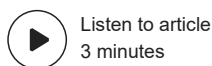


Dell Stock Hits a New High. 3 Reasons for Optimism.

By [Adam Clark](#) [Follow](#) Updated Sept. 1, 2023 11:20 am ET / Original Sept. 1, 2023 6:25 am ET



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Dell said artificial-intelligence servers represented 20% of server order revenue in the first half of the year.
Bing Guan/Bloomberg

Dell Technologies [DELL +21.25% ▲](#) was having a good year and it looks set to get even better. Shares of the PC and enterprise hardware company were gaining Friday after Dell's latest earnings update with analysts seeing three drivers for further gains.

[Dell](#) (ticker: DELL) shares were up 24% at \$69.67, a new high. Shareholders were celebrating Dell's [latest earnings](#)

report, which saw the company beat expectations and issue guidance that topped estimates.

Dell shares had risen 40% this year as of Thursday's close as investors bet on a recovery in PC demand. However, there are other reasons to be positive about the stock as well.

"The catalysts at Dell are starting to add up in a notable manner ranging from... [a capital] allocation update during their upcoming analyst day, AI centric revenue acceleration and potential S&P 500 [SPX +0.18% ▲](#) inclusion," wrote Evercore's Amit Daryanani.

Evercore has a \$70 target price and Outperform rating on the stock.

Dell ended its latest quarter with \$9.9 billion in cash and investments on its balance sheet. Executives told analysts on an earnings call that the company had flexibility to increase its return of capital going forward, although they didn't provide more specific guidance.

"At the company's analyst day in October, we expect Dell to... announce and formalize a more aggressive capital return policy," UBS analyst David Vogt wrote.

Vogt raised his price target on Dell to \$69 from \$57, keeping a Buy rating on the stock.

Dell also touted the likely benefits of the growth of artificial intelligence. Analysts [have flagged](#) Dell's potential growth in building servers used for generative AI applications. AI servers represented 20% of server order revenue in the first half of the year, according to the company.

Citi analyst Asiya Merchant said AI-generated demand offers potential upside alongside positive factors such as an improving commercial PC backdrop and signs of stabilization in server and storage demand. However, the analyst said AI revenue likely only will flow through in 2024 given the long lead times for orders. Merchant kept a \$70 target price on Dell stock and a Buy rating.

Investors are also hoping that Dell might be included in the [S&P 500](#) index. Earlier this year, S&P Dow Jones Indices said it [would allow](#) companies with more than one class of stock into its key U.S. indexes, which could pave the way for Dell's inclusion.

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