The Financial Advantages of using IBM LinuxONE Systems

New Elastic Pricing Options
Innovative financing solutions that enable you to affordably unleash the full potential of Linux and Open Technology with IBM LinuxONE Systems

Highlights

- **On Premise Cloud Model:** what you pay depends on what you use for your LinuxONE deployment

- **Move from CapEx to OpEX:** as deployment models change LinuxONE has adapted to the shift

- **Simple:** Simplified billing based on usage

- **TCO Aligned:** Low entry point with flexibility as you deploy

- **Metered:** Based on real usage data

A simple, manageable, predictable pricing model—within your control

Affordable, flexible financing available with new LinuxONE Elastic Pricing gives you even more freedom.

As part of the IBM LinuxONE strategy, IBM is introducing a new pricing approach, a first of a kind for enterprise computing—Elastic pricing—which means cloud like pricing for on premise computing. Flexible LinuxONE pricing lets you take control of your IT costs through cloud-like, on premise pricing rates and terms so you can take full advantage of the enterprise-grade Linux capabilities combined with the flexibility of open technology solutions. With LinuxONE Elastic pricing, you can accelerate the open transition and achieve both the financial and IT flexibility you need to deploy innovative technologies on LinuxONE Systems™.

Don't let cost, complexity and risk deter you from adopting open technologies

The Linux and open technology momentum is huge and driving an open standards revolution. It's everywhere and for good reason. It has evolved from its humble origins as technical experiments, side projects and niche applications, to being a key part of the enterprise IT toolkit. But the world is constantly changing. The mobile world and new app economy is driving change with unprecedented speed and scope, creating new requirements and expectations that have to be addressed.

IBM LinuxONE™

The IT landscape is evolving rapidly. Technologies such as cloud, analytics, social business, and mobile solutions are at the center of a technology shift that is rapidly driving growth and innovation. This new era represents an opportunity for organizations of all sizes to reshape the value they deliver. As users, devices, and apps grow unabated, expectations continue to rise. Customers expect a response within five minutes through social; apps that launch in three seconds or less; and, utility from those apps in under a second. Customers expect their experience to be secure, personalized with apps available anytime. The reality—80 percent of users are likely to abandon a transaction from a poor service experience.[1]

As digital erupts, getting it right means growth and opportunity like no one has experienced yet. And to help you win, you need a system that is capable of massive volumes of high-speed transactions and instant insights, one that is fail-safe, with security you can trust.

IBM LinuxONE is an all-Linux enterprise platform for open innovation comprised of the best of Linux and open technology with best of enterprise computing in ONE platform. A single system, built on the world's fastest processor, and built to be the backbone of the mobile era setting new standards in transaction volume, speed, and trust. It's an I/O monster that scales to support 30B web transactions a day without fail. It delivers lightning fast sub-second response times, every-time. Dependability that means 100 percent up-time, all the time— and is more secure than any other system on earth. What does that mean to your business? It means never making your customers wait on the hourglass of time, never losing sleep over data protection, and never giving your competitors a chance because you failed to deliver.

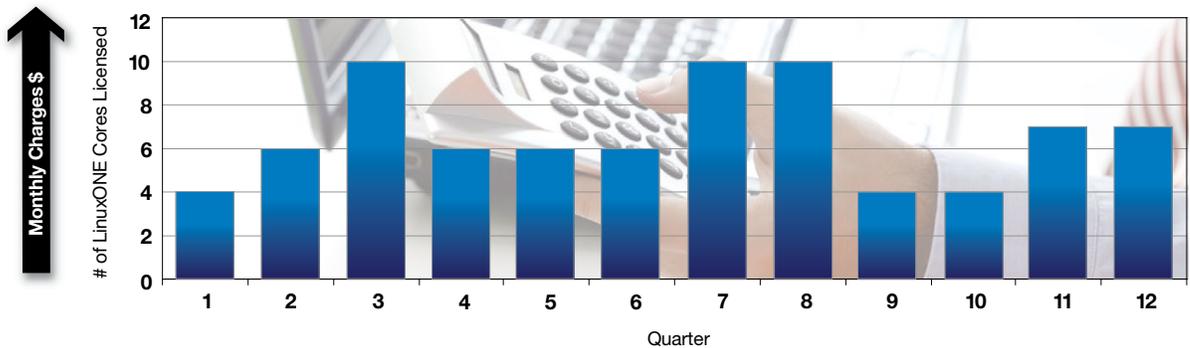| With IBM LinuxONE Flexible Pricing options, you are in control of your infrastructure costs. *With ground-breaking on premise flexible usage and pricing options you can:*	
Cloud-like, on premise rates and flexibility	• *Acquire innovative technologies on LinuxONE Systems with affordable a flexible financing option—Elastic Pricing.* • *Deliver more innovation to grow your business and ensure your customers are receiving the premium user experiences expected in today's digitally-driven economy.* • *Accelerate the transition to Linux and Open Technology running with enterprise computing capabilities.* • *Transform your enterprise Linux environment so it is simpler to manage—say goodbye to the hundreds of commodity servers that create unnecessary cost, complexity, and latency.*

IBM LinuxONE Elastic Pricing

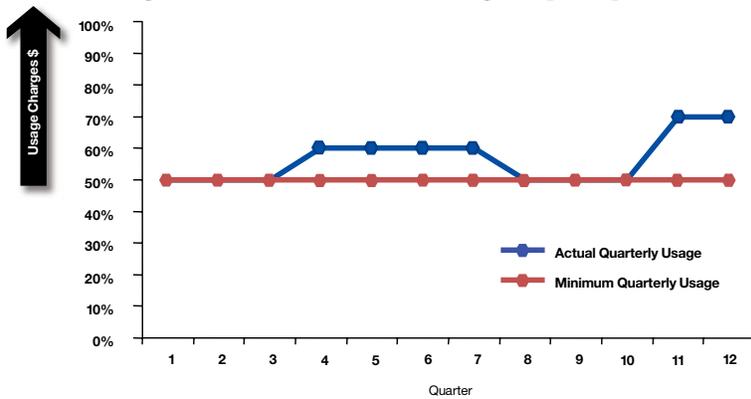|	
Upfront Payments	None
Payments	Fixed minimum payment + variable usage payment
Equipment Ownership	Lessor owns
Total Payments (over time)	Variable; Lower for low usage & higher for high usage
Term & Cancellation Policy	3 years (then buy, continue or terminate). Contracts cancellable after 1 year
Software	PPA SW on Monthly Licensing which grants the right to use the software for the contracted Commitment Term per LinuxONE Core, and can be paid on a quarterly, annual or upfront basis. It includes Software Subscription and Support. Minimum term is 1 month. Other One Time Charge SW products to follow suit.

PPA Software Charges

IBM LinuxONE Elastic Pricing Example – Rockhopper

Rockhopper hardware charges are as follows:

1. **Fixed Minimum Payment: Discounted initial price for 50% usage**

2. **Variable Usage Payments which scale up or down as usage changes above the minimum usage capacity of 50%.**
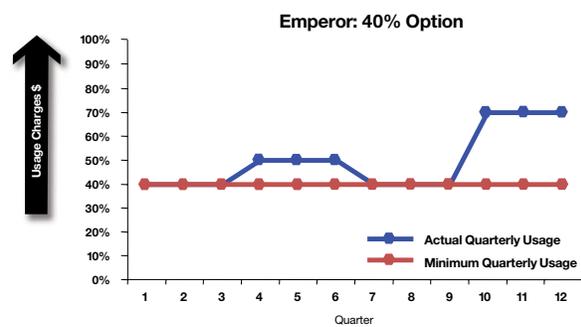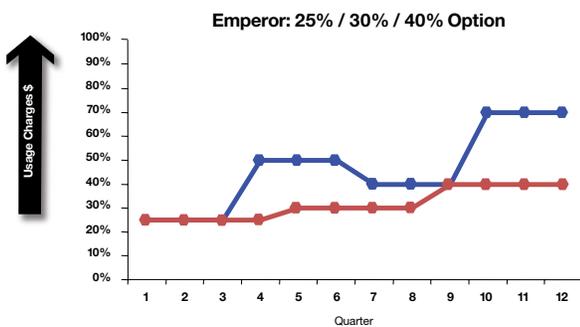

In the case of LinuxONE Rockhopper, a customer pays a fixed cost of 50 percent of the systems' capability, with incremental costs for greater than 50 percent utilization rates. The system monitors utilization at 15 minutes increments through each month of use, and customers pay based on the actual utilization.

IBM LinuxONE Elastic Pricing Example – Emperor

Emperor hardware charges are as follows:

1. **Fixed Minimum Payment:** Discounted initial price for 25% to 40% usage capacity usage
2. **Variable Usage Payments** which scale up or down as usage changes above minimum usage capacity
    -   If 25% as the minimum usage in year 1, minimum usage is 30% in year 2 and 40% in year 3.
    -   If 40% as the minimum usage capacity in year 1, minimum usage is 40% for all 3 years. Variable usage above 40% is at a discounted rate.

Emperor: 25% / 30% / 40% Option

Emperor: 40% Option

Actual Quarterly Usage
Minimum Quarterly Usage

The larger Emperor system is billed at an entry point of 25 percent of the systems' capacity in year 1, with utilization monitored and billed based on actual usage (tracked in 15 minute increments) each month. In the second year of use, the baseline billing grows to 30 percent of system capacity, and in year 3 the customer is charged at a baseline rate of 40 percent of capacity. Either system is available on an annual lease basis, with customers able to cancel a contract at the end of the first year of use.

Why Elastic Pricing?

Free up cash—generate savings faster—and help lower your total cost of ownership.

IBM LinuxONE Systems offer you an affordable alternative to x86 server solutions. From a cost perspective, IBM LinuxONE Systems are competitive with x86 servers on a by instance basis

when the system is only partially utilized.[2] IBM total cost of ownership (TCO) calculations suggest that customers will find LinuxONE Systems become cost competitive at between 50 and 100 Linux VMs in use; above that total, IBM LinuxONE has a more attractive TCO.[3] From a cost perspective, organizations that build solutions on IBM LinuxONE environments can achieve savings at the time of acquisition and in each year of operation. For example, organizations that have dozens of Linux applications or those with variations in processor and memory utilization can acquire and install a LinuxONE ecosystem for much less than the equivalent x86 ecosystem costs, even if they are virtualized.[4]

The IBM LinuxONE Elastic Pricing options give you the freedom to manage your infrastructure costs on a par with your usage requirements. If you're spinning up a new project, you can increase the amount of licenses you are paying for that

month. When your project is done, you can reduce the number that you are paying for, or you can stop paying altogether and cease using the software. A similar model using cloud like pricing on premise enables you to deploy a LinuxONE system starting as low as $5,800/month and include IBM hardware and IBM software in addition to IBM maintenance.

For more information

To learn more about the the financing advantage for IBM LinuxONE Systems, please contact your IBM representative or IBM Business Partner, or visit the following website: **ibm.com**/financing/us/solutions/index.html.

If you have questions, or would like to learn more about IBM LinuxONE financial options, please send an email to: linuxone@us.ibm.com

Additionally, IBM Global Financing can help you acquire the IT solutions that your business needs in the most cost-effective and strategic way possible. For credit-qualified clients we can customize an IT financing solution to suit your business requirements, enable effective cash management, and improve your total cost of ownership. IBM Global Financing is your smartest choice to fund critical IT investments and propel your business forward. For more information, visit: **ibm.com**/financing

[3] Based on results from IBM internal lab measurements.

[4] 10 Reasons LinuxONE is the Best Choice for Linux, The Robert Frances Group, 2016

[1] Mobile Apps: What Consumers Really Need and Want, A Global Study of Consumers' Expectations and Experiences of Mobile Applications, https://info.dynatrace.com/rs/compuware/images/Mobile_App_Survey_Report.pdf

[2] Performance comparison based on IBM Internal tests comparing IBM LinuxONE Emperor cloud with one comparably configured private x86 cloud and one comparably configured public cloud running an aggregation of light, medium and heavy workloads designed to replicate typical IBM customer workload usage in the marketplace. System configurations are based on equivalence ratios derived from IBM internal studies and are as follows: Public Cloud configuration: total of 219 instances (128 for light workloads, 64 for medium workloads and 27 for heavy workloads); x86 Cloud configuration: total of eleven x86 systems each with 24 Intel E7-8857 v2 3.0 GHz cores, 512 GB memory, and 7x400 GB SSDs; LinuxONE Emperor Cloud configuration: total of 32 Linux cores, 3806 GB memory, and Storwize v7000 with 47x400 GB SSDs. Price comparison estimates based on a 3 year Total Cost of Ownership (TCO) using publicly available U.S. prices (including a 20 percent discount for middleware) current as of January 1, 2015. Public Cloud TCO estimate includes costs (US East Region) of infrastructure (instances, data out, storage, support, free tier/reserved tier discounts), middleware and labor. LinuxONE Emperor and x86 TCO estimates include costs of infrastructure (system, memory, storage, virtualization, OS, cloud management), middleware, power, floor space and labor. Results may vary based on actual workloads, system configurations, customer applications, queries and other variables in a production environment and may produce different results. Users of this document should verify the applicable data for their specific environment.

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