



NUCLEUS
RESEARCH

IBM

Expectation relative to market segment

Track

Technology Segment
Enterprise Applications

Ticker Exchange Bloomberg
IBM NASD NH NUC <GO>

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Increased cloud investment by customers across industries, continued leadership of the hybrid cloud paradigm, growing momentum for enterprise AI and edge computing, and the release of industry-specific public cloud solutions for highly regulated markets such as financial services and telecommunications position IBM well to deliver positive performance.

COMPANY

The IBM approach to IaaS and cloud computing specializes in bringing modern cloud-native capabilities to high complexity enterprise workloads. It offers the greatest level of instance customization from full stack down to bare metal and integrates with on-premises infrastructure to enable hybrid cloud deployments and preserve customers' existing investments in on-premises infrastructure. IBM maintains over 60 datacenters around the world so customers can scale their resource usage and localize workloads as needed to optimize performance and remain compliant with data collection and usage regulations like GDPR, CCPA, and others. IBM is further differentiated in security, without having suffered a high-profile security incident on its platform. IBM's acquisition of RedHat fits nicely with its mastery of the hybrid cloud space, a subset of cloud computing where customers leverage a combination of public and private cloud, as well as on-premises resources to run and manage their applications and workloads. Rather than push customers to migrate fully to the cloud and abandon their on-premises investments, IBM provides customers a more natural pathway to the cloud with its hybrid options.

MARKET

Nucleus sees IBM's most promising performance from its cloud services and Watson AI. Being an entrenched vendor with decades of experience in the technology market, it is diversified across most aspects of enterprise technology, particularly legacy systems like on-premises software, mainframe and server technology, and the professional services arm to configure and maintain these instances for customers. As more enterprise customers adopt cloud as a bedrock

Price 1/18/2020 \$128.01
52-week range \$90.56 - \$158.75

MARKET POSITION



RELATIVE SOLUTION COST

AWS	120%
Microsoft	120%
Oracle	105%
IBM	100%
Google	70%

Relative cost to a customer based on typical mid-sized deployments during the past 6 months.

CUSTOMER PERCEPTION

> 95 Positive

Analyst estimate based on feedback from customers and prospects during the past 6 months

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technology, its legacy businesses have lagged despite strong customer adoption of its own cloud offerings. It is a clear leader in the hybrid cloud model, and in the past year we have seen other vendors like Amazon and Microsoft realize the potential opportunity and increase their own focus on delivering hybrid capabilities. IBM benefits from its reputation as a trusted business partner, with many customers opting to select IBM over other competitors to support business-critical workloads with strict security, privacy, or performance requirements. For example, many organizations in the financial services sphere have been reticent to public cloud adoption, citing regulatory and data security concerns; however, this year IBM released its Public Cloud for Financial Services, and has seen rapid success and customer adoption, partnering with major global institutions such as Bank of America.

COMPETITION

In our annual vendor assessments, Nucleus positions IBM as a Leader in the Infrastructure-as-a-service (IaaS), and Analytics Technology Value Matrices, and as an Expert in the Integration Platform-as-a-service (iPaaS) Technology Value Matrix. IBM mainly competes in these market spaces with large comprehensive software vendors, including Microsoft, SAP, and Amazon. The functionality and usability scores illustrated in the Value Matrix are based on interviews with customers and vendor briefings on technological capabilities and differentiators. It faces the harshest competition from other diversified technology vendors like Amazon, Microsoft, Google, and Oracle primarily, while competing against legacy infrastructure providers like HPE, VMware, and Dell.

OUTLOOK

Over the next six months, Nucleus expects IBM to track the market in the short-term, with a longer-term outlook that anticipates strong performance as more highly-complex and regulated industries are more likely to increase their cloud footprints with IBM as a partner. Further aiding this projection is the news that IBM plans to split part of its legacy business off into a new company (currently called NewCo). Once this change is formalized, IBM will be able to center its focus around RedHat, cloud services and capabilities, and Watson AI, its largest growth drivers and the areas with the most customer interest. Particularly across the telco, manufacturing, financial services, and government segments, we anticipate strong long-term adoption as these industries that have been slow to cloudify undertake modernization initiatives.