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**Security Update Report**

Dell

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**Recent Company Developments**

Dell develops and builds computer hardware and then sells it directly to its customers, which include individuals, firms and other large organizations. It is the world's largest personal computer company. Dell produces desktops, laptops, speakers, printers, and monitors which can be found in homes, offices, and even in most of the computer labs on this campus. It has also dabbled in other electronic fields such as TVs and MP3 players, though with only limited success.

This past August Dell's stock price fell to \$19.91, the lowest that it has been in nearly five years. The company has suffered through a bad spell over the past few months, as it was forced to recall 4.1 million notebooks because their Sony-produced batteries were overheating. Also, it did not file some key financial statements from last quarter before the NASDAQ deadline, which put it in hot water with its exchange, and the company claims that its reports were late because of an ongoing look into its accounting by the SEC. NASDAQ has threatened to de-list the company because of these late filings. All this and one of its newest releases, the XPS 700 personal desktop, has been met with criticism following initial consumer optimism. On the bright side, the company has been bullish about hiring, bringing in 500 new employees.

**Industry Information**

One of the main reasons that Dell has suffered lately is because competition in providing computers to individuals and companies has heightened. However, Hewlett-Packard, a company that competes heavily with Dell in supplying businesses with computers, is enduring even worse problems. A media-leak scandal has blown up to epic proportions as it has resulted in the company releasing several top officers, including Chairwoman Patricia Dunn, and has attracted the attention of Congress, who have subpoenaed many other high-ranking HP executives.

**Security Information**

Ticker Symbol: Dell

Exchange: NASDAQ

52-Week Range: 18.95-34.71

10-Day Average Trading Volume: 21,646,400

Beta: 1.09

**Financial Information**

Earnings per Share: 1.23

Price/Earnings: 17.47  
 PEG Ratio (5yrs Expected): 1.40  
 Price/Sales: 0.84  
 Dividend Rate: N/A  
 Current Yield:

### Company Analysis

Revenue Growth (Qrtly): 5%  
 Profit Margin: 5.02%  
 Return on Equity: 66.76%  
 Return on Assets: 10.92%

### Analyst Information

Morningstar.com gives Dell 5 stars. Yahoo's mean recommendation this week is a 2.8, with 1.0 being a strong buy and 5.0 being a strong sell.

Date	Research Firm	Action	From	To
8/18/2006	Goldman Sachs	Downgrade	Neutral	<b>Sell</b>
8/18/2006	UBS	Downgrade	Neutral	<b>Reduce</b>
8/15/2006	Cowen & Co.	Initiated		<b>Neutral</b>
7/24/2006	Citigroup	Upgrade	Hold	<b>Buy</b>
7/21/2006	AG Edwards	Downgrade	Buy	<b>Hold</b>
5/30/2006	First Albany	Downgrade	Buy	<b>Neutral</b>
5/19/2006	Credit Suisse	Downgrade	Outperform	<b>Neutral</b>
5/19/2006	Friedman Billings	Upgrade	Mrktperform	<b>Outperform</b>
5/19/2006	Needham & Co.	Downgrade	Buy	<b>Hold</b>
5/9/2006	Robert W. Baird	Downgrade	Outperform	<b>Neutral</b>

### Evaluation

There is not much good news in this report concerning Dell, just as the company has not really had much good news all summer. It also has no new plans for exciting growth opportunities, and as been described as a one-trick pony refusing to change. If we did not own Dell, then I would certainly not recommend buying it. However, the question here is really whether we should sell or hold. We bought the stock at \$30.61, and it is now in the low twenties, after hitting the high teens this summer. Based on the analysis of this report, Dell seems like it is solid enough that it would not go down any more that it has. The company has been in dire straights before, specifically after the burst of the tech bubble, and can probably climb back to respectability. Its price has most likely hit the lowest it will for a while, so my recommendation is to hold in hopes that it gets closer to the neighborhood that we bought it at, and then reconsider selling it.