What we see shifting: Competitive advantage will be created through data and analytics, business models will be shaped by cloud, and individual engagement will be powered by mobile and social technologies.

Therefore, IBM is making a new future for our clients, our industry and our company.

This is how.

The IBM Strategy.

01

We are making markets by transforming industries and professions with data.

02

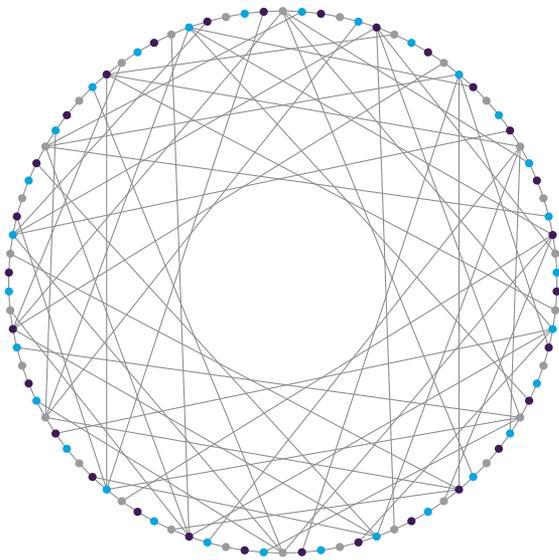**We are remaking enterprise IT for the era of cloud.**

03

We are enabling systems of engagement for enterprises. And leading by example.

01 **We are making markets by transforming industries and professions with data.**
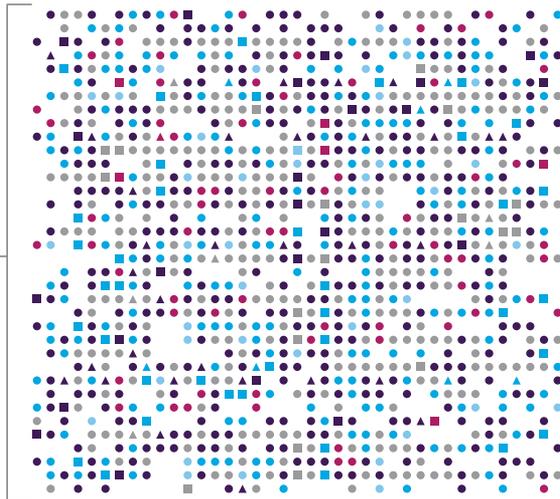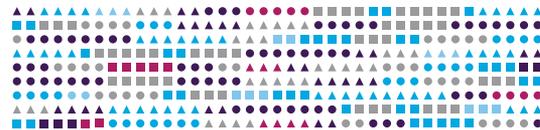
WHAT WE SEE SHIFTING:

Data is becoming the world's new natural resource.

Today, every discussion about changes in technology, business and society must begin with data. In its exponentially increasing volume, velocity and variety, data is becoming a new natural resource. It promises to be for the 21st century what steam power was for the 18th, electricity for the 19th and hydrocarbons for the 20th.

1 trillion

connected objects and devices on the planet generating data by 2015

2.5 billion

gigabytes of data generated every day

80%

of the world's data is unstructured. Audio. Video. Sensor data. Social media. All represent new areas to mine for insights.

OUR POINT OF VIEW:

Data is the new basis of competitive advantage.

Leaders will:

Drive business outcomes by applying more sophisticated analytics across more disparate data sources in more parts of their organization.

Capture the time value of data by developing "speed of insight" and "speed of action" as core differentiators.

Change the game in their industry or profession with cognitive capability.

THEREFORE:

We have built the world's broadest and deepest portfolio in data and analytics.

$24 billion
invested to date to build IBM's capabilities in Big Data and analytics, with $7 billion in organic investment

$17 billion
of gross spend for Big Data and analytics acquisitions, including more than 30 acquired companies

15,000
analytics consultants and 400 mathematicians

40,000
client engagements to date

$1 billion
investment in Flash technology, providing industry-leading speed and efficiency to enable data to be real-time ready for analytics

1,000
university partnerships, and 2,215 IBM Business Partners
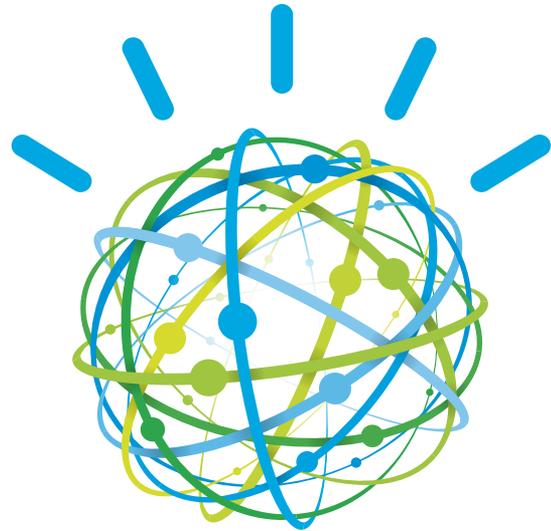
500
analytics patents generated each year

2/3
of IBM Research is focused on data, analytics and cognitive computing

We are building Watson solutions and technologies for the era of cognitive computing.

In January 2014 we launched the IBM Watson Group to bring cognitive capabilities—built on technologies like machine learning, complex algorithms and natural language processing—to enterprises, institutions and individuals via the cloud.

Watson technology processes information by understanding natural language, generating hypotheses based on evidence, and learning as it goes. This means organizations and individuals can more fully understand the data that surrounds them, and use that data to make better decisions.
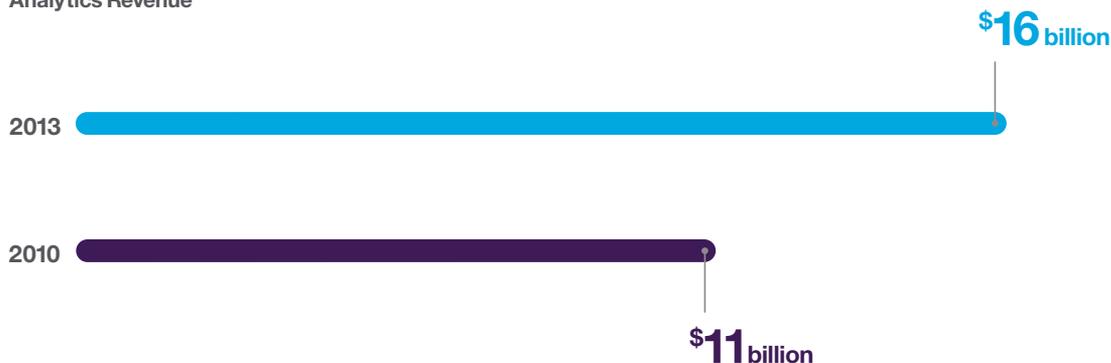
$1 billion

investment, including $100 million to equip an ecosystem of entrepreneurs and partners

2,000

engineers, researchers, developers, designers and sellers

We have significantly increased analytics revenue through strategic investments, and new skills and capabilities.

Analytics Revenue
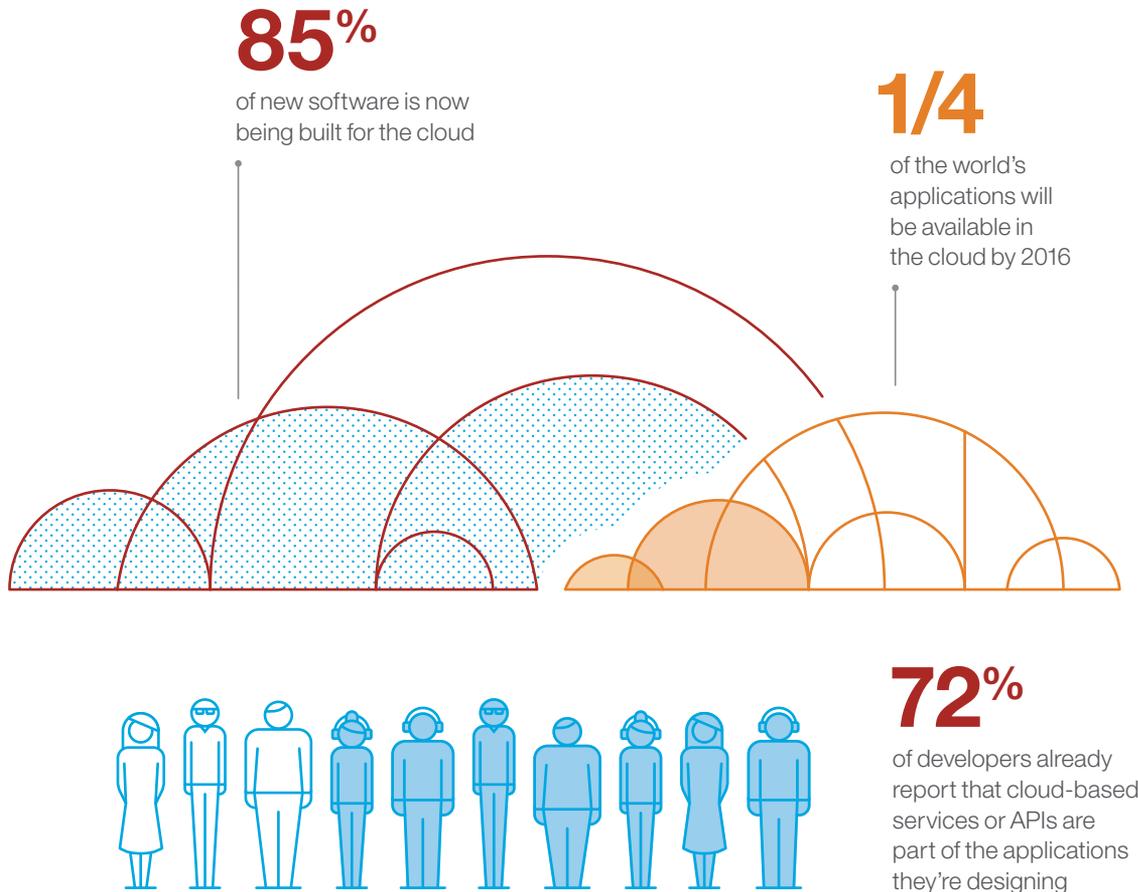
$16 billion

2013

2010

$11 billion

02 We are remaking enterprise IT for the era of cloud.

WHAT WE SEE SHIFTING:

The emergence of cloud is transforming IT and business processes into digital services.

At the same time industries and professions are being remade by data, the information technology infrastructure of the world is being transformed by the emergence of cloud computing—that is, the delivery of IT and business processes as digital services.

85^%
of new software is now being built for the cloud

1/4
of the world's applications will be available in the cloud by 2016

72^%
of developers already report that cloud-based services or APIs are part of the applications they're designing

OUR POINT OF VIEW:

Cloud demands—and enables— new business models.

Leaders will:

Integrate public and private clouds with back-end systems to create hybrid environments. This will create demand for cloud middleware services.

Seek—or be required—to manage cloud environments with the same rigor as an on-premises data center.

Use cloud to reinvent core business processes and to innovate.

THEREFORE:

We have built the world's most complete cloud portfolio, delivering our clients' technology and business processes as digital services.

$7 billion
invested to date to build cloud capabilities

1,500+
cloud patents

5.5 million
client transactions processed daily through IBM's public cloud

80%
of Fortune 500 companies use IBM's cloud capabilities

15
acquired companies, including SoftLayer, for cloud infrastructure

2,000
SoftLayer APIs to provide a view of the client's environment

100+
industry-leading Software as a Service (SaaS) offerings

5,000+
private and hybrid cloud engagements in more than 100 countries included IBM Systems in 2013

In 2014, we will expand our cloud footprint and capabilities.

IBM is investing $1.2 billion to expand a massive network of local cloud hubs for businesses worldwide, to meet growing demands for capacity, choice, compliance and data residency.

Markets planned to open in 2014:

Australia (2)
Brazil
Canada (2)
China (2)
France
Germany
India
Japan
Mexico
United Kingdom
United States (2)

15
planned 2014 market expansions

40
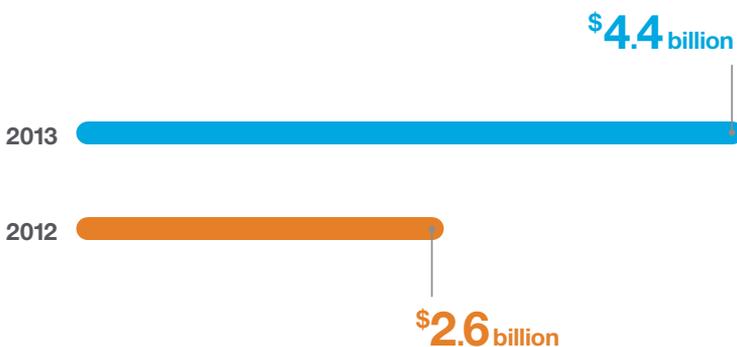total cloud data centers across five continents
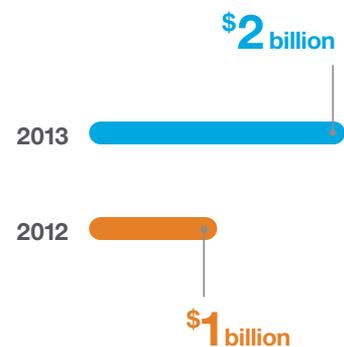
Connecting applications via the cloud

"Cloud middleware services" are emerging to connect securely customer applications and core enterprise systems such as finance, inventory or human resources via the cloud. In 2014, we are opening up our entire enterprise software portfolio via BlueMix, a platform to equip the tens of millions of corporate and web developers with an open environment and tools to build enterprise-class cloud applications at consumer scale.

In 2013 we grew our cloud revenue 69 percent, and we exited the year with a run rate for cloud "as a service" double that of 2012.

Cloud Revenue

$**4.4** billion

2013

2012

$**2.6** billion

Cloud "as a Service" Revenue Run Rate

$**2** billion

2013

2012

$**1** billion

03 **We are enabling systems of engagement for enterprises. And we are leading by example.**

WHAT WE SEE SHIFTING:

Social. Mobile. Security. They are empowering people with knowledge, enriching them through networks and changing expectations.

The phenomena of data and cloud are changing the arena of global business and society. At the same time, rapidly growing mobile technology and social business are giving birth to a new category of IT services and capabilities, aimed at engagement with increasingly empowered individuals.

84%

of Millennials say social and user-generated content has an influence on what they buy

70%

of Boomers agree

5 minutes

the response time users expect from a company once they have contacted it via social media

84%

of smartphone users check an app as soon as they wake up

80%

of individuals are willing to trade their information for a personalized offering

2/3

of US adults say they would not return to a business that lost their personal, confidential information

A systematic approach to engagement is now required.

Leaders will:

Use mobile and social to increase speed and responsiveness—and meet customers, partners and employees where they are.

Want to personalize every meaningful interaction.

Need to earn continuously the right to serve customers—which demands privacy, security and trust.

THEREFORE:

We have built a portfolio that enables enterprises and communities to engage customers, employees and citizens securely.

6,000
security experts, 3,000 mobile experts, 2,800 social business experts

4,300
patents in mobile, social and security technologies

#1 and #1
market leader for enterprise social software; market leader in security and vulnerability management*

7 of 10
top banks in the US, 9 of the top 10 in the UK and 2 of the top 4 in Australia use IBM Security Solutions

8
companies acquired for mobile capabilities like mobile messaging for marketers and secure mobile app delivery

12
companies acquired for security technologies like web fraud detection, sophisticated malware, and device management
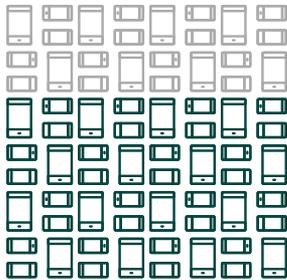
25
security labs globally, 10 security operations centers globally

15 billion
security events monitored daily in 130 countries

*IDC, Worldwide Enterprise Social Software 2013–2017 Forecast and 2012 Vendor Shares, Doc #241323, June, 2013
IDC, Worldwide Security and Vulnerability Management 2013–2017 Forecast and 2012 Vendor Shares, Doc #242465, August, 2013

Our mobile, social and security portfolio generated double-digit revenue growth in 2013.

69%

growth in Mobile

45%

growth in Social Business

19%

growth in Security

And we are leading by example.

Collectively developing insights

For more than a decade we've used Jams—large-scale online collaborations—to collectively define our corporate values, generate new business ideas and rally around opportunities for societal improvement. In 2013, IBMers worldwide shaped nine practices that translate our values into consistent actions and behaviors. These practices are now shaping our systems for hiring, learning and management.

30,000+

IBMers active in Client Collaboration Hubs for our top 300 accounts

250,000

employees collaborated in an online Jam to shape nine practices that distinguish IBMers

300,000

active IBM users on our Connections social platform

200,000

Connections communities established by employees for projects, areas of expertise or general interests