 14422 | 14483 | 13721 | 14074 | 56700 |
| 2013 | 13500 | 13800 | 13600 | 14100 | 55000 |

Market conditions are difficult. Economic uncertainty and budgetary concerns have been causing companies and public-sector entities to defer purchases. Demand in emerging markets moderated in the October interim, but Dell thinks the lull was temporary. Tablet computers are stealing sales from Dell's notebook computers.

EARNINGS PER SHARE^{A B}

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|--------------------|---------|---------|---------|---------|------------------|
| 2009 | .15 | .24 | .17 | .17 | .73 |
| 2010 | .17 | .28 | .42 | .48 | 1.35 |
| 2011 | .49 | .48 | .49 | .43 | 1.88 |
| 2012 | .36 | .42 | .27 | .25 | 1.30 |
| 2013 | .25 | .27 | .28 | .30 | 1.10 |

Additionally, margins in the January period will likely remain compressed. Consumer products traditionally comprise a larger portion of Dell's sales in the holiday season, but have thin margins. A recent acquisition may add \$180 million-\$200 million to January-period sales, but may be slightly dilutive initially. But component costs ought to stay low.

QUARTERLY DIVIDENDS PAID^C

| Calendar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|----------|--------|--------|--------|--------|-----------|
| 2009 | -- | -- | -- | -- | -- |
| 2010 | -- | -- | -- | -- | -- |
| 2011 | -- | -- | -- | -- | -- |
| 2012 | -- | -- | -- | .08 | -- |
| 2013 | .08 | -- | -- | -- | -- |

We now think Dell may lose a little more ground in fiscal 2013. (According to Value Line convention, fiscal 2013 begins about February 1, 2013.) As long as

economic activity stays soft, we don't look for information technology spending to strengthen meaningfully although, at some point, companies will need to update their computer equipment. But Dell's new tablet computer, which it believes will appeal to businesses, faces intense competition. And it may take some time for the recent pickup in signings to lift services sales. Meantime, Dell plans to lower costs in the consumer business. In all, we look for share net, including about \$0.50 of acquisitions and unusual costs, of \$1.10.

Over the next several years, Dell plans to increase the contribution of enterprise products and services in the sales mix. Server margins narrowed in the October period, although the product segment remains more profitable than personal computers (the latter, still half of sales). Even so, Dell faces some formidable competitors in the server business that may make it hard to increase its share.

The depressed stock is ranked 5 (Lowest) for Timeliness. Dell's dividend yield is attractive, but the issue's 3- to 5-year recovery potential is speculative.

Theresa Brophy
 January 4, 2013

(A) Fiscal years end about Jan. 31st of following calendar year. (B) Diluted earnings. Excludes nonrecurring charges: '96, \$0.01; '99, \$0.07; '00, \$0.03; '01, \$0.19; '04, \$0.11; '05, \$0.14. Quarterly earnings per share do not equal total in '11 due to decline in shares outstanding. Next earnings report due late Feb. (C) Initial quarterly dividend declared Sept. 6, 2012 and paid October 22. Probable payment dates mid-Jan., Apr., Jul., Oct. (D) In millions, adjusted for stock split. (E) Includes intangibles: in '11, \$7.695 billion, \$4.37/sh.

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