

IBM Investor Webcast



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October 29, 2018

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Today's participants



Virginia Rometty
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IBM
Senior Vice President,
Hybrid Cloud and
Director, IBM Research

Creating the world's leading hybrid cloud provider



redhat.

Leading provider of
enterprise cloud & AI
solutions

Leading provider of
open source
solutions

Completely changing the cloud landscape

The second chapter of cloud unlocks value and drives growth



\$1.0T

hybrid cloud
opportunity
by 2020

#1

Linux platform
for applications

80%

of enterprise
workloads have yet to
migrate to the cloud

Hybrid

Multi-cloud

Open

Secure

Management

Red Hat has evolved from an open source pioneer to a driving force in hybrid cloud computing



Pioneer of enterprise Linux and open platforms

Wide enterprise adoption

Broad partner ecosystem

Deeply engaged developer community

Foundational technology for hybrid computing

Common platform across all environments

Leadership in container management

Based on open standards / cloud agnostic

90%

Fortune 500 adoption

8M+

Developers

19%

Revenue growth (LTM)

~85%

Gross Profit Margin

~\$1B

Free cash flow

Acquiring Red Hat drives new growth opportunities across IBM



IBM has been building a foundation...

Integrated cloud offerings including:

IBM Cloud	Cloud Migration Factory
Digital iX Practice	Cloud Application Innovation
Cloud Garages	90,000 cloud architects
IBM Z, Power, Storage on Linux	30% of outsourcing backlog is cloud

New solutions in the last 12 months

IBM Cloud Private	IBM Cloud Private for Data
IBM AI Openscale	IBM Multicloud Manager

...and the time is right to add Red Hat's open hybrid cloud technologies



Growth opportunities across IBM software, services, systems

Transaction overview



Transaction Summary

\$190 Per Share

~\$34B Enterprise Value

2H'19 Expected closure date
Dependent on regulatory approvals

Financed with combination of cash and debt

Commitment to continued dividend growth

Maintain strong investment grade rating

Intend to suspend share repurchase program in 2020/21

Red Hat accelerates IBM's revenue growth and shift to higher value



Red Hat is high-growth, high-value...

Strong Growth Profile

\$3.2B Revenue LTM, +19%
19% Billings Growth

Strong Margin Profile

~85% GP Margin

Strong Cash Generation

~\$1B Free Cash Flow, growing >20%

...enhancing IBM financial performance

Accelerates Revenue Growth

+200 bps to IBM revenue growth

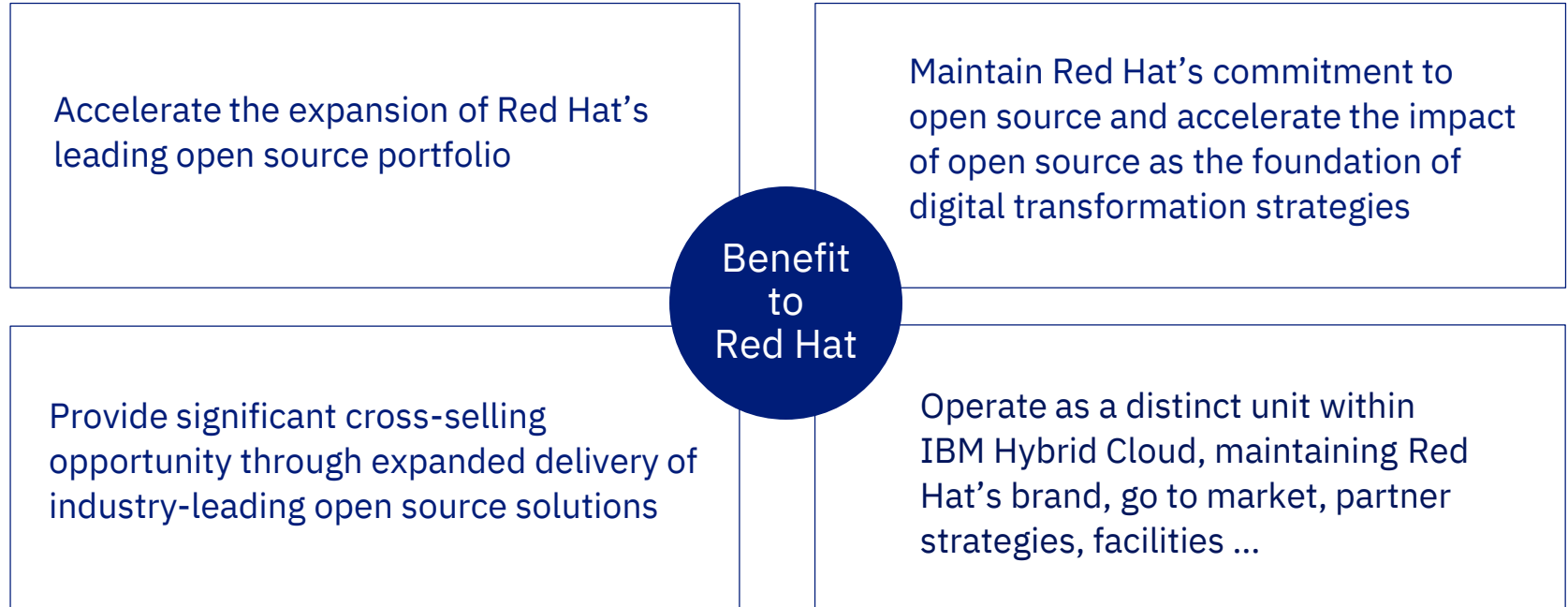
Accelerates Shift to Higher Value

Operating GP Margin accretive in Year 1
Operating EPS accretive by end of Year 2

Enhances Strong Cash Flow Profile

Cash flow accretive in Year 1
Continued dividend growth

IBM + Red Hat opens up additional opportunities across Red Hat



Leverage IBM's industry expertise, enterprise relationships, services capabilities, and scale



Long-time supporter of the Linux and open source community

Accelerates Red Hat's open hybrid cloud strategy

Dedicated to working with developers to continue leading sponsorship and investment in open source communities

Continued freedom of open source through Patent Promise, leadership in Open Invention Network and the LOTNetwork

IBM and Red Hat share common beliefs



Hybrid

Multi-cloud

Open

Secure

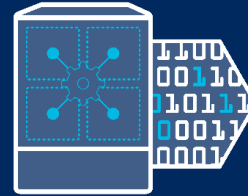
Management



It's a hybrid world



Containers are strategic

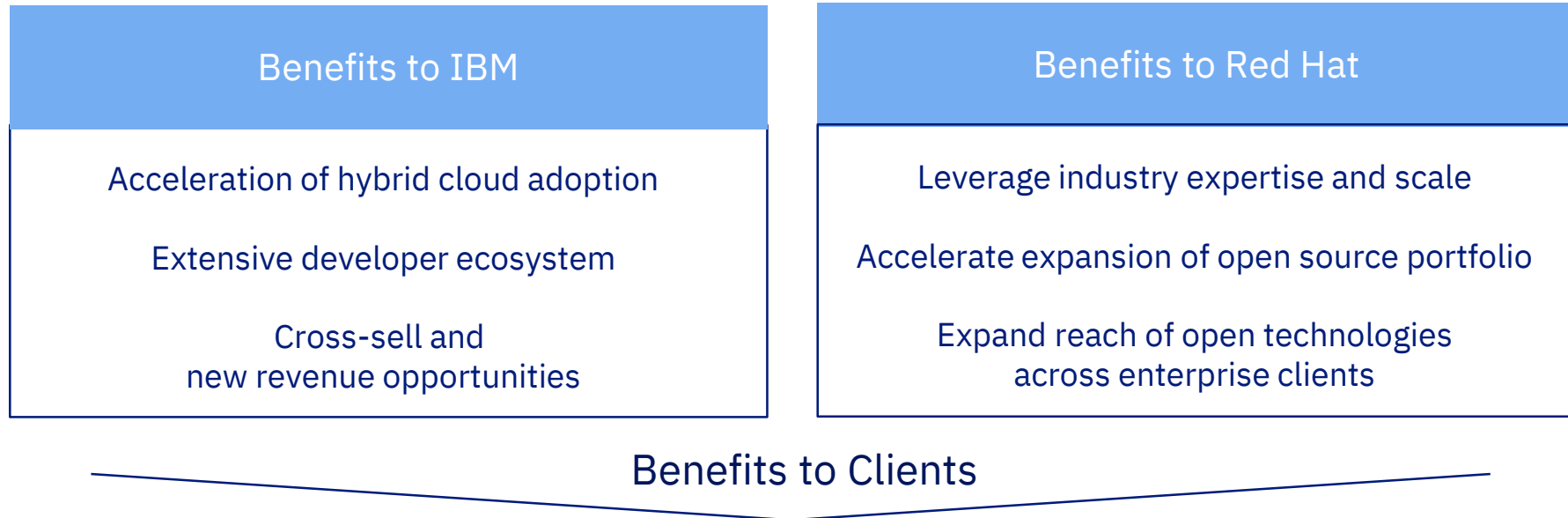


Innovation is the path forward



Certified stacks are secure

IBM + Red Hat drives significant benefits to clients



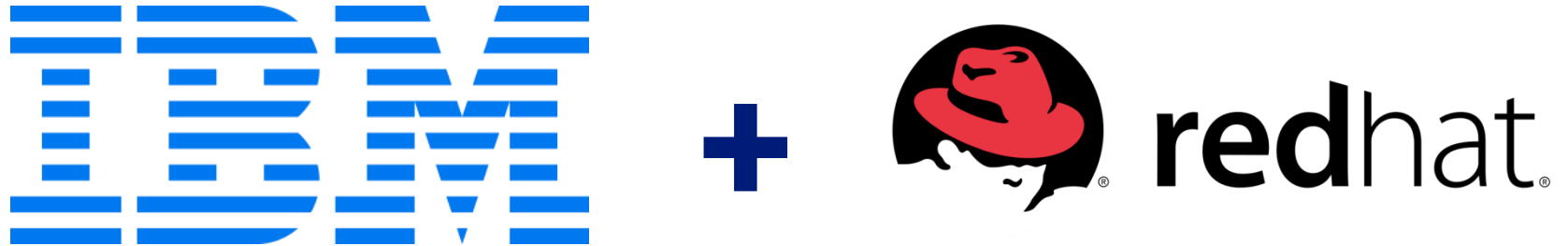
Enterprise-grade open hybrid cloud

A path to migrate traditional workloads to the cloud

Consistent management across multiple clouds

A cloud that is secure to the core

The world's leading hybrid cloud provider



Completely changing the cloud landscape