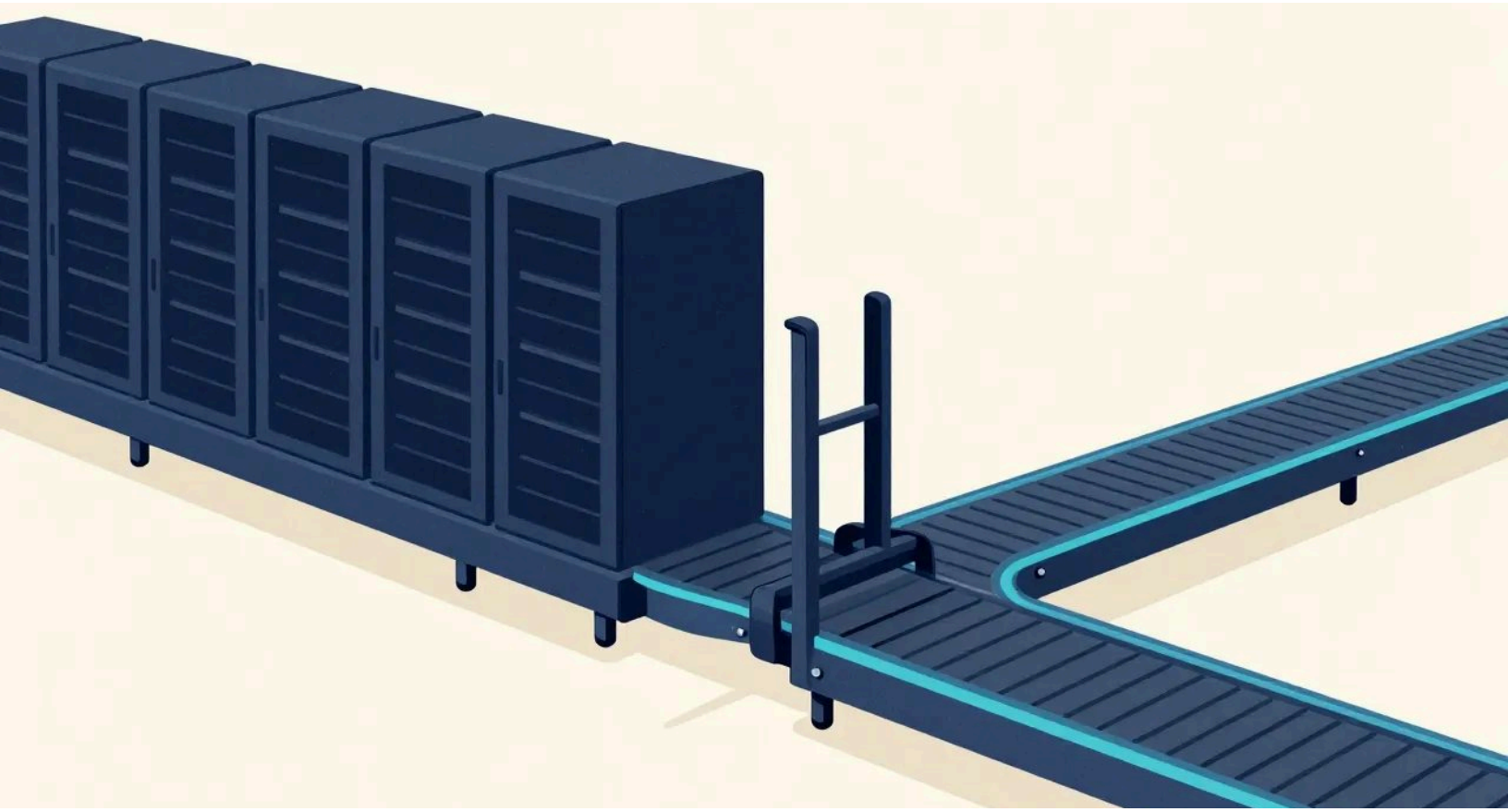


EXECUTIVE PAPER · MIGRATIONS

Your VMware Renewal Is a Migration Decision

Since Broadcom bought VMware, the renewal quote has become a platform decision. Executives who start a year early can choose; those who start a quarter early sign whatever is on the table.

AUTHOR

Chris Watkins

SERVICE

Migrations

FOR

CEO, CFO, CTO, CIO · 11 min read

AT A GLANCE

The problem. Broadcom ended sales of VMware perpetual licenses and standalone products, moved customers to per-core subscription bundles, and tightened renewal terms. Customers have reported increases from 85% to more than tenfold. A full move off VMware takes three years or more, so a company that starts planning when the quote arrives has already lost the option to leave.

Why it persists. Virtualization has been treated as plumbing, renewed by procurement a few weeks before expiry. Few companies have a current inventory of what runs on it, what depends on its storage and networking features, or what an alternative would cost.

The recommendation. Start at least twelve months before the contract ends. Inventory the estate, get a firm renewal quote, and price at least one alternative for real. Then choose among four paths: renew, renegotiate, move some workloads, or migrate. Go into the negotiation with a funded alternative, and sign for a term that matches your plan.

The Decision in Front of You

For fifteen years, a VMware renewal was a line item. Support costs rose a few percent, procurement signed, and the platform under most corporate applications kept running. That changed when Broadcom completed its acquisition of VMware in November 2023 [14].

The renewal is now a decision about where your applications will run for the next three to five years. The quote may double or triple your annual cost. Accepting it locks in that cost for the term. Rejecting it without an alternative is not possible, because the alternative takes years to build. Gartner's research vice president Julia Palmer said in September 2025 that a full migration off VMware takes three years or more, while re-platforming selected applications can take up to a year [13][14].

The executive decision is timing and posture. Treat the renewal as a platform choice, start at least a year before the contract ends, and arrive at the negotiation with a costed alternative. The alternative earns its keep even if you end up renewing, because it is the only thing that changes the price.

What's Happening

The licensing model changed

In December 2023, VMware senior vice president Krish Prasad announced that Broadcom would complete the transition of all VMware products to subscription licenses. New perpetual licenses stopped, and so did renewals of support for existing perpetual licenses [2]. Customers could keep using perpetual licenses while their support contracts ran [2]. In January 2024, VMware listed dozens of

standalone products as end of availability, including vSphere Enterprise Plus, vSAN, NSX, and Site Recovery Manager as separate purchases. Most now come inside two bundles: VMware Cloud Foundation (VCF) and VMware vSphere Foundation (VVF) [1].

Pricing is per physical core. Broadcom's own knowledge base says every CPU must be licensed for at least 16 cores, even if it has fewer [3]. In March 2025, distributor Arrow told partners that from April 10, 2025, the minimum order would rise to 72 cores per order line, and that renewals signed after the anniversary date would carry a 20% penalty on the first year's price [4]. A company with one small eight-core server would pay for 72 cores [4]. Treat the 72-core figure as reported by the channel and confirm it against your own quote.

Customers who kept perpetual licenses without support have found it harder to get patches. From late May 2025, many of them could not download updates while their license status was checked, and Broadcom said it was developing a separate patch process without giving a date [15].

What customers report paying

Broadcom does not publish average price changes, so the evidence comes from disputes and filings.

AT&T, 2024. AT&T sued Broadcom in New York in August 2024 to force continued support for VMware running about 75,000 virtual machines on roughly 8,600 servers [5]. AT&T said its VMware costs were set to rise by 1,050% [5]. The parties reached a settlement in principle on November 21, 2024, with terms undisclosed [5]. Even a company of AT&T's size needed a court order to buy time.

Rijkswaterstaat, 2025. The Dutch agency that runs tunnels, locks, and bridges said the subscription model would raise its annual cost from €2.1 million to nearly €4 million, an 85% increase [6]. It had announced in March 2025 that it would phase out VMware over two to three years. When Broadcom declined further transition support, a court in The Hague ordered VMware and Broadcom in June 2025 to keep providing updates, fixes, and technical support for up to two years while the agency migrates, with penalties of €250,000 a day up to €25 million [6].

Tesco, 2025 and 2026. Tesco has sued Broadcom, VMware, and reseller Computacenter in the English High Court for at least £100 million [7]. It says it faces a 237% increase to keep support on perpetual licenses it already owns, for about 40,000 virtual workloads that support grocery supply across the UK and Ireland [7]. Tesco's filing sets the end of 2027 as its deadline to finish moving off VMware [8].

Other reports point the same way. CISPE, the European cloud providers' association, says some of its members have seen increases of more than tenfold, along with contracts terminated at weeks' notice, and in July 2025 asked the EU General Court to annul the Commission's approval of the merger [9]. Broadcom says it strongly disagrees and that thirteen jurisdictions approved the deal [9]. Coverage in June 2025 cited claims of 150% to 500% increases [10].

Broadcom's numbers show the strategy working

Broadcom says more than 90% of VMware's 10,000 largest customers have moved from perpetual licenses to VCF subscriptions [11]. Its infrastructure software segment, which includes VMware, reported $6.8 billion in revenue for the quarter reported in September 2025, up 17% from a year earlier [11]. Broadcom's chief executive, Hock Tan, also said that customers who bought VCF licenses have not necessarily deployed them [12]. One analyst asked publicly whether many customers had signed three-year agreements while they plan an exit [10].

Gartner expects more than a third of current VMware workloads to run on other platforms by 2028 [13] [14]. Gartner also advises against moving everything, and calls VCF 9 a solid option [13].

Why the Usual Approach Fails

The usual approach treats the renewal as a procurement event. The quote arrives 60 to 90 days before expiry, finance objects, IT asks what it would take to leave, and the answer is "years." The company signs a multi-year term at the quoted price, often for more products than it uses.

Three things make this predictable.

Migration takes longer than the negotiation window. A full exit runs three years or more by Gartner's estimate [13]. Even a partial move needs testing, staff training, and new backup and monitoring tools. The vendor knows this.

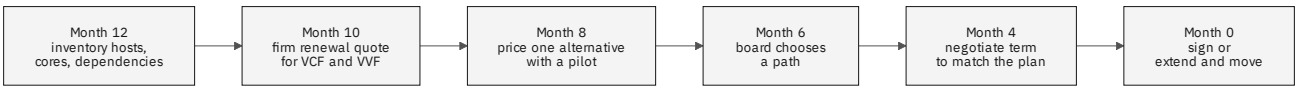
The estate is deeper than it looks. Many companies use VMware's storage (vSAN), networking (NSX), disaster recovery (Site Recovery Manager), and the integrations their backup tools have with vCenter. Each dependency has to be replaced, and some block simple moves. Proxmox's own migration guide, for example, says virtual machines whose disks sit on vSAN fail to import, encrypted disks cannot be imported until encryption is removed, and some downtime remains even with live import [16].

The late penalty removes the last bit of slack. A 20% surcharge for signing after the anniversary date, as reported by the channel [4], turns a missed deadline into an immediate cost.

The Framework: Four Paths, Priced Early

The framework has two parts: a timeline that starts a year out, and four paths priced side by side.

Exhibit 1. Start twelve months out, and negotiate only after the alternative is priced



Source: author's framework. Month 0 is the contract anniversary.

Renew. Sign the VCF or VVF subscription. This fits a company that uses much of the bundle, has no appetite for platform change, and can absorb the cost. Gartner rates VCF 9 a solid platform [13]. The risk is that the next renewal repeats this exercise with less room.

Renegotiate. Right-size before signing. Count cores accurately, retire idle hosts, consolidate onto fewer and denser servers, and ask whether VVF covers what you use instead of the full VCF bundle. Match the term to your plan: a short term if you intend to move, a longer one with price protection if you intend to stay. A credible, priced alternative is what makes this path work.

Rebalance. Move a defined share of workloads off VMware and keep the rest. Good candidates are development and test environments, stateless web tiers, and applications already due for modernization. Gartner advises moving only the applications that are ripe for re-platforming, and doing so for an operational gain as well as cost [13].

Replatform. Plan a full exit over two to three years. Gartner's suggested order of alternatives is Nutanix, then public cloud with caution about infrastructure costs, then Microsoft's Azure Local and Windows Server with Hyper-V, then Red Hat's virtualization; it advises extreme caution with OpenStack and KubeVirt [13]. Open-source platforms such as Proxmox VE include an importer for ESXi virtual machines [16]. This path needs a migration budget, a renewal term that covers the transition, and a firm end date, as Tesco has set [8].

What each path costs over three and five years

Exhibit 2. Illustrative costs for a hypothetical company with 24 hosts and 300 virtual machines (thousands of US dollars)

Path	Annual VMware	Annual alternative	One-time migration	3-year total	5-year total
Renew at quote	750	0	0	2,250	3,750
Renegotiate	550	0	0	1,650	2,750
Rebalance (40% moved)	450	100	400	2,050	3,150
Replatform	750 for 2 years, then 0	200	1,200	3,300	3,700

Source: author's illustrative estimate. Assumes 24 hosts with two 24-core CPUs each (1,152 cores); prior annual support of $250,000; a renewal quote at three times that, within the 150% to 500% range reported in 2025 [10]; renegotiation reaching $550,000 a year by right-sizing and a shorter bundle; VMware cost falling in proportion to cores when 40% of workloads move; a two-year overlap during full migration. Substitute your own quote and estimates.

The model makes two points. Renegotiation is the cheapest path on paper. It depends on the vendor agreeing, and a priced alternative is what gives you bargaining power. Full replatforming costs more over three years and roughly breaks even at five, so its case rests on control of future renewals and on modernization, which is consistent with Gartner's advice not to move for cost alone [13].

Costs, Risks, and Tradeoffs

Exhibit 3. What each path costs and where it goes wrong

Path	Cost or risk	Mitigation
Renew	Highest recurring cost; the next renewal may bring further changes	Sign a term with price protection; keep the inventory current for the next cycle
Renegotiate	The vendor may not move; right-sizing takes engineering time	Start twelve months out; bring a priced alternative and a real pilot
Rebalance	Two platforms to run, patch, back up, and monitor; skills split across teams	Pick a small set of workload types; retire VMware hosts as they empty
Replatform	Multi-year project; replacing storage, networking, and disaster recovery features; staff retraining	Phase by application; renew VMware for a term that covers the transition
Running unsupported	Perpetual licenses without support may lose patch access, as some customers found in 2025 [15]	Do not plan on this beyond a short, deliberate bridge
When this is wrong	A small estate of a few hosts, renewed at an acceptable price, or a company already moving most applications to SaaS or public cloud gains little from a formal platform study	Renew for the shortest sensible term and let the application roadmap retire the estate

Source: author's analysis.

How to Act

Exhibit 4. A one-year roadmap, starting at least twelve months before the anniversary date

Window	Actions	Owner	Milestone
First 30 days	Record the contract anniversary, current terms, and the late renewal penalty. Inventory hosts, CPUs, cores, virtual machines, and use of vSAN, NSX, Site Recovery Manager, and backup integrations.	CIO with procurement	Core count reconciled to Broadcom's counting method [3]; dependency list signed off
First 90 days	Request a firm renewal quote for both VCF and VVF. Retire idle virtual machines and hosts. Choose one alternative platform and run a pilot with three representative applications, including one with heavy storage use.	Infrastructure lead	Written quote in hand; pilot results with measured migration time per virtual machine
First 90 days	Build the four-path cost model with real numbers.	CFO with CIO	Three-year and five-year totals for each path, presented to the executive team
First 180 days	Choose a path at board or executive committee level. Negotiate the renewal term and scope to match it.	CEO and CFO	Signed renewal before the anniversary date; no late penalty paid
First 365 days	Execute the chosen path. For rebalance or replatform, move the first group of workloads and retire their hosts.	CIO with application owners	Defined share of workloads moved; host and core count reduced on schedule

Source: author's recommendation.

Questions to Ask Your Team

1. When does our VMware contract renew, and what penalty applies if we sign late?
2. How many physical cores do we license today, and how many do we use?
3. Which applications depend on vSAN, NSX, or Site Recovery Manager, and what would replace each?
4. What would it cost to run our five most important applications on one alternative platform, based on a pilot?
5. If we decided today to leave, how many years would it take, and what renewal term would cover it?
6. Are we paying for bundle components we have never deployed?
7. Who owns this decision, and when does the board see the options?

Closing

Broadcom has repositioned VMware as a premium private cloud platform priced accordingly. The renewal is now a choice of platform for the next several years. Make it a year ahead, with an inventory, a firm quote, and one alternative priced from a real pilot. Then renew, renegotiate, rebalance, or move on your own schedule instead of the contract's.

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