

IBM **Investor** Briefing

# Smarter Cities

**Bruno Di Leo**

Senior Vice President, Sales and Distribution



# Smarter Cities: Delivering improved citizen services

## Solutions

Leveraging information to make better decisions

Coordinating resources to operate effectively

Anticipating problems to resolve them proactively

## Industries



## Clients



Mayor



Chief of Police



Chief of Transportation



Chief Water / Utilities Officer



Chief of Operations



Head of Social Programs

# Smarter Cities solutions portfolio is expanding

## Prioritized Industries



Public Safety



Government



Transportation



Energy



Healthcare



Water

## Solutions

### Planning and Management

- Operations Insight
- Law Enforcement and Public Safety
- Building Management

### Infrastructure

- Transportation Management
- Water Management
- Utility Network Management
- Asset Management

### Human

- Social Program Management
- Educational Outcomes
- Citizen Health and Safety

# Key Smarter Cities projects – 2011

 Government and Agency Administration

 Urban Planning

 Environmental

 Energy and Water

 Transportation

 Education

 Social and Health

 Public Safety



**Major Markets: ~ 1900**

38 of top 50 cities

78% of fastest growing cities

**Growth Markets: ~ 500**

38 of top 50 cities

62% of fastest growing cities

# Smarter Cities engagements

## Intelligent Transportation



### Companhia Paulista de Trens Metropolitanos (CPTM)

- Generates key system insights by uncovering subtle correlations
- Achieved a 99% improvement in short-term needs analysis

## Renewable Energy



### Elektrizitätswerke des Kantons Zürich (EKZ)

- Shifts up to 50% of electric vehicle charging time to low peak hours
- Increases owner control over a vehicles' carbon footprint, while reducing operating costs

## Intelligent Operations Center



### Miami's Sun Life Stadium

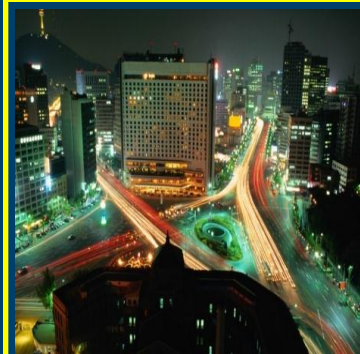
- Provides real time data into all stadium operations
- Ability to predict and adjust, and deliver improved fan experience

# Smarter Cities: Where we are heading



## Large transformational solutions

- \$10M - \$50M+ average value
- Services led, with cross-IBM support
- High-impact functional improvements
- EKZ - Zurich, SUI
- WorkCoverSA, AUS
- Transport for London, GBR



## Midsized repeatable solutions

- \$1M - \$5M average value
- Applies assets from similar engagements
- Advanced capabilities through services
- Zhenjiang, PRC
- MVV Energie AG, GER
- Bucheon City, ROK



## Scalable solutions

- \$50K – \$250K average value
- Software-based offerings
- Rapid deployment and time to value
- Miami Sun Life Stadium, USA
- Geneva Cantonal Police, SUI
- City of Lancaster, USA

## Flexible Deployment Options Cloud, SaaS, Shared Services and On Premise

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## Growth Markets

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**D.C. Chien**

General Manager, Greater China

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General Manager, Middle East and Africa

# IBM Growth Markets performance in 2011

## Country / Market Selection

Market Expansion

IT Infrastructure  
Development

Industry Leadership

## 2015 Roadmap Objectives

2010–2015 ~ \$17B incremental revenue

Grow faster than market

Outpace Major Markets growth > 8 points

Approach 30% of IBM geographic revenue

Drive margin expansion

## 2011 Performance

Revenue grew +11% @ CC

Gained market share,  
nearly 40 countries grew double digits

Outpaced Major Markets by 10 points

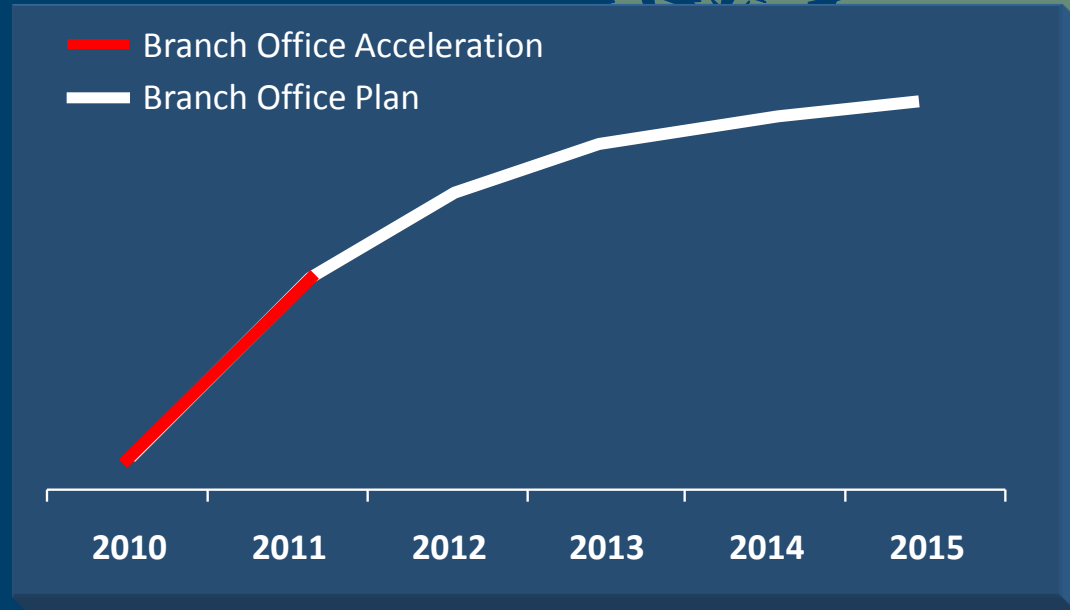
22% of IBM geographic revenue

47% of IBM gross profit growth



Market Expansion

# 2000-2011: IBM branch openings



**92 new branches in 2011**

31 face-to-face 61 virtual

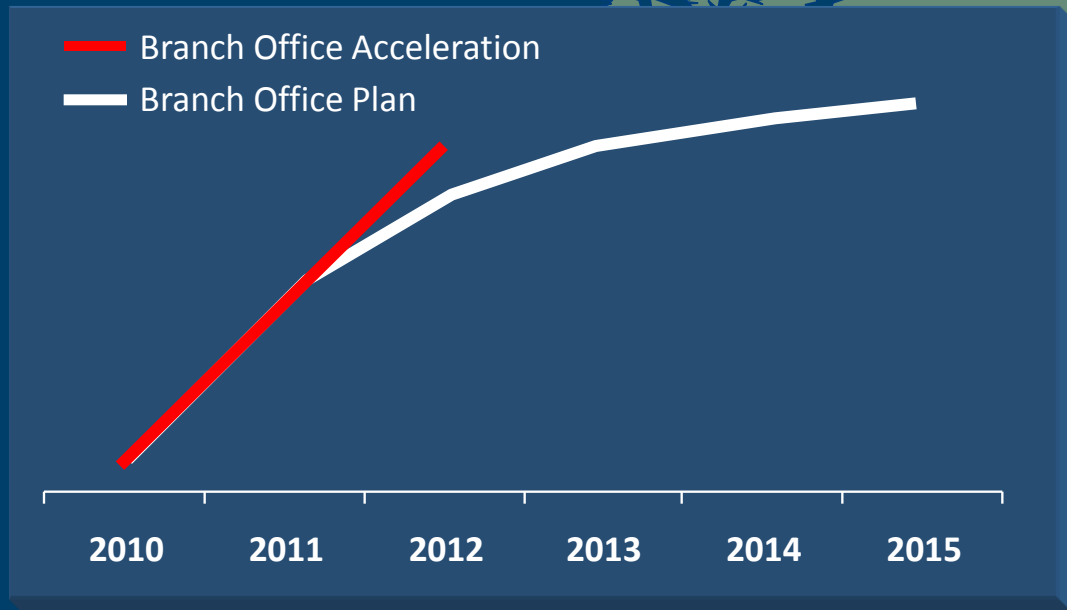
### 31 face-to-face branches

- |                      |                      |
|----------------------|----------------------|
| Balikpapan, Ind.     | Trivandrum, India    |
| Kuantan, Malaysia    | Vizag, India         |
| Kuching, Malaysia    | Rosario, Argentina   |
| Davao, Philippines   | Aracaju, Brazil      |
| Chonburi, Thailand   | Bauru, Brazil        |
| Izmir, Turkey        | Cuiaba, Brazil       |
| Dnepropetrovsk, Ukr. | Manaus, Brazil       |
| Dalian, China        | Passa Fundo, Brazil  |
| Gui Yang, China      | Puebla, Mexico       |
| Hu He Hao Te, China  | Querétaro, Mexico    |
| Coimbatore, India    | Tijuana, Mexico      |
| Guwahati, India      | Toluca, Mexico       |
| Indor, India         | Luanda, Angola       |
| Ludhiana, India      | Dakar, Senegal       |
| Nagpur, India        | Dar es Salaam, Tanz. |
| Raipur, India        |                      |

Market Expansion

# 2012-2015: IBM branch acceleration

**76 new branches in Q1 2012**  
33 face-to-face, 43 virtual



## 33 face-to-face branches

- |                    |                         |
|--------------------|-------------------------|
| Bandung, Indonesia | Kanpur, India           |
| Ipoh, Malaysia     | Nasik, India            |
| Malacca, Malaysia  | Patna, India            |
| Wroclaw, Poland    | Ranchi, India           |
| Ufa, Russia        | Surat, India            |
| Kabharovsk, Russia | Dong Nai, Vietnam       |
| Voronezh, Russia   | Changwon, Korea         |
| Dong Guan, China   | Cheonan/Asan, Korea     |
| Hai Kou, China     | GyeongGi, Korea         |
| Jia Xing, China    | Incheon, Korea          |
| Luo Yang, China    | Jeju, Korea             |
| Mian Yang, China   | Jeonju, Korea           |
| Wen Zhou, China    | Brasilia, Brazil        |
| Yin Chuan, China   | Sao Luis, Brazil        |
| Xu Zhou, China     | Vale do Paraiba, Brazil |
| Goa, India         | Doha, Qatar             |
| Jamshedpur, India  |                         |

### Acceleration

- Faster launches
- Wider footprint
- Deeper capabilities

Market Expansion

# 2012-2015: IBM branch acceleration



Querétaro, Mexico



Wroclaw, Poland



Dnipropetrovsk, Ukraine



Dalian, China



San Isidro, Peru



Doha, Qatar



Vizag, India



Dakar, Senegal



Luanda, Angola



Makassar, Indonesia

IT Infrastructure  
Development

# IT infrastructure in support of economic growth

## IBM in Growth Markets

- #1 High-end Systems  
UNIX Servers
- #1 Services
- #1 Software Served IT



Industry  
Leadership

# Drive transformation and growth - Natural Resources

## EBX: operates in Brazil, Chile, Colombia

- 5 companies focused on oil and gas, energy, logistics, mining, and offshore services and equipment
- Investing estimated \$15.5B between 2011 and 2012
- World-class partner to build and manage industry solutions

## Why IBM

- ✓ Industry solutions & best practice
- ✓ Market access
- ✓ Technology leadership & global skills
- ✓ IBM worldwide R&D



# IBM Growth Markets delivering on commitments

## Country / Market Selection

**Market Expansion**

**IT Infrastructure  
Development**

**Industry Leadership**

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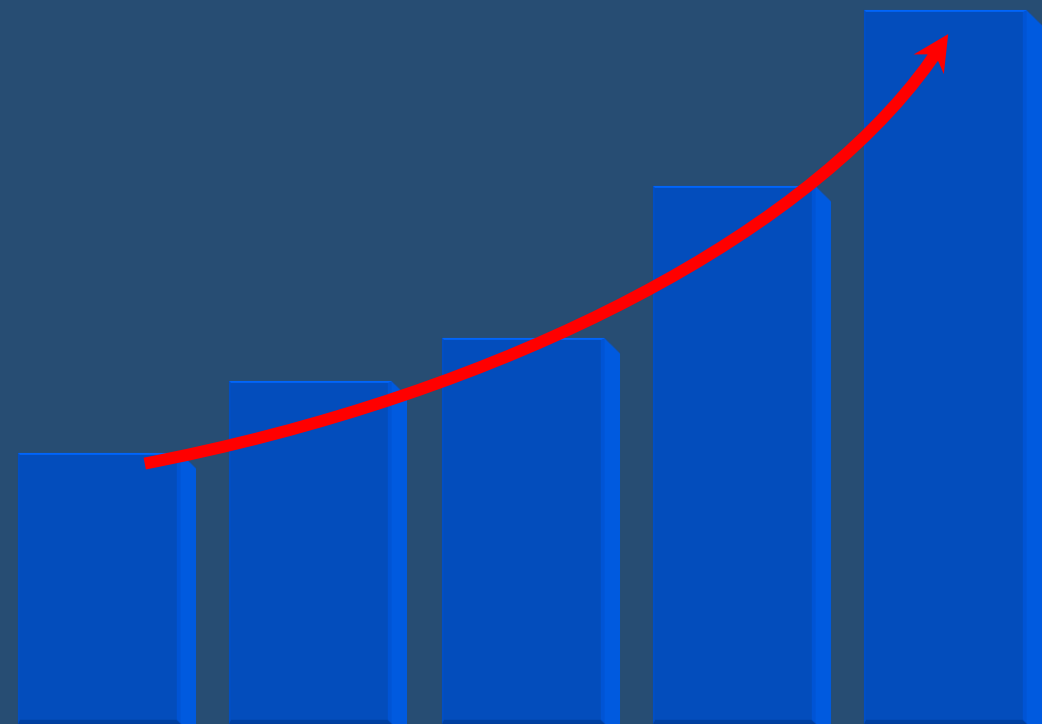
Drive margin expansion

**Greater China**

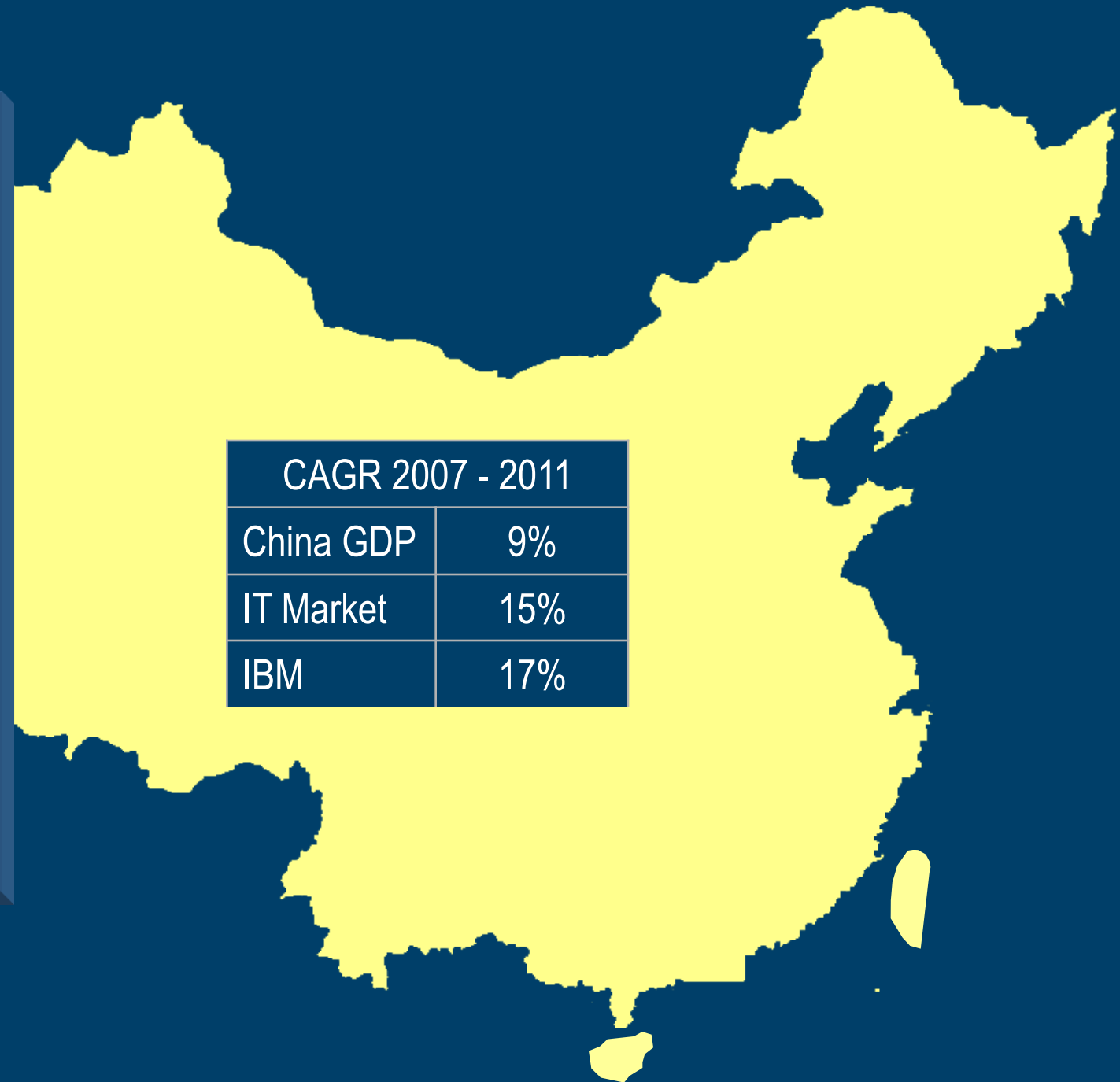
**Africa**

# IBM China outperforming the market

## IBM China Revenue Growth



CAGR 2007 - 2011	
China GDP	9%
IT Market	15%
IBM	17%



# IBM China investing to serve a growing market



2 Research Labs



6 Innovation Centers



4 Software Development Labs

3 Systems & Technology Labs



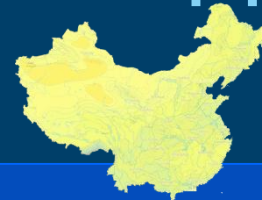
5 Global Delivery Centers

- Research Lab
- Software & Hardware Lab
- Innovation Center
- Global Delivery Center





# IBM is uniquely positioned to support China's 12<sup>th</sup> 5-year plan



## China's economic development

### Urbanization



Market coverage  
and expansion

### Industry Transformation



Partner to innovation

### Emerging Industries



Scale services  
to transform clients



IBM's uniqueness

# Accelerating China market expansion



- Accelerate branch openings from 31 – 82 in 2012
- 20% workforce growth 2012
- Increase local university internships, hiring
- Faster on-boarding, training



- Extend coverage to over 50% of China's cities
- Acquire 1000+ new clients
- Expand IBM brand to remote locations
- Grow business partner ecosystem to 2500+



- 13 Smart Planet references 2011, target 20 in 2012
- 6 Intelligent Operations Center wins 2011, target 20 in 2012
- Improved Software – Services mix 10 points 2007 - 2011

# High value business transformation in China

## Urbanization



## Industry Transformation



## Emerging Industries



IBM unique capabilities

Smarter Cities

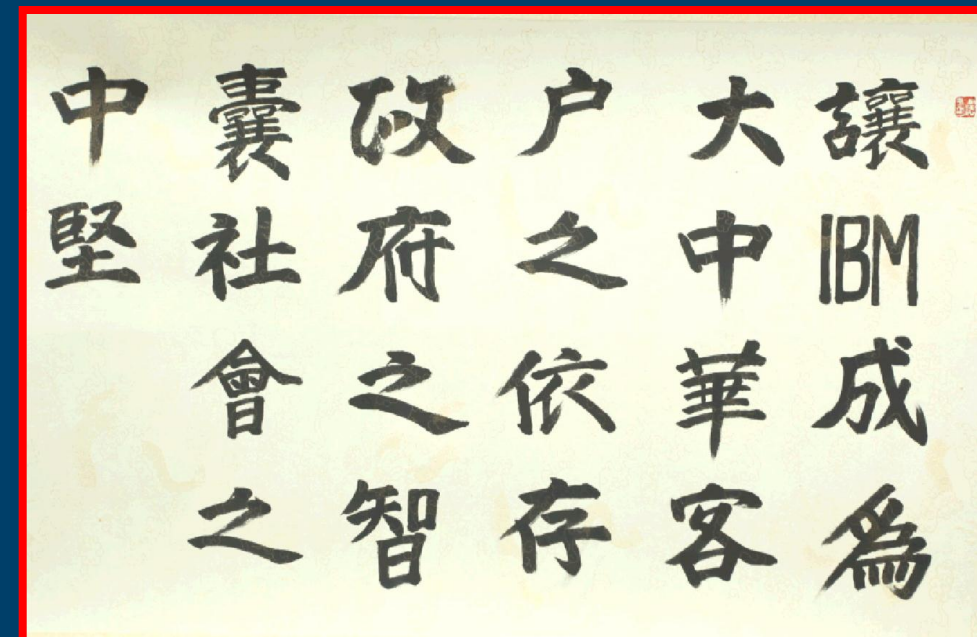
Business Analytics

Cloud

Smarter Commerce

## IBM is becoming an essential company in China

- IT is a critical enabler in China's development
- Leverage geographic reach to lead business transformation
- Be innovation partner for China's smarter growth



# Africa: a long-term growth opportunity for IBM



**GDP 2015 \$2.5T growth**  
> 10% for several countries  
South Africa 19% of Africa



**Foreign direct investment**  
2010 \$554B 16.1% CAGR  
2002-2009 (India \$198B)



**Large companies**  
More than 75 companies with  
revenue over \$3B



## Growing middle class

By 2015 87M households  
in middle income group



## Critical mass in cities

52 cities of over 1M people  
(more than Europe)



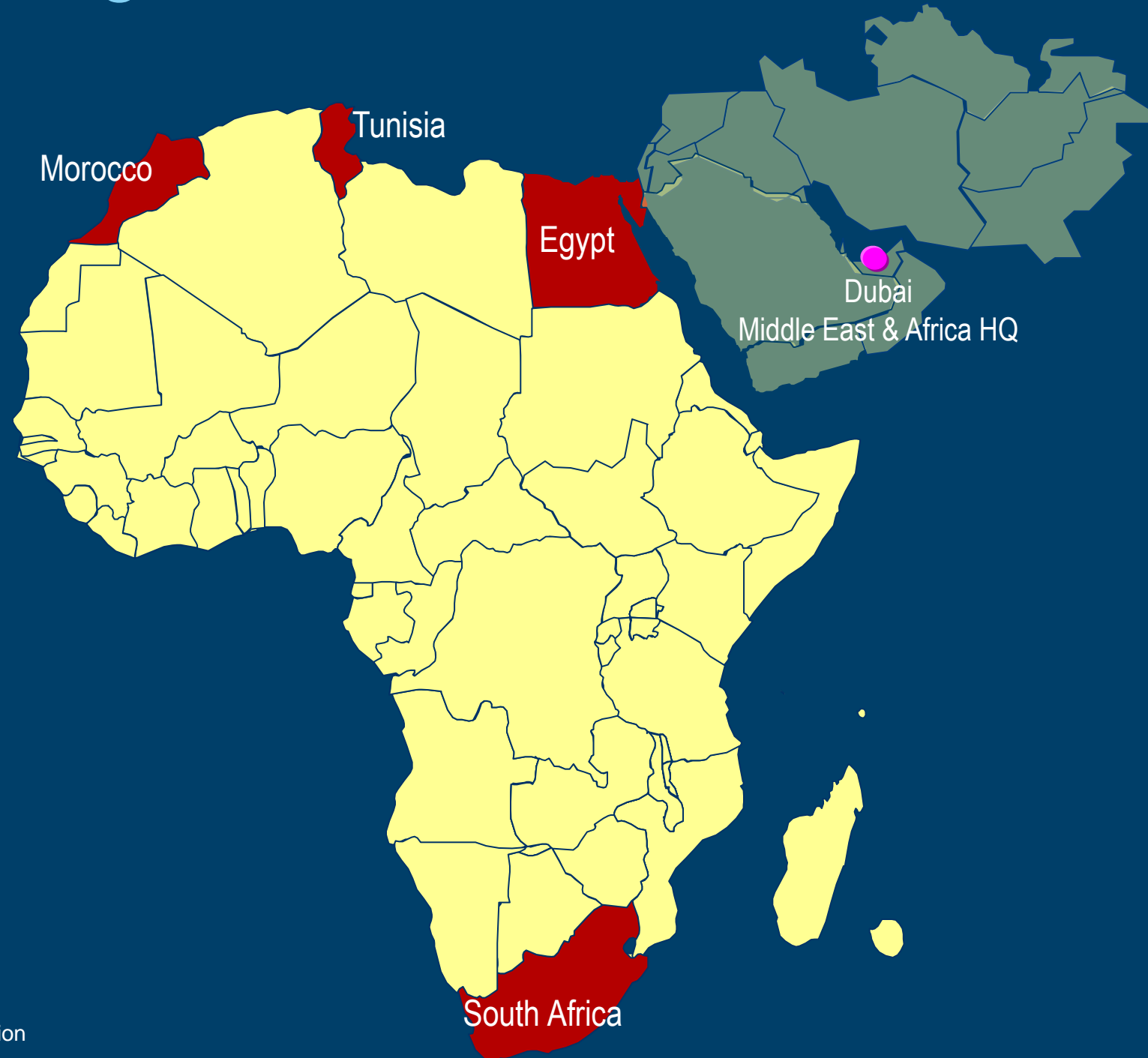
## Largest working age population

By 2040 to exceed 1.1B  
(> China or India)



Market Expansion

# Building momentum in Africa - branches



## IBM Africa 2009

- Egypt
- Morocco
- South Africa
- Tunisia

Market Expansion

# Building momentum in Africa - branches



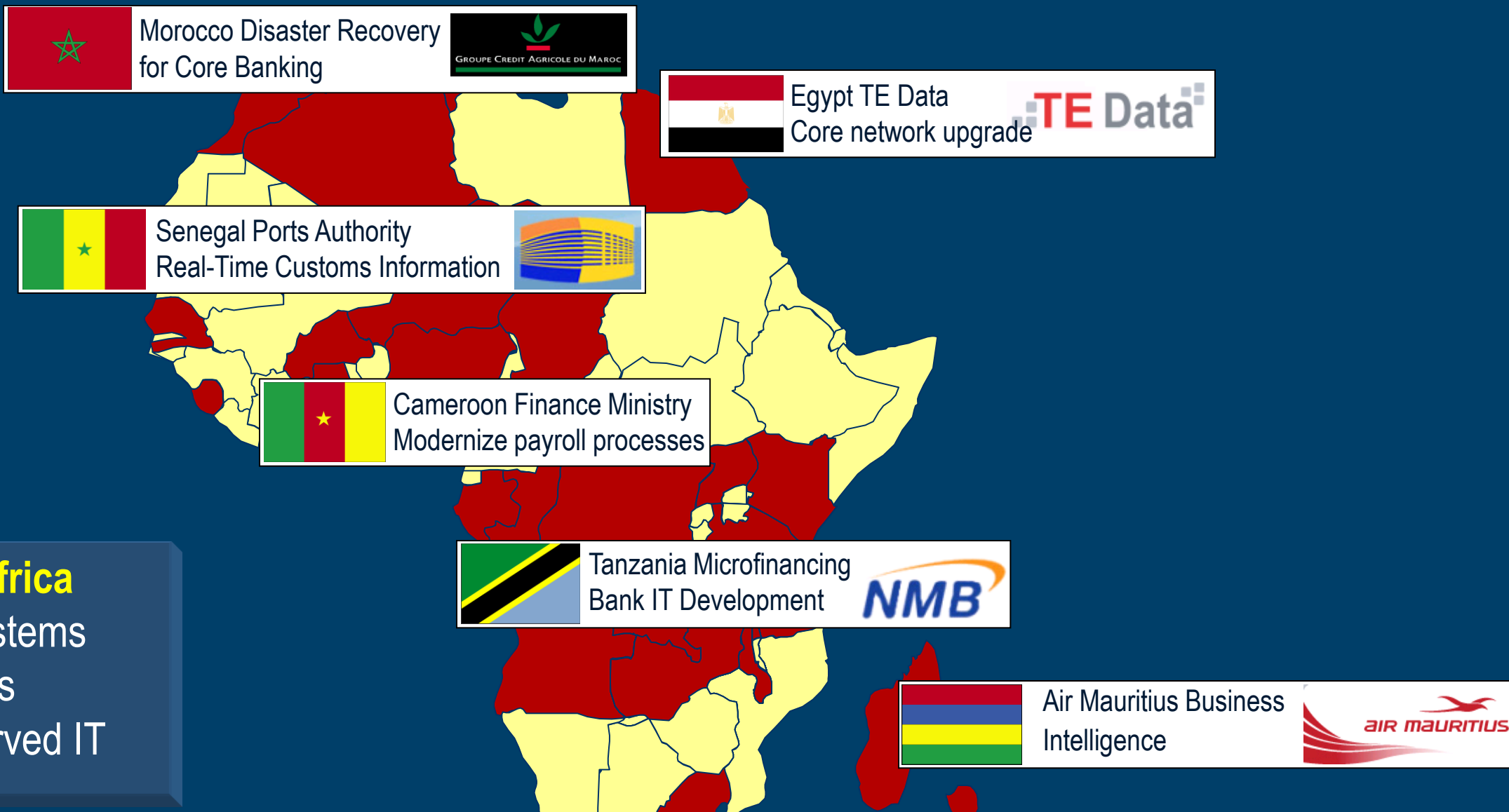
## IBM Africa 2012

- |              |              |
|--------------|--------------|
| Algeria      | Mauritius    |
| Angola       | Morocco      |
| Burkina Faso | Niger        |
| Chad         | Nigeria      |
| Congo        | Senegal      |
| DRC          | Seychelles   |
| Egypt        | Sierra Leone |
| Gabon        | South Africa |
| Ghana        | Tanzania     |
| Kenya        | Tunisia      |
| Madagascar   | Uganda       |
| Malawi       | Zambia       |

- Global Delivery Center
- Software & Hardware Lab
- Innovation Center
- Cloud Computing Center
- Regional GM Office

IT Infrastructure  
Development

# Building momentum in Africa - infrastructure



**IBM in Africa**  
#1 High-end Systems  
UNIX Servers  
#1 Software Served IT



Industry  
Leadership

# Building momentum in Africa - industry



# IBM is becoming an essential company in Africa

- Leverage broader IBM solutions and capabilities
- Build and develop local talent and agile organization model
- Develop innovation and IT skills on the continent



IBM is back in Angola, Sept 2011



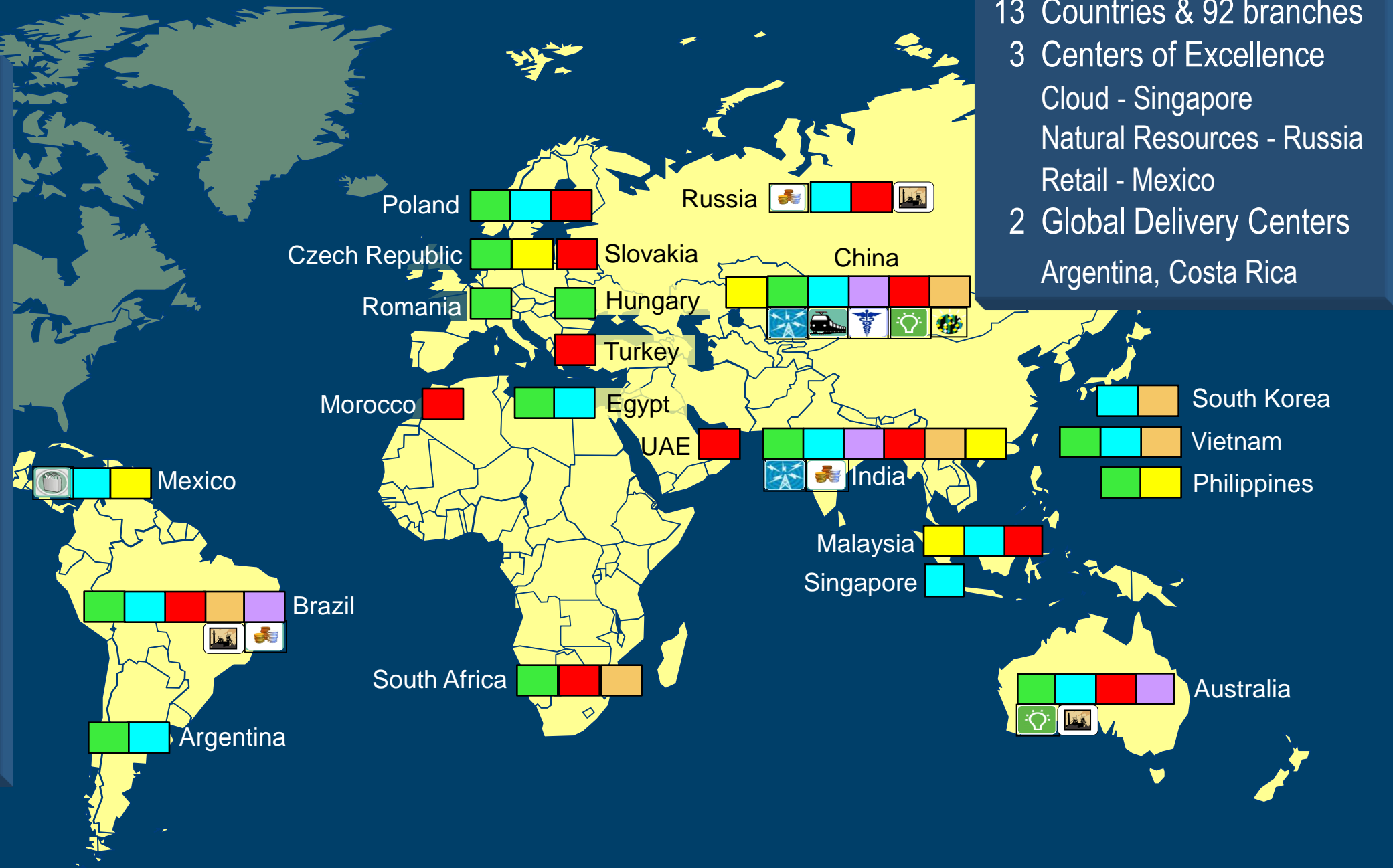
Dakar, Senegal, May 2011



Dar es Salaam, Tanzania, June 2011

# IBM differentiation through investments

- Global Delivery Center
- Software & Hardware Lab
- Research Lab
- Innovation Center
- Cloud Computing Center
- Shared Services
- Natural Resources
- Telecoms
- Rail
- Health
- Energy
- Finance
- Retail
- Government



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