

# Committed Term License Benefits

- The market has shifted regarding software licensing
- Clients are seeking subscription licensing options to
  - Lower initial investment costs
  - Preserve cash flow during pandemic economic impact
  - Retain flexibility
  - Reduce long term risks
  - Initiate projects faster
- IBM and the Partner Ecosystem must shift so our clients are well-served and successful
  - Partner Ecosystem is investing in enhanced Committed Term License incentives that will reinforce the value of subscription licensing
  - Net new Committed Term License incentives increase for all client segments, some doubling prior earnings opportunities
  - Incentives for Upgrades to Committed Term License more than double previous earnings opportunities for Co Led and BP Led clients
  - Committed Term Accelerator added for Co Led and BP Led clients
  - Enhanced incentives for Upgrades and new Committed Term Licenses are paid on the first 24 months of the committed term

**\*Committed Term Licenses\***  
(Annual Subscription)  
“Lease”

# Client Benefits from an Upgrade to Cloud Pak as a Subscription (Committed Term) License

## **Access to New Value-Added Offerings in each Cloud Pak**

- Containerized versions of IBM Middleware - with full-stack support for running on Red Hat OpenShift and Red Hat Enterprise Linux

## **Access to Industry-Leading Red Hat Cloud Platform & Solutions**

- Each Pak includes the Red Hat OpenShift container platform and Red Hat Enterprise Linux – the industry’s leading platform!

## **Flexibility**

- The flexible licensing option within Cloud Paks provides the ability to mix and match capabilities upon demand. Clients deploy what they need, when they need it. Modernize at your own pace!

## **Virtual Processor Core (VPC) Metric**

- The VPC metric aligns with the “virtual core” pricing model for many public cloud providers, making it simpler to size (no more PVUs!)
- Clients running 100 or 120 PVU per-core hardware may free up significant excess capacity – 43% and 71% respectively - by converting to VPCs through the Committed Term License upgrade.

## **Other Benefits**

- Upgrades from Subscription and Support (S&S) protect Client investments – and lock in pricing for the term!
- Aligns to subscription and cloud-centric pricing models
- Client may prefer Committed Term Licenses when compared to perpetual licenses (IBM provides no accounting treatment guidance)
- Lower investment - when compared to a perpetual license model
- Passport Advantage used as contractual vehicle

# Subscription Licenses for Cloud Pak offerings

**A Cloud Pak Subscription (Committed Term) License is a new licensing model available from IBM, which:**

- Has pricing affinity to cloud-centric pricing models
- Lowers the initial investment to realize the benefits of Cloud Paks
- Provides flexible commitment term of a minimum of 12 months
- Allows clients to renew or to terminate at the end of the commitment term
- **Provides the opportunity to leverage existing investments in selected products with active S&S to upgrade to higher value, flexible Cloud Paks**

**Cloud Pak as a Subscription (Committed Term License) Benefits**

- Access to containerized IBM software
- Access to Industry-Leading Red Hat Solutions
- Increased license flexibility to modernize at your own pace
- Subscription based pricing model aligns with market preferences
- Lower required investment vs. perpetual license models
- Passport Advantage contract eligibility