IBM Investor Briefing 2016
Technology Services
& Cloud Platforms

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Enterprises Realize New Value with Hybrid Cloud
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$10.2B 2015 Revenue
$5.3B as-a-Service exit run rate

Transformation Progress

Built full as-a-service cloud stack across IaaS, PaaS, SaaS, BPaaS—over $5B run-rate

Expanded cloud footprint with 46 cloud data centers worldwide

Scaled Bluemix platform to over 1M developers

Acquired 7 cloud companies in 2015, more than 20 over the last 5 years

100% of relevant IBM Software is now on the IBM Cloud

IBM Cloud Revenue

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Cloud is enabling new value for enterprises

**New business models**

30% of large enterprises will be impacted by business model disruption by 2017\(^1\)

**Digital business transformation**

75% of large enterprises will have digital transformation at the center of corporate strategy in the next two years\(^2\)

**Hybrid Cloud is the enabler**

+80% of enterprises will commit to Hybrid Cloud architectures by 2017\(^3\)
Hybrid Cloud is the ‘fast path’ to new value for Enterprises

Hybrid Cloud is the fastest growing piece of the cloud opportunity, outpacing contraction in Traditional IT by more than 200%.4

Hybrid Cloud Definition
The connection of one or more clouds to on-premises systems and/or the connection of one or more clouds to other clouds.

IBM Cloud Guiding Principles
Choice with Consistency
Hybrid Integration
Powerful, Accessible Analytics
DevOps Productivity
Cognitive Solutions
IBM Cloud progress in 2015

65 new cloud services in 2015
8 new datacenters, 46 in total
+20,000 new developers per week on Bluemix

Strategic relationships with 10 major GSIs

100% of relevant IBM software is now on IBM Cloud

Recent acquisitions:

Data & Analytics
- COMPOSE
- The Weather Company

Cloud Technology
- bluebox
- Gravitant
- StrongLoop

Video
- USTREAM
- clearleap
We have also made several key announcements this week.

**Unlocking Billions of Value in Enterprise Applications & Data:**

Strategic relationship with VMware—enabling a half million VMware customers to extend their virtual machines to the IBM cloud

WebSphere Connect—developers can enrich cloud services with enterprise data and applications leveraging Websphere install base of 235M active instances

**Speeding Development & Innovation:**

Enabling 11 million Apple SWIFT mobile developers to unleash creativity on the IBM Cloud.

IBM and GitHub deliver first dedicated GitHub Enterprise as-a-service

IBM delivers Blockchain as-a-service to speed DevOps

Many new capabilities, including new Internet of Things, Data and Watson Services.
Enterprises Realize
New Value with Hybrid Cloud
Don Rippert

GM Strategy and Technology,
IBM Cloud
IBM differentiates with a focus on Enterprise customers

46 data centers on six continents
Supporting enterprise performance, security and data localization requirements.

The open cloud for enterprises
Native support for industry-leading OpenStack and Cloud Foundry

100% of relevant IBM software on IBM Cloud
Providing new value for enterprises with +235M active instances of IBM Websphere

Cognitive solution-ready data and analytics
A rich portfolio of Data, Context and Insight services for developers, data engineers and data scientists.

IBM named a Leader in Hybrid Cloud management
– Forrester Research

IBM maintained its position as #1 Hybrid Cloud provider in 2015
– Synergy Research Group
IBM is helping Websphere clients to unlock billions in new value.

**Create:** New cloud apps connect to WebSphere
- Java, Node.js and Swift Runtimes
- Mobile & Application Services
- Whisk – Connect Serverless Applications to Websphere

**Connect:** WebSphere apps use cloud services
- API, App & Data Connect Services
- Cognitive Services
- Blockchain Services

**Optimize:** WebSphere apps deployed on cloud
- Websphere App Server on Cloud
- WebSphere Docker Container
- WebSphere VM
The most comprehensive cloud analytics platform

Open by Design
Leading open source technology on a common platform that allows developers to scale their apps

- Support for popular open source databases
- Analytics using Apache projects such as Spark

Data Science in Action
Portfolio of analytics services and available data for data scientists to create deeper insights

- Watson Analytics for smart data discovery
- Graph for connecting IoT and Social data

Hybrid Data Services
Integrated solutions that connect and move data across the enterprise, on-premises and in the cloud

- dashDB and DataWorks for next generation data warehousing on cloud
- DB2 on Cloud and PostgreSQL for scaling transaction applications

Diverse range of data from The Weather Company, Twitter, and over 150 open data sources
IBM’s hybrid capability is resonating with existing and new customers.

**Existing Clients**

- **Westpac**
  - Launching a service revolution to act like a 200-year-old startup.
  - IBM technology brokers and orchestrates 100% of Westpac’s hybrid cloud.

- **Thomson Reuters**
  - Building new revenue-generating cognitive apps.
  - Chose IBM for our Watson technology advantage and hybrid hosting options.

**New Clients**

- **Etihad Airways**
  - Transforming infrastructure into a flexible and agile cloud platform.
  - IBM was chosen for its hybrid cloud hosting capability and outsourcing terms.

- **Thomson Reuters**
  - Chose IBM for our Watson technology advantage and hybrid hosting options.
Westpac is using IBM’s Hybrid Cloud to deliver its Digital Transformation

**Westpac**

**The Challenge:** delivering on digital transformation and being an agile 200-year old company.

70% Westpac plans to migrate 70% of its applications to hybrid cloud.

“We knew our transformation wasn’t about upgrading hardware or designing better apps; but about something larger and strategic. We use IBM to outthink limits.”

– Richard Holmes, Westpac General of Infrastructure Manager

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FootReferences

1. IDC Futurescape, Worldwide Social Business 2016 Predictions
3. Economist Intelligence Unit, The cloud grows up, Feb 2015
Transforming Global Technology Services for Continued Leadership

Martin Jetter

Senior Vice President,
Global Technology Services
Technology Services and Cloud Platforms

$35.1B  2015 Revenue
$5.7B   2015 Pre-tax Income

Transforming our business – from systems integration to services integration

• Reinvented the portfolio for hybrid and as-a-service
• Re-engineered delivery model through cognitive, analytics and automation

Continued market share leadership of 2x vs. our nearest competitor

• Signed large, transformative business: 70% feature hybrid
• Captured new growth opportunities through multi-vendor services

* Services revenue and backlog growth at constant currency and excluding divested businesses

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Large deals characterized by “asset takeover”

“Break-fix” maintenance

Global centers and supply chain optimization

Practitioners deployed to address automated maintenance alerts

Vendor agnostic maintenance

Hybrid and service automation / analytics
Enterprises are shifting from traditional to hybrid environments

Hybrid is the “New Norm”

7 in 10 Decision-makers report they will always have a blend of traditional IT and cloud *

GTS Market Opportunity

$344B GTS Market (2018)

- Infrastructure Services
- Technical Support Services

GTS Opportunity Growth

+1% Total GTS

+34% Hybrid

-8% Traditional

(Anticipated CAGR 2015 to 2018)

*Source: “Growing up hybrid: Accelerating digital transformation,” IBM Center for Applied Insights, 1Q 2016
We are reinventing the GTS Services model – shifting from a Systems Integration to a Services Integration approach to IT in the Enterprise

From: **Systems Integration**…

- Strategic Outsourcing (SO)
- Integrated Technology Services (ITS)
- Maintenance

…To: **Services Integration**

**IT as a Service**

- Brokerage
- IBM Services
- 3rd Party Services

**Orchestration**

- Traditional IT
- Private Cloud
- Public Cloud

**Security, Analytics, Automation and DevOps**

- Infrastructure Services (IS)
- Technical Support Services (TSS)
We are transforming our portfolio for Hybrid and “as a Service” to drive growth by aligning GTS to our clients’ consumption preferences.

Our offerings are built for hybrid…

- **Mac at Work**
  (Managed Mobility Services)

- **Brokerage Services**
  (Hybrid Cloud)

- **Disaster Recovery as a Service**
  (Cloud-based resiliency)

- **Multi-Vendor Services**
  (over 30,000 IBM and non-IBM technologies)

…to address the needs of forward-thinking Enterprises
Investments in cognitive, automation, analytics, talent and simplification initiatives improve the quality and productivity of our services delivery

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<thead>
<tr>
<th>Cognitive, Analytics and Automation</th>
<th>Talent</th>
<th>Simplification and Optimization</th>
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<tbody>
<tr>
<td>End-to-end automation of service execution and analytics to solve problems before they happen</td>
<td>Investment in our practitioners to enhance their expertise in solving increasingly complex problems</td>
<td>Continuous streamlining of structure and processes to increase agility and improve outcomes</td>
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<table>
<thead>
<tr>
<th>Up to 50%</th>
<th>Up to 90%</th>
<th>99.7%</th>
<th>&gt;20%</th>
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<tr>
<td>faster problem identification</td>
<td>improvement in incident resolution</td>
<td>Service Level Agreements (SLAs) met or exceeded</td>
<td>productivity improvement in select processes</td>
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One billion dollar long-term partnership to help enterprises in Nordic countries to accelerate Cloud adoption and business transformation

• **EVRY**—a leading IT services company headquartered in Oslo, Norway

• Running EVRY’s IT services on IBM’s flexible and scalable hybrid cloud infrastructure to support the mission-critical workloads of EVRY’s clients

• Leveraging both legacy and SoftLayer-based public cloud, coupled with resiliency and security capabilities to meet the workload demands

• Faster time-to-market for EVRY’s customers across industries
Summary

**Strategy**
Investing to enable new and existing clients to scale their digital transformations through Hybrid Cloud

*convergence of cloud and traditional IT in the enterprise*

**Portfolio**
Offering the full value of IBM’s capabilities through the cloud for consumption “as a Service”

e.g., Watson, analytics, key software, brokerage

**Execution**
Scaling an ecosystem and continuing to transform to a next-generation services model

*from systems integration to services integration*
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.