

**Power to your
procurement**

VMWare Commercial update and customer update



Crown
Commercial
Service

vmware[®]
by **Broadcom**

Today's Presenters



Steve Taylor - CCS | Head of Tech Software
Hardware Strategy



Robin Bartlett - CCS | Tech Hardware Category
lead



Jenny Tarrant - CCS | Tech Category Support



Chris Hardy - VMWare Public Sector
Director



Gil Litvin - VMWare Head UKI & Telco,
CPM EMEA

Welcome & Housekeeping

Open to all Public Sector organisations. If you're not from PS, please leave the call

Today's webinar will be recorded

Presenters today are from both CCS and VMWare

We have 60 mins and a full agenda

To ask your question please use the Q&A functionality. With a full agenda we are limited on time, please ask questions during the Q&A slots

Please keep your mic muted unless you have a follow up question

We will say farewell to VMware at 45 min mark and have a dedicated Commercial Q&A at the end just for CCS and UKPS

Agenda	Presenters	Time
Introduction & Housekeeping	CCS	5 mins
Broadcom Overview	VMWare	5mins
Market considerations	VMWare	10mins
VMW Licensing financial Analysis	VMWare	5mins
VMWare Support for PubSec	VMWare	5 mins
Q&A	VMWare & CCS	5 mins
Next Steps & Farewell to VMWare	VMWare & CCS	5 mins
In-depth Q&A	CCS only	15 mins

Webinar Aim and Propose

1. Clear opportunity for VMWare to provide latest updates to PS
2. Better understand what the changes are and how PS might be affected
3. Provide Commercial Guidance and understand immediate commercial impact
4. Consider alternatives and potential impacts
5. Clarify next steps

VMWare Welcome

25 Minute Presentation
5 min Q&A



VMware by Broadcom Update

Chris Hardy
Head Public Sector & CNI, UKI
Broadcom

Gil Litvin
Head CPM, UKI & Telco
Broadcom

May 2024

Agenda

- Broadcom Overview
- Market & Product Considerations
- Financial Analysis
- VMware Support for PubSec

Broadcom at a Glance



FY23 net revenue of
\$35.8B



\$5.3B investment in
R&D in FY23



One of the industry's broadest
IP portfolios with **>23,000**
patents



26 Category-Leading Semiconductor and Infrastructure Software Divisions

Market Considerations

What Our Customers Are Saying About The IT Market

CORE CHALLENGE

IT Complexity
is slowing
you down & strangling
innovation



PUBLIC CLOUD EXPERIENCE

Flexibility



TOP OF MIND

Security & Resiliency



What UK Government Has Told VMware

**Speed of
Change is
Difficult**

**New
Commercial
Model**

**Supportability
Risk is
Challenging**



Our Commitment to VMware Customers



Radical Simplification

From purchase
to your success
Faster Time to Value



Invest for Innovation

\$2 Billion to accelerate
VMware R&D
Unified Products

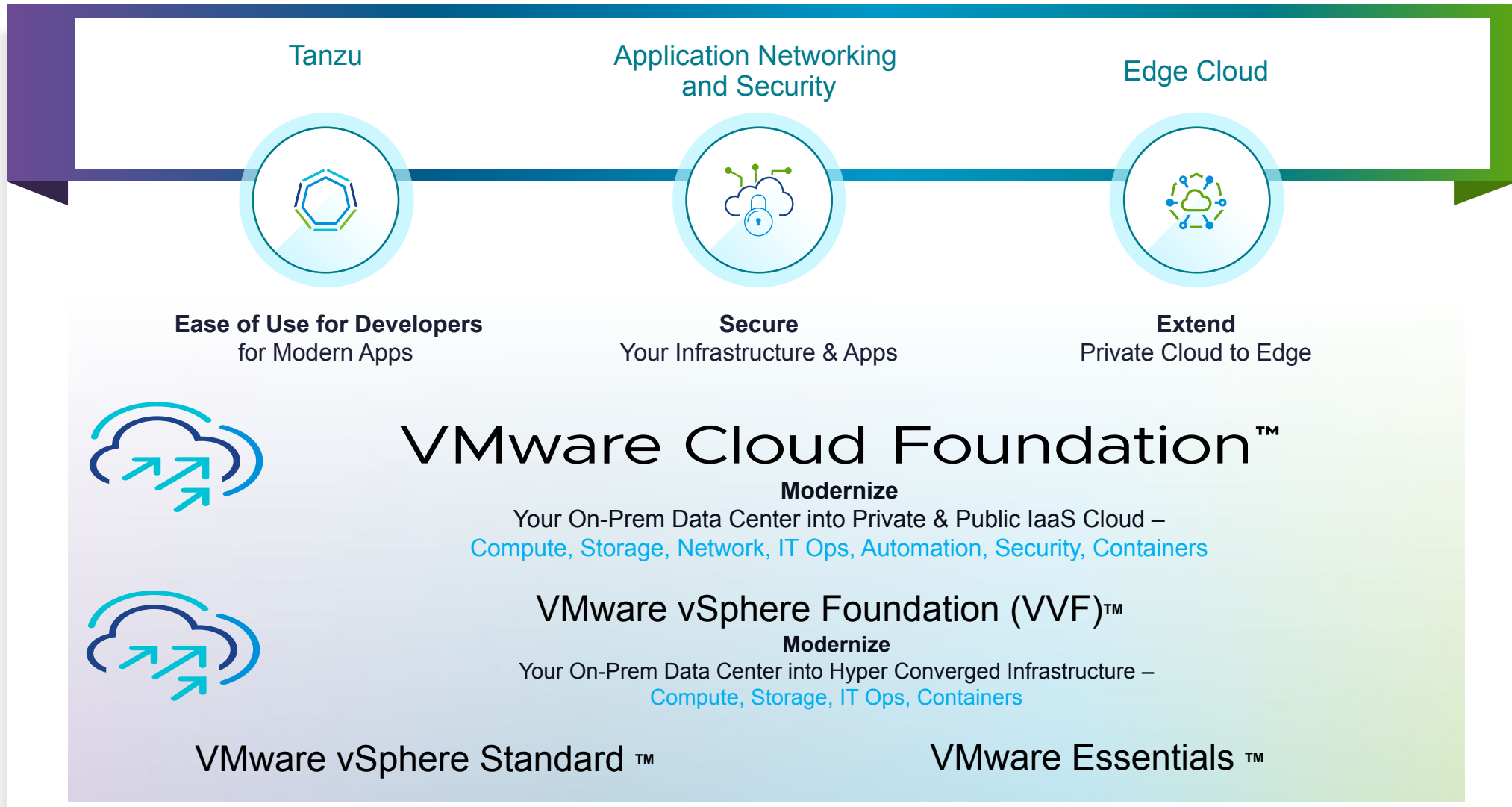


Enhancing Ecosystems

Help our partners
to help you

Product Offerings

**** Technical webinar to follow ****



Flexible Deployment Models with License Portability



VMware Cloud Foundation™



On-Prem Data Centers

Bring Cloud Operating Model
to On-prem Data Centers for Agility



In Your Preferred Public Cloud

VMware Cloud Foundation Benefits
In Your Public Cloud too



Across Hybrid Cloud

Operational Consistency
Across Cloud for Agility and Simplicity

Financial Analysis

Reduce Total Cost of Ownership with VMware Cloud Foundation

Compared to 3-Tier Infrastructure, Full Stack Shows Clear Savings



55% Savings on infrastructure⁽¹⁾



31% Savings on Facilities⁽¹⁾



42% Increased Labor Productivity⁽¹⁾

40%

VMware Cloud Foundation Savings ⁽²⁾

Modernize DC with VCF*

41%

VMware Cloud Foundation Savings ⁽²⁾

Compared to native public cloud

Why?

1. Storage costs
2. >2x Workload Density
3. 24x7 Workloads

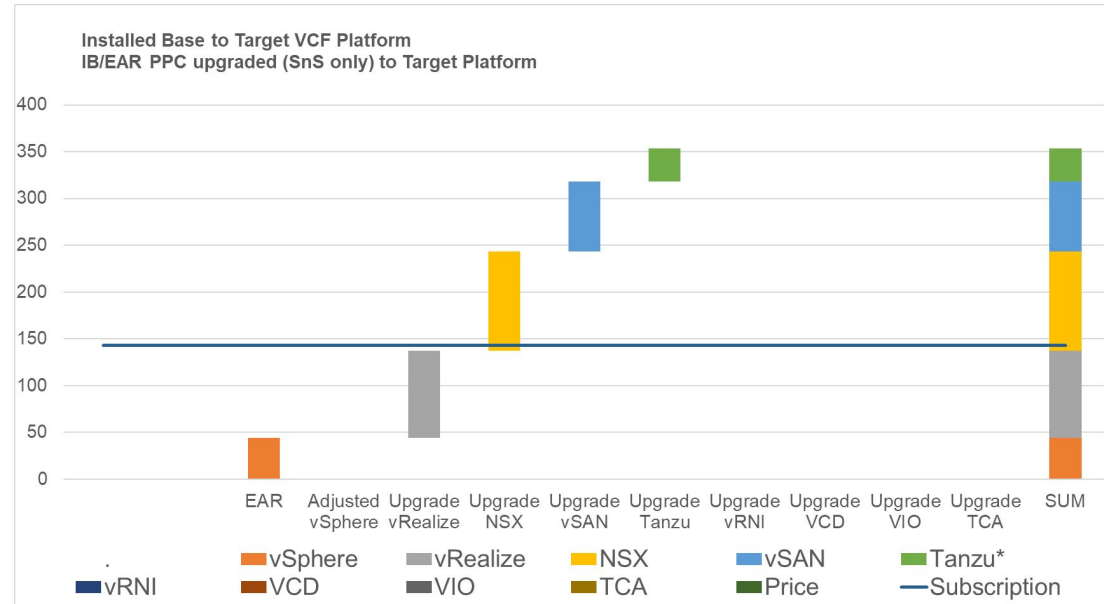
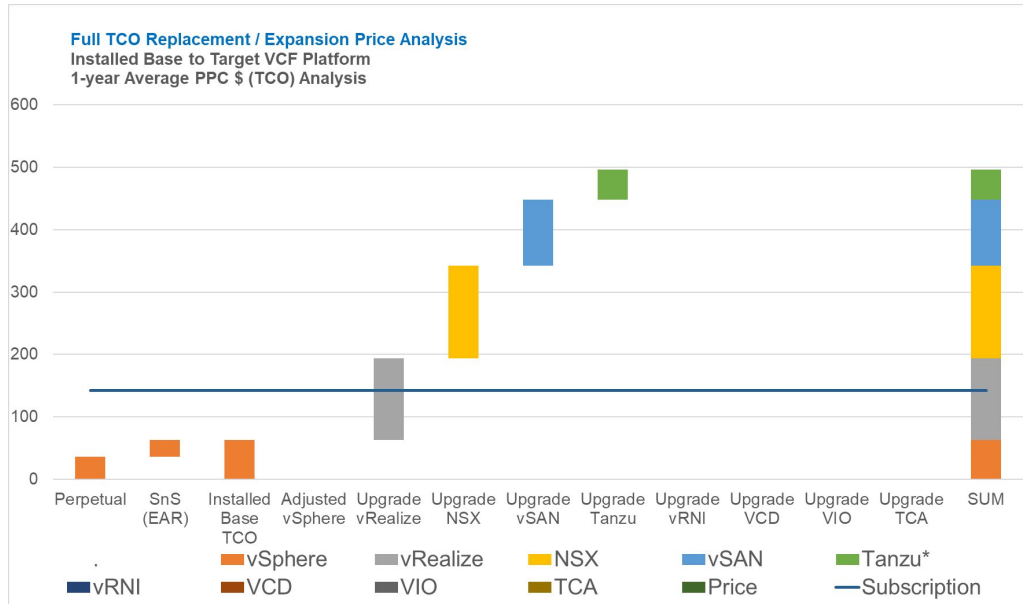
* Cost compared to vSphere with traditional infrastructure

(1) Source: VMware Cloud Economics Team. Results based on actual customer environment analysis using core-based subscription licensing when comparing VCF versus traditional 3-tier infrastructure.

(2) Source: VMware Cloud Economics Team. Results based on actual customer environment analysis using core-based subscription licensing when comparing VCF versus AWS Public Cloud.

GBP Perpetual To VCF Subscription Cost Comparison

Based on 50% Discount on Perpetual License & 50% on VCF Subscription – 100 CPU/1600 Cores



License + 3-yr SnS – Annualised Per Core Unit Cost

3-yr SnS Only – Annualised Per Core Unit Cost

Y1 Discounted ELA SnS + (Y2 + Y3 @ BAU SnS)

- Cost uplift for vSphere only customers vs VCF – Breakeven with 2-3 existing Perpetual products from VCF suite
- Opportunity to replace competitive products within the VCF suite to save money

Vendor Consolidation with VCF

What can VCF replace?

Storage

Nutanix

HPE

Pure

Cisco Hyperflex

NetApp

StarWind

Red Hat

Networking & Security

Arista Networks

Cisco

Check Point

Fortinet

Palo Alto

Illumio

Guardicore

Zscaler

Nutanix

Automation

Red Hat Ansible

ServiceNow

Jenkins

HashiCorp Terraform

GitLab

Cloudability

CircleCI

Cisco CloudCenter

CloudBees

Microsoft

GitHub

HPE OneSphere

Pantheon

BMC

Plesk

IBM

Observability & Management

Cisco App Dynamics

SolarWinds

Turbonomics

Splunk

Veeam One

CiRBA

CloudBolt

VMware 3-YEAR Pricing Comparison with Public Cloud

VMware Cloud Foundation (VCF) & Google Cloud VMware Engine (GCVE)

- Public Cloud Native and Public Cloud VMW flavours are price aligned
 - See respective Hyperscaler online pricing
- VMware enabling BYOL for on-prem and public cloud versions = full license portability
 - Google in next 3 months, AWS, MSFT & Oracle in 6-month timeframe
 - <https://news.vmware.com/releases/broadcom-google-vcf-license-portability>
- 3-YR VCF On-Premise List Price - \$1,050/core
- 3-YR GCVE Commitment - \$4.65/host/hour
 - <https://cloud.google.com/vmware-engine/pricing>
 - 36-Cores/CPU – 2 CPUs per Host = 72-Cores/Host
 - \$40,734 host cost per year ($4.65 \times 24 \times 365$) / \$122,202 host cost for 3-YR)
 - \$1,697.25 per Core / 3-YR for full GCVE [laaS](#) ($\$122,202 / 72$)
 - Hyperscaler [laaS](#) costs broadly consists of 1/3 Hypervisor stack, 1/3 Infrastructure, 1/3 People
 - GCVE Hypervisor c. \$565.75 per Core / 3-YR
 - On a very large customer commit (>\$100M), Google can offer c.5%-10% additional discount
- VCF @ 50% discount = \$525 per Core / 3-YR

Capitalisation Requirements

Software* Capitalisation (per International Accounting Standard IAS 38)

*Software is typically classed as an intangible asset: it has no physical substance (and is non-monetary) **unless it can be linked to hardware**



Meets the
definition of an
Asset

(Probable future economic gain + a
useful life of >12 months)



Identifiable

(i.e. it can be
sold/transferred/licensed, or it arises
from contractual/legal rights)

N.B. it must be a single asset and not
substitutable



Measurable

(i.e. its cost can be reliably measured)



Control over the
asset's use

Full control over upgrades /
downgrades / installation /
configuration / deletion

VMware Support For Public Sector

Our Plan to Help PubSec with License Transition



Commercial Models

Ramp payment model to align with adoption cycle and budgeting

Annual payments by default

Volume based discounting

Flexibility to Co-term

Termination for Convenience

MoU under discussion with CCS



Critical Vulnerabilities

Free Extended Support process to enable SnS continuity – case by case approval

Free access to zero-day security patches for supported versions of vSphere (more to follow) even for expired contracts

Continued access to available Perpetual licenses, bug fixes, upgrades, downgrades and security patches for customers under a **new Subscription contract**

AWS Announcement

<https://www.broadcom.com/blog/vmware-cloud-on-aws-here-today-here-tomorrow>

Broadcom CEO Re-affirms Commitment to AWS service



Thank You



Q&A

Q&A for VMWare Technology & Commercial update

Please use chat functionality or come off of mute to enable a better conversation

If we are unable to answer all your questions we will respond after the webinar

Next Steps

We will run more joint Webinars in the coming months and CCS welcome 1-2-1 conversations

VMWare hosted Technology deep dive - details to follow in slide deck

CCS 1-2-1 conversations, reach out to robin.bartlett@crowncommercial.gov.uk to arrange

CCS led in-depth Commercial guidance Webinar - look out for invitations

CCS Survey - a survey to better understand impacts
https://crowncommercial.qualtrics.com/jfe/form/SV_2nuLon4zXbOdNgG

Thank you and farewell to Chris & Gil

CCS Commercial Guidance -

VmWare has moved from a historic perpetual licence model to subscription only - effective now, so current agreements will not be renewed as is..

Subscription licences are disconnected so for more secure clients - no change, but subscription will need to be maintained to remain compliant

Product Bundles impact single product users most (Use 1 product out of 6)

ELA type agreements are possible for high volume users and we have examples.

If current support is ending - access to new version and patches will be removed, so download essential.

They have moved from counting CPUs to Counting CPU Cores and have sized pricing around minimums in the subscription,

They are imposing similar changes and pricing to the entire customer base including HyperScalers (AWS, Google, Azure, Oracle) - so potential further impact.

End User Computing (EUC) business (virtual desktop) divested to KKR for \$4 billion. KKR plan to create a standalone company - more to follow.

CCS Commercial Guidance -

We have seen,

- Significant increases moving from perpetual to subscription - 3, 4, 5 times original cost
- VmWare treat each requirement individually, so 3 renewals, 3 prices - bundling once to maximise discount essential
- VMWare discounts vary
- Resellers are inconsistent with margin application, challenge required
- VCF bundle can provide future cloud credits, but has a higher initial cost.
- Do not deny support is possible - but needs discussion and will be time limited,

Seek 1-2-1 with CCS for further commercial guidance - our aim is to make sure PS are as informed as possible

Next Steps CCS

CCS engaging with VMWare on behalf of public sector / CO on a potential MoU that will:-

- Establish base discounts,
- Interim steps - minimise short term impact,
- Escalation path
- Exec Mtg planned 15th May 2024

Working with UCISA and other PBO to support / minimise impact to Education,

Discussions with KKR commenced with similar objectives as above for virtual desktop.

We need your examples to support negotiations - **SURVEY OR DIRECT RESPONSE PLEASE**

CCS reviewing with CCDO alternate viable technology choices such as those below, to understand commercial aspects, tech dependencies, and potential MOU as well:-



Next Steps CCS

Hyperscalers:-

Impact Analysis underway with AWS, Microsoft (Azure), Google, Oracle,

Infrastructure OEM:-

Impact Analysis underway with HPE, DELL, Lenovo, IBM on reseller status and impact.

In-depth Q&A

Contact us

Robin.bartlett@crowncommercial.gov.uk - CCS Category Lead Tech

steve.taylor1@crowncommercial.gov.uk - Head of Technology hardware strategy

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Thank you



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