

THE BARATELLI INSTITUTE · CASE STUDY

# Dell Technologies

# The Michael Dell Buyout

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*How a sub-\$5 billion equity check became ~\$200 billion — the most valuable founder outcome in the history of leveraged buyouts*

## THE HEADLINE

# \$4.6 billion → \$202 billion

Value pool	At the transaction	Today (Jun 2026)
Dell Technologies stake	~\$16B (2018 re-listing)	~\$106B
Broadcom shares (from VMware) · est.	~\$21B (2023 close)	~\$81B
Cash from the VMware sale	~\$12B	~\$12B
Dividends received (regular, since FY2022)	—	~\$3B
<b>Total value to Michael Dell</b>	<b>~\$49B</b>	<b>~\$202B</b>
Equity invested (2013)	~\$4.6B	~\$4.6B
<b>Multiple of money</b>	<b>~11x</b>	<b>~44x</b>

~**44x** over 13 years (~34% IRR) — both Dell and Broadcom have multiplied since their deals closed.

## A different sport

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2–3x

A celebrated buyout returns sponsors 2–3x over ~5 years (low-to-mid-20s IRR).

~44x

Michael Dell's founder equity returned ~44x over 13 years — ~34% IRR on a very large base.

No other buyout has put a single founder's personal equity check anywhere near this outcome. **Caveat:** it's a founder's hold marked to today's market — not a realized sponsor exit — and much of the recent gain is the 2024–26 AI surge. Read it as the best founder *outcome*, and a clinic in **how** the value was built.

# Thirteen years, five pivotal moves

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Year	Move
2013	Take Dell private with Silver Lake — control leaps from ~16% to ~75%
2016	Acquire EMC for ~\$67B — largest tech merger ever; create the DVMT tracking stock
2018	Reverse-merge back to public (NYSE: DELL) with no IPO; 47% economics / 72% votes
2021	Spin off VMware to shareholders; deleverage
2023	Broadcom buys VMware — Dell receives ~\$12B cash + Broadcom stock

# From 16% minority to 75% control

Take-private at **\$13.75/share + \$0.13 special dividend** (~\$24.9B deal). His ~\$4.6B check:

Rolled Dell shares	\$3.75B
Cash via MSD	\$0.75B
Dividend waiver on rolled shares	\$0.06B
<b>Total — for ~75%</b>	<b>\$4.56B</b>
Silver Lake — the other ~25%	\$1.40B

**Lesson.** A rollover plus leverage converts a 16% minority of a public company into 75% control of a private one — the single most important move in the story.

+ \$2B Microsoft loan, ~\$13–16B bank debt, and Dell's own cash funded the rest.

# Trading price for the voting rules

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- Carl Icahn amassed a stake and fought the deal as too cheap.
- To win, Dell & Silver Lake **raised the price and added a special dividend** (~\$350–470M more for public holders)...
- ...in exchange for **changing the voting standard** — only disinterested shares *actually voted* would count, so abstentions no longer counted as “no.”
- A reset record date sealed it; the deal passed September 12, 2013.

**Lesson.** In a contested take-private, the procedural rules can decide the outcome as much as the price.

## \$67B, financed with a tracking stock

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- Dell acquired EMC for ~\$67B — financed with ~\$45–50B of new debt plus a novel instrument.
- The **DVMT (Class V) tracking stock** was issued to EMC holders to track Dell's economic interest in EMC's crown jewel, **VMware**.
- EMC holders received \$24.05 cash + 0.111 DVMT per share.

**The LBO inside the LBO.** EMC was a second leveraged buyout — financed with ~\$45–50B of debt and a tracking stock — but run by the *operating company*, not a fund. Michael Dell turned Dell into the PE firm: the clearest proof that **most large companies eventually become private-equity firms** — he did an LBO inside his LBO.

# Public again, no IPO — and 72% of the votes

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- Bought back & eliminated DVMT (~\$23.9B after Icahn forced better terms), partly funded by an ~\$11B VMware special dividend.
- Re-listed as **NYSE: DELL via a reverse merger** — no IPO.

**Dual-class control:** high-vote Class A/B (Michael Dell + Silver Lake) vs. one-vote public Class C → **~47% of the economics, ~72% of the votes.**

**Lesson.** A dual-class structure separates control from ownership — letting a founder act like an owner while holding a minority stake.

# What he actually received

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- **2021:** Dell spun off its ~81% VMware stake to shareholders; an \$11.5B special dividend helped deleverage. Michael Dell received VMware shares directly.
- **2023:** Broadcom bought VMware. For his 169.3M VMware shares (~50% cash / ~50% stock), he received **~\$12B cash + ~213M Broadcom shares** (post-split), then worth ~\$21B.
- Those shares have since ~4x'd with Broadcom's AI run to **~\$81B**.

**Lesson.** “Received” and “now worth” differ. He received ~\$33B at the deal; the rest is unrealized appreciation on stock he chose to hold — the discipline of holding dwarfed the dealmaking.

## THE PAYOFF, VALUED HONESTLY

\$4.6B in → ~\$202B today

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Pool	Value
Dell Technologies stake	~\$106B
Broadcom stake (derived)	~\$81B
Cash from VMware sale	~\$12B
Dividends	~\$3B
<b>Total to Michael Dell</b>	<b>~\$202B</b>

Of the ~\$202B, only ~\$15B is realized cash (VMware sale + dividends); the rest is stock still held. A 50% drawdown in Dell + Broadcom would take the total to ~\$110B — extraordinary, but unrealized and concentrated.

# Economics vs. control

Step	Economic %	Voting %	Note
Pre-LBO (2013)	~14–16%	~14–16%	largest holder of public Dell
Post-LBO (2013)	~75%	~75%	rollover + leverage
Post-EMC (2016)	diluted	control kept	new equity + tracking stock
Re-listing (2018)	~47%	~72%	dual-class control
Today (2026)	~41%	~72%	~265.7M shares ≈ ~\$106B

## The business today: the AI surge

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**\$43.8B**

Q1 FY27 revenue — nearly double a year earlier on AI-server demand.

**\$113.5B**

FY2026 revenue (+28%); operating income \$8.1B; operating cash flow \$11.2B.

The LBO created the fortune; the business it left behind is now a leading AI-infrastructure vendor. **Up 219% YTD, ~770% over five years.**

# What the free cash flow was used for

\$B	Q1'26	Q2'26	Q3'26	Q4'26	Q1'27
Operating cash flow	2.8	2.5	1.2	4.7	4.1
Adjusted FCF	2.2	2.5	1.7	5.1	3.2
Buybacks	2.0	0.9	1.2	1.8	1.6
Dividends	0.4	0.4	0.4	0.3	0.5

Cumulative over 9 quarters: **~\$13.6B FCF generated** → **~\$13.4B returned** to shareholders (\$10.2B buybacks + \$3.2B dividends). Nearly every dollar of FCF went back to shareholders.

# Deleveraging through growth

\$B	Q4'25	Q1'26	Q2'26	Q3'26	Q4'26	Q1'27
Total debt	24.6	28.8	28.7	31.2	31.5	31.2
Net debt	20.9	21.1	20.5	21.7	20.0	19.6
<b>Net debt / TTM EBITDA</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>2.1x</b>	<b>1.8x</b>	<b>1.4x</b>

Net debt held roughly flat while leverage fell from **2.3x to 1.4x** — deleveraging came entirely from EBITDA growth. On a “core debt” basis (excluding ~\$9B of non-recourse DFS debt), net leverage is under 1x.

## Six lessons worth teaching

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- **Control > ownership.** A dual-class structure let one man run a public company like a proprietor.
- **Rollover + leverage.** How a founder turns a small slice into a commanding one.
- **The public markets are a toolkit.** Tracking stock, reverse mergers, spin-offs — instruments to use.
- **Deleveraging compounds.** Every special dividend and debt paydown moved value to the equity.
- **Holding outran dealmaking.** Staying concentrated through two great bull runs made far more than the deals.
- **The entrepreneur became the PE firm.** From a dorm-room PC seller to LBO/PE titan — he proved it.

## \$6.25B, handed to the next generation

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In December 2025, Michael and Susan Dell pledged **\$6.25 billion** — more than doubling their lifetime giving — to help fund “Trump Accounts,” the tax-advantaged, market-invested savings accounts for children created under the 2025 federal law and launching in 2026. The gift seeds about **\$250 into accounts for ~25 million American children** aged ten and under — described as the largest philanthropic commitment ever directed at American children.

**Why it belongs in this case.** The whole Dell story turns on one force — capital, held in a compounding asset, across a long horizon. These children's accounts are that same force handed to a generation: a small sum, invested early, left to compound for decades — exactly why the Institute treats compound interest and investing literacy as foundational.

**An invitation.** The Institute encourages other foundations, family offices, and donors to follow the Dells' example and direct gifts into these accounts. Few charitable dollars compound as powerfully as a sum invested at the very start of a life.

# Where to go deeper

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**This case illustrates:** The Practitioner's Guide to Private Equity (LBO structure, rollover equity, capital stacks) · The CFO & Controller's Reference Guide (capital allocation, deleveraging) · The Liquidity Event Playbook (holding vs. selling) · First Principles of Master Investing (the power of holding a compounding asset) · the Brief “Most Large Companies Become PE Firms.”

Sources: Dell Inc. & Dell Technologies SEC filings (8-K, DEFA14A, 425, proxy, 10-K, 10-Q); VMware & Broadcom merger filings; CNBC/NPR/Texas Tribune (Dell family Trump Accounts pledge, Dec 2025); Forbes / Bloomberg (holdings & net worth); market data as of June 26, 2026. Educational case study — not investment, tax, or legal advice. Private-period equity values are transaction-implied; current values are mark-to-market and will change. The MSD \$750M and dividend-waiver figures follow the founder's account, pending proxy reconciliation. © 2026 The Baratelli Institute.