IBM Investor Briefing 2021

Introduction

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Patricia Murphy
Vice President, Investor Relations

IBM

IBM Investor Briefing 2021 Agenda

Strategic Overview	**Arvind Krishna,** Chairman and Chief Executive Officer
Software Red Hat Software	**Paul Cormier,** President and Chief Executive Officer, Red Hat **Tom Rosamilia,** Senior Vice President, Cloud and Cognitive Software
Consulting	**Mark Foster,** Senior Vice President, Global Business Services **Kelly Chambliss,** Senior Vice President, Americas and Strategic Sales, Global Business Services **John Granger,** Senior Vice President, Hybrid Cloud Services and Chief Operating Officer, Global Business Services
Infrastructure	**Ric Lewis,** Senior Vice President, Systems
Financial Model	**James Kavanaugh,** Senior Vice President and Chief Financial Officer
Q&A	**All presenters**

Forward-looking statements and non-GAAP information

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. Except as required by law, the company assumes no obligation to update or revise any forward-looking statements. These charts and the associated remarks and comments are integrally related and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding IBM's historical results and forward-looking financial information on a continuing operations basis, as determined by generally accepted accounting principles (GAAP), these materials contain non-GAAP financial measures, specifically 2020 free cash flow as well as a post-separation modeled free cash flow estimate.

Within this presentation and speaker materials, all references to forward-looking information are estimated on a continuing operations basis, subsequent to the classification of Kyndryl as a discontinued operation upon its separation expected to occur by the end of the year. Currency rate fluctuations are not factored into mid-term model revenue growth rates.

The company is unable to provide, without unreasonable efforts, certain forward-looking information as determined by GAAP, including expectations for free cash flow.

The rationale for management's use of non-GAAP information is included in Exhibit 99.2 to the company's Form 8-K furnished with the SEC on October 4, 2021. The reconciliations of these non-GAAP financial measures to GAAP are included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation.

Strategic Overview

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Arvind Krishna
Chairman and Chief Executive Officer

IBM

Creating shareholder value through growth

Optimizing portfolio to drive sustainable mid-single digit revenue growth
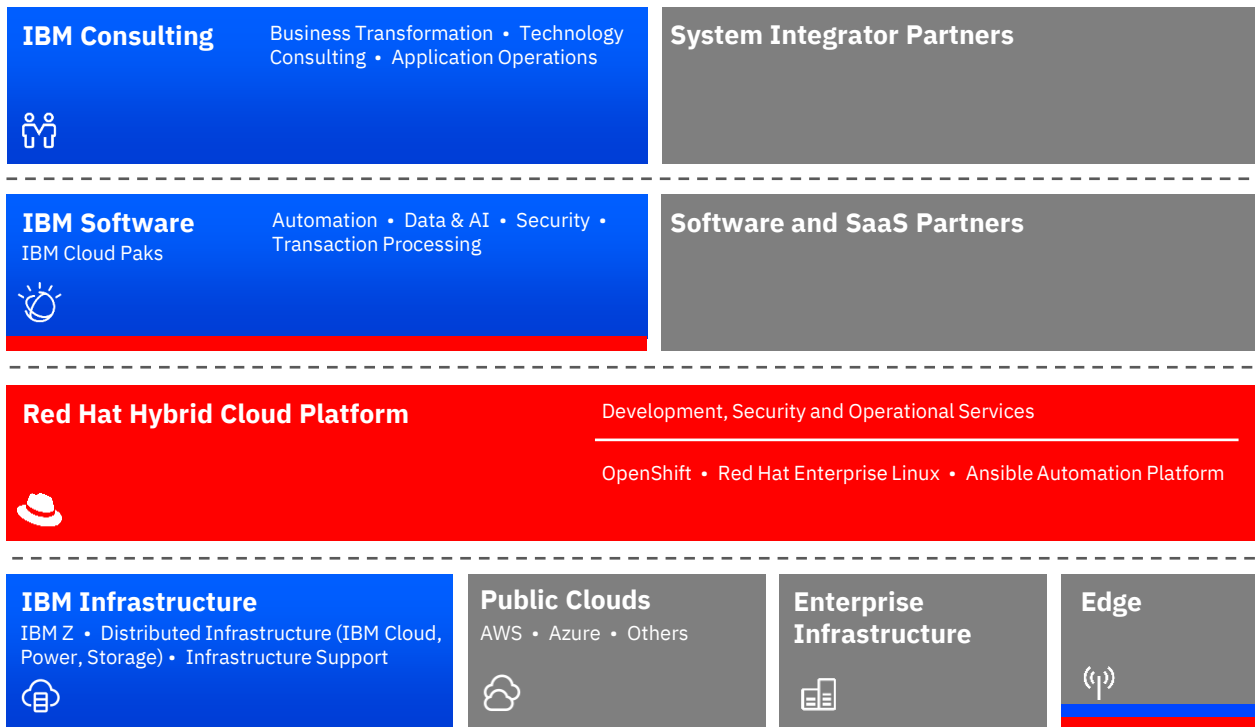
1

Increasing focus and agility to better serve clients

2

Generating $35B of free cash flow over the next 3 years to enable investments

3

IBM's hybrid cloud and AI platform approach

IBM Consulting — Business Transformation • Technology Consulting • Application Operations

System Integrator Partners

IBM Software
IBM Cloud Paks — Automation • Data & AI • Security • Transaction Processing

Software and SaaS Partners

Red Hat Hybrid Cloud Platform — Development, Security and Operational Services

OpenShift • Red Hat Enterprise Linux • Ansible Automation Platform

IBM Infrastructure
IBM Z • Distributed Infrastructure (IBM Cloud, Power, Storage) • Infrastructure Support

Public Clouds
AWS • Azure • Others

Enterprise Infrastructure

Edge

Investments and actions to drive performance

Optimizing portfolio

Increasing investments

Simplifying go-to-market model

Expanding ecosystem

Aligning incentives to growth priorities

Advancing culture and growth mindset

IBM   8

Creating shareholder value through growth

Optimizing portfolio to drive sustainable mid-single digit revenue growth

1

Increasing focus and agility to better serve clients

2

Generating $35B of free cash flow over the next 3 years to enable investments

3

Software

—

Red Hat
Paul Cormier
President and Chief Executive Officer, Red Hat

Software
Tom Rosamilia
Senior Vice President, Cloud and Cognitive Software

IBM

Red Hat

—

Paul Cormier

President and Chief Executive Officer, Red Hat

Red Hat is the world's leading provider of open source enterprise IT solutions

More than

94%

of the Fortune 500 use
Red Hat
products and solutions[1]

175

Global reach through IBM
countries of operation

Red Hat was the
first and only

multi-billion

open source company
in the world[2]

Be the trusted choice for customers and partners by delivering the open hybrid,
multi-cloud powered by an open organization

Hybrid, Multi-Cloud Evolution

Yesterday-Today-Tomorrow

Private Datacenter to Public Cloud

DATACENTER-CENTRIC IT

Today-Tomorrow

Public Cloud to Hybrid Cloud and Multi-Cloud

SERVICES-CENTRIC SOLUTIONS

Future

Hybrid, Multi-Cloud extends to Enterprise Edge Infrastructure

SERVICES ON DISTRIBUTED EDGE

Red Hat Strategy

Delivering the hybrid, multi-cloud via consistent platforms and services on every footprint

Empower and Enable developers, operators, and partners

Red Hat addresses the challenges of Hybrid, Multi-Cloud

Hybrid, Multi-Cloud Architectures

95% of customers have **both public and private** cloud environments installed

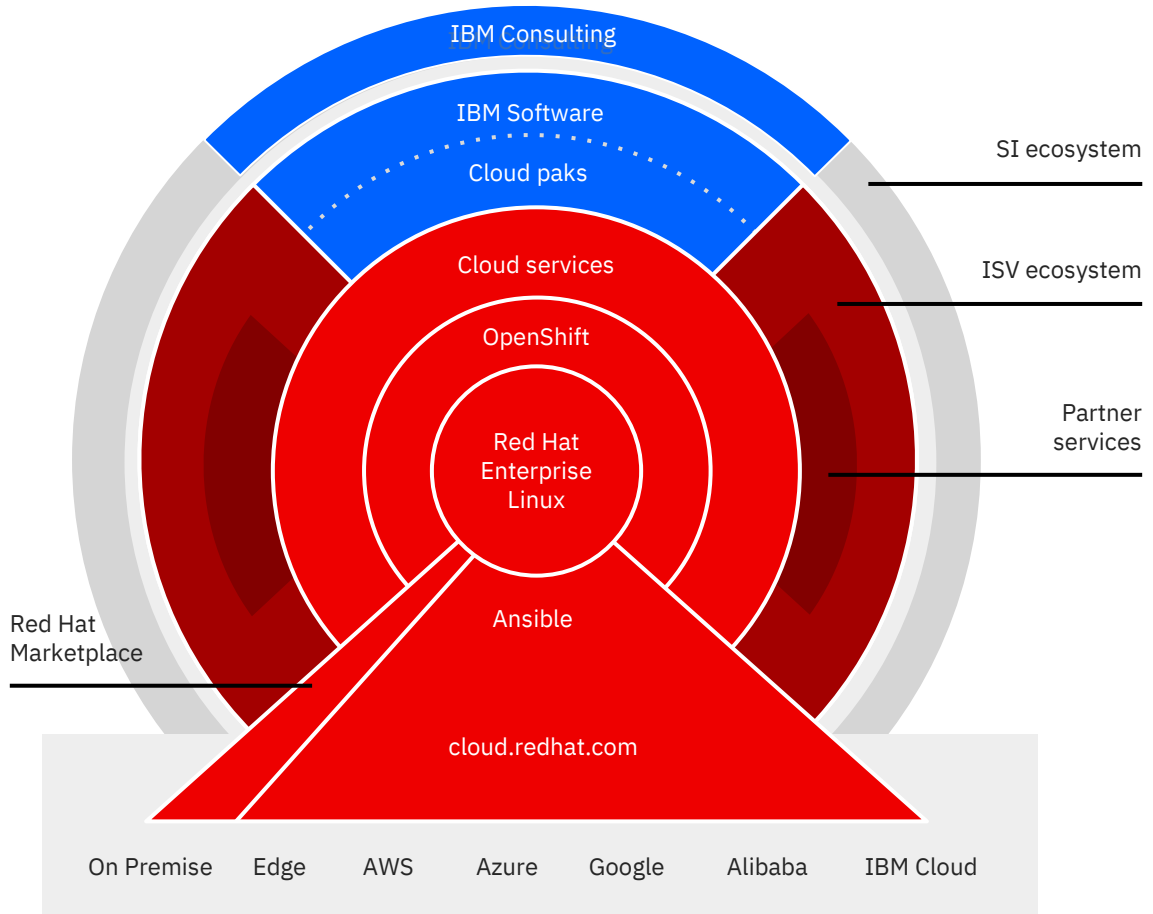**2.6** avg. number of **public** clouds being used by organizations

2.7 avg. number of **private** clouds being used by organizations

Challenges and Red Hat Value

Compliance & Security ⟫ **Certified** and **compliant** Platform, Kubernetes and Linux native **security**, decades of proof

App Modernization & Migration ⟫ Platform **consistency**, Linux **heritage, ecosystem** access, developer affinity

Management ⟫ **Cloud.redhat.com**, Ansible, orchestration, observability, telemetry, subscription value

Developer Experience ⟫ Uniform **tool/workflow/experience** and integration, resources and **services** access

Required Skills ⟫ Automation, **managed cloud services**, professional services, **Platform consistency**

Vendor Lock-in ⟫ Platform **ubiquity, open source**

We are making hybrid, multi-cloud consumable, in the same way we made operating system consumable with RHEL in the early 2000s

Building hybrid, multi-cloud on OpenShift and with partners

IBM Consulting

IBM Software

Cloud paks

Cloud services

OpenShift

Red Hat Enterprise Linux

Ansible

cloud.redhat.com

SI ecosystem

ISV ecosystem

Partner services

Red Hat Marketplace

On Premise   Edge   AWS   Azure   Google   Alibaba   IBM Cloud

Red Hat | IBM   15

IBM and Red Hat hybrid, multi-cloud customer success

Schlumberger

Schlumberger's cloud-based solution, built exclusively on Red Hat OpenShift, integrated by IBM Consulting

Enabling Schlumberger customers to deploy on any infrastructure, facilitating compliance with country specific data residency requirements

Red Hat positioned to deploy similar solutions in adjacent market verticals such as industrial and manufacturing automation use cases

Telefónica

Red Hat powered innovation across Telefonica units for Open RAN, Cloud Garden platform, 5G Services deployments; leveraging IBM Cloud Pak for Integration. Solution led by IBM Consulting

Enabling Telefonica's intelligent, open, agile and fully interoperable mobile network, rapidly launching services that can be deployed in any on-prem or cloud environment

Adobe

Adobe Experience Manager 6.5, part of Adobe Experience Cloud, on Red Hat OpenShift and IBM Cloud for Financial Services

Helping companies in regulated industries to deliver more personalized experiences across the customer journey, driving improved engagement, profitability and loyalty

Four objectives to grow customer value and scale the enterprise

Scale Our Core Business

Expanding our reach via digital engagement, ecosystem transformation and achieving synergy and scale with IBM

Extend Red Hat to Cloud Services and Edge

Providing easy to use cloud services and bringing Red Hat's Linux expertise to markets being transformed at the edge

Evolve Customer Success

Ensuring consistent, focused, repeatable lifecycle engagement that drives optimal customer outcomes

Foster Our Open, Inclusive Culture

Creating the best place to make a difference together through increasing organizational capabilities and strengthening our open, inclusive culture

Red Hat Summary

☑ Red Hat uniquely positioned to capture the significant hybrid, multi-cloud opportunity, extending to Edge

☑ Aligned execution into the opportunity across Red Hat, with a maniacal focus on customer success

☑ Delivering high teens revenue growth, accelerated by leveraging partner ecosystem, industry partnerships, and scale with IBM

Software

—

Tom Rosamilia
Senior Vice President, Cloud and Cognitive Software

IBM

IBM Software incumbency establishes a strong foundation for growth

65%+

of Fortune 100 rely on IBM WebSphere

40,000+

Watson client engagements

77%

of Gartner Magic Quadrants feature IBM software in Leadership or Challenger positions
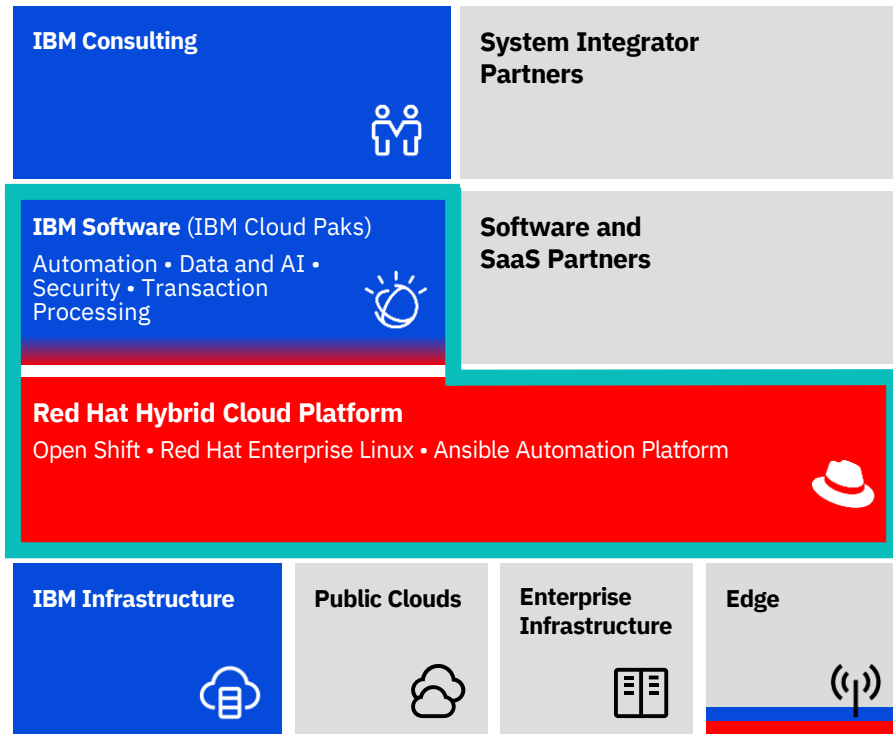
20

industries are modernizing applications with IBM Cloud Paks

150B+

security events managed per day by IBM Security services

Software's role in IBM's Strategy

IBM Consulting	System Integrator Partners

IBM Software (IBM Cloud Paks) Automation • Data and AI • Security • Transaction Processing	Software and SaaS Partners

Red Hat Hybrid Cloud Platform
Open Shift • Red Hat Enterprise Linux • Ansible Automation Platform

IBM Infrastructure	Public Clouds	Enterprise Infrastructure	Edge

- Help clients address need for flexible deployment with software built on Red Hat to maximize value for hybrid cloud

- Commercialize innovation together with IBM Research

- Deliver innovative and pre-integrated capabilities via IBM Cloud Paks for consistent client experience

- Help clients get highest value from data and automation with AI

- Extend value of portfolio via partner ecosystem

Investing in software capabilities to architect our clients' complex digital transformations

Predict

Empower data-driven decisions and predictability by connecting the right data to the right people at the right time, infusing AI throughout the business

Automate

Make tasks and experiences more productive with AI-driven intelligent workflows that enable people to reclaim more time for higher value activities

Secure

Create a risk-aware, secure business by gaining real-time threat insights, orchestrating actions and automating responses across all touchpoints

Modernize

Achieve greater business agility with IT and apps that are responsive, open and easily consumed anywhere they are needed

...all infused with Watson AI and built on Red Hat OpenShift

Focused on growth in the most innovative areas

Predict

Intelligent Data Fabric to predict outcomes in a complex and siloed data landscape

Data Fabric Opportunity* $7.6B, cloud growing at 27% CAGR

Automate

Achieving scale through **intelligent automation and AIOps**

Automation Software Opportunity* $98B growing at 17% CAGR

Secure

Zero Trust to secure everything

Zero Trust Opportunity* $23B growing at 19% CAGR

Modernize

Delivered via **Cloud Paks on Red Hat OpenShift** across hybrid cloud environments

Vast install base of clients needing help to modernize

Predict outcomes with data fabric

A **data fabric** is the one architectural approach that can address the extreme levels of diversity, distribution, scale and complexity in today's siloed data landscapes

IBM Cloud Pak for Data

Associated Bank   ING 🦁

New Data Fabric innovations enable clients to:

Collect Data

Analyze Data

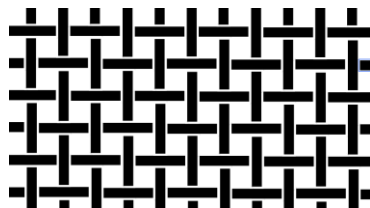Organize Data

Infuse AI

Leave data where it is, wherever it resides across hybrid, multi-cloud environments

Key Differentiators

Speed and Cost
Industry's fastest data warehouse – up to 8x faster at nearly ½ the cost

Productivity
AutoSQL automates access to, integration and management of data

Automation
AutoCatalog uses AI to automate how data is discovered and classified

Privacy
AutoPrivacy uses AI to automate identification, monitoring and enforcing of policies on sensitive data

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Automate at scale with AI

Automation empowers people to focus on higher value activity, improves experiences and speed business outcomes

IBM Cloud Pak for Business Automation

IBM Cloud Pak for Watson AIOps

INSTANA — Application Performance Monitoring

turbonomic — Application Resource Monitoring

sol

gm FINANCIAL

Addressing client pain points with AI-driven Automation

Reduce customer service disruptions

Reduce supply chain challenges

Improve IT service management

Reduce time from procure to pay

Reduce risks, protect against threats

End-to-End Capabilities
Most comprehensive AI-driven automation capabilities for business processes and IT

Process mining and modeling
Observed to drive 90% improvement in process efficiency on average

Robotic Process Automation (RPA)
Can deliver 80% reduction in repetitive task on average

Operational Intelligence
AI with recommended actions for continuous optimization

IBM 25

Secure everything with Zero Trust

IBM delivers an open, modern **Zero Trust** approach, with security around every user, every device, every connection — every time.

IBM Cloud Pak for Security

2/3 rd

of the world's 500 largest companies employ IBM Security offerings

THE PORT
OF LOS ANGELES

Align security strategy to the business to drive better understanding, quantification and management of risk and compliance

Protect digital users, assets and data – to address data sprawl, thousands of access points, many disparate security tools, all in an increasingly remote work environment

Manage defenses against 200K security events per day on average for each client

Modernize security to unify disconnected security tools and data across hybrid multi cloud environments

Deep Expertise
8K global security experts, 19K clients; 10K+ patents

AI-Driven Technology
AI and ML embedded throughout the portfolio

Open Platform
Cloud Pak for Security built on Red Hat OpenShift

Largest Ecosystem
3K partner integrations and 100+ strategic partners

Industry Leadership
Top ranked in 14 unique analyst leadership reports

Modernize and Innovate with Cloud Paks

IBM Cloud Paks
AI-powered software designed to enable modularity, customization, ease of deployment, integration and management, built on Red Hat OpenShift to run anywhere.

40%

Of Fortune 500 companies have purchased IBM Cloud Paks

Telefónica Tech

TD Ameritrade

GRUPPO HERA

Cloud Paks for

Business Automation	Network Automation	Data	Security	Integration	Watson AIOps

Pre-integrated data, automation and security capabilities

Red Hat OpenShift

Run Anywhere
Run cloud-native / cloud-ready applications across hybrid, multi-cloud environments

Pre-Integrated
Bundled suite of domain-specific capabilities with pre-integrated data, automation and security services

Open and customizable
Ability to extend and customize via IBM's partner ecosystem

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Driving client value and IBM growth

Predict

Thousands of customer call compliance audits handled per month with 90% accuracy

Automate

15% improvement in resource utilization by automating VM placement with Turbonomic

Secure

300% reduction in false positive alerts

Modernize

15 weeks to a new check-in solution connecting 12 major systems

Software's Investment Priorities

Key innovations in our products and services together with IBM Research

Acquisitions to scale capabilities in automation, data and AI, security and hybrid cloud capabilities

Strategic partnerships to expand the reach of key solutions together with other leading products

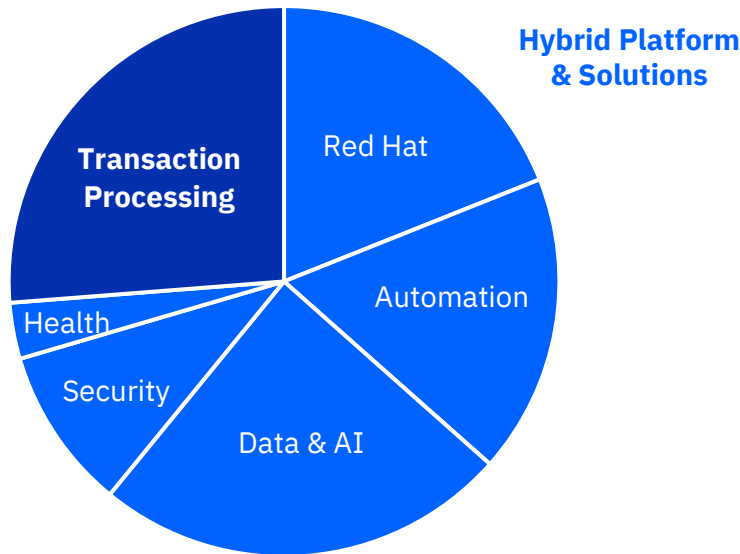**Modern Cloud Pak solutions** to build once and run anywhere

Go-to-market focus on technology expertise and experiential selling

Client Success Managers to support adoption and deployment of hybrid cloud and AI solutions

Our Path Forward

Software Revenue

Mid-term model:
Mid-single digit revenue growth

Double-digit growth in hybrid cloud opportunity for Software

38% TTM Hybrid Cloud revenue growth

3,200 clients on IBM hybrid cloud platform

4 pts software revenue growth driven by Red Hat

Continued strength across Security software and services

~80% recurring revenue base with strong renewal rates

IBM Software Summary

☑ Software core to clients' digital transformation

☑ Focus on key growth areas including Red Hat, data fabric, automation and security

☑ Deliver Cloud Paks with domain-specific and AI capabilities to accelerate application modernization

☑ Maximize the value of applications, business processes, and data across secure hybrid multi-cloud environments via IBM Software and Research innovations

☑ Drive adoption through strong strategic partnerships, go-to-market investments and a focus on client success

Consulting

—

Mark Foster
Senior Vice President, Global Business Services

Kelly Chambliss
Senior Vice President, Americas and Strategic Sales, Global Business Services

John Granger
Senior Vice President, Hybrid Cloud Services and Chief Operating Officer,
Global Business Services

IBM

IBM Consulting is a leading player in the growing global consulting sector

140K

Highly skilled professionals in over 150 countries

80K

Cloud and enterprise application experts

15K

Enterprise strategy and business design professionals

>40

Leader rankings in analyst reports across our business transformation portfolio
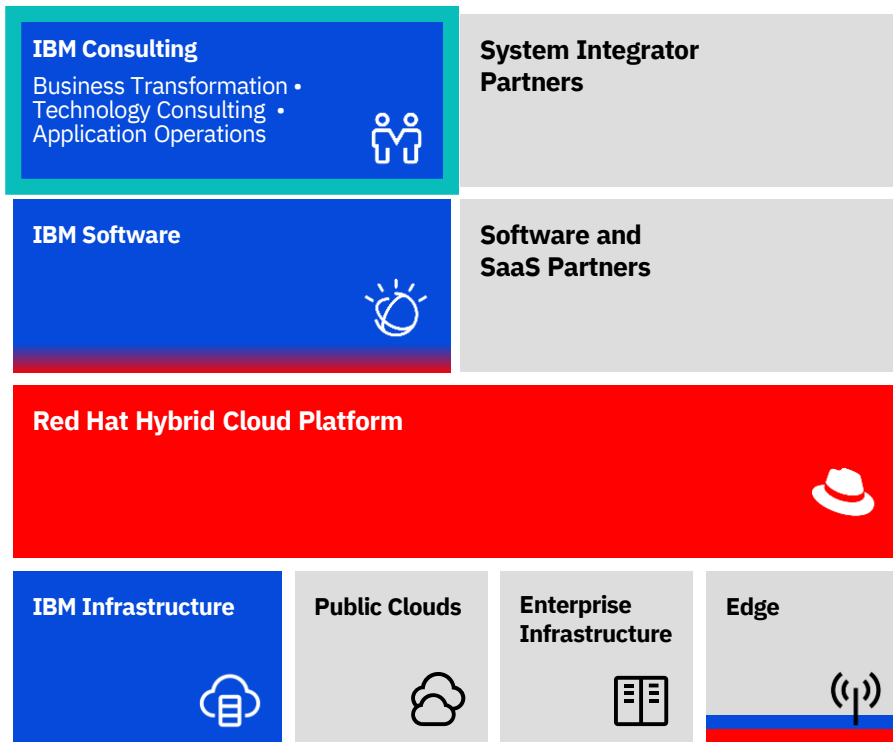
100%

Of Top 10 banks, telecoms, national governments, automotive companies, insurers and healthcare companies are clients

#1

in Execution quality for Hyperscaler Cloud Service Providers*

Consulting's role in IBM's Strategy

IBM Consulting Business Transformation • Technology Consulting • Application Operations	**System Integrator Partners**
IBM Software	**Software and SaaS Partners**

Red Hat Hybrid Cloud Platform

IBM Infrastructure	Public Clouds	Enterprise Infrastructure	Edge

- Leading player in the growing global consulting sector

- C-suite thought leadership on industry digital transformation and technology

- Trusted partner for client digital transformation journeys

- Pull through IBM technology with hybrid cloud platform and AI adoption

- Strategic partnerships with fast growing global players

- IBM Research and innovation accelerate client business outcomes

Client Imperatives

Growth

Cost Reduction

Productivity

Talent

Agility

Innovation

Compliance

Sustainability

Security

Market Opportunities

1

Digital Transformation Journey Acceleration and Pervasiveness

2

Need for Business Transformation Execution Vehicles and Trusted Partners

3

Massive Hybrid Cloud and AI Technology Enablement at Scale

Power of IBM Consulting

Business Transformation

- ✓ **End-to-end Strategy, Experience, Process, BPO, ERP and Data aligned to Buyer Domains –** Customer, Finance & Supply Chain, Talent, Core Industry Workflows

- ✓ **Deep Strategic Partnerships with "backbone" ISVs** – SAP, Adobe, Salesforce, Workday, ServiceNow

- ✓ **Deep Alliance with IBM Software** – Maximo, Sterling, Watson

- ✓ **Data & AI** @ Scale and Essentials Platform

Technology Consulting

- ✓ **End-to-end Cloud** Strategy, Build, Migrate and Modernize

- ✓ **Application Modernization** @ Scale Platforms

- ✓ **Deep Strategic Partnerships with "destination" Cloud Service Providers –** Azure, AWS

- ✓ **Red Hat OpenShift** Architecture & Practice driving IBM's Hybrid Cloud platform adoption

- ✓ **Deep Alliance with IBM Technology** – Cloud Paks, Mainframe Modernization

Application Operations

- ✓ **End-to-end Legacy – Hybrid Cloud** Application Management Network

- ✓ **Multi-Cloud Management**

- ✓ **Data Fabric Management**

- ✓ **Deep Alliance with IBM Technology** – Watson AIOps, IBM Z

- ✓ **Power of Incumbency** to de-risk and accelerate application modernization journeys

Bringing it Together at the Client

Accelerate Industry Business Transformation and Hybrid Cloud Journey

Engage Customers and Citizens

Modernize and Manage Core Business Operations

Transform Talent and the Future of Work

Modernize Multi-Cloud Applications

Manage Multi-Cloud Operations

Modernize Enterprise Data & Scale AI

Executed by IBM Garage
Accelerated through Dynamic Delivery

IBM Technology

Red Hat OpenShift   Cloud Paks
IBM Cloud   Watson AI
Maximo Application Suite   Security Software
Sterling Supply Chain   IBM Quantum

Strategic Partnerships

Adobe   SAP   kyndryl

Microsoft   servicenow

aws   ORACLE   salesforce

IBM Garage

Partnering with our clients to drive results by leveraging modern ways of working to execute on our joint vision...

Co-Create

Enterprise Design Thinking and agile skills and knowledge transfer

Bring together the right people and ecosystem partners to come up with the next big idea

Co-Execute

Purposeful agility and transformation approaches

Embed technology into workflows and prove adoption and business case with a minimum viable product

Co-Operate

Technology that scales through open architectures

Drive market growth and scale proven products, while integrating solutions across channels and geographies

...all while maximizing speed to value through an iterative process

400
New clients
in 1H'21 alone

4,000+
Active garage engagements
in 2021

82
Client NPS

Consulting's Investment Priorities

Continuous hiring and skilling of talent

Acquisitions to scale capabilities in cloud, data, industry and enterprise applications

New offerings and practices to align with key domains of hybrid cloud and intelligent workflows

Assets and platforms to accelerate delivery and drive outcomes quickly

Brand Identity to reinforce our differentiation in the marketplace with key buyers and talent

Strategic partnerships to offer deep industry-specific expertise on Enterprise scale platforms

Driving Client Value with our Strategic Partners

SAP

#1 Certified Global Partner

38,000+ global consultants

SAP Hana on IBM Power

Adobe

Platinum Partner

1,200 certifications

AEM on Red Hat OpenShift

salesforce

Global Platinum Partner

10,000 certifications

AI services with Einstein

kyndryl

#1 Services Integrator partner

1000+ shared client footprint

HR & Talent outsourcing

Microsoft

Gold Partner

20,500 certifications

Azure Red Hat OpenShift (ARO)

aws

Top 3 among GSIs

6,300 certifications

Red Hat OpenShift on AWS

servicenow

Global Elite Partner

1,000+ certifications

Watson AIOps for ServiceNow

ORACLE

35+ year Oracle partner

2,000+ certifications

IBM RapidMove for Oracle Cloud

IBM Consulting in Action: Delta Airlines

As part of its digital transformation, Delta is migrating most of its data and applications to the cloud for improved customer experience and greater efficiency across its business.

90%

Delta will have 90% of its applications and databases in cloud environments by 2024

30%

Delta will achieve 30%+ improvement in development productivity as a result of this transformation

1000+

Delta will have skilled IT experts dedicated to application development, security, and cloud deployment anywhere
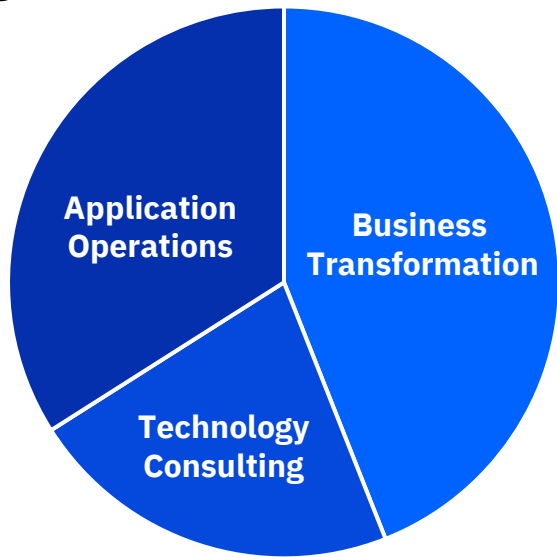
Strategic Elements

– Business transformation to improve passenger experience and flight operations effectiveness

– AWS strategic partnership

– Application modernization

– Cloud migration, build, and operation

– Red Hat OpenShift

– IBM Garage

– Business outcomes in cost reduction, productivity, talent and agility

Our Path Forward

Consulting Revenue

Mid-term model:
High single digit revenue growth

Pie chart segments: Business Transformation, Technology Consulting, Application Operations

Double-digit growth in hybrid cloud opportunity for Consulting

>1.1 book-to-bill over the last 12 months

+20% TTM Hybrid Cloud revenue growth

Investing in skills, acquisitions, and ecosystem partners

~2 pts acquisition contribution

70% managed services clients choose IBM for transformation work

IBM Consulting Summary

☑ Partner to drive global industry transformations and develop technology-led business strategies

☑ Deliver client value with skills and offerings in the highest growth markets of hybrid cloud and intelligent workflows

☑ Pull through IBM technology and establish IBM's hybrid cloud platform

☑ Scale impact with deep ecosystem partnerships

IBM **Consulting**

Strategy

Experience

Technology

Operations

Infrastructure

—

Ric Lewis
Senior Vice President, Systems

IBM

IBM Infrastructure's expansive install base runs today's digital economy

45

of the world's top 50 largest banks run on IBM Z

20K

clients run IBM Power

94%

of the Fortune 50 companies use the IBM Cloud

19B

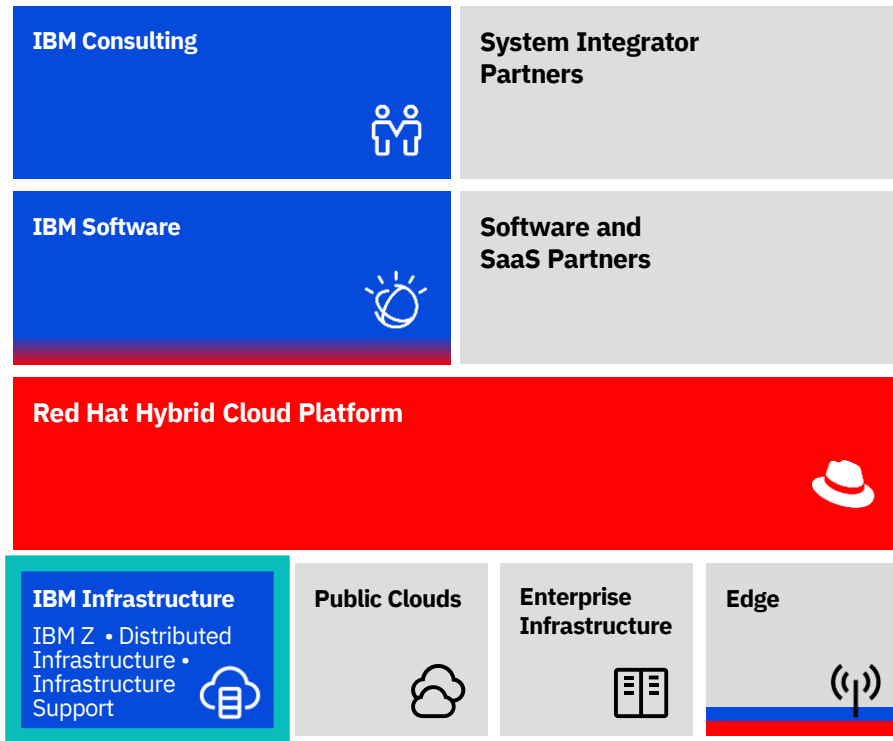fully encrypted transactions can run on an IBM Z system per day

200K

storage all-flash array systems deployed worldwide

77K

Infrastructure Support clients

Infrastructure's role in IBM's Strategy

IBM Consulting	**System Integrator Partners**
IBM Software	**Software and SaaS Partners**

Red Hat Hybrid Cloud Platform

IBM Infrastructure IBM Z • Distributed Infrastructure • Infrastructure Support	**Public Clouds**	**Enterprise Infrastructure**	**Edge**

IBM Infrastructure and support provide trusted, agile and secure solutions for hybrid cloud

IBM Z is the premier transaction processing platform with leading security, resilience and scale

IBM Infrastructure is optimized for infusing AI into mission-critical transactions

Innovations for cloud-native development are key to application modernization and attracting ecosystem partners

IBM Infrastructure is tightly integrated with IBM Software including Red Hat and Cloud Paks for accelerated hybrid cloud benefits

75%
of global workloads are still on premises

16%
hybrid cloud infrastructure growth - fastest growing area in infrastructure

55%
of enterprises will use hardware integrated AI functions to make real-time decisions by 2024

Sources: BCG, CIO Surveys, IBM MD&I, IDC

Infrastructure innovations deliver differentiated value to IBM clients

Infrastructure in Hybrid Cloud

IBM Z and Distributed Infrastructure are uniquely positioned for hybrid cloud, meeting client demands for scalability, security, and capacity - tightly integrated with Red Hat OpenShift

Artificial Intelligence

Infrastructure is optimized from silicon to applications for new AI insights and business results at speed and scale across the hybrid estate

Regulatory Clouds

IBM Cloud for Regulated Industries is built to solve the complexity of security, compliance, and regulation requirements, globally - for the hybrid, multi-cloud world

IBM Z is essential to hybrid cloud infrastructure and the digital economy

Continuous innovation to an enduring platform...

Enterprise-grade cyber security
Encryption everywhere with 100% data privacy on prem and in the cloud

Cloud-native and capturing new workloads
Build once, deploy anywhere with Red Hat and Cloud Paks

Flexible cloud-like pricing
Scalable infrastructure and pricing tailored to business needs

Cyber resiliency at its core
Continuous service across the hybrid cloud with instant recovery, AI-infused management, workload isolation, and high availability / disaster recovery solutions
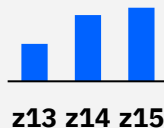
AI Accelerator
On-chip AI accelerator unlocks real-time business insights with AI embedded directly into transactional workloads

...Driving strong business momentum

z13 z14 z15
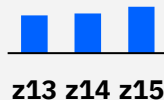
z15 program revenue >100% of z14 through first 2 years of program

z13 z14 z15

Record setting z15 shipped MIPS capacity fueled by Hybrid Cloud, Linux, and digital transformation

2010   2020
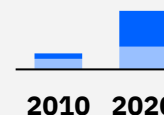
3.5X Installed Capacity growth driven by new workloads providing long-term stability for the Z platform across IBM

3-4x

IBM Z platform drives 3-4x IBM revenue across IBM software, storage and infrastructure support

IBM Infrastructure optimized with AI delivers new insights for business and operations

Business Challenge

– Real-time AI for data at the point of creation

– Fast access to data with "AI anywhere"

– Increasing security concerns across industries

Key Differentiators

– **IBM Telum processor for IBM Z**
  - First processor with on-chip accelerator for AI at scale, leveraging Research innovation
  - Focus on real-time, in-transaction AI inferencing to handle workloads like fraud detection
  - Solves latency, variability and security concerns

– **IBM Power10 processor**
  - Capability for in-core AI inferencing and machine learning
  - Designed and optimized for data intensive workloads, such as SAP HANA

– **IBM Spectrum Scale Storage** ideally suited for delivering scalable solutions for AI
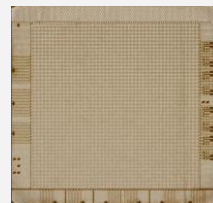
IBM Telum Processor for Z

Significant cloud opportunity exists for Regulated Industries

% of Total Market Workloads on Public Cloud

Total Market — 25%

Financial Services Market — **15%**

(Chart x-axis: 2015, 2016, 2017, 2018, 2019, 2020; y-axis: 0% to 30%)
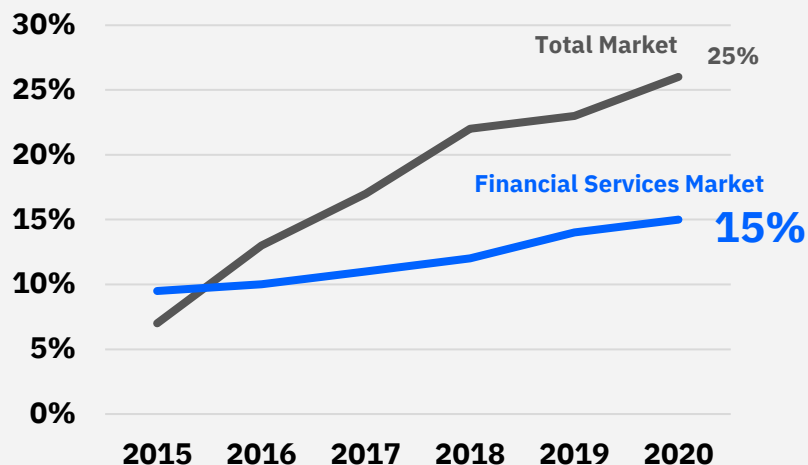
Business Challenge

– Compliance costs continue to rise due to complexity as:

- Regulators consider third parties an extension of financial institution's infrastructure

- Adoption of SaaS models via third parties introduce further risk management and security requirements

– Cloud concentration concerns are increasing with the financial institutions and regulators making a multi-cloud approach more strategic

IBM's hybrid, multi-cloud approach is uniquely positioned to address these cloud service platform architectural challenges

IBM Cloud for Regulated Industries lowers clients' risk and accelerates time to value

Only cloud with solutions tailored for financial services

450+ clients
on Financial Services Cloud

115 leading ISVs on Financial Services Cloud

~80% of all Financial Services software consumption served by ISVs on IBM Cloud

Core Applications

Finxact CORE AS A SERVICE · fiserv. · Infosys | Finacle · infor · SAP · TEMENOS

Financier Markets & Risk

shield. · finclude fi · Crosskey · pdv · TickTrade · VERMEG

Payments

DN Diebold Nixdorf · FIS · HPS · geva GROUP · icon solutions · INTERCOPE

IT Applications

CISCO · MOVIUS · veeam · turbonomic

Data and AI

CLOUDERA · Collibra · C3.ai · DATA SENTINEL

Cybersecurity

baffle · HYTRUST Cloud Under Control · paloalto NETWORKS · TANIUM

Key Differentiators

Maintain Compliance ☑
Pre-configured controls enable continuous compliance

Accelerate Innovation →
Growing ecosystem of ISVs integrated with IBM Framework

Operate with Agility ☁
Run workloads anywhere with Cloud Satellite

Safeguard Data 🛡
Confidential computing

Clients choose IBM for Hybrid Infrastructure

Driving digital technological advancement with BNP Paribas, serving nearly 33 million customers

BNPP and IBM are creating a Financial Institution Platform to meet complex security and regulatory mandates while maintaining a premier client experience for BNPP business lines, like retail and insurance

- Drive technology-enabled innovation through IBM Research, underpinned by IBM Z and IBM Cloud for Financial Services
- Deploy hybrid cloud architecture to manage a variety of data and workloads while maintaining operational excellence
- Link and land BNPP's strategic ISVs on IBM Cloud including SaaS model

Our Path Forward

Infrastructure Revenue

Pie chart segments: Infrastructure Support, IBM Z, Distributed Infrastructure, Hybrid Infrastructure
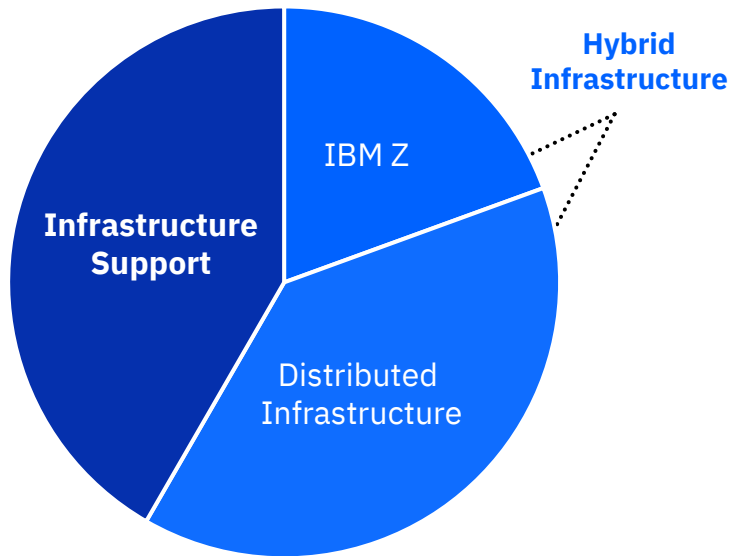
Mid-term model:
Flat revenue growth
(+/- with product cycle)

Double-digit growth in hybrid cloud opportunity for Infrastructure

Capture new workloads and improve IBM Z program-to-program performance with continuous innovation and modernization

Significant opportunity for IBM Cloud for Financial Services given only 15% of workloads on public cloud

Expand Infrastructure Support through integrated client experience with Hybrid Infrastructure

IBM Infrastructure Summary

- ☑ IBM Infrastructure is uniquely optimized for critical workloads enabling clients to thrive in today's digital economy

- ☑ IBM Z is the core enterprise platform where industry leaders are growing deployments of mission-critical business applications and data

- ☑ Innovations in AI at the core drive real-time insights and new business value

- ☑ IBM Cloud well positioned to capitalize on workloads from regulated industries including financial services

- ☑ Infrastructure Support works across technology environments providing a uniquely integrated support experience for clients

Financial Model

—

James Kavanaugh
Senior Vice President and Chief Financial Officer

IBM

IBM's integrated capabilities in a platform-centric model

IBM Consulting

Business Transformation •
Technology Consulting •
Application Operations

System Integrator Partners

Trusted digital transformation partner; drives our hybrid cloud platform adoption and pulls through IBM technology

IBM Software (IBM Cloud Paks)

Automation • Data and AI •
Security • Transaction
Processing

Software and SaaS Partners

Modernized software integrated with our hybrid cloud platform and AI to predict, automate and secure environments

Red Hat Hybrid Cloud Platform

Open Shift • Red Hat Enterprise Linux • Ansible Automation Platform

Industry-leading hybrid, multi-cloud platform built on open source

IBM Infrastructure

IBM Z • Distributed
Infrastructure •
Infrastructure
Support

Public Clouds

AWS • Azure
• Others

Enterprise Infrastructure

Edge

Optimized for the most critical transactional and regulated workloads

Creating value through focus

Aligning operating model to platform-centric business with increased ability to execute
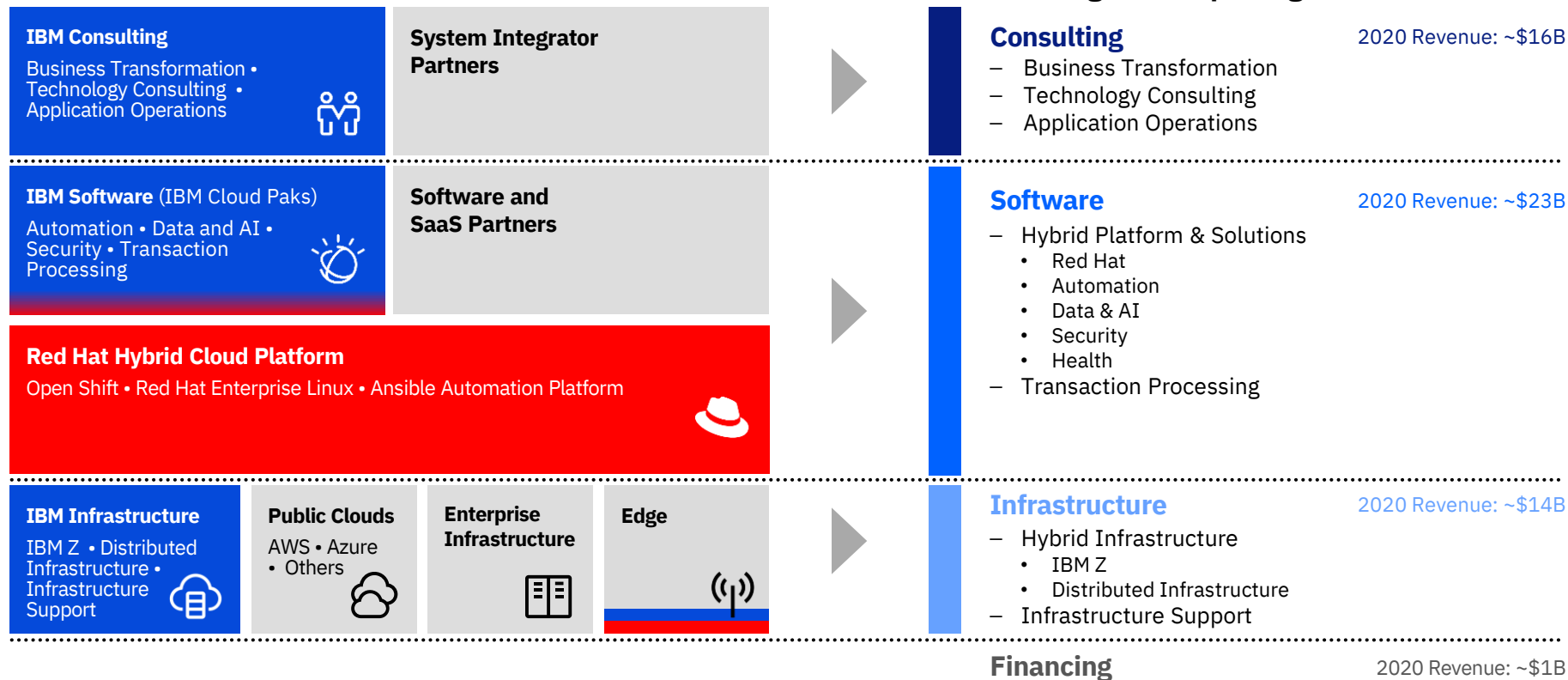
Prioritizing capital allocation to investments for growth with sustained shareholder returns
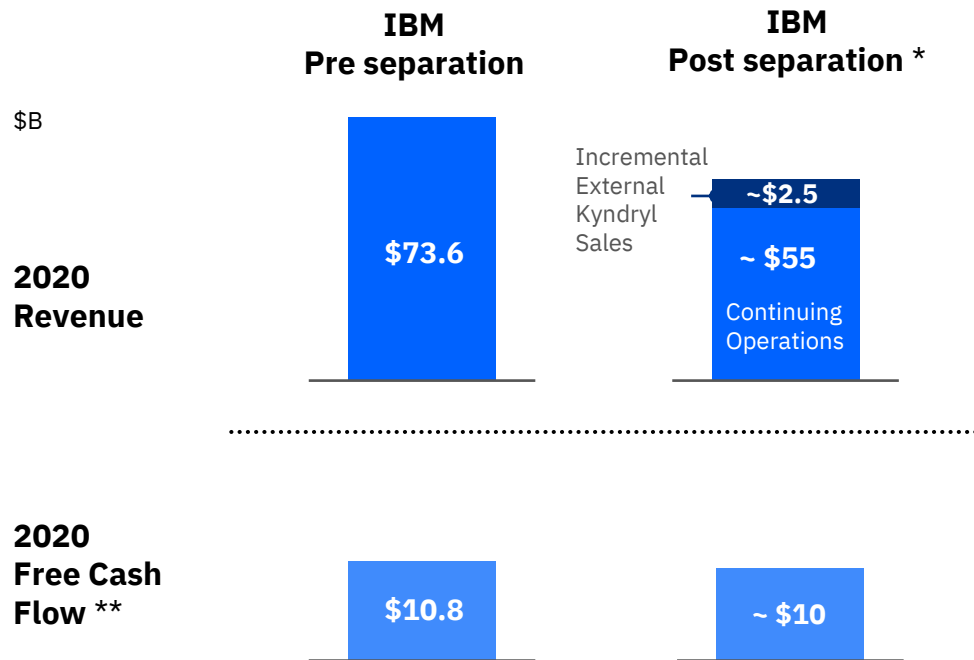
Improving growth trajectory driven by leading hybrid cloud & AI capabilities

Simplified segment reporting aligned to platform-centric model

New Segment Reporting

IBM Consulting
Business Transformation •
Technology Consulting •
Application Operations

System Integrator Partners

Consulting   2020 Revenue: ~$16B
- Business Transformation
- Technology Consulting
- Application Operations

IBM Software (IBM Cloud Paks)
Automation • Data and AI •
Security • Transaction
Processing

Software and SaaS Partners

Red Hat Hybrid Cloud Platform
Open Shift • Red Hat Enterprise Linux • Ansible Automation Platform

Software   2020 Revenue: ~$23B
- Hybrid Platform & Solutions
  - Red Hat
  - Automation
  - Data & AI
  - Security
  - Health
- Transaction Processing

IBM Infrastructure
IBM Z • Distributed
Infrastructure •
Infrastructure
Support

Public Clouds
AWS • Azure
• Others

Enterprise Infrastructure

Edge

Infrastructure   2020 Revenue: ~$14B
- Hybrid Infrastructure
  - IBM Z
  - Distributed Infrastructure
- Infrastructure Support

Financing   2020 Revenue: ~$1B

Note: 2020 segment revenue estimates are presented on a post-separation
Continuing Operations basis, and do not include revenue from incremental external sales to Kyndryl

Focused Hybrid Cloud and AI company post separation

IBM
Pre separation

IBM
Post separation *

$B

Incremental
External
Kyndryl
Sales → ~$2.5

**2020
Revenue**

$73.6

~ $55

Continuing
Operations

**2020
Free Cash
Flow** **

$10.8

~ $10

Increased focus on hybrid cloud platform strategy

Clear trajectory for accelerated revenue and free cash flow growth

Greater financial flexibility to increase investments in technology innovation and skills

* Estimated as of September 2021; Free Cash Flow modeled view
** Free Cash Flow and modeled Free Cash Flow are non-GAAP measures

Superior portfolio mix post separation with greater exposure to growth areas
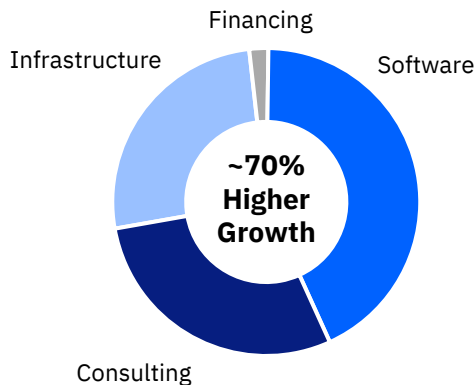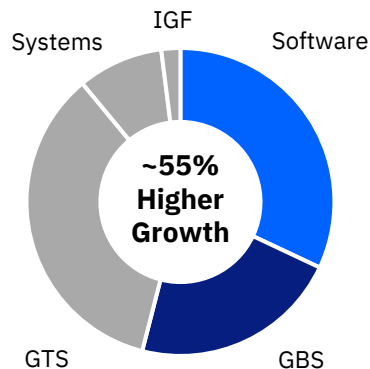
2020 Revenue Mix

Increased mix to higher-growth software and consulting

2020 Recurring Revenue

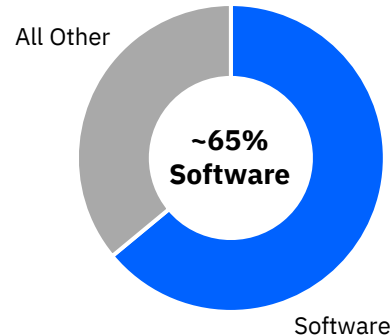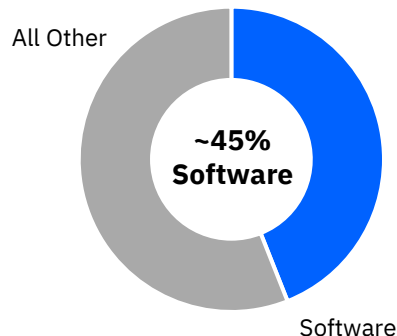IBM maintains >50% of recurring revenue, with a higher-value composition

Pre Separation

Systems | IGF | Software
~55% Higher Growth
GTS | GBS

Post Separation

Infrastructure | Financing | Software
~70% Higher Growth
Consulting

Pre Separation

All Other
~45% Software
Software

Post Separation

All Other
~65% Software
Software

Value creation driven by improved revenue and free cash flow growth

IBM Mid-term Model
(2022– 2024)

Revenue Growth

Mid-Single Digit

~$3B growth/year

Free Cash Flow Growth*

High Single Digit

~$750M growth/year

~$35B cumulative free cash flow

Sustainable mid single-digit revenue growth supported by significant actions to accelerate change

	Mid-term Model **Revenue Growth**	Mid-term Model **Points Contribution**
Consulting	**High Single Digit**	**2 pts**
Software	**Mid-Single Digit** including Red Hat high-teens growth	**3 pts** Including 2 pts from Red Hat
Infrastructure	**~ Flat** (+/- with product cycle)	**+/- 1 pt**

Ability to Execute

- Platform-centric business model
- Redesigned go-to-market and incentive structures
- Expanding ecosystem
- Delivering emerging technologies
- Contribution from M&A
- Optimized capital structure for hybrid cloud & AI investments

Key performance metrics provide enhanced transparency

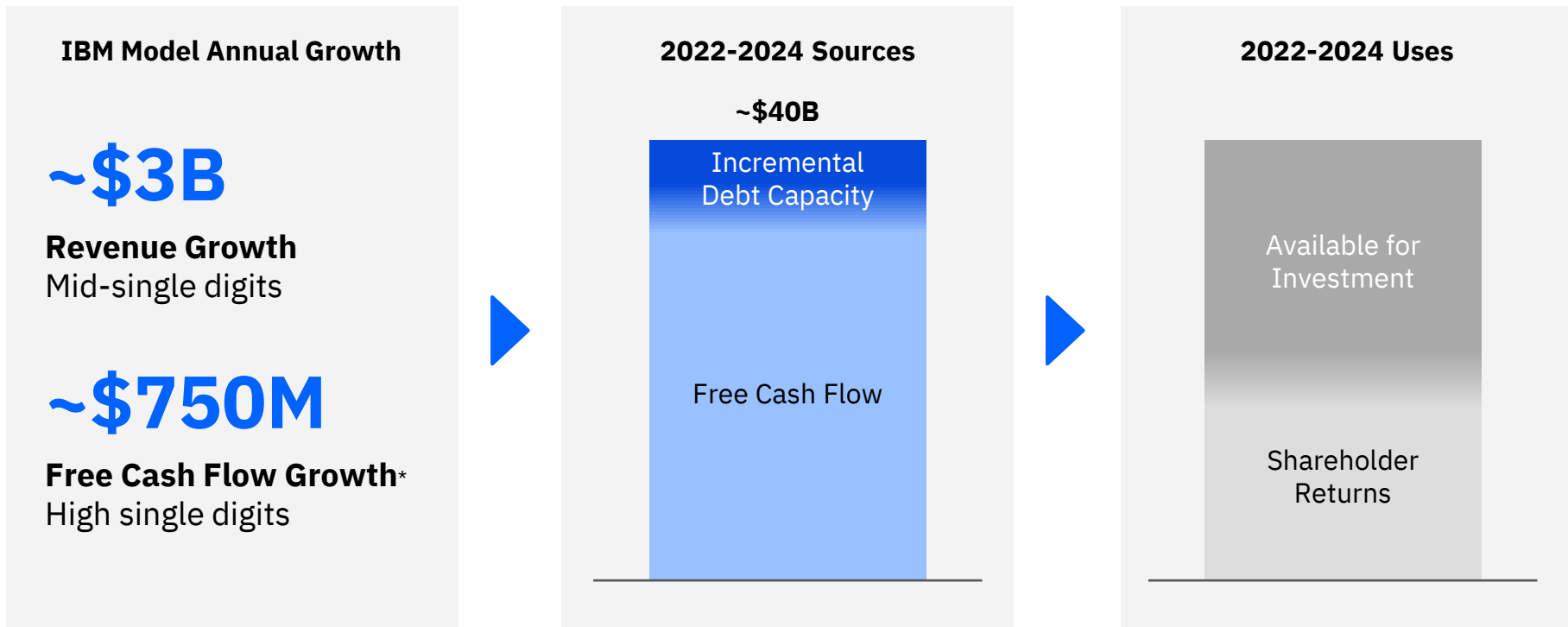|	Mid-term Model **Revenue Growth**	**Performance Metrics**	
Consulting	**High Single Digit**	− Hybrid Cloud Revenue − Signings − Book-to-Bill	− Service line growth − Hybrid cloud platform engagements − Human capital metrics
Software	**Mid-Single Digit** including Red Hat high-teens growth	− Hybrid Cloud Revenue − Annual Recurring Revenue	− Net Retention Rate − Hybrid cloud platform clients
Infrastructure	**~ Flat** (+/- with product cycle)	− Hybrid Cloud Revenue	− Product cycle performance

External relationship with Kyndryl adds three points of one-time revenue growth in 2022 above mid-term model

Segment	Type of Kyndryl Purchases	2022 Net Yr/Yr Revenue Contribution	IBM Points of Growth	Segment Points of Growth
		~$2B	~3 pts	
Consulting	Business Transformation, Technology Consulting, Application Operations	--	--	--
Software	Red Hat, Automation, Data & AI, Security, Transaction Processing	~$2B	~2 pts	~6 pts
Infrastructure	IBM Z, Distributed Infrastructure, Infrastructure Support	<$0.5B	~1 pt	~2 pts

IBM 65

Higher-value portfolio mix drives margin expansion and cash flow growth

	Mid-term Model **Revenue Growth**	Mid-term Model **Pre-tax Profit Margin**	Mid-term Model **Contribution to Cash Growth**
Consulting	**High Single Digit**	**Low Teens**	**~25%**
Software	**Mid-Single Digit** including Red Hat high-teens growth	**Approaching 30%**	**~75%**
Infrastructure	**~ Flat** (+/- with product cycle)	**Mid Teens**	**Stable cash generation**

Strong free cash flow generation enables incremental financial flexibility

IBM Model Annual Growth

~$3B
Revenue Growth
Mid-single digits

~$750M
Free Cash Flow Growth＊
High single digits

2022-2024 Sources

~$40B

Incremental Debt Capacity

Free Cash Flow

2022-2024 Uses

Available for Investment

Shareholder Returns

＊ Free Cash Flow is a non-GAAP measure

Capital allocation supports investment for growth and attractive shareholder returns

2022-2024 Uses

Available for Investment

Shareholder Returns

Reinvesting our growth

- Hybrid cloud & AI Leadership

- Emerging technologies

- Ecosystem

Attractive shareholder returns with initial combined dividend expected to be no less than at time of separation

Manage our capital structure in support of our single-A credit rating

Creating shareholder value through growth

↗ **Sustainable mid-single digit revenue growth, with superior business mix**

$ **~$35B of cumulative free cash flow generation over the mid-term horizon**

⊟ **Simplified structure with improved ability to execute and increased transparency**

Q&A

Arvind Krishna
Chairman and Chief Executive

Paul Cormier
President and Chief Executive Officer, Red Hat

Tom Rosamilia
Senior Vice President, Cloud and Cognitive Software

Ric Lewis
Senior Vice President, Systems

James Kavanaugh
Senior Vice President and Chief Financial Officer

Mark Foster
Senior Vice President, Global Business Services

Kelly Chambliss
Senior Vice President, Americas and Strategic Sales, Global Business Services

John Granger
Senior Vice President, Hybrid Cloud Services and Chief Operating Officer, Global Business Services

IBM
Investor
Briefing
2021

Our Path Forward

Leveraging a Strong Foundation

- Hybrid cloud platform and AI leadership
- Heritage of innovation and R&D excellence
- Large enterprise and industry expertise

Improved Growth Profile

- Aligned to high growth market opportunities
- Superior portfolio mix
- Operating leverage opportunity
- Strong cash generation

Operating Model Alignment

- Simplified platform-centric business model with new segmentation
- Additional transparency into segment trends and performance indicators

Increased Ability to Execute

- Leveraging simplified go-to-market
- Expanding partner ecosystem
- Delivering emerging technologies
- Contribution from M&A

Prioritized Capital Allocation

- Investing for growth
- Attractive return to shareholders
- Strong balance sheet and liquidity

Creating shareholder value through growth

Non-GAAP Supplemental Materials
Reconciliation of IBM Free Cash Flow and Modeled Free Cash Flow

	Year ended December 31, 2020
Net Cash from Operations per GAAP	**$18.2**
Less: change in Global Financing (GF) Receivables	4.3
Capital Expenditures, Net	(3.0)
Free Cash Flow	**$10.8**
Less: Kyndryl Modeled Free Cash Flow*	0.7
IBM Modeled Free Cash Flow	**~$10**

$ in billions

*See following slide for the reconciliation of Kyndryl Modeled Free Cash Flow to the most directly comparable GAAP measure.

The above reconciles the non-GAAP financial information contained in the "Financial Model" presentation of the IBM Investor Briefing. For additional information on the use of these non-GAAP financial measures, see exhibit 99.2 included in the company's form 8-K furnished with the SEC on October 4, 2021.

Non-GAAP Supplemental Materials
Reconciliation of Kyndryl Free Cash Flow and Modeled Free Cash Flow

	Year ended December 31, 2020
Net Cash from Operations per GAAP	**$0.6**
Capital Expenditures, Net	(0.9)
Free Cash Flow	**($0.3)**
New Commercial Pricing Arrangements and Contract Scope Changes*	0.5
Shared Services (Corporate Overhead)**	0.6
Kyndryl Modeled Free Cash Flow	**$0.7**

$ in billions

* Primarily reflects the impact of new commercial pricing arrangements that Kyndryl and IBM have entered into or will enter into prior to the Spin-Off applied to historical purchases of goods and services from IBM as well as the net impact of incremental customer contracts and services offerings being transferred to Kyndryl from IBM that were not historically managed by Kyndryl and specific customer contracts being retained by IBM.
**Reflects the net reduction in costs for corporate overhead, primarily due to a flatter cost structure as Kyndryl becomes a stand-alone public entity. If Kyndryl decides to reduce resources or invest more heavily in certain areas in the future, that will be part of its discretionary future decisions and have not been included in this calculation.

Kyndryl Free Cash Flow and Modeled Free Cash Flow are non-GAAP measures. For additional information on these non-GAAP financial measure, see exhibit 99.2 included in the company's form 8-K furnished with the SEC on October 4, 2021.

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