

IBM Investor Briefing 2016



Technology Services & Cloud Platforms

IBM
Investor
Briefing
2016

Robert LeBlanc

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Enterprises Realize New Value with Hybrid Cloud

Robert LeBlanc

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Briefing
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IBM Cloud

\$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

Cloud is enabling new value for enterprises

New business models

30%

of large enterprises will be impacted by business model disruption by 2017¹

Digital business transformation

75%

of large enterprises will have digital transformation at the center of corporate strategy in the next two years²

Hybrid Cloud is the enabler

+80%

of enterprises will commit to Hybrid Cloud architectures by 2017³

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



Assets from:



Cloud Technology



Video



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.

vmware®



WebSphere.



Enterprises Realize New Value with Hybrid Cloud

Don Rippert

IBM
Investor
Briefing
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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.

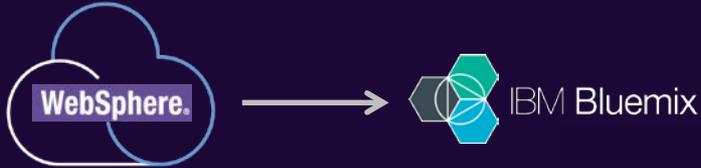


Create: New cloud apps connect to WebSphere

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 is 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

Thomson Reuters is building new revenue-generating cognitive apps.

Thomson Reuters chose IBM for our Watson technology advantage and hybrid hosting options.

New Clients



Etihad is transforming their infrastructure into a flexible and agile cloud platform.

IBM was chosen for its hybrid cloud hosting capability and outsourcing terms.

Westpac is using IBM's Hybrid Cloud to deliver its Digital Transformation

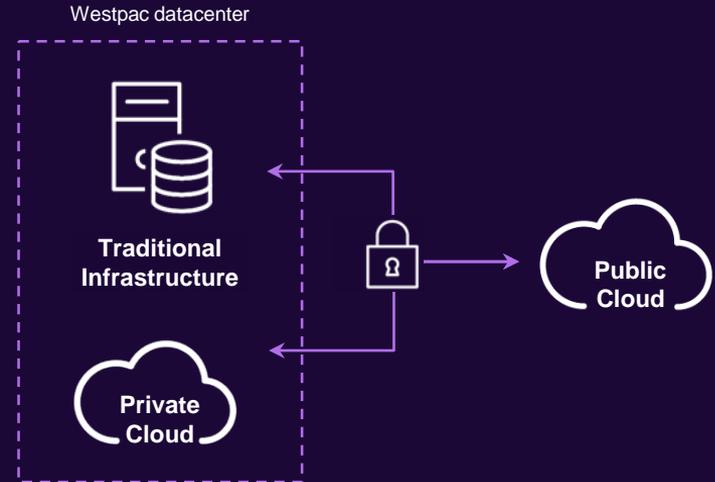


The Challenge: delivering on digital transformation and being an agile 200-year old company.

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
2. IDC FutureScape: Worldwide IT Industry 2016 Top 10 Predictions
3. Economist Intelligence Unit, The cloud grows up, Feb 2015
4. 1. Opportunity Data: IBM Market Development & Insights - Planning Annual Cloud Market View including Hybrid Expansion.

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Transforming Global Technology Services for Continued Leadership

Martin Jetter

IBM
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Briefing
2016

Senior Vice President,
Global Technology Services

Technology Services and Cloud Platforms

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

Services Revenue*



Services Backlog*



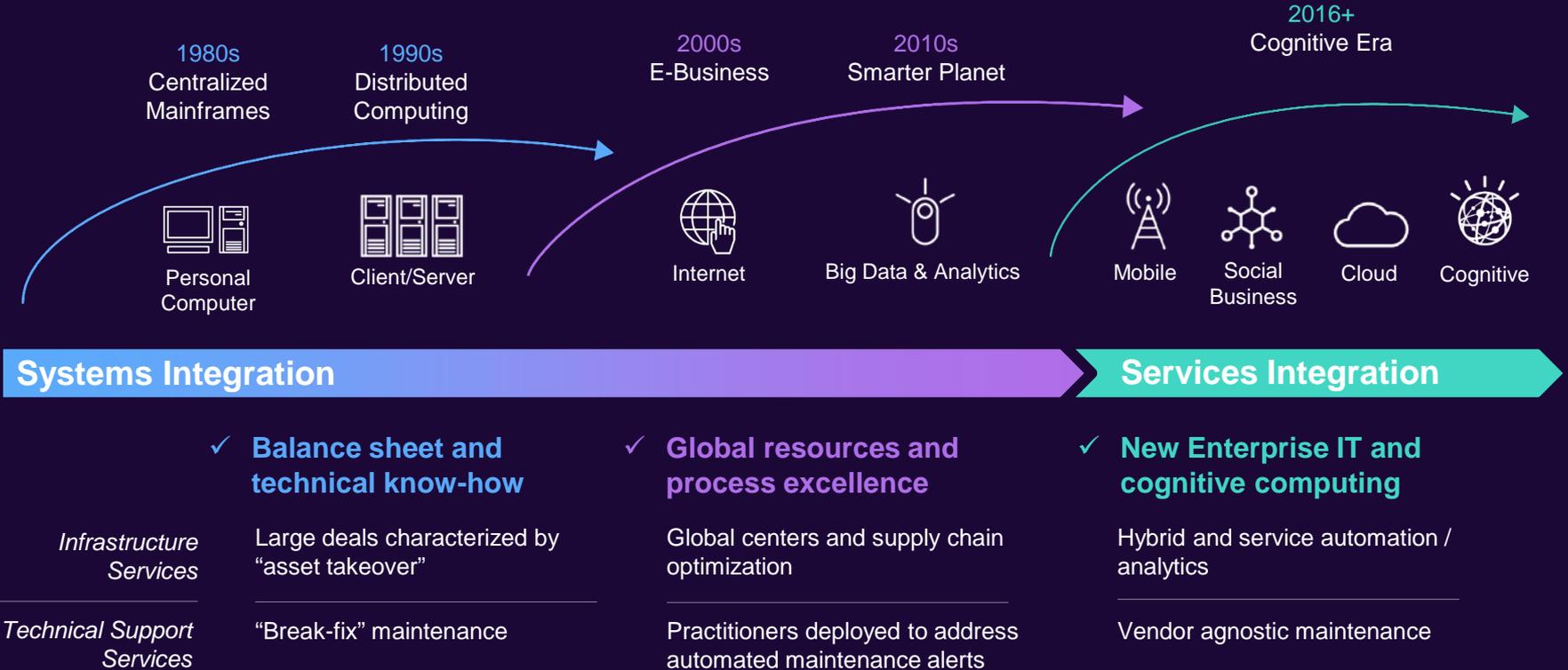
Transforming our business – from systems integration to services integration

- 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

GTS continues to transform as our industry goes through waves of change



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

Infrastructure Services

Technical Support Services



GTS Opportunity Growth

+1%
Total GTS

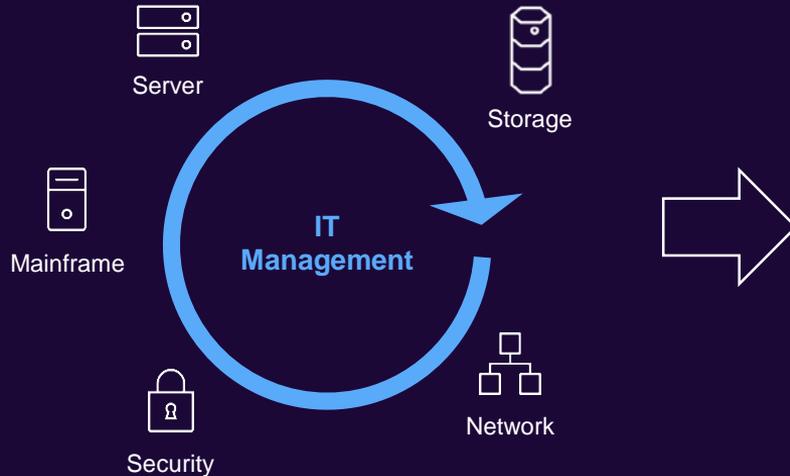
-8%
Traditional

+34%
Hybrid

(Anticipated CAGR 2015 to 2018)

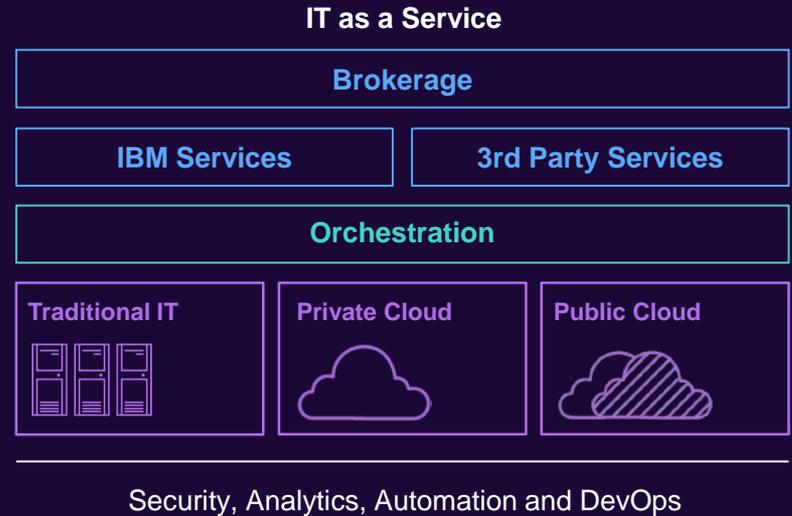
We are reinventing the GTS Services model – shifting from a Systems Integration to a Services Integration approach to IT in the Enterprise

From: Systems Integration...



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

...To: Services Integration



- 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...

...to address the needs of forward-thinking Enterprises

Examples

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)



Logos of client companies: Etihad Airways, Westpac, Anthem, AIG, BTI Payments, and Evry.



Investments in cognitive, automation, analytics, talent and simplification initiatives improve the quality and productivity of our services delivery

Cognitive, Analytics and Automation

End-to-end automation of service execution and analytics to solve problems before they happen

Talent

Investment in our practitioners to enhance their expertise in solving increasingly complex problems

Simplification and Optimization

Continuous streamlining of structure and processes to increase agility and improve outcomes

Up to 50%

faster problem identification

Up to 90%

improvement in incident resolution

99.7%

Service Level Agreements (SLAs) met or exceeded

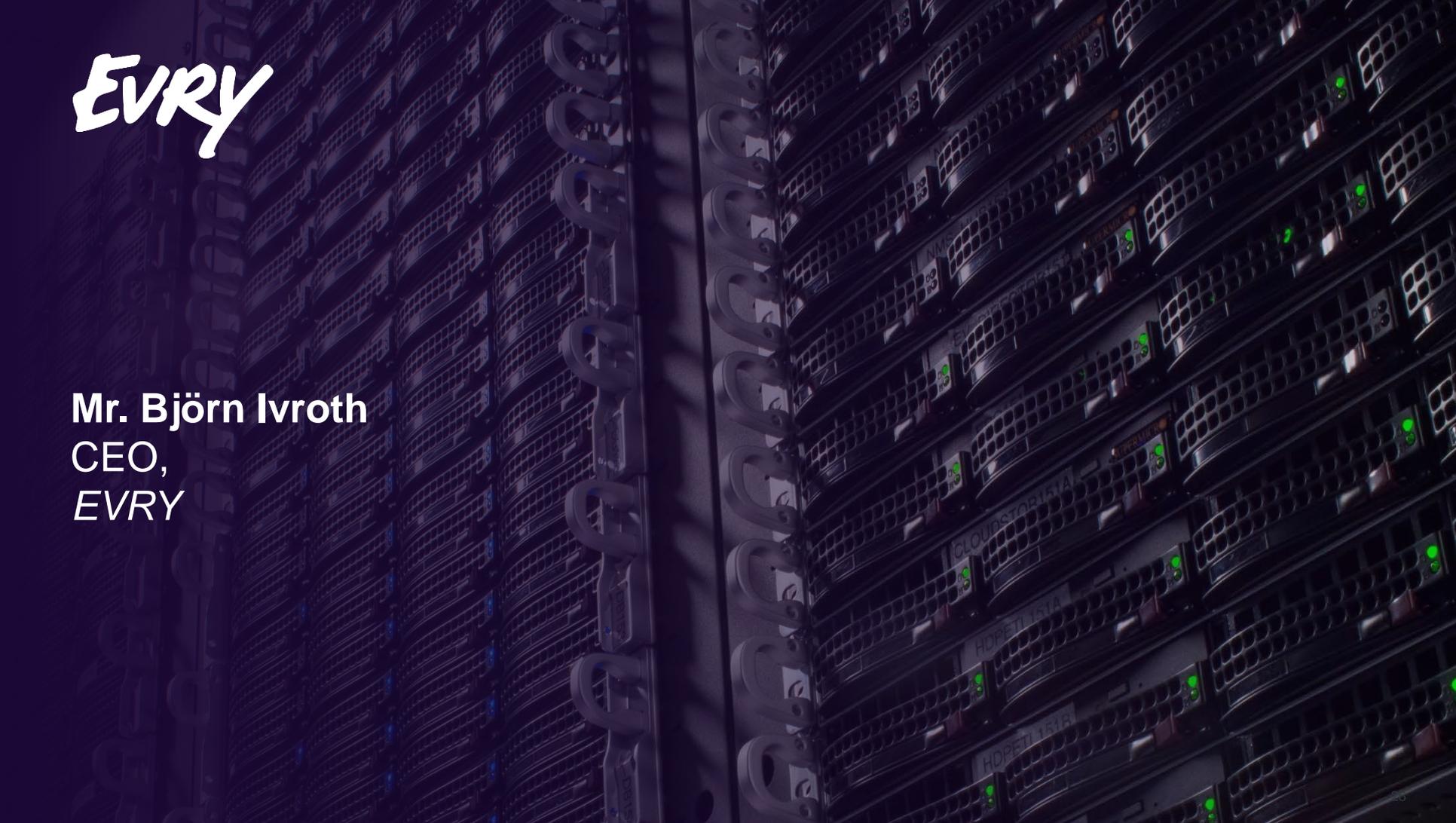
>20%

productivity improvement in select processes

EVERY

One billion dollar long-term partnership to help enterprises in Nordic countries to accelerate Cloud adoption and business transformation

- **EVERY**—a leading IT services company headquartered in Oslo, Norway
- Running EVERY's IT services on IBM's flexible and scalable **hybrid cloud infrastructure** to support the **mission-critical workloads** of EVERY'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 EVERY's customers across industries



EVRY

Mr. Björn Ivroth
CEO,
EVRY

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

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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.