Growth in the Cognitive Era
Global Business Services
Bridget van Kralingen

Senior Vice President,
Global Business Services
Global Business Services

Transformation Progress

- Launched the Industry’s first Cognitive practice, 1,000+ consultants and data scientists
- Assembled 120,000+ industry-focused resources
- Built unique digital design capability:
  - #1 digital agency, 10,000 consultants and designers
  - Apple partnership; 100+ apps, $1B signings
- Improved offshore mix by 6 pts over the past two years
- Added 30,000 resources to Strategic Imperatives in last 2 years

Revenue Mix

- 2014: 30% Strategic Imperatives, 70% Core Content
- 2015: 45% Strategic Imperatives, 55% Core Content

2015
- Revenue: $17.2B
- Pre-tax Income: $2.6B

2015 Revenue Mix:
- Strategic Imperatives: 45%
- Core Content: 55%
GBS will lead the market for cognitive solutions

Across industries, CEOs see cognitive as imperative

- 84% of Healthcare C-Suite think cognitive will play a disruptive role
- 89% of Telco C-Suite think cognitive will have critical impact
- 94% of Retail, Healthcare and Insurance C-Suite plan to invest in cognitive

The Path to Cognitive Business:

- Led by line of business, aimed at core business model
- Reengineering of core industry processes
- Grounded in trusted relationships

~$2T
Cognitive Solutions 2025

~$1.2T
Traditional IT 2016
Extending our lead: Cognitive Transformation

- World’s first and only cognitive consulting practice
  - 1,000 cognitive consultants today – 3,000 by year end
  - Powered by 20,000 analytics consultants
- High margin work
- GBS driving every Watson implementation
- Client momentum is accelerating
Extending our lead: Consumer-grade Business Process and Customer Design

- #1 digital agency with unique global scale
- Driving the consumer grade enterprise
- Unique design capability co-developed with Apple
- 25 design studios

100 Apps // $1B Signings
Extending our lead: Industry solutions

- GBS leads industry for IBM
- 120,000 industry resources
- Portfolio of 123 industry cognitive solutions
- Built on IBM cloud and software

- 10 of Top 10 Banks
- 10 of Top 10 Insurers
- 10 of Top 10 Telecom Companies
- 9 of Top 10 Oil & Gas Companies
Modernizing our core business:
Enterprise Applications and Business Process Services

- ERP controlling processes for the few
- 1-2 strategic partnerships
- Business Process Services lift and shift process
- ERP providing real time mobile analytics by many
- Broad range of strategic partnerships
- Consult to operate–analytically driven and delivered as-a-service

- 5,700+ Core practitioners trained in IBM Design for Services
- 11 Major analyst rankings identified IBM as a leader in BPS
- 61% Growth in Business Process Services signings in 2015
Modernizing our core business: Application Development & Management

- Application management
- Labor based cost curve
- Northern hemisphere out

- Modern Agile and DevOps platform
- Cognitive and automation bend cost curve
- Global Centers out

Recognized Market Leader by Gartner & IDC in:
- Application Modernization for Digital Transformation
- SAP ADM
- Oracle ADM
- Testing

100% Of consultants trained on Bluemix by YE 2016
23% Onshore mix by 2018
30% Reduction in test time using cognitive analytics and test automation
Summary

**Strategy**
Differentiate IBM and GBS through cognitive, design thinking and industry

**Portfolio**
Accelerated industry-based cognitive solutions while modernizing the core

**Execution**
Scaling new capabilities while improving cost competitiveness
These charts and the associated remarks and comments are integrally related, and they are intended to be presented and understood together.

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), certain materials presented during this event include non-GAAP information. The rationale for management's use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information is included in supplemental materials entitled "Non-GAAP Supplemental Materials" that are linked to the company's investor relations web site at http://www.ibm.com/investor/events/investor0216.html. The Non-GAAP Supplemental Materials are also included as Attachment II to the company's Forms 8-K dated January 19, 2016 and Attachment I to the company's Form 8-K dated February 25, 2016.