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Dell Technologies Inc. | North America

Live From 1 Dell Way - Why This Time is Different

Our 1-on-1 with COO Jeff Clarke at DELL HQ today covered the sustainability of infra demand & why the Agentic cycle is different, server growth outlook, DELL's perspective on memory "margin stacking", supply challenges, & opex leverage. We walked away w/ greater appreciation for the DELL bull case.

Key Takeaways

- DELL believes this cycle is different than the last 8 because the underlying driver is TAM expansion, not changing refresh rates.
- Agentic AI will drive 87x inference token growth by 2030, requiring greater compute/storage needs, resulting in a "rising tide lifts all boats" environment.
- While traditional server units are declining due to server density improvements, server units will grow "exponentially" alongside a stronger CPU:GPU ratio.
- Component supply remains the biggest challenge for DELL, and Mr. Clarke believes shortages could persist for 5+ more years.
- DELL acknowledges improving infra margins, and believes the floor in pricing/ margins is shifting higher with the expanding TAM and less customer competition.

Did we just become DELL bulls? Not quite, but we have plenty to consider following our meeting with DELL's COO Jeff Clarke. Specifically, Mr. Clarke made a compelling argument for why the Agentic AI cycle differs from the 8 boom/bust cycles of the last 40+ years, why this could lead to exponential server unit growth, how supply shortages could last for 5+ years, how DELL's investments in Agentic AI are fueling 10-100x productivity improvements and influencing customers' AI journeys, how DELL is managing supply better than peers, and why record ISG gross margins aren't "margin stacking" but instead a structure upheaval in the infrastructure margin floor. ***All-in, our meeting with Mr. Clarke reinforces why DELL is the clear "best athlete" within our enterprise infrastructure coverage, however we still need to gain comfort in how our forecasts might change, and how these potential changes would influence our view on valuation - both relative to history and versus peers. Below, we dig deeper into each of these topics.***

Agentic AI is decoupling cognitive output from headcount for the first time ever, creating a real reason for "why this cycle is different". DELL's view is the following - the 8 historical boom/bust cycles of mature hardware markets (server, storage, PCs, etc.) were fueled by changes in refresh rates associated with the per capita penetration rate of devices, not structural TAM expansion. For example, during COVID, refresh cycles accelerated as the PC to human ratio increased, but

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Dell Technologies Inc. (DELL.N, DELL UN)

IT Hardware | United States of America

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	**$511.00**
Shr price, close (Sep 22, 2026)	$548.92
Mkt cap, curr (mm)	$353,356
52-Week Range	$595.51-110.26

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then busted when society reopened and that ratio normalized, leaving the PC TAM at the same size post vs. pre-COVID. The Agentic AI cycle is different - it structurally enlarges the infrastructure TAM. Specifically, Agentic AI is driving a de-coupling of cognitive output from headcount (i.e. you don't need more people to do "more") and creating productivity gains that can be measured in 10x, 100x, etc. From DELL's perspective, these returns are clear and every company big and small will follow this journey. This expanding adoption of Agentic AI will lead to multi-year linear growth in Gigawatts (200 incremental GWs by 2030) and ZettaFLOPS (5x growth, to 830 by 2030), but exponential growth in inferencing tokens (i.e. cognitive intelligence) because agents require 1B more tokens per unit of work than basic chatbots. Subsequently, this growth in tokens will (1) force a rearchitecting of data centers towards accelerated compute and higher CPU:GPU ratios, and (2) catalyze greater structural demand for computational power and storage requirements.

But why does this benefit DELL? Doesn't the value of token growth accrue to the cloud? DELL believes that Agentic AI will be hybrid because enterprises will make constantly varying decisions on where to run inference workloads based on the security and affordability tradeoffs. For example, DELL leverages apps in the public cloud for content-related workloads, but would never consider moving proprietary source code or telemetry data outside of DELL's facilities. And considering DELL estimates inference token generation will grow by 87x by 2030, "even taking a small slice of a big number creates a very big number". Said differently, DELL believes the exponential growth in tokens consumed will create a "rising tide lifts all boats" environment, benefiting cloud players and on-premise infrastructure vendors as demand for compute and storage creates a structurally larger TAM. And while adoption of frontier models has been the primary source of token generation to date, DELL believes the growing adoption of open-weight models will help to catalyze on-prem infrastructure investments as companies optimize model outputs for cost.

How will this impact traditional server demand given token growth is robust but server units are still declining Y/Y? Putting aside supply shortages for a moment, the primary reason traditional server units are declining despite exponential token growth is because servers are becoming more powerful/dense/efficient. A 17th/18th gen DELL Server is capable of replacing up to 13 14th Gen traditional servers. In the short-term, this means server units decline but ASPs will grow. But as data centers are rebuilt with accelerated compute at the core, and growing adoption of agents drives greater need for CPU servers, eventually that will lead to growth in denser server units. Mr. Clarke even noted that traditional server unit growth could become exponential if inference token output really grows by 87x over 5 years. Though the Agentic tailwind does not only accrue to servers - storage becomes a key beneficiary as KV Cache and everything an agent does (retain, artifact, etc.) creates greater demand for data storage/knowledge retention.

DELL also believes that the growing demand for compute/storage will keep component supply tight for longer than most expect. Historical commodities cycles were 2-4 quarters, and typically were created by the boom/bust nature of mature hardware replacement cycles or supply decisions. In Mr. Clarke's perspective, if you believe in the growth algorithm for gigawatts and tokens, then memory,

HDDs, etc. are not in a short-term cycle. Instead, shortages could last for another half-decade. In fact, when asked what keeps Mr. Clarke up at night, his answer was not macro, geopolitical conflict, overbuilding of data centers, or power shortages; it's supply. "We're in neverland" is how he phrased it, and DELL is operating under the assumption that there will be a prolonged shortage of critical component supply (primarily memory/HDD) for several years to come.

Speaking of supply, Mr. Clarke shared a different perspective with us on our server "margin stacking" views. As we highlighted in IT Hardware: The State of Enterprise Hardware Spending, DELL/HPE infrastructure gross margins are seeing unprecedented expansion this cycle, which we have primarily attributed to "margin stacking", or capitalizing on inelastic demand to capture a margin on higher memory costs. Mr. Clarke acknowledged that like-for-like server/storage margins are expanding, but offered an alternative perspective. In a world where you only have a fixed number of bits, you are going to allocate your limited parts to your highest margin products. At the same time, structural growth of the infrastructure TAM means the competitive battle for the incremental customer - and the willingness to price competitively to acquire that new customer - has lessened. Why sell servers at a narrow margin to acquire a new customer when your TAM is growing and you can be more disciplined/capture a higher margin by increasing the pricing floor? This is what is leading to higher server/storage margins, which Mr. Clarke believes is structural in nature.

Finally, on the trajectory of opex… DELL's internal AI modernization efforts are in full swing, and Mr. Clarke highlighted that they are leaning into AI to get more productive/efficient in supply chain optimization, servicing customers, coding, sales, and R&D. These investments are unlike to slow anytime soon as DELL "gets tremendous benefits" from AI, which means that opex is unlikely to decline Y/Y anytime soon. However, Mr. Clarke reiterated that DELL will continue to get leverage out of opex as revenue grows faster than these investments.

Bringing this altogether, what does this mean for DELL the stock? Our investor conversations make clear that both bulls and bears agree that the next 18 months of revenue and earnings growth will be extremely strong/robust for DELL, with the FY28 buyside EPS bogey now in the $40-50 range (vs. MSe = $36.47 vs. Street at $30.44). The disagreement is on the durability of this growth. A bull generally agrees with Mr. Clarke's view of the world, and is willing to ascribe a 15x P/E on FY28 EPS (or a $600-750 stock), several standard deviations above DELL's historical valuation average. Bears believe this is another boom/bust cycle, and that far more value in AI will accrue to the cloud vs. on-prem vendors, meaning that when the inelastic demand boom turns into a bust, DELL's earnings power will cut in half. Therefore, bears are only underwriting an 8-10x multiple on FY28 peak EPS (or a $320-500 stock). To-date, we've found ourselves closer to the bear than bull view, but our meeting with Mr. Clarke is causing us to re-evaluate our thesis, with a specific focus not on the potential growth of tokens, but on whether that growth will truly result in an elongated on-premise infrastructure "boom". So while we remain EW-rated with an unchanged model and $511 PT (for now), we now underwrite a higher probability that our $756 bull case valuation plays out in the next 12 months.

Risk Reward – Dell Technologies Inc. (DELL.N)

An AI Infrastructure Winner Taking Share and Pricing B/C Of Supply Chain Mgmt

PRICE TARGET $511.00

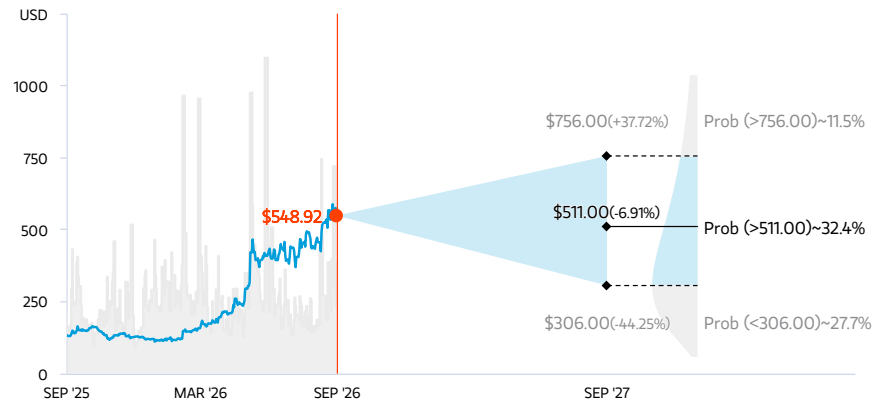
Our $511PT is based on a 14x P/E multiple on FY28 (CY27) EPS of $36.47. This implies a 14x P/E multiple on DELL's AI server business (in-line with AI infrastructure peers) and a 14x P/E multiple on the traditional business (~1x turn premium to traditional enterprise hardware peers given better execution and share gains).

Consensus Price Target Distribution $480.00 — $578.07 (MS PT) — $700.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 22 Sep 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

Despite myriad supply chain headwinds, DELL is rising to the challenge. Not only is DELL benefitting from the AI infra buildout in ways peers aren't, their supply chain management is driving share gains across every market they participate in. We now assume the memory supercycle plays a minimal role on DELL results for the next 2 years before DELL sees a modest ISG correction in FY29, resulting in $36.47 of EPS power in FY28. However, shares have outperformed meaningfully YTD and uncertainty on the pace, magnitude and duration (+pull-forward) of the AI infra buildout remain, and thus we are EW-rated, which balances industry leading execution with some of this uncertainty.

Consensus Rating Distribution

71%	Overweight
29%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $756.00

18x FY28 bull case EPS of $42.00

Demand exceeds supply through CY28 (FY29). The durability of infrastructure demand carries over into CY29, or a 3+ year spending upcycle, unprecedented since the dot.com buildout. PCs also grow more durably than expected. Given these facts + DELL's sustained pricing power due to better supply management vs. peers, DELL grows EPS 3x+ in 2 years. We ascribe a premium to the market multiple, or 18x P/E given well-above trend growth, which has greater duration than past cyclical peaks.

BASE CASE $511.00

14x FY28 base case EPS of $36.47

What memory cycle? Capturing share, holding margins + leading the multi-year infra buildout.

DELL is managing scarce semiconductor supply better than peers, and as a result is taking share, capturing mission critical demand, and seeing pricing power. This results in ~180% Y/Y EPS growth in CY26, with growth (albeit tempered) continuing into CY27. We assume a modest downcycle in 2028 (FY29), but given scarcity value vs. peers, we assume DELL trades to 14x P/E.

BEAR CASE $306.00

12x FY28 bear case EPS of $25.53

Pull forward > demand sustainability as the cycle turns in CY27. Even in our bear case we now assume DELL exits CY26 with demand outpacing supply, given DELL's favorable supply positioning vs. peers. But memory inflation and pull-forward come to fruition in CY27. PCs decline Y/Y and Server growth rolls-over in C2H27. As a result, we see more margin pressure than assumed in our base case. Given P/E valuation tracks EPS revisions, we assume P/E contracts to 12x.

Risk Reward – Dell Technologies Inc. (DELL.N)

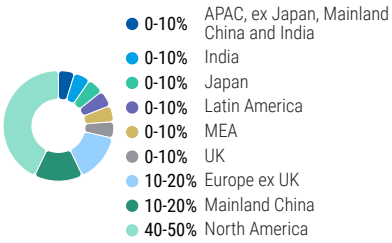
KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
Revenue Growth (Y/Y) (%)	18.8	93.9	33.1	(4.7)
Non-GAAP Gross Margin (%)	20.4	18.4	16.0	16.2
Non-GAAP Operating Margin (%)	8.8	11.1	10.0	10.2
FCF ($M) ($, mm)	8,552	21,174	28,876	27,910

INVESTMENT DRIVERS

- (+) Notable AI Server wins with AI Labs/CSPs
- (+) Faster time to mkt with leading NVDA chips than peers
- (+) Continued share gains in Servers, Storage and PCs
- (-) Pull-forward slows/demand rolls over; elevated discounting catalyzes "peak" EPS concerns

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Enterprise AI spending drives sustainability in the current cycle into FY29.
- Edge AI is reinvigorated by NVDA's new workstation launch (halo effect).
- Internal opex savings drives consistent opex declines

RISKS TO DOWNSIDE

- AI Capex cycle slows
- Supply scarcity value and pull-forward start to decelerate resulting in NTM EPS rolling over sooner than modeled.
- Enterprise IT demand cannibalized by cloud workload migration

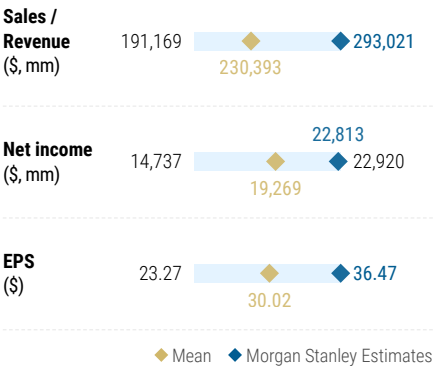
OWNERSHIP POSITIONING

Inst. Owners, % Active	48%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jan 2028e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links



1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of August 31, 2026)

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hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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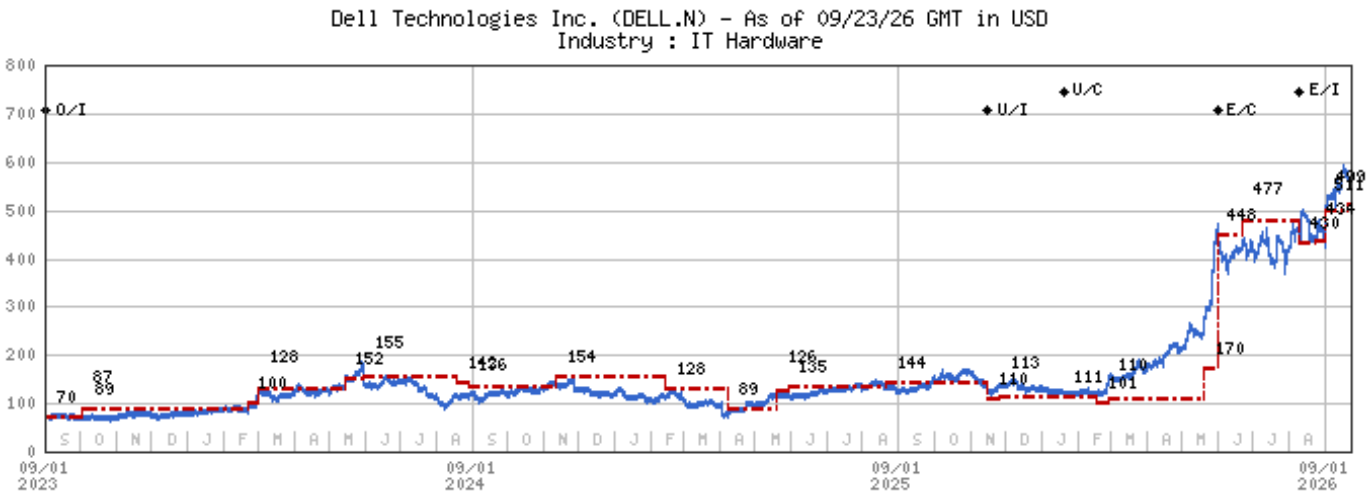
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 9/1/21 : O/I; 10/5/21 : O/C; 3/30/22 : E/C; 1/18/23 : E/I; 5/1/23 : O/I; 11/16/25 : U/I; 1/20/26 : U/C; 6/1/26 : E/C; 8/10/26 : E/I

Price Target History: 8/26/21 : 133; 9/23/21 : 126; 11/2/21 : 67; 11/24/21 : 68; 2/25/22 : 66; 3/30/22 : 60; 5/26/22 : 56; 8/25/22 : 54; 10/17/22 : 45; 2/21/23 : 47; 3/2/23 : 45; 5/1/23 : 55; 6/1/23 : 56; 8/31/23 : 70; 10/2/23 : 87; 10/5/23 : 89; 2/21/24 : 100; 3/1/24 : 128; 5/14/24 : 152; 5/31/24 : 155; 8/19/24 : 142; 8/28/24 : 136; 11/11/24 : 154; 2/13/25 : 128; 4/8/25 : 89; 5/20/25 : 126; 5/29/25 : 135; 8/21/25 : 144; 11/16/25 : 110; 11/26/25 : 113; 1/20/26 : 111; 2/17/26 : 101; 2/27/26 : 110; 5/21/26 : 170; 6/1/26 : 448; 6/23/26 : 477; 8/10/26 : 430; 8/24/26 : 434; 9/1/26 : 499; 9/21/26 : 511

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)

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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/22/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$339.75
CDW Corporation (CDW.O)	O (06/23/2026)	$147.43
Cricut Inc (CRCT.O)	U (08/12/2021)	$5.81
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$548.92
Everpure, Inc. (P.N)	O (08/10/2026)	$110.89
Garmin Ltd (GRMN.N)	E (02/18/2026)	$284.67
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.27
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$61.03
HP Inc. (HPQ.N)	U (11/16/2025)	$32.04
IBM (IBM.N)	E (01/18/2023)	$231.38
Ingram Micro (INGM.N)	E (06/11/2025)	$27.24
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$15.35
Logitech International SA (LOGI.O)	U (01/20/2026)	$105.82
NetApp Inc (NTAP.O)	E (08/10/2026)	$192.91
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$18.88
Seagate Technology (STX.O)	O (03/26/2024)	$919.84
SmartRent, Inc. (SMRT.N)	++	$1.19
Sonos Inc. (SONO.O)	E (11/06/2025)	$16.85
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$283.25
Teradata (TDC.N)	E (08/10/2026)	$29.41
Western Digital (WDC.O)	O (04/16/2025)	$464.60
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$69.25

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