

Arvind Krishna

2025 IBM Annual Shareholder Meeting

Hello everyone.

Thank you for joining us today.

2024 was a year of strong progress for IBM as we continued our journey to become a higher growth, higher margin business. We combined deep technology innovation with consulting expertise to help our clients drive productivity and transform their operations—and we applied those same capabilities within our own company.

As a result, I'm pleased to share that IBM is delivering strong returns for clients, employees, and shareholders alike.

Today, I want to speak with you about three things:

- First, our financial performance in 2024
- Second, how we're executing our strategy around hybrid cloud and AI
- And third, the innovations we're driving to shape the future of computing

2024 Financial Performance

Let's start with our performance.

In 2024, IBM generated \$62.8 billion in revenue, growing 3% at constant currency, and delivered \$12.7 billion in free cash flow—up \$1.5 billion from the previous year.

This financial strength allowed us to reinvest in our business, with over \$7 billion allocated to research and development and 11 strategic acquisitions to enhance our AI and hybrid cloud capabilities. It also enabled us to return more than \$6 billion to you, our shareholders, through dividends.

I'm proud to share that we have now increased our dividend for 29 consecutive years.

Our operating gross profit margin expanded by 130 basis points, driven by demand for high-value offerings and a continued focus on productivity.

Software led the way with 9% revenue growth at constant currency, powered by strong momentum across data and AI, automation, transaction processing, and security. Red Hat continued to perform well as more clients adopted open hybrid cloud.

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Consulting grew 1% at constant currency, reflecting sustained demand for our expertise in AI deployment and digital transformation. And while Infrastructure declined 3%—as expected due to the product cycle—IBM z16 became the most successful mainframe program in our history in terms of client adoption and workload scale.

Executing Our Strategy: AI + Hybrid Cloud

Let me turn now to our strategy.

We are building IBM around the two most transformative technologies of our era: artificial intelligence and hybrid cloud.

Clients today aren't experimenting with AI—they're scaling it. But to scale AI effectively, they need enterprise-grade solutions that are efficient, governable, and cost-effective. That's exactly what IBM delivers.

In fact, since inception, our generative AI book of business has grown to more than \$5 billion.

Our enterprise AI portfolio watsonx, continues to expand. It includes tools to build, train, and govern AI models; assistants that perform core business functions; and our family of Granite models, which are open, trusted, and optimized for enterprise use.

These models can be trained on proprietary data in weeks, not months, and can help deliver up to 90% improved cost efficiency compared to alternatives.

AI can't scale without access to data—and that's where hybrid cloud comes in. Our platforms, including Red Hat Enterprise Linux AI and OpenShift AI, provide a consistent, secure foundation for AI workloads across any environment.

More than 90% of Fortune 500 companies use IBM's hybrid cloud offerings. And increasingly, clients are buying across all three segments—software, consulting, and infrastructure—because they see the value in IBM's integrated approach.

Innovation and Research

At IBM, innovation is the engine that powers everything we do.

IBM Research continues to shape the future of computing. In 2024, we introduced the IBM Quantum Heron processor, which delivers dramatically better performance and speed than our previous systems. We expanded our quantum data centers in New York and Germany and announced a new National Quantum Algorithm Center in partnership with the state of Illinois.

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We also unveiled next-generation infrastructure, including the Telum II processor and the upcoming Spyre AI Accelerator—purpose-built to run enterprise AI at scale.

Our work in quantum, AI, hybrid cloud, and automation is all designed to solve real business problems and unlock new value for our clients.

Impact for Clients and Partners

What does all of this mean in practice?

It means helping NatWest Bank improve r satisfaction in key areas of customer service by up to 150% with AI-powered virtual agents.

It means helping Cathay Pacific migrate 90+ critical applications to the cloud with zero downtime—achieving 70% faster time-to-market and improved scalability.

It means helping Australia’s Water Corporation reduce cloud related costs by 40% and save 1,500 hours of manual labor a year through hybrid cloud.

Our consulting business plays a critical role here. IBM Consulting now drives about 80% of our AI-related bookings. And we’re scaling that impact with IBM Consulting Advantage, a platform that gives our consultants domain-specific AI assistants to deliver faster outcomes.

None of this happens with IBM alone. Our strategic partnerships—with Microsoft, AWS, Salesforce, SAP, Oracle, and others—extend our reach and help us serve clients better. These relationships create a multiplier effect for IBM.

Culture and People

Finally, we’ve embraced a “client zero” philosophy—using the same technology internally that we deliver externally.

That’s allowed us to automate work at scale. For example, 94% of basic HR queries are now handled by AI since 2023, these changes and others have helped to drive \$3.5 billion in productivity savings.

This efficiency is what enables us to keep investing—in our products, in our people, and in your returns.

IBMers around the world are the reason we’ve made this progress. And we’re proud that the vast majority of our employees say they would recommend IBM as a great place to work.

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Conclusion

Let me close by saying: the world needs IBM.

In a time of rapid change, clients want a partner they can trust. A partner who can help them harness AI and hybrid cloud to drive growth. A partner who brings not just technology, but expertise, at scale.

That's who IBM is.

We are a software-led, platform-based company built for the future—and built to deliver strong returns.

Thank you for your support, your partnership, and your confidence in our journey.

Forward-Looking and Cautionary Statements

Certain statements contained in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statement in this presentation speaks only as of the date on which it is made; the company assumes no obligation to update or revise any such statements except as required by law. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance; these statements, by their nature, address matters that are uncertain to different degrees. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to be materially different, as discussed more fully elsewhere in this Annual Report and in the company's filings with the Securities and Exchange Commission (SEC), including the company's 2024 Form 10-K filed on February 25, 2025.

Information About Non-GAAP Financial Measures and Report on Company.

In an effort to provide additional and useful information regarding the company's financial results and other financial information, as determined by generally accepted accounting principles (GAAP), these materials contain certain non-GAAP financial measures on a continuing operations basis, including revenue growth rates adjusted for constant currency. Free cash flow is presented on a consolidated basis, which includes activity from discontinued operations. The rationale for management's use of this non-GAAP information is included on page 7 and 35 of the company's 2024 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 25, 2025. For reconciliation of these non-GAAP financial measures to GAAP and other information, please refer to pages 16 and 35 of the company's 2024 Annual Report.