Dell returns to public markets with inscrutable numbers

Dell Technologies Inc. returned to Wall Street as a public company with financial results that were so inscrutable that average investors practically needed degrees in accounting to decipher them. On Thursday, the computer and storage company, which became a public company again at the end of December, reported a fiscal fourth-quarter GAAP loss that doubled, on revenue growth of 9%, to $23.8 billion. In its press release, Dell DELL, -0.76% did not report its earnings per share or an outstanding share count to calculate its earnings. It pointed investors to a slideshow that became available during its conference call with analysts.

Investors and analysts who closely follow the company were not surprised by its complex financial statements, given the convoluted path it took to return to the public markets, a deal in which it bought back the tracking shares associated with its stake in VMware Inc. VMW, -2.39% , called the Class V shares. Another element playing a role was its mega-purchase of storage giant EMC in 2015. Both deals had ramifications detailed in footnotes in its earnings slides, most annoyingly in the inclusion of non-GAAP revenue numbers, which Dell said included non-cash purchase accounting adjustments primarily related to the EMC merger.

Only one analyst on the company's call seemed to be bothered at all by the presentation of its complicated financials, when he asked for more details on earning per share. “The guidance is quite encouraging and it's easy to align our model with it until we get to the EPS line,” said Paul Coffner, an analyst with JP Morgan. “I'm just wondering, is there something in ‘other income,’ or can you give us a little bit more specificity around net interest expense for the year, so that I can figure out what the — what the delta is here?”

Dell did not give quarterly guidance. However, it did give guidance for fiscal 2020, for revenue and earnings, on page 17 of its slideshow. It forecast GAAP full-year 2020 revenue in a range of $92.7 billion to $95.7 billion, and non-GAAP full-year revenue of $93 billion to $96 billion. GAAP earnings per share were forecast in a range of a loss of 81 cents to a loss of 16 cents, while non-GAAP earnings per share were forecast a profit in a range of $6.05 to 6.70, and seven footnotes were attached to the chart, explaining some of the differences, such as tax-rate differences and interest expense due to the VMware Class V transaction. Most analysts are looking at Dell on a non-GAAP basis, something that the Securities and Exchange Commission does not condone.

“It's a lot of moving parts,” said Dan Ives, an analyst with Wedbush Securities. “Cash flow continues to be a big focus, as well as the Dell infrastructure solutions and client-solutions units, that's a big focus for investors.” Dell needs to keep generating steady cash flow to pay down the large amount of debt it has acquired through these complex deals.

Ultimately, Ives said, Wall Street is going to be excluding all the one-time charges and transitional expenses in Dell's move to become a public company again. “Investors are mostly looking past that.” He also noted that Dell has an appeal because it is a mature technology company, like IBM Corp. IBM, -0.75% , Cisco Systems CSCO, +0.35% and a few others, that could see a growth renaissance.

Dell's convoluted path back to the public markets and its debt load will remain an albatross around its neck for years to come. But if Dell wants to be treated like a blue-chip stock, like Dow Jones Industrial Average DJIA, -0.27% components IBM and Cisco, it needs to report financial results that are more clear to investors.

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