

# VMware Announces Agreements to Acquire Pivotal and Carbon Black

August 22, 2019

# Driving our customers' digital transformation agenda

vmware®

Leading innovator in  
enterprise software

+

Pivotal®

Leading application  
modernization platform

+

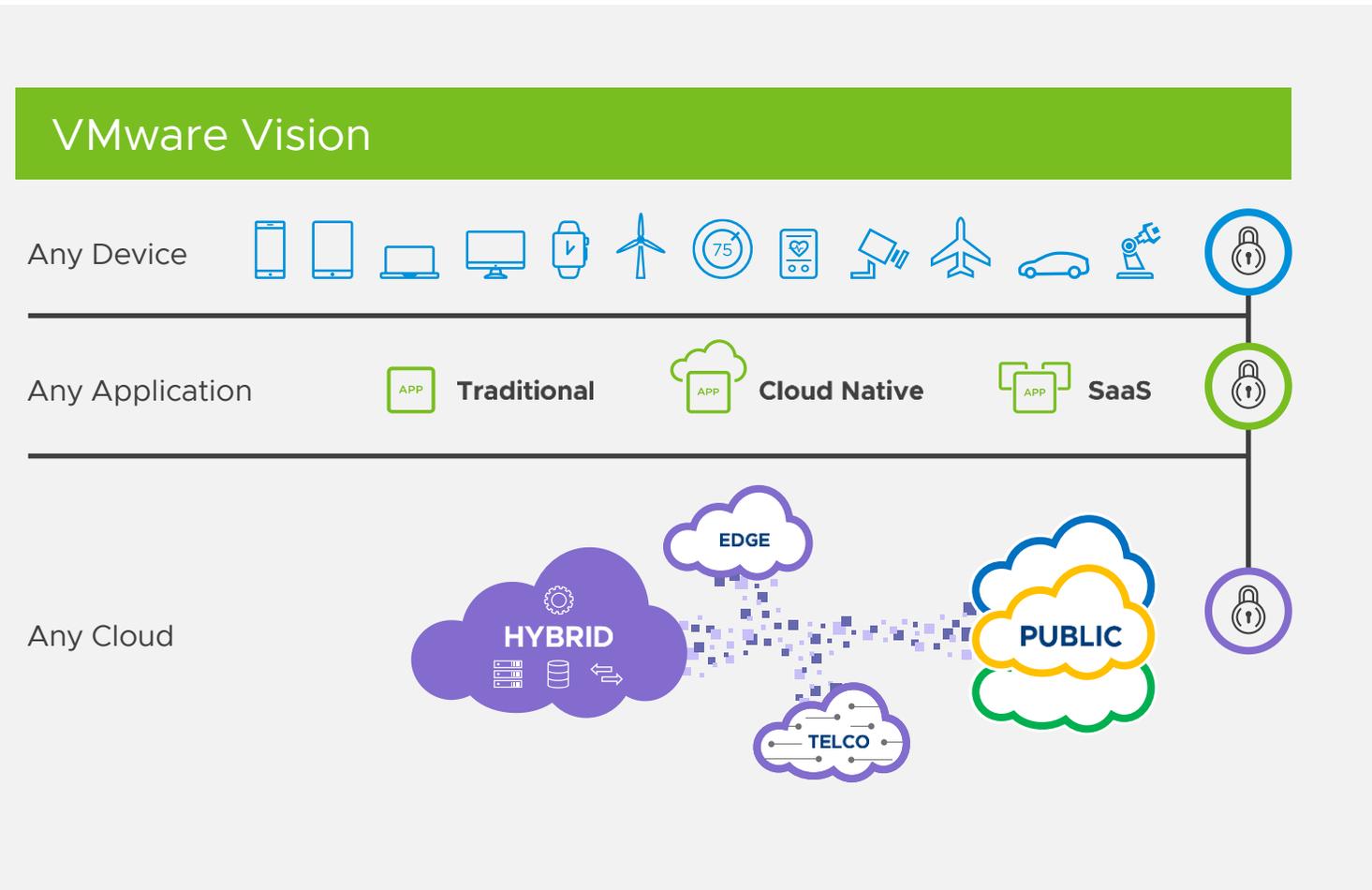
**Carbon Black.**

Leading security  
cloud platform

Provide the software to  
**build, run, manage, connect and protect**  
any app across any cloud and on any device

# Our “any, any, any” vision continues to resonate

With customers and partners as we drive our customers’ digital transformation agenda



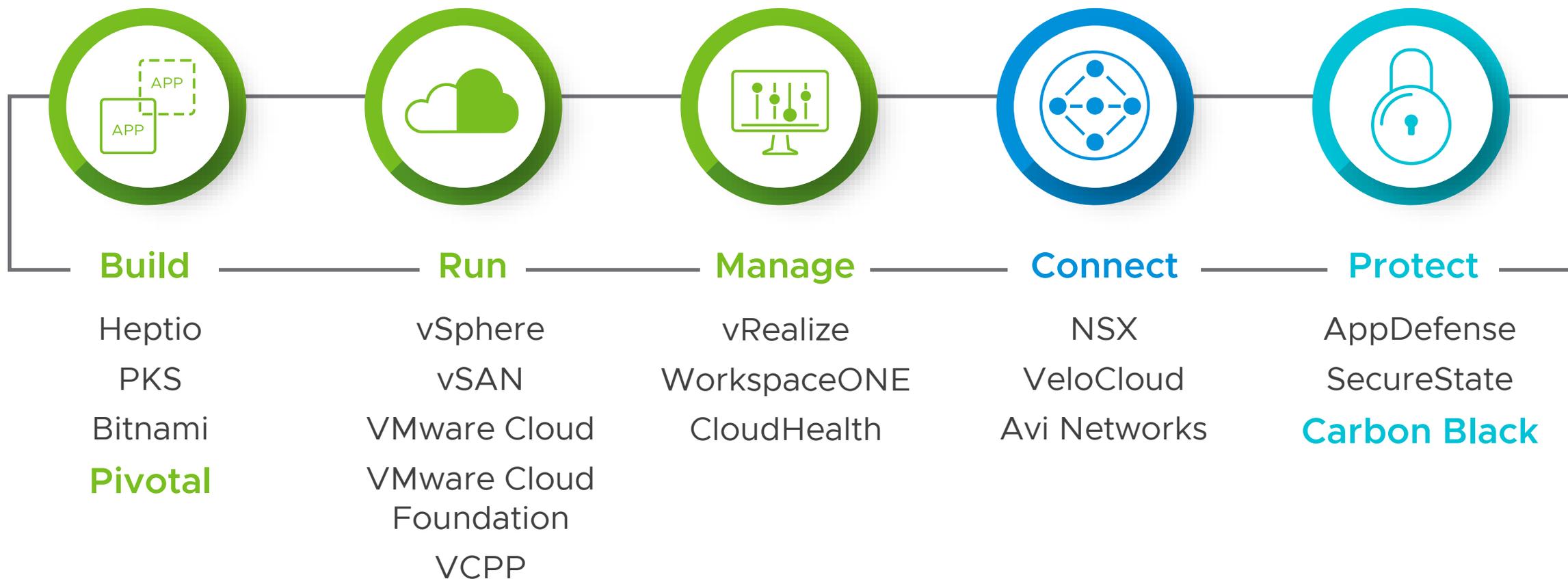
Trends are validating our “Any, Any, Any” vision

- Emergence of multi-cloud computing
- Apps being built to run across clouds, in the datacenter and across all devices
- Growth at the connected edge

As customers execute on their digital transformation journey, we will provide the software to build, run, manage, connect and protect any app across any cloud and on any device

# We are expanding our portfolio to accelerate our strategy

Any Cloud | Any App | Any Device



# Pivotal and Carbon Black will accelerate our strategy to deliver multi-cloud application development and security cloud platforms

## Pivotal

## Carbon Black.

### Strategic context

Digital transformation is driving the accelerated pace of cloud native app development (**500 million new apps in next 5 years<sup>1</sup>**)  
Kubernetes is the **foundation for running modern apps** and the **largest generational shift in enterprise architecture in a decade**

Cybersecurity and protection of enterprise apps, data network, endpoints and identity are **pervasive business priorities** and a **primary concern of CIOs and Boards of Directors**  
Current **cybersecurity industry is broken and ineffective**

### Why Pivotal and Carbon Black

**Leader in multi-cloud developer services** transforming how the world develops software (350+ customers; ~33% of Fortune 100; over 75 million Spring Boot downloads per month)

Leading **provider of an innovative cloud native security platform** (5,600+ customers; ~33% of Fortune 100; ~1 million cyberattacks stopped per day)

### Why now

Customers demand an **enterprise-class application development platform and multi-cloud expertise**  
Combine the **most comprehensive developer-centric application modernization platform** with our **proven infrastructure leadership** to ensure we are well positioned to lead the industry transition to Kubernetes

Customers require an **enterprise-grade security platform** to protect workloads, applications and networks, from the device to the cloud  
Enhance our existing security portfolio to **uniquely and radically reduce the attack surface**, intrinsically providing deep protection across infrastructure, applications and endpoints

### Product synergies

Develop a **next-generation application development platform** (Pivotal, Heptio, PKS, vSphere) for modern apps and multi-cloud environments

Deliver a **highly differentiated intrinsic Security Cloud platform** to better defend against threats and breaches across clouds, apps and devices and to **benefit our full portfolio**

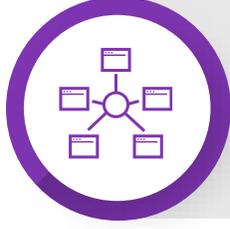
### Sales synergies

Leverage our **enterprise reach and installed base** to rapidly scale Pivotal's platform and **reinforce our credibility with developers**

Accelerate the adoption of the Security Cloud platform using our **enterprise scale, Dell's reach** and our **extensive partner ecosystem**

# Pivotal and Carbon Black have proven customer credibility

They will accelerate our revenue growth and Hybrid Cloud Subscription and SaaS revenue

|                               |   | Pivotal             | Carbon Black        |
|-------------------------------|---|---------------------|---------------------|
| Customers                     |    | 350+                | 5,600+              |
| Revenue <sup>1</sup>          |    | ~\$690 Million      | ~\$230 Million      |
| Revenue Growth <sup>2</sup>   |    | +26% year-over-year | +24% year-over-year |
| Subscription Mix <sup>3</sup> |  | ~64%                | ~96%                |

Source: 10-Q filings; Trailing 4 quarters

(1) for Pivotal: Q1-20 to Q2-19; for Carbon Black: Q2-19 to Q3-18

(2) for Pivotal: Q1-20 to Q2-19 compared to Q1-19 to Q2-18; for Carbon Black: Q2-19 to Q3-18 compared to Q2-18 to Q3-17

(3) for Pivotal: subscription revenue mix for Q1-20 to Q2-19; for Carbon Black: subscription and support revenue, and cloud-based subscription revenue mix for Q2-19 to Q3-18

# Our go-forward portfolio is uniquely positioned for customers

| Priority       | Strategic Context  | How VMware Helps   | Products   |
|----------------|--|--|--|
| <b>Build</b>   | Kubernetes is driving the biggest generational shift in enterprise architecture since Java, virtualization and cloud                       | Deliver an enterprise application development platform that accelerates software delivery for modern apps by combining Pivotal and VMware's IT assets                                | Pivotal, Heptio, PKS, Bitnami                              |
| <b>Run</b>     | Business agility and innovation require data center modernization with the ability to run any app on any cloud securely and safely         | Lead with a software-defined approach that delivers a common operating environment regardless of cloud or application type   | vSphere, vSAN, VMware Cloud, VMware Cloud Foundation, VCPP |
| <b>Manage</b>  | Companies must manage their rapidly expanding portfolio of applications across multiple clouds and with edge diversity                     | Manage complexity, cost and security across multi-cloud, multi-device environments with consumer simple and enterprise secure solutions  | vRealize, WorkspaceONE, CloudHealth                        |
| <b>Connect</b> | End-to-end connectivity and security are needed for all apps and data, wherever they exist   | Enable customers to connect, secure, and operate end-to-end architecture with a coherent networking platform   | NSX, VeloCloud, Avi Networks                               |
| <b>Protect</b> | Cybersecurity and protection of enterprise apps, data network, endpoints and identity is a primary concern of CIOs and Boards of Directors | Create a comprehensive intrinsic security portfolio that can protect workloads, clients and infrastructure from cloud to edge by combining Carbon Black and VMware's security assets | Carbon Black, AppDefense, SecureState                      |

# Transaction summary

## Pivotal

\$11.71 implied blended price per share

\$15.00 per Pivotal Class A share (cash)

0.0550 exchange ratio for Pivotal Class B shares<sup>1</sup> (approximately 7.2 million VMware Class B shares to Dell)

\$2.7 billion enterprise value

\$0.8 billion expected net cash payout<sup>2</sup>

## Carbon Black

\$26.00 per share

\$2.1 billion enterprise value

\$1.9 billion expected net cash payout<sup>3</sup>

### 1. Expectations:

- Pivotal and Carbon Black together to add >2 pts of revenue growth and over \$1 billion of mostly Hybrid Cloud Subscription and SaaS revenue to VMware's total revenue in year 1
- Pivotal and Carbon Black to meaningfully increase our total revenue in Hybrid Cloud Subscription and SaaS to over \$3 billion in year 2
- Combination of Pivotal and Carbon Black together to be operating income<sup>4</sup> positive in year 1, and both cash flow positive and EPS<sup>4</sup> accretive in year 2

2. We have the flexibility to fund the acquisitions through cash on our balance sheet and access to short-term borrowing capacity

3. Expect closing both Pivotal and Carbon Black in 2H FY-20 (subject to customary closing conditions)

4. Once closed, we will update VMware's historical financial statements to reflect the historical performance of Pivotal

(1) Exchange ratio based on VMware and Pivotal share prices before Dell made its Schedule 13-D/A filing with the SEC on August 14, 2019

(2) Net of cash, cash equivalents and short-term investments of Pivotal

(3) Net of cash, cash equivalents and short-term investments of Carbon Black

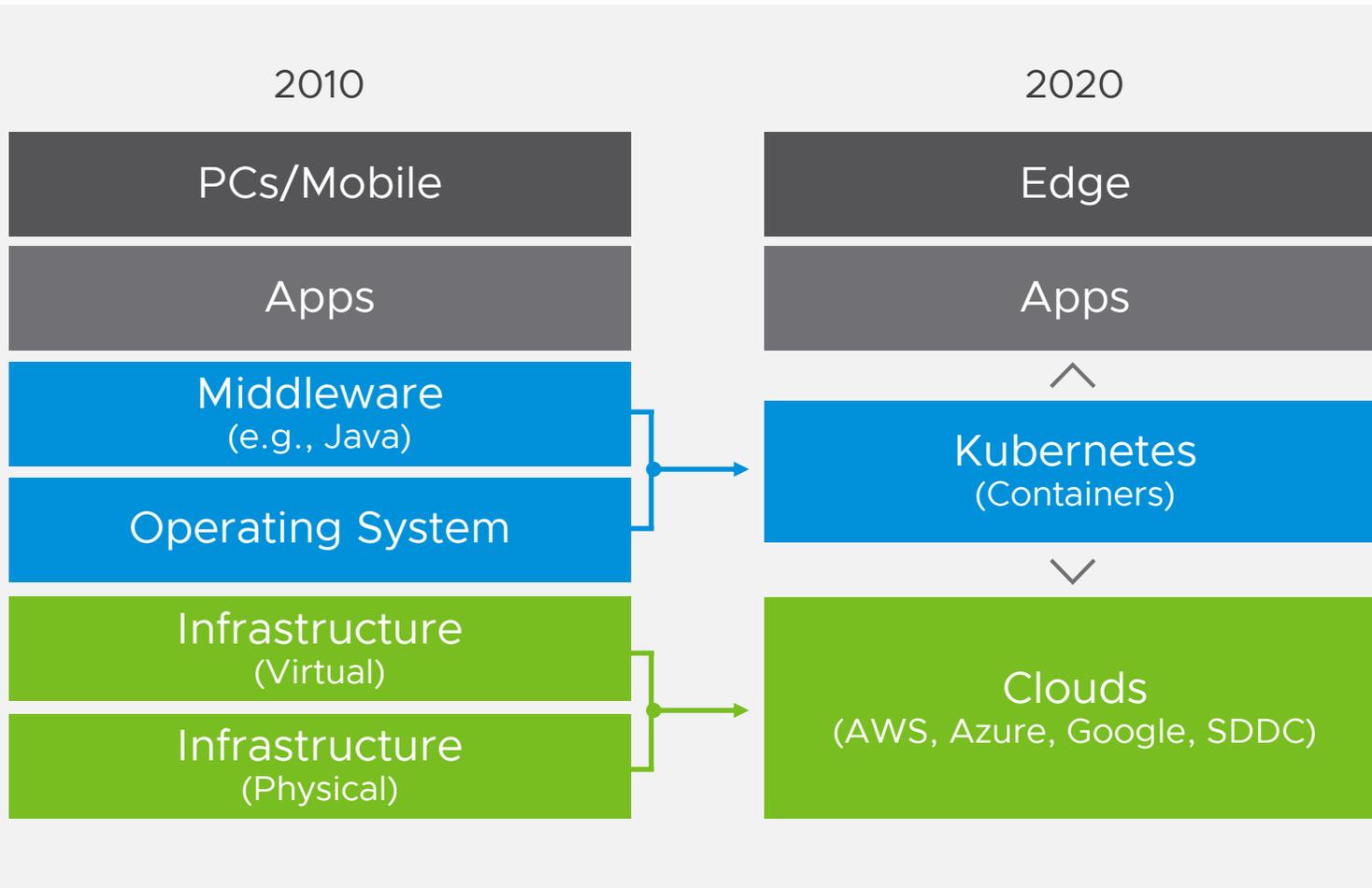
(4) Projections are for non-GAAP operating income and non-GAAP EPS

# Pivotal<sup>®</sup>

## Additional Details

# Kubernetes is driving a big generational shift in enterprise architecture

Digital transformation is driving the accelerated pace of cloud native app development



## Implications

Multi-cloud is emerging as the new model for enterprise architecture

Enterprises are deploying Kubernetes at scale and demanding an enterprise-grade, multi-cloud Kubernetes platform

CIOs are focused on driving velocity and efficiency in their IT portfolios, regardless of app, cloud and device

Strategic vendors will excel at meeting the needs of developers as well as the needs of enterprise IT

# Pivotal: transforming how the world builds software

Companies of all sizes trust Pivotal; complements our portfolio and enterprise scale

## Highlights

Proven ability to accelerate modern app development

- Increased software production, developer productivity
- Reduced time to patch operating systems
- Higher operational efficiency across IT portfolio

Trusted advisors to accelerate digital transformation

- Strategic services (Labs) to support customers' application transformation
- Multi-cloud by default (private, public and managed)

Established business model

- 350+ subscription customers
- ~\$690M revenue<sup>1</sup>, 26% revenue growth<sup>2</sup>, ~64% subscription mix<sup>3</sup>
- ~3,000 global headcount

| Auto and Transportation   | Industrial and Business Services  |
|---|---|
|    |    |
| Healthcare and Insurance  | Technology and Media  |
|    |    |
| Consumer and Communications   | Financial Services  |
|  |  |

Source: 10-Q filings; Trailing 4 quarters  
(1) Q1-20 to Q2-19  
(2) Q1-20 to Q2-19 compared to Q1-19 to Q2-18  
(3) Q1-20 to Q2-19

# Together, we will deliver an enterprise-grade platform for any app

We will reinforce our credibility with developers who are driving core IT decisions

Vision: Transform how to **build, run and manage** modern apps on any cloud



We have increased our Kubernetes efforts with important investments over the last two years:

- Partnership with Pivotal on PKS
- Acquisition of Heptio (with two Kubernetes founders)
- Acquisition of Bitnami

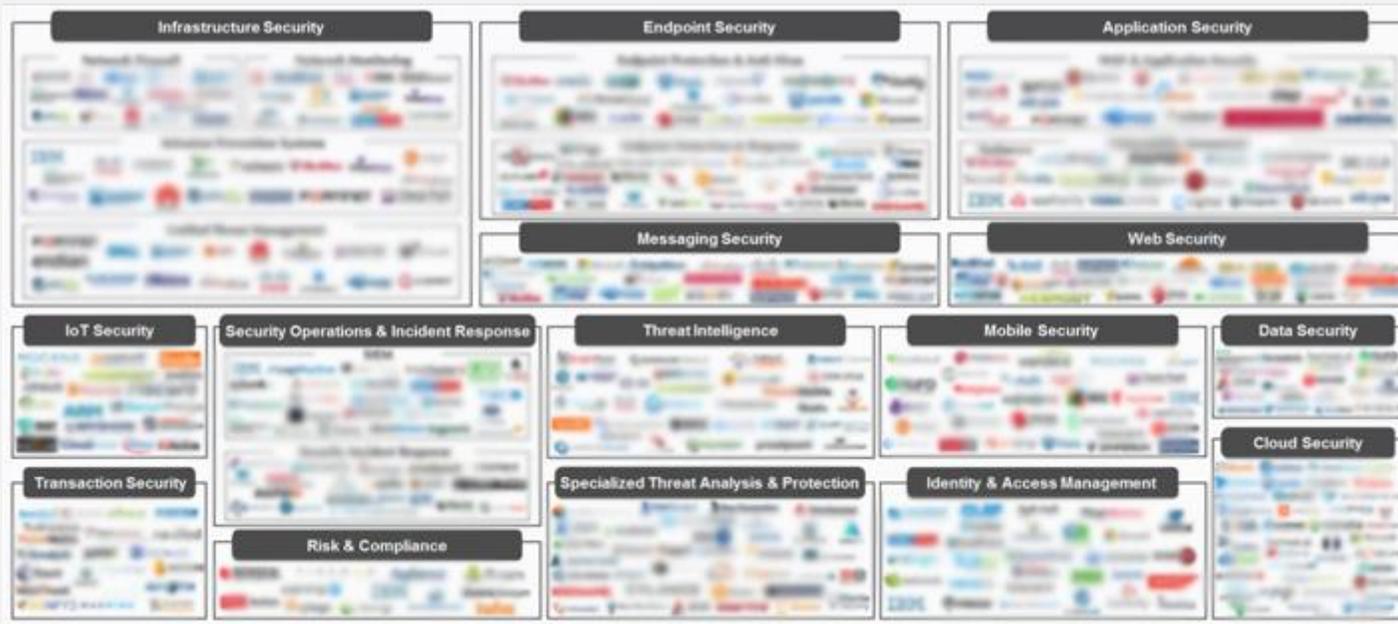
With Pivotal, we will deliver a comprehensive enterprise-grade, enterprise-scale application development platform and services

Combination of the product portfolio, go-to-market and services assets will allow us to lead the industry transition and reinforce our credibility with developers

# Carbon Black.

## Additional Details

# Security solutions have proven to be architecturally unfit for today's multi-cloud, multi-device world



Security and protection have become a significant challenge and priority

## Implications

Protection of enterprise apps, data network, endpoints and identity remain a **top concern for CIOs and Boards of Directors**

Challenges today: **fragmented tools, bloatware agents, lack of cohesive platform architecture** (most enterprises run 75+ security tools in their IT environment)

With distributed orgs and workloads, traditional security perimeter has grown, leading to a **broader surface area for attackers**

# Carbon Black: transforming security with big data and analytics

New and emerging attacks overwhelm traditional defenses and require a different approach

## Highlights

Proven ability to combine prevention, detection and response with predictive modeling

- Stop more attacks and take back control over endpoints
- Cut down the guesswork and close security gaps fast
- Minimize multi-vendor complexity and agent fatigue

Utilize the power of big data and analytics

- Predict, prevent, detect and respond to threats
- Correlate across domains (breaking silos between workload, network, endpoint, cloud)

Established business model

- 5,600+ customers, including ~33% of the Fortune 100
- 500+ ecosystem partners and 100+ integrations with technology partners
- ~\$230M revenue<sup>1</sup>, 24% revenue growth<sup>2</sup>, ~96% subscription mix<sup>3</sup>
- ~1,100 global headcount

| Technology  | Manufacturing   |
|---|---|
|       |       |
|       |       |
| Finance   | Media   |
|       |       |
|       |       |
| Education and Government  | Retail and Hospitality  |
|   |    |
|   |   |

Source: 10-Q filings; Trailing 4 quarters

(1) Q2-19 to Q3-18

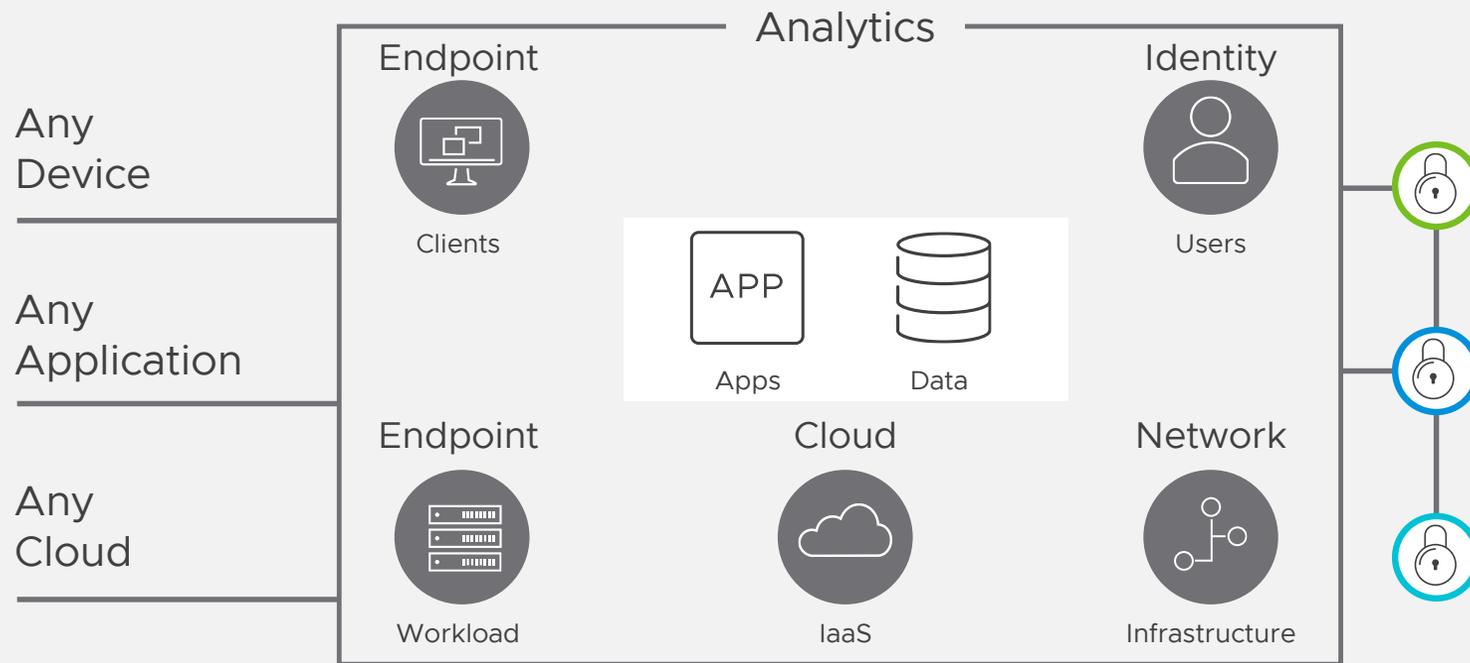
(2) Q2-19 to Q3-18 compared to Q2-18 to Q3-17

(3) Subscription and support revenue, and cloud-based subscription revenue mix for Q2-19 to Q3-18

# Together, we will deliver a highly differentiated security cloud

Our goal is to secure all attack vectors in the new age of zero trust from device to cloud

Vision: Deliver **an intrinsic Security Cloud** across five control points



We have [invested significantly in our intrinsic security strategy](#), building security features into our infrastructure products across workloads, clients, and applications

**Key innovations include:**

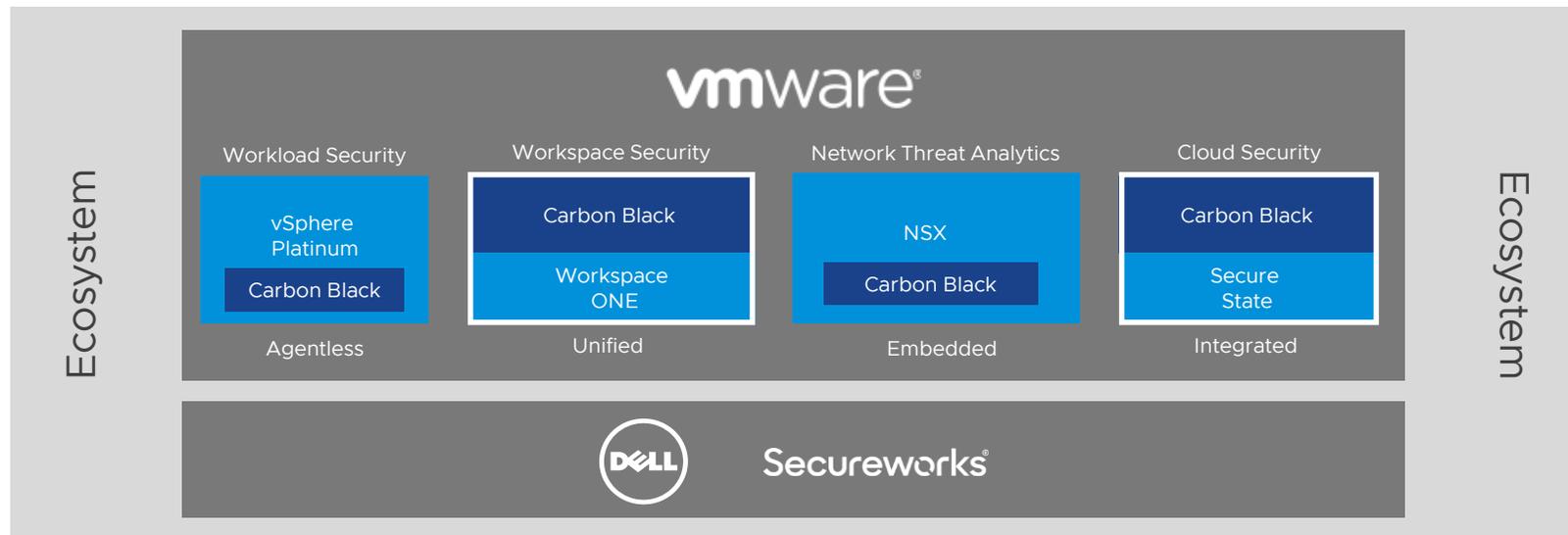
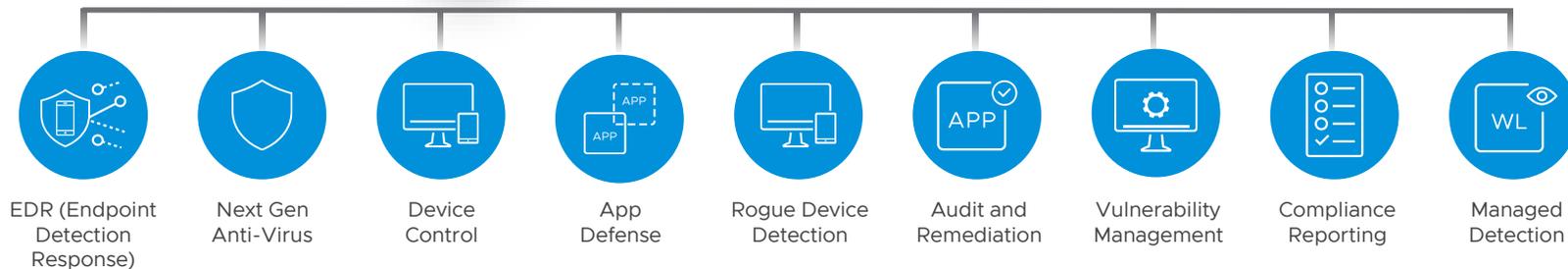
- NSX
- WorkspaceOne
- AppDefense
- SecureState

Together with Carbon Black, we will [establish a portfolio that spans five distinct control points](#) – client, workload, user, infrastructure and IaaS, with AI-powered analytics

# With Carbon Black, we will take a leadership position in security

We will drive adoption of Carbon Black's innovation and deliver full portfolio integration

## Carbon Black Security Cloud



Carbon Black's innovations include:

- A smart, lightweight agent
- Cloud native, multi-tenant architecture
- An AI/ML based Data-Lake

Together, we will deliver the industry's first:

- Agentless server workload security
- Unified workspace security
- Sophisticated cloud and network security

We will accelerate adoption through our enterprise sales reach, Dell's product and sales channel and our extensive partner ecosystem

# Forward-looking statements

This presentation contains forward-looking statements including, among other things, statements regarding the proposed acquisitions of Carbon Black and Pivotal Software by VMware such as: the amount and type of consideration expected to be paid for each acquisition; the net cash and equity payouts and dilutive impact on VMware; the sources of funding for the acquisitions, including VMware's ability to access short-term borrowing; the expected timing for the acquisitions; the growth opportunities, acceleration and expansion of VMware's offerings associated with each acquisition and potential benefits to VMware and its customers; the expected impact on VMware's future financial performance and results of operations including revenue growth, subscription and SaaS revenues and operating margin. These forward-looking statements are subject to applicable safe harbor provisions under federal securities laws, such as the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including but not limited to: (1) the satisfaction or waiver of the conditions to closing the proposed acquisitions (including the failure to obtain necessary regulatory approvals) in the anticipated timeframe or at all; (2) uncertainties as to how many of Carbon Black's stockholders will tender their shares in the tender offer and the outcome of the vote by Pivotal stockholders to approve the Pivotal acquisition; (3) the possibility that either or both acquisitions do not close; (4) the possibility that competing offers may be made; (5) risks related to obtaining the requisite consents to each acquisition, including, without limitation, the timing (including possible delays) and receipt of regulatory approvals from various governmental entities (including any conditions, limitations or restrictions placed on these approvals and the risk that one or more governmental entities may deny approval); (6) risks related to the ability to realize the anticipated benefits of the proposed acquisitions, including the possibility that the expected benefits from the proposed acquisitions will not be realized or will not be realized within the expected time period; (7) the risk that the businesses will not be integrated successfully; (8) disruption from the transactions making it more difficult to maintain business and operational relationships; (9) negative effects of this announcement or the consummation of the proposed acquisitions on the market price of VMware's common stock, credit ratings and operating results; (10) the risk of litigation and regulatory actions related to the proposed acquisitions; (11) other business effects, including the effects of industry, market, economic, political or regulatory conditions; (12) other unexpected costs or delays in connection with the acquisitions; (13) adverse changes in general economic or market conditions; (14) delays or reductions in consumer, government and information technology spending; (15) competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors into the virtualization software and cloud, workspace and mobile computing industries, and new product and marketing initiatives by VMware's competitors; (16) changes to product and service development timelines; (17) VMware's relationship with Dell Technologies and Dell's ability to control matters requiring stockholder approval, including the election of VMware's board members and matters relating to Dell's investment in VMware; and (18) geopolitical changes such as Brexit and increased tariffs and trade barriers that could adversely impact our non-U.S. sales. These forward-looking statements are made as of the date of this press release, are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including VMware's most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K that we may file from time to time, which could cause actual results to vary from expectations. VMware assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this release.

# Additional information about the Pivotal acquisition and where to find it

This communication may be deemed to be solicitation material in respect of the proposed merger with Pivotal Software (the “Pivotal Merger”). This communication does not constitute an offer to sell or the solicitation of an offer to buy VMware securities or the solicitation of any vote or approval. The proposed Pivotal Merger will be submitted to Pivotal’s stockholders for their consideration. In connection with the proposed transaction, Pivotal intends to file a proxy statement and other relevant materials with the Securities and Exchange Commission (the “SEC”) in connection with the solicitation of proxies by Pivotal, the Company and Dell Technologies in connection with the proposed transaction. The definitive proxy statement will be mailed to Pivotal’s stockholders.

BEFORE MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE PROPOSED TRANSACTION, INVESTORS AND STOCKHOLDERS OF PIVOTAL ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT REGARDING THE PROPOSED TRANSACTION (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND OTHER RELEVANT MATERIALS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. The proxy statement, any amendments or supplements thereto and other relevant materials, and any other documents filed by Pivotal with the SEC, may be obtained once such documents are filed with the SEC free of charge at the SEC’s website at [www.sec.gov](http://www.sec.gov).

In addition, Pivotal’s stockholders may obtain free copies of the documents filed with the SEC through the Investors portion of Pivotal’s website at [investors.pivotal.io](http://investors.pivotal.io) or by contacting Pivotal’s Investor Relations Department via e-mail at [ir@pivotal.io](mailto:ir@pivotal.io).

Pivotal, VMware, Dell Technologies Inc. and certain of their respective executive officers, directors, other members of management and employees, may under the rules of the SEC, be deemed to be “participants” in the solicitation of proxies from Pivotal’s stockholders in connection with the proposed transaction. Information regarding the persons who may be considered “participants” in the solicitation of proxies will be set forth in Pivotal’s preliminary and definitive proxy statements when filed with the SEC and other relevant documents to be filed with the SEC in connection with the proposed transaction, each of which can be obtained free of charge from the sources indicated above when they become available. Information regarding certain of these persons and their beneficial ownership of Pivotal’s common stock is also set forth in Pivotal’s proxy statement for its 2019 annual meeting of stockholders filed on May 3, 2019 with the SEC, which may be obtained free of charge from the sources indicated above.