BROADCOM®

May 6, 2024

Dear Valued VMUG Members,

Recently, I had the pleasure to attend the **VMUG UserCon** event in Frankfurt, Germany, where I updated more than 450 VMUG members on our VMware strategy and related changes. As we enter the sixth month since the close of the acquisition, I want to share with you some key updates we discussed.

As I've said before, I fully appreciate the value that the VMware User Group brings to our larger ecosystem as an independent, customer-led organization that's passionate about our technology. I enjoyed engaging with the VMUG community in Frankfurt, and I hope to attend additional UserCon events this year as my schedule permits.

Why? Because you are the end-users and partners who most appreciate and best advocate for VMware's products and technology. Given the misinformation that's out there, it's important to me that you fully understand our strategy and why the changes we're making will bring lasting customer benefits.

VMware Cloud Foundation

In my open letter to you back in December 2022, I told you that we expect "to provide customers greater flexibility, and deliver new solutions to help them connect, scale and protect their IT infrastructure as the industry evolves." That's exactly what we're doing.

Our strategy is simple: With VMware Cloud Foundation, or VCF, enterprises will have the power to create their own self-service, virtual, private clouds. VCF allows you to replicate on-premises nearly everything you expect from a public cloud environment.

Over the years, managing on-prem became more challenging and complicated as technology evolved. When something goes wrong on-prem, when there's a data center outage, CIOs and their teams need to bring it all back up quickly. If not, the CIO's job is on the line. Resiliency is critical.

CIOs also worry about "developer drain." In most scenarios, when developers want to deploy an application, they write a ticket to their IT department. In maybe two weeks, or two months, they get a virtual machine or container to run. Alternatively, developers can turn to a public cloud and get a virtual machine in only 20 minutes. Developers increasingly are tempted to move to companies that have their data fully in the public clouds, rather than on-prem. It makes their lives easier.

VMware is changing this status quo by creating a public cloud-like environment on-prem though the VCF platform. The only way to do that is to break down the barriers between compute, storage and networking with an open, common, management operations layer. And the technology that can best do that today in a stable, effective, easy way is VCF. And VCF will be even better down the road in terms of ease of deployment and interoperability.

BROADCOM ®

Noise Surrounding Our Changes

There has been considerable misinformation lately about changes in our product lineup. But the story being told by a minority of customers is misrepresenting the bigger picture.

Some changes stem from VMware's conversion from perpetual licenses to a subscription model, a process that began in 2018, well before Broadcom acquired VMware. Subscription products are now the standard in the software industry.

Consider a company that purchased a perpetual license for vSphere three years ago. The company paid the upfront cost at that time. Since then, it only paid maintenance costs on a now-outdated version of that software, which represents only 20 percent of the full license costs.

In the past, the need to get more upfront payments drove VMware to release important new features as add-ons or new license levels. That increased administrative complexity and raised costs for everyone. With the switch to a subscription product, in most cases companies will be actually paying the same price they paid three years ago, only they will now be paying that cost as they go, rather than upfront. They'll get regular updates. Today our incentives are better aligned with customers as we've simplified our product lineup and can deliver our products more efficiently, ultimately reducing costs for everyone.

The vast majority of our customers get it, as do those like you who actually work with our technology. A subscription product allows us to advance better technology and better delivery and support in the form of a comprehensive platform.

Repatriation, Data Sovereignty & AI

Fact is, many companies are looking to bring workloads back from the public cloud to on-prem, but to do that they need a reliable platform they can operate with the same ease-of-use they get with a public cloud.

As companies look to repatriate their data and build their private clouds, we're investing resources to offer security, ransomware and other key services that a public cloud provides.

VCF, as a virtual cloud platform, also aligns nicely with the needs of enterprises that are concerned about data sovereignty or compliance with sovereign cloud requirements. But not all of these companies have the scale, skills or financial resources to run their own private cloud on-prem. For those enterprises, we have about 100 managed service providers who run the VCF platform like a private cloud on a hosted basis.

This is leading to the creation of sovereign clouds all over the world through this extremely powerful and versatile platform.

A similar alignment exists with AI. While many enterprises want to run enabled AI, they are reluctant to put their sensitive data in a public cloud. But if you are able to create a smaller cloud environment that has sovereignty and security built in, and you're able to securely manage your data with those managed service providers, it's easier to start leveraging AI.

Stick with Us

I hope you can see there is a strategy, method, and purpose to what we are creating at VMware: the virtual cloud environment your employers need. As you and your enterprises adapt to this new environment, you will have the chance to advance your careers as well.

So, stick with us. Collaborate with us. We'll get there, together.

Regards,

Hock Tan

President and CEO

Broadcom