

[Table of Contents](#)**Management Discussion**

25

International Business Machines Corporation and Subsidiary Companies

Our consultants have the trust of clients around the world, many having worked in the same industries as the clients they serve. Our services professionals bring that deep knowledge to helping clients develop their hybrid cloud infrastructure, applying the full range of IBM's and its partners' capabilities to build intelligent workflows enabled by our technology stack. GBS works with our ecosystem partners and IBM developers to create the custom solutions that realize digital transformation for our clients in any country and any industry.

Infrastructure, a \$230 billion market, is at the base of our stack, incorporating the public and private cloud technology that integrates with our hybrid cloud approach.

Our clients are using a combination of public and private cloud infrastructure to keep their mission-critical data and workloads secure. IBM provides both in a way that can easily be slotted into our hybrid cloud platform and AI. IBM public cloud is the technology behind our clouds for highly regulated industries, such as IBM Cloud for Financial Services and IBM Cloud for Telecommunications, with industry-specific security and compliance features. To help clients integrate their private clouds into a hybrid cloud strategy using IBM IT infrastructure, we have made investments in our IBM Z, LinuxONE, Power and Storage offerings to support our hybrid cloud platform and software.

Investing in the Future

Investment in future technologies is an important part of our strategy. Hybrid cloud and AI are the technologies of today, but IBM's investment in quantum computing positions us to win in the next era of computing. We were the first technology company to publish plans to produce a quantum processor with more than 1,000 qubits by 2023 giving us a significant first mover advantage.

We already have more than 285,000 registered users in our market-leading quantum network. The 130+ members of the IBM Q Network – including universities, banks, auto companies, telcos and a wide array of companies from other industries – have run over 500 billion quantum circuits.

IBM Research continues to develop new technologies and improve on our existing ones, ensuring that IBM stays in the vanguard of technological innovation that helps enterprises achieve their digital transformations.

Aligning Structure to Strategy

As we focus our strategy on hybrid cloud and AI, IBM is making it easier for our clients to consume our technology and gain better access to our deep technical expertise.

We are adjusting our portfolio to align to our strategy. The announced spin-off of our managed infrastructure services business will better align IBM to our hybrid cloud platform and AI strategy and create clearer focus for both companies. With over 4,600 technology-intensive, highly regulated clients in 115 countries and more than twice the scale of its nearest competitor, NewCo will pursue a \$500 billion market opportunity in managed infrastructure services.

At the same time, we continue to invest organically and inorganically. The acquisitions we announced in 2020 extend our hybrid cloud and AI technology and services capabilities to provide value for our clients.

We are changing the way we go to market to simplify our client segmentation and better align IBM's salesforce with our clients so that we more consistently deliver the value of our platform. We will demonstrate the value of our hybrid cloud and AI approach through technical and experiential selling. IBM Garage, a market-leading immersive experience for co-creating solutions, helps our clients and partners grasp the value of the platform by seeing it in practice.

We are expanding our ecosystem by adding hundreds of new global systems integrators, independent software vendors and major third-party software partners. We are investing \$1 billion in our ecosystem to ensure that our partners have the resources they need to develop software and build their businesses on our platform expanding IBM's go-to-market reach.

When our partners succeed, our clients succeed, and that translates to success for IBM. Our hybrid cloud and AI strategy is designed for our mutual success. It is the engine to propel growth across our