Global Business Services

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Global Business Services

IBM Investor Briefing
Global Business Services: 2010 Roadmap Performance

**Historical PTI Performance**

- **2006**: $1.7B (10%)
- **2007**: $2.1B (11%)
- **2008**: $2.7B (13%)
- **2009**: $2.6B (14%)

**GBS PTI Growth**
- 2006 - 2009 PTI growth of 50%
- PTI growth CAGR of 14%
- 4 points of margin expansion

**Performance Highlights**
- Deployed Fourth-Generation Globally Integrated Capability Model
  - Resources in Centers: >40%
- Increased asset / IP content in solutions
- Improved utilization 10 points

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GBS margin expansion

Revenue Growth (@ constant currency)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>1%</td>
<td>9%</td>
<td>5%</td>
<td>-8%</td>
</tr>
</tbody>
</table>

Quarterly Revenue Growth (@ constant currency)

- Expanded margins despite the economic slowdown and revenue declines – through productivity actions
- Revenue growth and margin expansion will contribute to operating pre-tax income growth going forward
Model Objectives – Gain Share and Expand Margin

- Align with IBM Growth Initiatives to grow faster than the market
  - Ramping up 2010 hiring to support future growth

- Generate profit growth through a shift in the revenue mix of our portfolio, combined with continued margin expansion
  - Solutions are projected to drive 2 points of margin above the rest of the portfolio
  - Continue to leverage operational transformational initiatives

### Market Opportunity for GBS 2009 - 2015*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>Spend ($B)</td>
<td>293</td>
<td>361</td>
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</table>

2009 – 2015 Market CAGR 4%

<table>
<thead>
<tr>
<th>IBM Growth Initiatives</th>
<th>Above Market Growth</th>
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<tbody>
<tr>
<td>Business Analytics and Optimization</td>
<td>✓</td>
</tr>
<tr>
<td>Smarter Planet</td>
<td>✓</td>
</tr>
<tr>
<td>Growth Markets</td>
<td>✓</td>
</tr>
<tr>
<td>Cloud Computing</td>
<td>✓</td>
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</tbody>
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* CGR 2009 through 2015, Source IBM Market Intelligence
Global Business Services will help deliver IBM’s 2015 Roadmap

IBM Roadmap to 2015

- **Base Revenue Growth**
- **Growth Initiatives**
- **Future Acquisitions**
- **Operating Leverage**
- **Portfolio Mix**

**Revenue growth at or above the market**
- Alignment to IBM’s growth initiatives
  - Represents over 60% of growth
- Differentiated cross-IBM solutions
  - Software, Hardware and Research
- Unmatched client insight
  - CFO Study (February 2010)
  - CEO Study (May 2010)

**Continued margin expansion**
- 2 - 3 pts by 2015
- Globally integrated capability model
- Differentiated solutions
- Operational excellence

**Operating pre-tax income long-term growth model: 8% to 10%**

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Our model combines revenue growth with margin expansion

2015 Roadmap Commitment

Revenue Growth
- Service Line Transformation
- Smarter Planet
- Business Analytics and Optimization

Margin Expansion
- Delivery Model: >60% in Centers
  - Globally Integrated Capabilities
- Solutions: 2 pts of margin above base
  - Asset deployment
- Operational Excellence: 1 pt of margin
  - Enterprise Productivity
Business Model Transformation aligns us to our Smarter Planet and Business Analytics and Optimization agenda to drive growth.
Smarter Planet solutions provide measurable benefits

**Intelligent Transportation**
- 50 active engagements
- Stockholm – congestion charging, traffic reduced 25%; 4-year payback on $120M investment
- Singapore - predictive analytics, forecasts congestion 30 to 60 minutes in advance

**Smart Grid**
- 60 active engagements
- Closed over $100M in 2010 signings
- Client offerings
  - Strategy: Sempra
  - Automated Metering: Oncor & CenterPoint
  - Grid Operations: Energy Australia
Business Analytics: the leading edge of distinct client value

Services BAO Market Growth 2009 – 2015*

- Consulting Practitioners
  - April 2009 – 4,000
  - 1Q 2010 – 5,000
  - 2Q 2010 (est) – 6,000
- Established BAO University with Software Group
  - Over 7,000 (est.) practitioners to be trained in 2010
  - Over 70,000 (est.) days of 2010 training

BAO Skills Investment

* CGR 2009 through 2015, Source IBM Market Intelligence

Analytics Solutions Centers

- 1,000 practitioners, majority certified for government contracts
  - Located in a secure military facility
- Expertise and offerings for security, defense, energy, healthcare and biometrics
  - Decision support for military commanders
  - Imaging analytics for National intelligence

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Business Analytics: the leading edge of distinct client value
Globally Integrated Capabilities gives access to worldwide talent and improves delivery efficiency

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<tr>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
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<tbody>
<tr>
<td>Focus on hiring in India</td>
<td>Expand beyond India</td>
<td>Common process, methods &amp; tools</td>
<td>Globally aligned governance model</td>
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<tr>
<td></td>
<td>Specialization by industry, domain and technology</td>
<td>Specialized competencies</td>
<td>Integrated industry &amp; domain capability</td>
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<tr>
<td></td>
<td></td>
<td>Higher asset content</td>
<td>Integrated resource capacity management</td>
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<td></td>
<td>Globally deployable assets and talent</td>
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<td><strong>Centers of Competence</strong></td>
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<tr>
<td></td>
<td>&lt; 27%</td>
<td>36%</td>
<td>40%</td>
<td>50+ %</td>
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Globally Integrated Capability Model drives margin expansion

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Asset deployment drives client value and margin expansion

Client Value
- Fraud and Abuse Management System (FAMS)
- Corporate Brand and Reputation Analysis (COBRA)

Quality
- Discovery
- Test Planning & Optimization
- Advanced Estimation
- Client Touchpoint Models

Productivity
- Solution Workbench
- Application Assembly Optimization
- Asset Hub

Further opportunity to drive productivity with improved quality
Operational excellence from superior project management using predictive analytics

**Client Benefits**
- Increased satisfaction with project execution
- On-time delivery
- Achievement of business result

**IBM Benefits**
- Early identification of project complexity
- Proper alignment of talent
- Margin improvement
Integrating IBM for Smarter Retail in China

Smart Retail

Growth Markets

SUNING

Consulting & Application Management Services
Global Business Services Summary

- Revenue growth from Business Analytics and Optimization, Smarter Solutions, Cloud and Growth Markets
- Margin improvement through distinct high value services and solutions
- Operational excellence from superior project management and enterprise productivity
- Continue build out of our globally integrated capabilities
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