

Red Hat and IBM

Enabling Linux in the Enterprise

Presented by:

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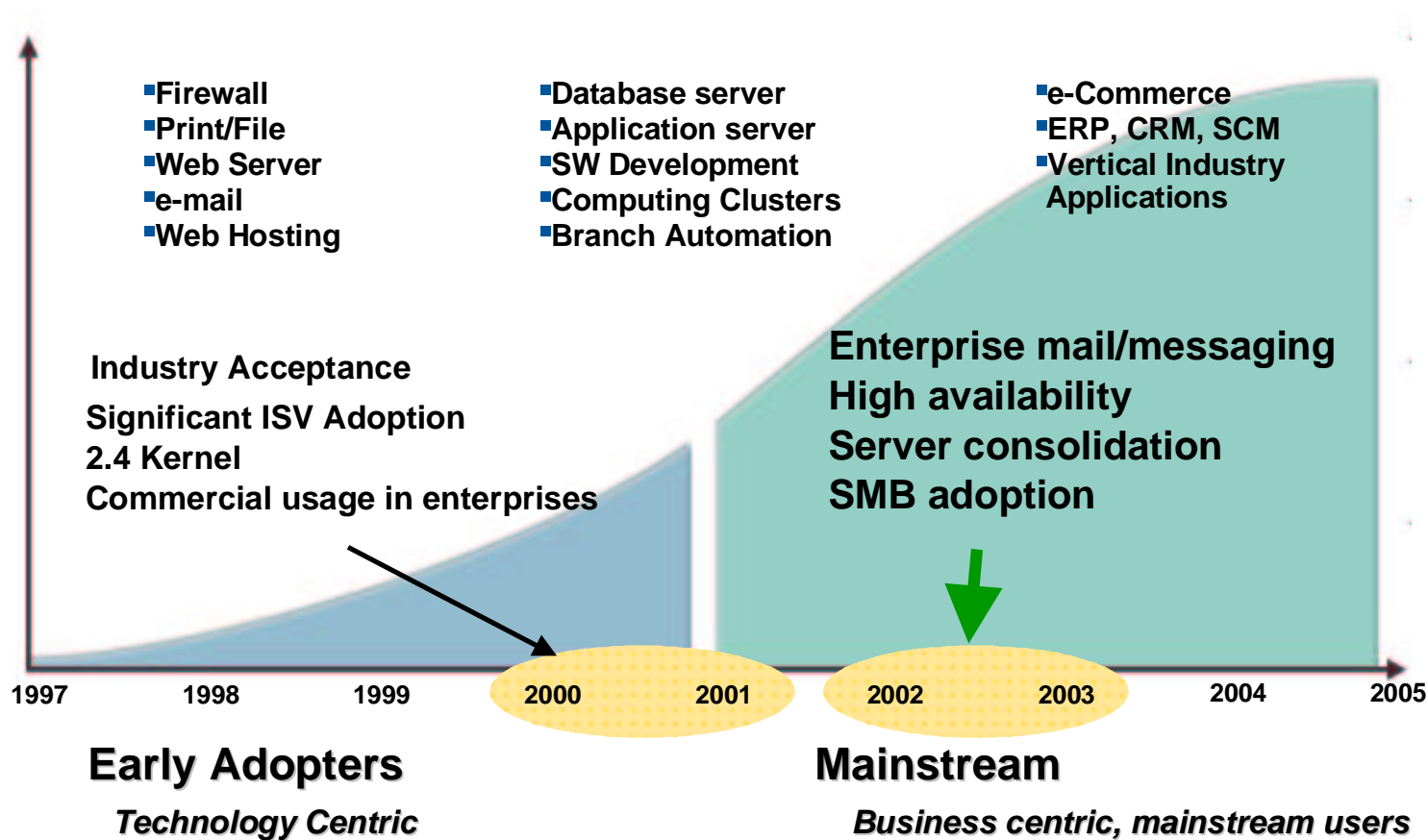


Agenda

- State of the Linux Market
- Who's Buying Linux and Why
- Red Hat Overview
- Red Hat Enterprise Linux
- Selling Red Hat Enterprise Linux
- Red Hat Business Partner Program
- Wrap Up and Questions

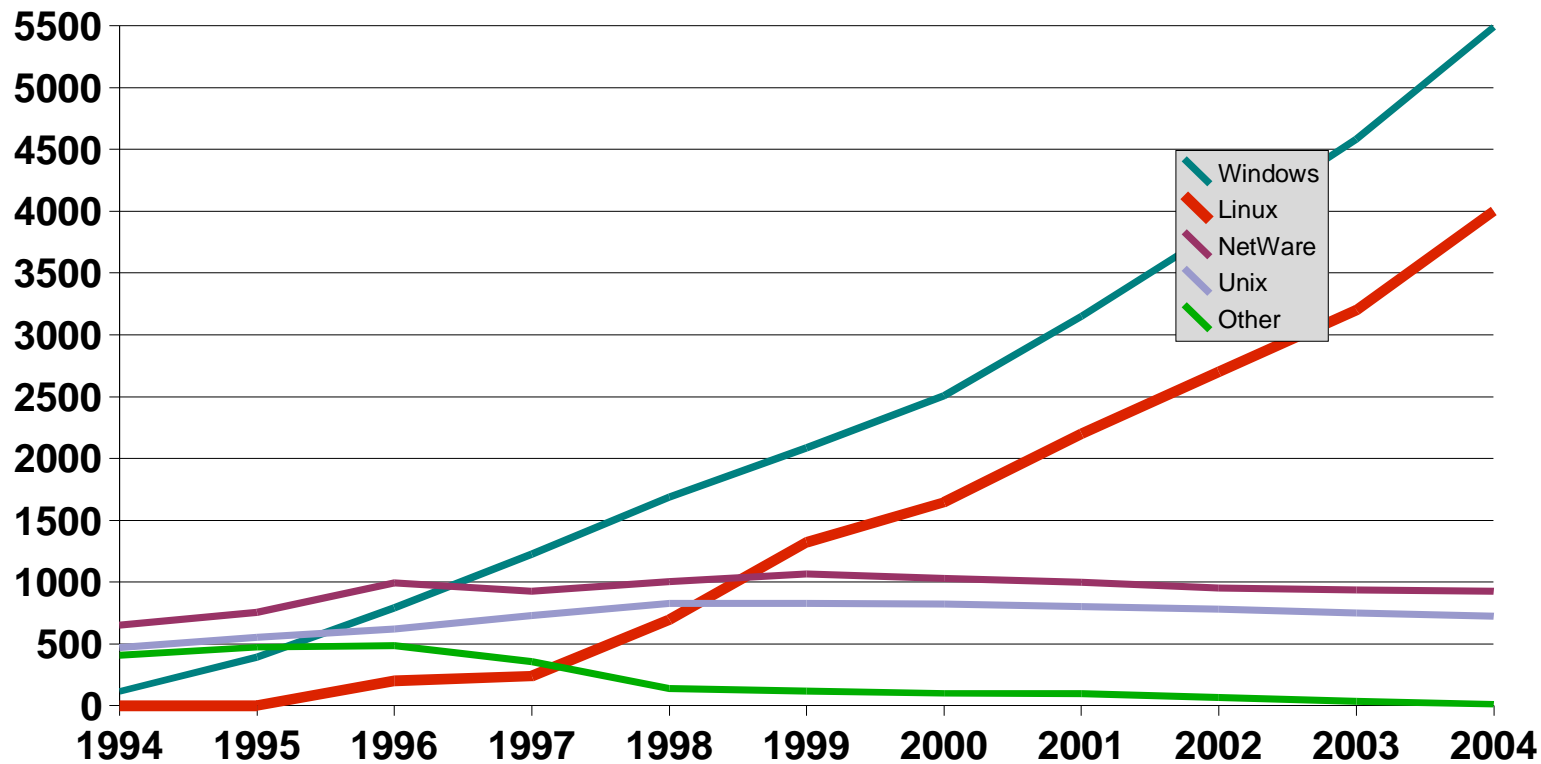


The Linux Marketplace



By 2005 There Will Be Only Two Operating Systems That Matter in the Enterprise

Worldwide Server OS Shipments, 1994-2004



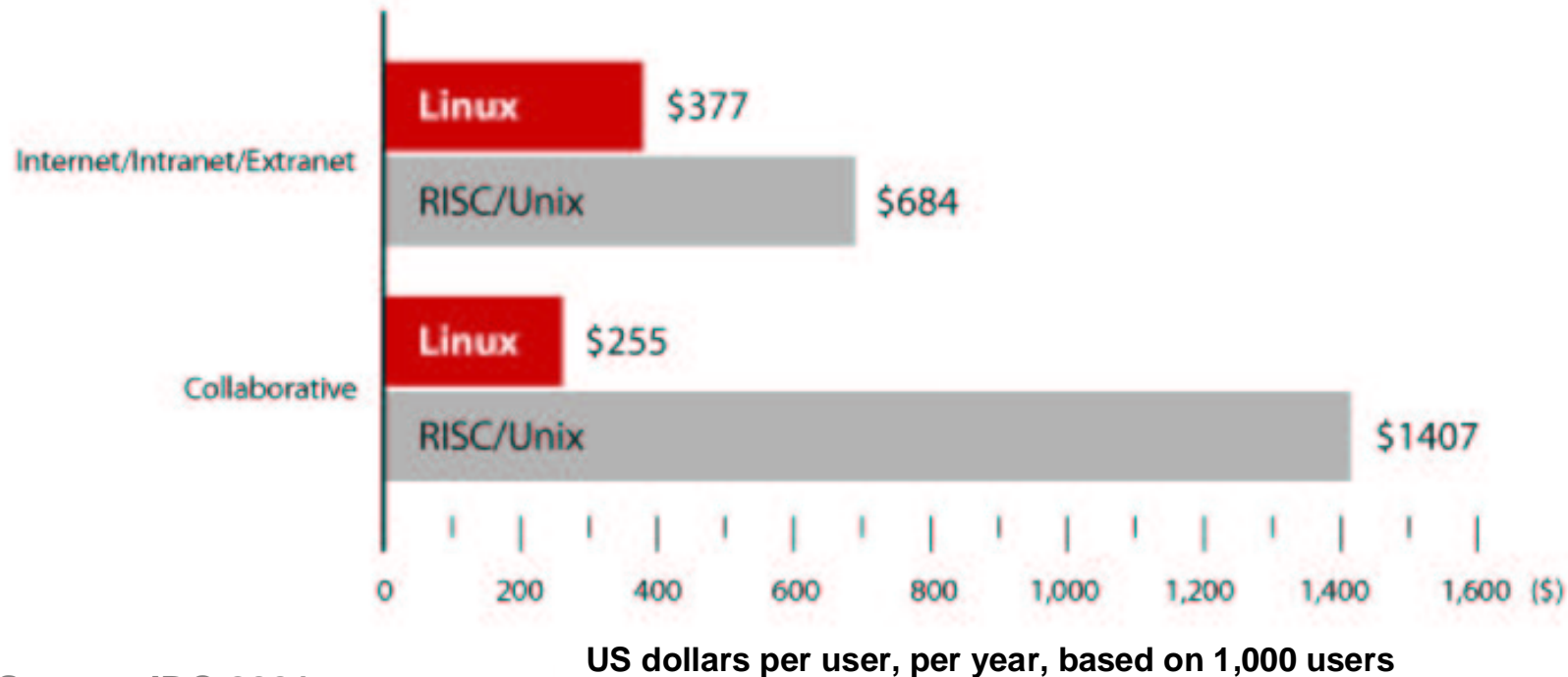
Source: IDC, 2001

Note: Only paid shipments are included



It Started With Cost Benefits

Linux saves enterprise customers **45%-80%** in TCO over RISC/UNIX

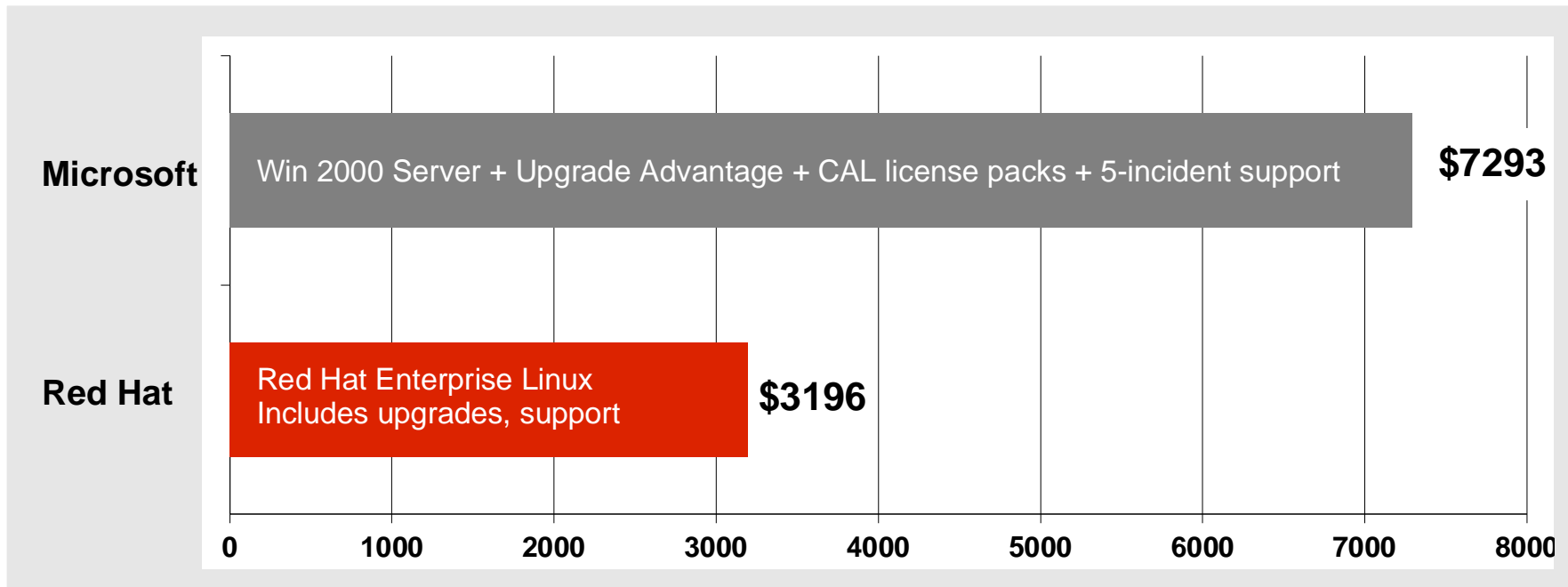


Source: IDC 2001



It's Not Just Cheaper Than Unix

Four-year OS platform/access licenses for collaboration solution



RHEL price includes:

- Upgrades to new versions
- Unlimited incident support services
- All updates/errata
- And is free from any CAL encumbrances

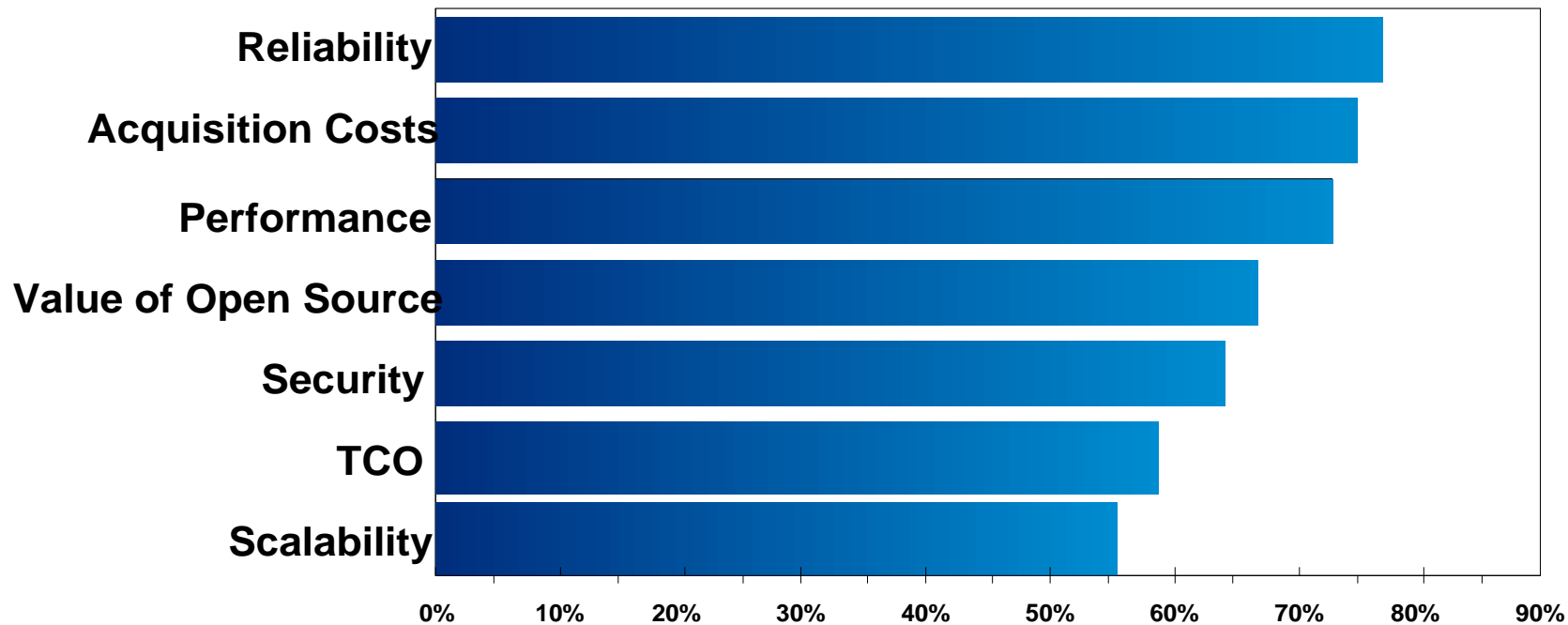
MSFT figure assumptions:

- Windows 2000 Server w/ 10 CALs
- Microsoft Upgrade Advantage 4 years @ 25%/year
- 20 additional 5-units Microsoft CAL packs
- 5 incident support pack



Linux . . . More than Just Cost

Question: Based on what you have seen or heard so far with Linux, how would you rate Linux on the following aspects?



Note: Includes responses from 500 Linux users.



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Application Focus Areas

Financial / Insurance Services

Risk management
Branch banking
Payments

Communications

Web & e-commerce
infrastructure
Carrier Grade Linux
Digital content creation

Industrial

Upstream petroleum
Computer Aided
Engineering
Electronic Design
Automation

Education / Government / Lifesciences

GRID computing
Lifesciences bioinformatics
Higher education

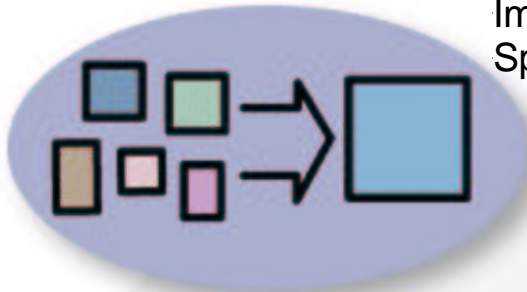
Distribution / Retail

Point of Sale
Kiosk and store operations



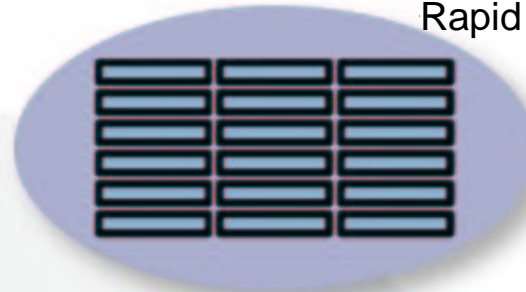
How Customers are Deploying Linux

Lower Cost
Improve performance
Speed deployment



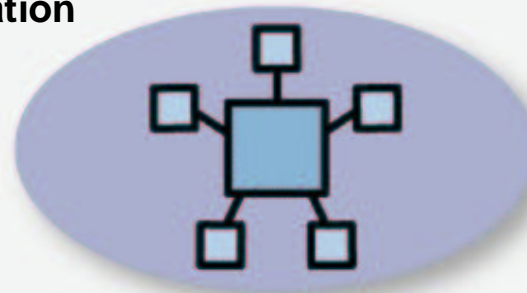
Workload Consolidation

Price/performance
Improve uptime
Rapid setup/install



Linux Clusters

Lower cost
Small footprint servers
Easily replicated



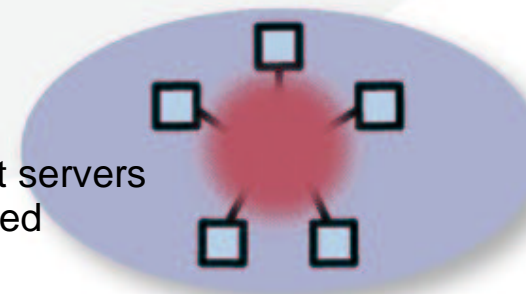
Distributed Enterprise

Flexible
Optimized
Reduced implementation time

Application Solutions



Infrastructure Solutions



Lower cost
Small footprint servers
Easily replicated

Benefits of UNIX to Linux Migrations

- Skills transfer for existing UNIX admins
- Ease of code migration
 - Average of 3 weeks
 - Often less than 10% of the code changes
- Tools and administration
- Low cost of training and support
- Higher performance, lower cost

Typical Migration Targets:

- Infrastructure
- Web Servers
- Java Application Servers
- Messaging Servers
- C/C++ Applications
- Database



Migration Target Selection Factors

- Application Availability
 - Dependencies must be satisfied
- Business Drivers
 - Reliability, Availability, Security, Manageability
 - Competitive Leverage
- Cost
 - Savings on per-system cost
 - Savings on total number of systems
 - Total on admin/connectivity/management costs
- Project Size
 - Cost savings are dependent on server counts
 - Larger projects allow maximum savings at minimal barrier



Basic Unix to Linux ROI

Current Environment **Compelling Event** – Lease renewal on 50 UNIX Systems
Application Architecture – Custom Java running on Websphere
Current hardware – Sun 4500 2 CPU with 8 Gb RAM
Planned HW Lease Expense for UNIX - \$10K/yr per system

Unix Outlay Expense	Planned annual lease expense	\$10K/system	\$500,000	
	Annual Maint. Suppt (HW+OS)	\$4,500/system	\$225,000	
	- 15% of HW purchase X 3 yrs			
	Annual Outlay for Unix Capability			\$725,000
Migration to Red Hat Enterprise Linux on Intel				
Intel Outlay Expense	Comparable Intel System HW Lease	\$3K/system		
	Comparable Intel Units required	30		
	Comparable Lease Expense	30 X \$3K	\$90,000	
	Annual Maintenance			
	- 20% of HW purchase X 3 yrs		\$54,000	
	Annual Outlay for Intel Capability			\$144,000
Switching Costs	Staff training – 4 Sys Admins	\$3K/Sys Admin	\$12,000	
	Application Port/Test (low due to Java)		\$50,000	
	Management Infrastructure (core build)		\$75,000	
	Total One-time Switching Costs			\$137,000
Annual Maint and Support	Advanced Server	\$2,300/server	\$69,000	
	RHN Satellite – OS Mgt and Maint.		\$24,000	
	Total Maint and Tech Support			\$93,000

Total Intel / Linux First Year Investment

\$374,000



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Red Hat

- Founded: 1995
- HQ: Raleigh, NC
- 22 locations worldwide
- 500+ enterprise customers
- Dedicated staff of Linux engineers
- IPO: August 1999 (NASDAQ: RHAT)
- \$98M in annual revenues and \$300M in cash
- 2nd most relevant tech company over next 5 years (CNET 6/02)
- 75% of the North America Linux server market



Why Red Hat

Red Hat is the premier Open Source/Linux provider

- **Expertise.** 300 engineers-- 7 of the top 10 Linux kernel developers, 6 of the top 10 software tools engineers
- **Capabilities.** Broadest range of open source software and services
- **Confidence.** Backed by an expert 24/7 global support organization
- **ISV support.** Red Hat Linux has the broadest Linux ISV support.
- **Quality.** Rock-solid reputation for reliability and performance

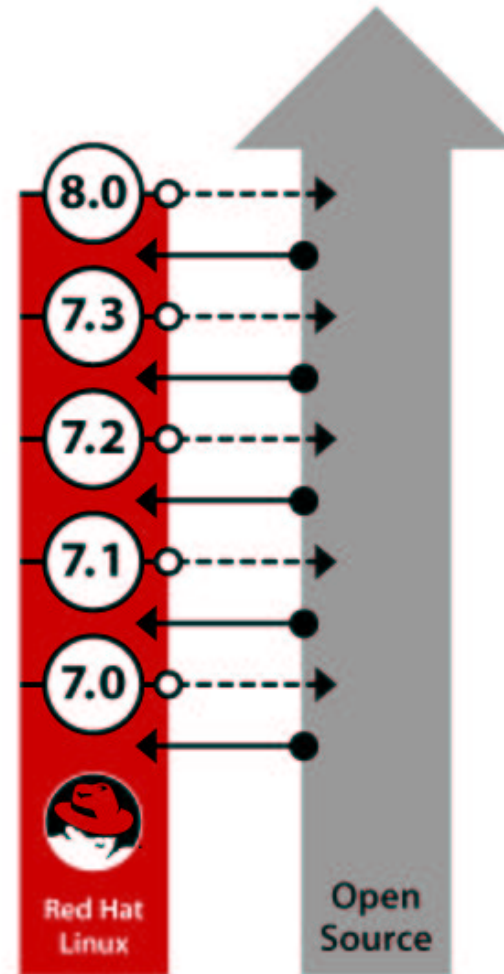


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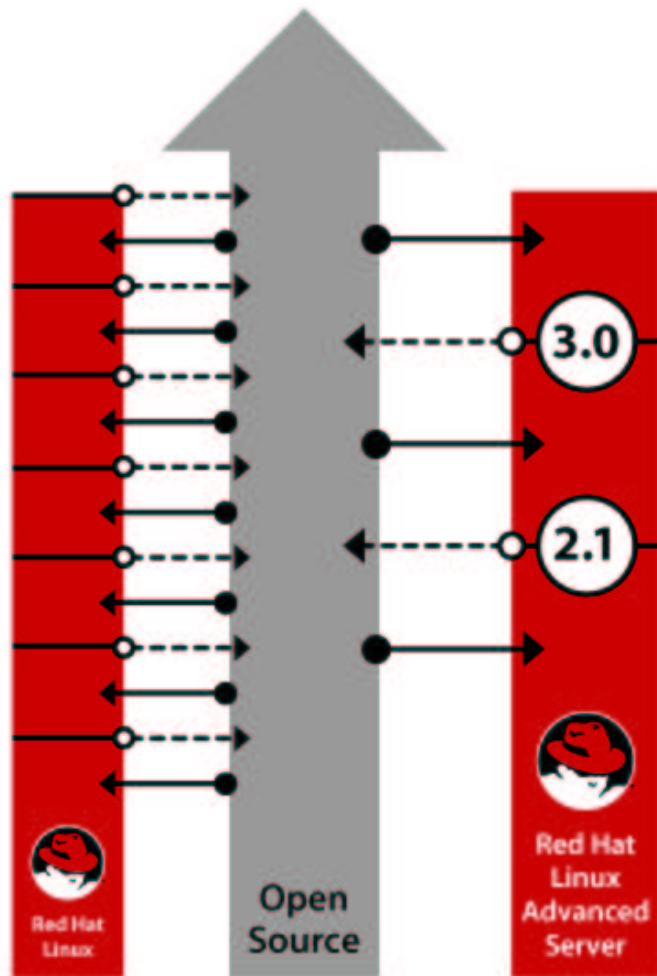
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Traditional Red Hat Linux Release Model

- Developed to meet the needs of the Open Source movement and early technology adopters
 - 4-6 month release cycle
 - Based on snapshot of core tree
 - Latest open source technology
 - ABI/APIs may change
 - 5 beta cycles over 10 weeks
 - Schedule driven; features may slip
 - Red Hat features/enhancements fed back to core open source tree
 - Replicate freely
 - Limited support



Red Hat Enterprise Linux Release Model



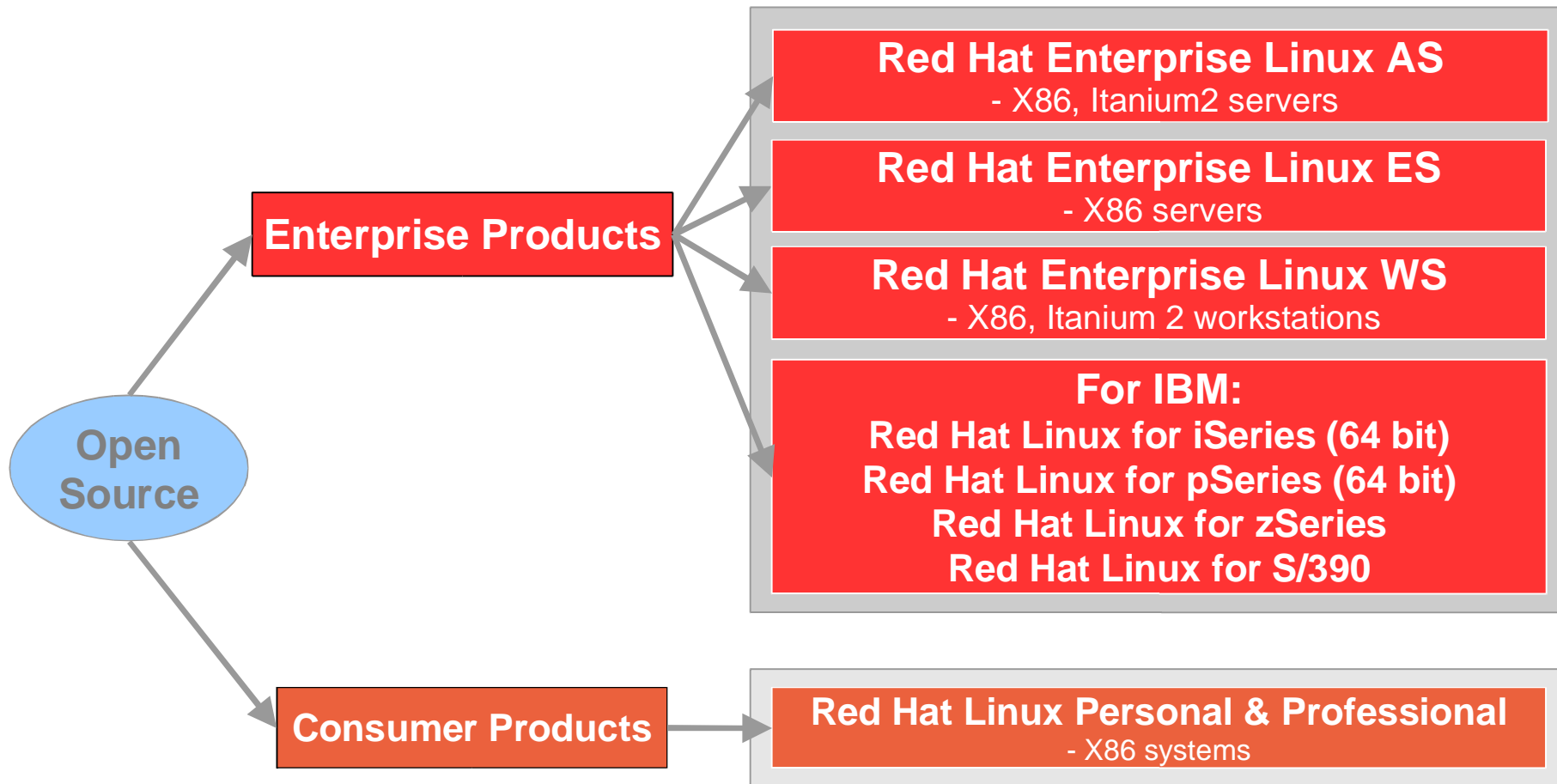
- Designed for enterprise-class application deployment
 - 12-18 month release cycle
 - Extensive 6 month beta cycle
 - ISV technology input
 - Improved API/ABI stability for broad ISV application support
 - Enterprise technology focus
 - ISV/OEM/customer-driven schedule
 - Red Hat enhancements and features fed back to core tree
 - 5+ year version support

Enterprise & Retail Comparison

	Enterprise	Consumer
Release Frequency Maint. Lifetime (patches/security)	1-2 years 5 years from release	6 months 6 months from release
Applications ISV Certification API/interfaces	Yes - Partner Alliance Stable within release	Not supported Not guaranteed
Support Duration Level Availability Response	5+ years Production/Developer 24x7 or 12x5 1 hour for Priority 1	30-60 days Installation only M-F business hours One business day



Red Hat OS Product Family Overview



Red Hat's ISV Partners*



*These ISVs have agreed to support Enterprise Linux AS 2.1 or future Enterprise Linux platform products

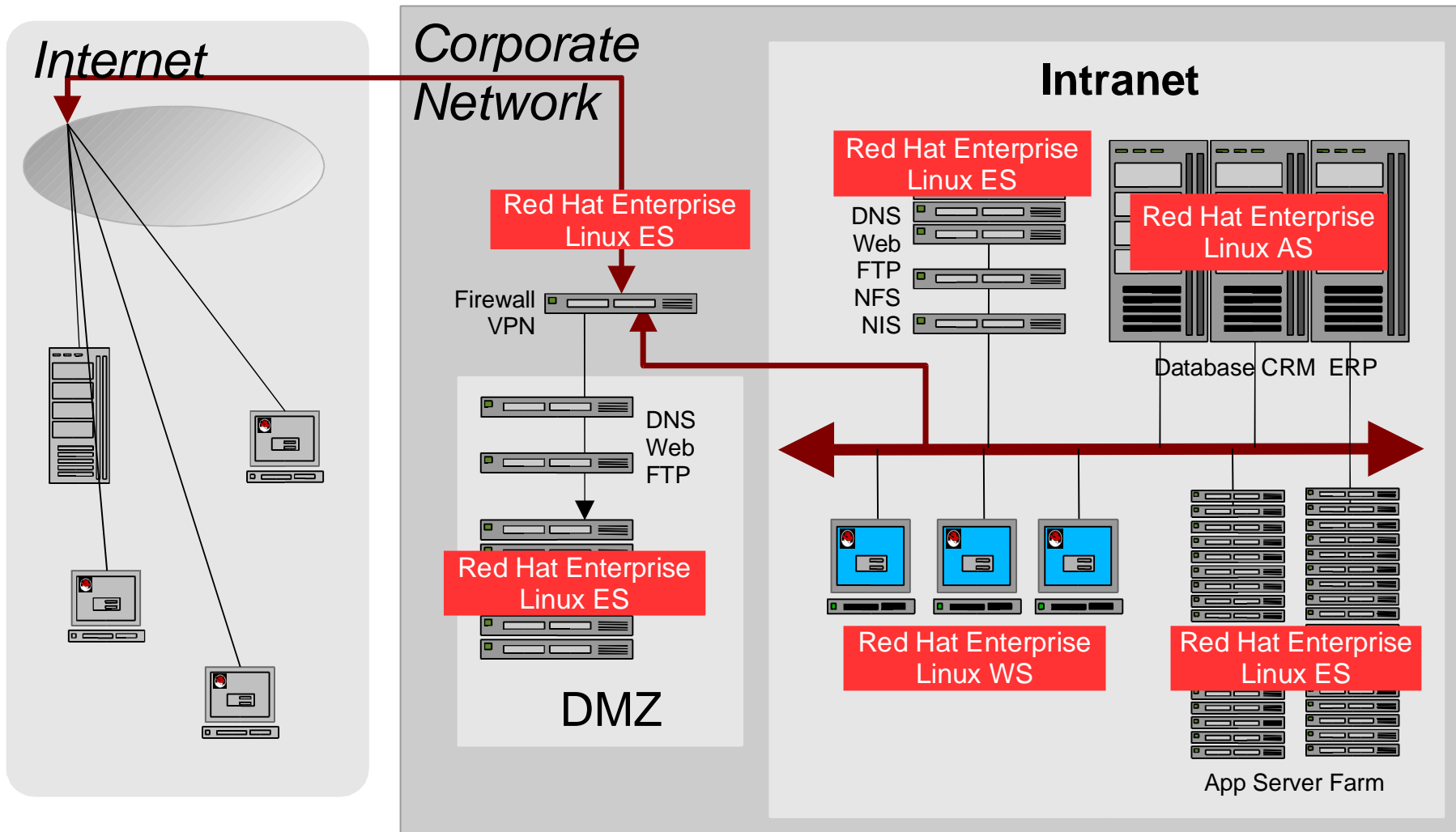


Product Positioning

Customer	Developers/ Technical	Departmental Deployment	Corporate
Product	Red Hat Enterprise Linux WS	Red Hat Enterprise Linux ES	Red Hat Enterprise Linux AS
Deployment	Commercial & technical workstation: EDA, targeted ISV applications, S/W development, HPC clustering	Entry-mid range server: web, mail, file/print serving, ISV/database applications, HPC clustering, SOHO	Mid/High-end server: large ISV/database applications, CRM, ERP, H/A clustering



Enterprise Configuration



Purchasing and Support

- Enterprise Linux products are delivered on an Annual Subscription basis
 - One price covers everything
 - Product (binary and source CDs) & documentation
 - Upgrades - customers get new releases at no extra charge
 - Maintenance - Red Hat Network delivers updates and errata (e.g. security & bug fixes)
 - Remedial services - up to 24x7 with 1 hr response & unlimited calls
 - Customers can choose from multiple price points for different SLAs
 - No Client Access Licenses
 - Predictable, budgetable = no surprises
 - Quantity discounts available



How to Order Red Hat Enterprise Linux

Red Hat Sku	Product Name
RHF0106US	Red Hat Enterprise Linux WS 2.1 Standard Support Edition
RHF0111US	Red Hat Enterprise Linux ES 2.1 Standard Support Edition
RHF0084US	Red Hat Enterprise Linux AS 2.1 Standard Support Edition
RHF0085US	Red Hat Enterprise Linux AS 2.1 Premium Support Edition

Red Hat Sku	Product Name
MCT0115US	Red Hat Training
RHF0082US	Stronghold 4
RHF0107US	Red Hat Linux 7.1 For IBM iSeries Standard Support
RHF0108US	Red Hat Linux 7.1 For IBM iSeries Premium Support
RHF0112US	Red Hat Linux 7.1 For IBM pSeries Standard Support
RHF0113US	Red Hat Linux 7.1 For IBM pSeries Premium Support



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Target Customer

- ✓ Unix equipment that is about to come off lease (#1 indicator)
- ✓ Large installed base of proprietary Unix equipment.
- ✓ Shrinking/constrained IT budget
- ✓ Focused on leading enterprise software applications ported to RH Enterprise Linux (ex. IBM, Oracle, BEA, Veritas)
- ✓ Also, C, C++ and Java applications
- ✓ Target verticals – RHEL has gained traction across most markets – early adopters included financial, retail, online, and government



Qualifying Questions

- ✓ How many UNIX systems are currently deployed?
- ✓ What applications are currently running UNIX?
- ✓ Is your IT budget expanding or contracting?
- ✓ What are your current plans for Linux and Open Source?
- ✓ What IT projects do you have planned for next year?



Advantages of Linux vs. Unix

- ✓ Red Hat Enterprise Linux is a UNIX killer!
- ✓ Cost savings of Linux on Intel platform - often 50-75% lower; both IBM and RH have calculators and white papers to reinforce this message
- ✓ Flexibility of Linux and Open Source – not locked into a proprietary OS
- ✓ Ease of scaling with Linux – customers can add systems as demand grows vs. buying a big system up front



When Comparing To Other Operating Systems

- ✓ Flexibility of Linux and Open Source – not locked into a proprietary OS; key advantage
- ✓ Security – RHEL is being used by the US National Security Agency (NSA)
- ✓ Reliability – RHEL is running mission critical trading applications for the largest Wall St. firms
- ✓ No client access licenses!



Typical Linux Deployments

Database Deployment			
	<u>Price/Unit</u>	<u>Qty</u>	<u>Total</u>
IBM x440 4-way	\$20,000	4	\$80,000
Oracle 9i RAC	\$160,000	4	\$640,000
RHEL AS	\$2,000	4	\$8,000
DB Config and Customize			\$50,000
Proof of Concept			\$25,000
Deployment			\$40,000
Total Revenue			\$843,000

App Server Deployment		
	<u>Price/Unit</u>	<u>Qty</u>
IBM x335 2-way	\$5,000	25
IBM Webspere	\$20,000	25
RHEL ES	\$500	25
DB Config and Customize		
Proof of Concept		
Deployment		
Total Revenue		

Unix To Linux Migration (C++ App)			
	<u>Price/Unit</u>	<u>Qty</u>	<u>Total</u>
IBM x335 2-way	\$5,000	50	\$250,000
RHEL ES	\$500	50	\$25,000
Proof of Concept			\$25,000
Migration and Deployment			\$40,000
Total Revenue			\$340,000

**Leading with Linux
Drives Large Sales
Opportunities!!**



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Why Partner With Red Hat

•Why Red Hat

- Linux server market share leader
- Strong brand recognition – leads to customer confidence
- Open source industry leadership

•Generate New Business Opportunities

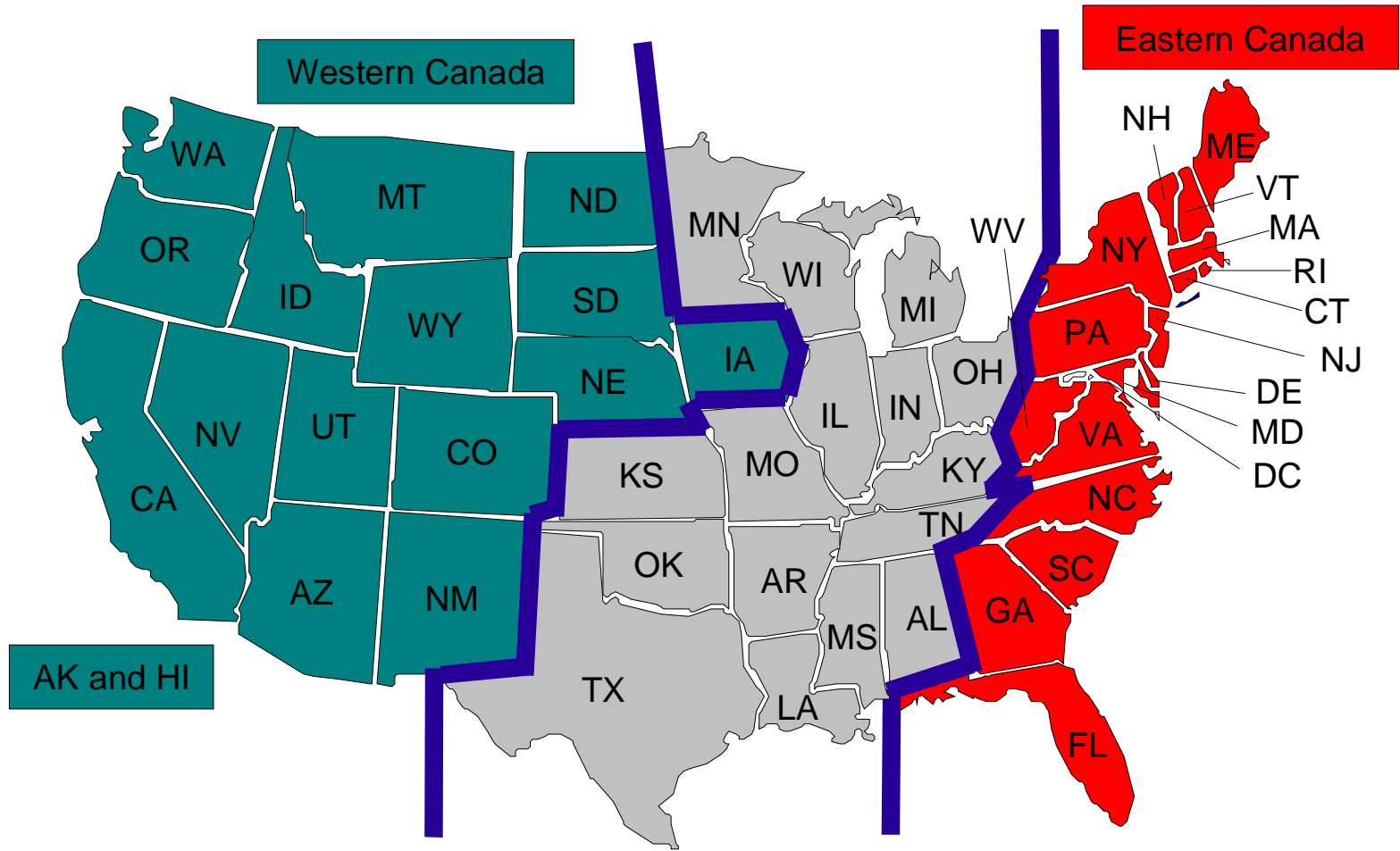
- Generate new sales opportunities with existing customers
- Not a transactional sale! Linux deployments drive:
 - Hardware
 - Software
 - Migration and Integration
 - Training
- Differentiate yourself from your competitors
- Maintain account control

•Red Hat's Business Partner Program is scheduled to launch in Fall 2003





Red Hat Partner Development Organization



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