

Dell Inc.

Ratings

Dell Inc.	
Long-Term IDR	BB
Senior Unsecured	BB/RR4
Dell International LLC	
Long-Term IDR	BB
Senior Secured Credit Facility	BBB-/RR1
Senior Secured Notes	BBB-/RR1
Senior Unsecured Notes	BB/RR4
Diamond 1 & 2 Finance Corp.	
Senior Secured First Lien Notes	BBB-/RR1
IDR – Issuer Default Rating.	
RR – Recovery Rating.	

Rating Outlook

Dell Inc.	RWP
Dell International LLC	RWP
Diamond 1 & 2 Finance Corp.	—
RWP – Rating Watch Positive.	

Financial Data

Dell Inc.			
(\$ Mil.)	1/29/16	4/29/16	
Total Revenue	54,886	54,582	
Operating EBITDA	3,200	3,373	
Operating EBITDA Margin (%)	5.8	6.2	
FCF	2,001	2,714	
Total Debt	13,980	13,479	
Core Leverage (x)	3.3	3.0	
Interest Coverage (x)	4.7	5.1	

Key Rating Drivers

Post-Merger Debt Reduction: Fitch Ratings expects Dell Inc. will use \$4 billion–\$5 billion of annual FCF and more than \$5 billion of net proceeds from the recently announced divestitures for debt reduction. As a result, Fitch expects \$13 billion–\$15 billion of debt reduction and growing profitability over the 18–24 months post close will drive core leverage — excluding debt and profitability associated with the financing unit — toward 3.0x from a Fitch-estimated 6.0x at EMC Corp. acquisition closing, which is expected by the end of calendar 2016.

Increased Scale and Diversification: EMC increases Dell's scale and diversification, including share leadership in fast-growing emerging storage markets and strong positions in high-value and mid-range legacy products. EMC increases Dell's annual revenue by 50% to roughly \$75 billion, and more than doubles Dell's operating EBITDA to nearly \$8.5 billion (before acquisition-related synergies) from a Fitch-estimated \$3.2 billion for fiscal 2016.

Still Significant PC Exposure: PC market exposure will remain significant, despite a more diversified post-combination sales mix. Excluding VMWare, Inc. and divestitures, PC revenue and operating income will be roughly half and 40%, respectively, versus nearly two-thirds and more than half on a stand-alone basis. Unit shipments should be down in the low to midsingle digits through fiscal 2017, but an aging installed base and processor refreshes should spur PC market stabilization over the intermediate term.

Credible Profit Expansion Roadmap: Fitch expects operating EBITDA growth and margin expansion from Dell's \$2 billion of acquisition-related annual cost synergies, which Dell should achieve on a run-rate basis in fiscal 2018 and are incremental to Dell's and EMC's current stand-alone cost takedown programs of \$550 million and \$800 million, respectively. Fitch expects operating EBITDA approaching \$12 billion in fiscal 2018 and up to \$14 billion over the intermediate term, with operating EBITDA margins expanding to the mid-teens from low teens.

Emerging Storage Leadership: EMC's leadership in rapidly growing emerging storage (all flash arrays, converged and scale-out network attached storage and object) will offset negative double-digit growth in legacy storage, in which Dell and EMC also have strong combined share. Fitch expects stand-alone cost reductions and acquisition-related cost synergies will stabilize operating profitability over the intermediate term, despite pressured gross margin from the transition in the near term.

No Direct VMWare Support: Fitch includes EMC's 81% ownership of VMWare in operating results because Dell will consolidate VMWare's \$6.6 billion of revenues and \$2 billion of Fitch-estimated operating EBITDA. Fitch expects mid to high single-digit revenue growth, although revenue from Dell and VMWare cross-selling could be meaningful, given limited customer overlap. Operating EBITDA margin should remain stable from ongoing cost realignments, although Fitch does not expect upstream dividends or direct support for Dell's debt.

Rating Sensitivities

Positive Watch Resolution: Fitch expects to resolve the Positive Watch and upgrade the long-term Issuer Default Rating to 'BB+' once Dell clears remaining hurdles for the EMC acquisition, including approvals by the SEC, Chinese regulators and EMC shareholders.

Negative Actions: Negative actions could occur if Fitch expects pre-dividend FCF margin or core leverage sustained below 2% or above 3.5x, respectively, from lower than anticipated revenue.

Analysts

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Organization Structure — Dell Inc.

(\$ Mil., As of Jan. 29, 2016)

Denali Holding Inc.		
Dell International LLC IDR — BB/Watch Positive		
Description	Amount	Rating
\$2.0 Billion ABL Credit Facility	—	BBB-/RR1
Structured Financing Debt	3,411	BBB-/RR1
3.750% Sr. Secured Term Loan due 2018	1,003	BBB-/RR1
4.000% Sr. Secured Term Loan due 2020	4,329	BBB-/RR1
4.000% Sr. Secured Euro Term Loan due 2020	891	BBB-/RR1
5.625% Sr. First Lien Note due 2020	1,400	BBB-/RR1
Dell Inc. IDR — BB/Watch Positive		
Description	Amount	Rating
3.100% Sr. Unsecured Note due 2016	400	BB/RR4
5.650% Sr. Unsecured Note due 2018	500	BB/RR4
5.875% Sr. Unsecured Note due 2019	600	BB/RR4
4.625% Sr. Unsecured Note due 2021	400	BB/RR4
7.100% Sr. Unsecured Note due 2028	300	BB/RR4
6.500% Sr. Unsecured Note due 2038	388	BB/RR4
5.400% Sr. Unsecured Note due 2040	265	BB/RR4
Other Debt	93	NR
Consolidated Total Debt	13,980	
LTM EBITDA	2,561	
Leverage Ratio (x)	5.46	

IDR — Issuer Default Rating. ABL — Asset-backed loan. NR — Not rated. Note: Amount outstanding reflects face value of indebtedness. Source: Company filings, Fitch Ratings.

Covenant Summary — Dell Inc.

(\$ Mil., Except Where Noted)

	Bond Indenture	Bond Indenture	Bond Indenture	Bond Indenture	Bond Indenture
Overview					
Issuer	Diamond 1 Finance Corp. and Diamond 2 Finance Corp.	Diamond 1 Finance Corp. and Diamond 2 Finance Corp.	Dell Inc.	Dell Inc.	Dell Inc.
Document Date and Location	6/1/16 (S-4A filed 6/3/16) First Supplemental Indentures 6/1/16 (S-4Q filed 6/1/16 for each series)	6/22/16 (424B3 filed 6/22/16) First Supplemental 6/22/16 (424B3 filed 6/22/16)	4/27/98 (8-K filed 4/28/98)	4/17/08 (8-K filed 4/17/08)	4/6/09 (8-K filed 4/6/09) First Supplemental 4/6/09 (8-K filed 4/6/09) Second Supplemental 6/15/09 (8-K filed 6/15/09) Third Supplemental 9/10/10 (8-K filed 9/10/10) Fourth Supplemental 3/31/11 (8-K filed 3/31/11)
Debt Issued	3.480% First Lien Notes due June 1, 2019 4.420% First Lien Notes due June 15, 2021 5.450% First Lien Notes due June 15, 2023 6.020% First Lien Notes due June 15, 2026 8.100% First Lien Notes due June 15, 2036 8.350% First Lien Notes due June 15, 2046	5.875% Notes due June 15, 2021 7.125% Notes due June 15, 2024	\$300 million of 7.100% Debentures due April 15, 2028	\$600 million of 4.700% Notes due April 15, 2013 \$500 million of 5.650% Notes due April 15, 2018 \$400 million of 6.500% Notes due April 15, 2038	\$400 million of 3.375% Notes due June 15, 2012 \$500 million of 1.400% Notes due Sept. 10, 2013 \$500 million of 5.625% Notes due April 15, 2014 \$300 million of FRN due April 1, 2014 \$400 million of 2.100% Notes due April 1, 2014 \$700 million of 2.300% Notes due Sept. 10, 2015 \$399 million of 3.100% Notes due April 1, 2016 \$600 million of 5.875% Notes due June 15, 2019 \$398 million of 4.625% Notes due April, 1, 2021 \$300 million of 5.400% Notes due Sept. 10, 2040
Ranking	Senior	Senior	Senior	Senior	Senior
Security	Secured	Unsecured	Unsecured	Unsecured	Unsecured
Guarantee	Denali Holding Inc., Denali Intermediate Inc., Dell Inc. and Subsidiaries of Covenant Parent. Noted in each respective Supplemental Indenture.	None prior to EMC merger. Upon merger, fully and unconditionally by Denali Holding Inc., Denali Intermediate Inc., Dell Inc. and wholly owned domestic subsidiary Guarantors of Senior Secured Credit facilities.	None.	None.	None.
Debt Restrictions					
Debt Incurrence	N.A.	Provided FCCR and CTDR, pro forma for the issuance, is greater than 2.0x and less than 5.0x, respectively. However, nonguarantor RS may incur the greater of \$1.25 billion or 12.5% of Consolidated EBITDA. Carveouts include: i) debt under CF up to 3.75x CSDR; ii) Capital Lease debt up to greater of \$2.25 billion or 25.5% of Consolidated EBITDA; and iii) 150% of otherwise unapplied net equity proceeds, provided less than greater of \$3.32 billion and 32.5% of Consolidated EBITDA.	None.	None.	None.
Limitation on Liens	Liens after Release Event up to the greater of \$2 billion and 15% of CNTA. Permitted Liens include: i) liens on DFS Financing Assets; ii) other liens up to the greater of \$2 billion and 15% of CNTA; and iii) liens securing Credit Facilities.	Carveouts include: i) incur other liens on outstanding indebtedness up to greater of 15% of consolidated EBITDA or \$1.5 billion; and ii) liens on permitted indebtedness up to 3.75x CSDR.	Greater of 10% of CNTA or \$350 million.	Prohibits liens on principle property if greater than 10% of CNTA or \$800 million.	Prohibits liens on principle property if greater than 10% of CNTA or \$800 million.
Limitation on Guarantees	None.	None.	None.	None.	None.

FRN – Floating rate note. FCCR – Fixed-charge coverage ratio. CTDR – Consolidated total debt ratio. RS – Restricted subsidiary. CF – Credit facility. DFS – Dell Financial Services. CSDR – Consolidated secured debt ratio. CNTA – Consolidated net tangible assets. URS – Unrestricted subsidiary
 Continued on next page.
 Source: Company filings, Fitch Ratings.

Covenant Summary — Dell Inc. (Continued)

(\$ Mil., Except Where Noted)

	Bond Indenture	Bond Indenture	Bond Indenture	Bond Indenture	Bond Indenture
Acquisitions/Divestitures					
Change of Control (CoC)	50% or more of voting shares in Denali Holdings Inc., or issuers no longer are direct or indirect subsidiaries of Denali Holdings Inc.	50% or more of voting shares in Denali Holdings Inc., or issuers no longer are direct or indirect subsidiaries of Denali Holdings Inc.	None.	None.	None.
M&A, Investments Restriction	N.A.	i) Investments in Similar Businesses that do not become RS up to the greater of \$2.5 billion and 25% of Consolidated EBITDA, in aggregate; ii) additional Investments that do not become RS up to the greater of \$3.75 billion or 37.5% of Consolidated EBITDA, in aggregate; iii) Investments in URS up to greater of \$1.25 billion or 12.5% of Consolidated EBITDA; and iv) other Investments in CTRD up to 4.5x.	None.	None.	None.
Sale of Assets Restriction		Customary.	None.	None.	None.
Restricted Payments					
Restricted Payments (RP)	N.A.	RP basket adds greater of \$3 billion and 30% of Consolidated EBITDA, provided RP basket should not increase due to Pledged VMware Share Return. Carveouts include: i) per annum amounts from IPO net cash proceeds, and ii) other up to greater of \$1 billion and 10% of Consolidated EBITDA.	None.	None.	None.
Other					
Cross Default	Yes, more than \$500 million of principal.	Yes, more than \$500 million of principal.	Yes; more than \$50 million? of principal	Same series only.	Same series only.
Cross Acceleration	No.	No.			
MAC Clause	None.	None.	None.	None.	None.
Equity Clawback		Up to 40% of 2021 Notes at 105.875% and 2024 Notes at 107.125% plus accrued and unpaid interest.	None.	None.	None.
Covenant Suspension	Yes, Liens released if Investment Grade by two of three Rating Agencies.	Yes, if Investment Grade by two of three Rating Agencies.	None.	None.	None.
Callability/Optional Prepayment					
Optional Redemption	Yes.	Yes.	No.	No.	No.
Financial Covenants					
Leverage (Maximum)	None.	None.	None.	None.	None.
Coverage (Minimum)	None.	None.	None.	None.	None.
Credit Ratings	None.	None.	None.	None.	None.
Cure Period	30 days for interest installments, but 90 days for general covenant breaches.	30 days for interest installments, but 90 days for general covenant breaches.	Generally 90 days; 30 days for failure to pay interest payments, acceleration or cross-default; none for failure to pay principal.	Generally 90 days; 30 days for failure to pay interest payments; none for failure to pay principal.	Generally 90 days; 30 days for failure to pay interest payments; none for failure to pay principal.

FRN – Floating rate note. FCCR – Fixed-charge coverage ratio. CTRD – Consolidated total debt ratio. RS – Restricted subsidiary. CF – Credit facility. DFS – Dell Financial Services. CSDR – Consolidated secured debt ratio. CNTA – Consolidated net tangible assets. URS – Unrestricted subsidiary. Source: Company filings, Fitch Ratings.