

## INVESTOR'S EDGE

# Dell is poised for solid, long-term growth

*The stock price has fallen a bit, making it a good time to take a look.*

*"Know what you own, and know why you own it." – Peter Lynch*



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Guest columnist

At the time of this writing, the Dow Jones Industrial Average stands at an all-time high, just over 42,000. As a point of reference, when I began in the investment industry in 1987, the Dow stood at a mere 2,700.

That is fantastic wealth creation — for those who didn't sell.

This, my friends, is why I repeatedly recommend buying and holding quality stocks for the long run.

Anyway, with all major indices essentially at their highs, I have been hunting around, as I always do, for a solid-growth company with an attractive valuation and a bright long-term outlook.

Dell Technologies (ticker symbol DELL) fits this bill quite nicely. It is an iconic brand name whose computers have been ubiquitous since the early 1990s. It is also a major beneficiary of the artificial intelligence boom, all while sitting almost 30% off of its all-time high.

Dell was started in 1984 by Michael Dell, who began the company out of his dorm room at the University of Texas. Demand for Dell's personal computers skyrocketed in the mid-90s when Dell began selling PCs online and offering customer support via the internet. By 1999, Dell became the largest PC seller in the United States, surpassing Compaq Computer. The stock was a darling of the technology boom of the 1990s, rising an astounding 120,000% from its February 1990 low to its peak in April 2000.

By 2013, however, competition in the PC market as a result of consumers' shift to smartphones began to eat at the company's profits, and Michael Dell decided to return the company to private ownership.

Fast forward to 2018, and Dell Technologies (with Michael Dell still as CEO) expanded its product offerings and began trading as a public stock once again. The company moved beyond personal computers to the much larger market of data storage, security, and networking. Since going public in 2018, Dell's stock is up 154%, or a robust 18% annualized, outperforming both the S&P 500 Index and the Dow Jones Industrial Average.

The investment thesis on Dell Technologies rests on the growth of Artificial Intelligence, and specifically for Dell, the need for more sophisticated servers and computers.

I believe the market for AI servers, that can do everything from cybersecurity to data protection, is going to be enormous. According to some estimates, AI servers could generate \$430 billion in sales by 2033, compared to \$31 billion last year.

One of the major advantages that Dell has is its work with "hyperscalers." Hyperscalers are data centers that require 1 million or more square feet of space. As the AI buildout ramps up,

these massive centers, used for data storage and AI applications, will see powerful growth. Case in point, the number of hyperscaler locations has gone from 259 in 2015 to 992 in 2023, a four times increase — and this is at the early stages of the AI buildout.

As Dell is a major player in the server space, it is strategically placed to benefit from this trend.

While Dell is the leader in server market share, at about 20% of the overall market, there is ample room for growth here.

As I write this, Dell's main competitor, Super Micro, is down 12% on news of a Justice Department probe into the company's alleged accounting irregularities, and they have recently delayed its 10K filing.

It's my bet that Dell will take significant market share from Super Micro.

Another potential catalyst for Dell is its legacy business: personal computers. As Dell is the third largest PC vendor in the world with a market share of 16%, they will benefit from this trend. In fact,

Dell's leadership believes that AI-enabled PCs could be a \$174 billion market by 2027, up from an \$80 billion market currently.

Dell's stock price currently sells at \$113, having dropped from \$180 in May, after issuing disappointing guidance. But in my experience, those temporary earnings disappointments usually represent an attractive entry point to buy a great company on sale.

In fact, as a comparison, the current AI "poster boy," Nvidia, sells at about 35 times forward earnings.

Dell Technologies sells at 15 forward earnings. I know they are very different businesses, but both will be indispensable in the AI buildout.

You don't need to be an AI supercomputer to know Dell is a good buy here.

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com).*

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