INT'L BUS. MACH. NYSE-IBM

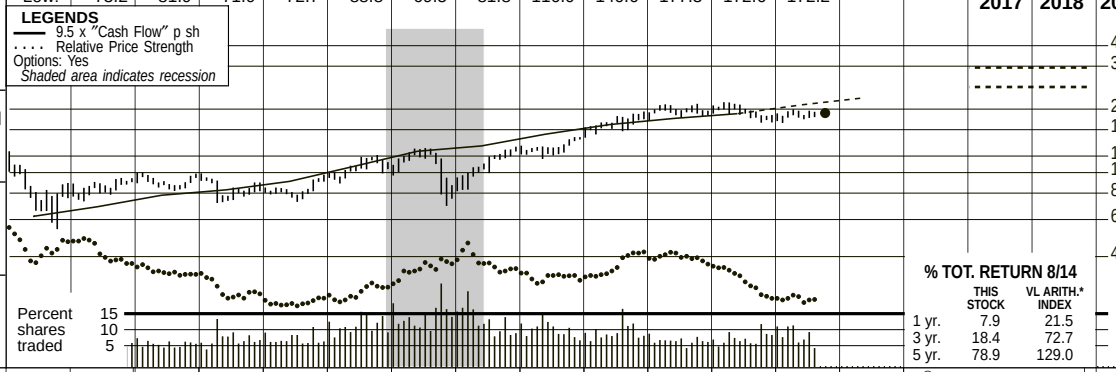
RECENT PRICE **191.62** | P/E RATIO **10.7** (Trailing: 12.1 / Median: 13.0) | RELATIVE P/E RATIO **0.60** | DIV'D YLD **2.3%** | VALUE LINE

TIMELINESS 1 Raised 8/1/14
SAFETY 1 Raised 4/15/05
TECHNICAL 3 Lowered 7/25/14
BETA .85 (1.00 = Market)

High:	94.5	100.4	99.1	97.9	121.5	130.9	132.9	147.5	194.9	211.8	215.9	199.2
Low:	73.2	81.9	71.9	72.7	88.8	69.5	81.8	116.0	146.6	177.3	172.6	172.2

Target Price Range
2017 | 2018 | 2019

LEGENDS
— 9.5 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	315	(+65%)	*15%*
Low	255	(+35%)	*10%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	3	0	0	4	0	0	1	0	1
to Sell	4	0	0	11	0	1	2	0	5

Institutional Decisions

	4Q2013	1Q2014	2Q2014
to Buy	719	586	611
to Sell	908	983	916
Hld's(000)	617222	588179	578241

% TOT. RETURN 8/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.9	21.5
3 yr.	18.4	72.7
5 yr.	78.9	129.0

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
44.10	48.52	50.14	49.83	47.14	52.60	58.52	57.90	60.69	71.31	77.39	73.36	81.33	91.92	93.53	94.61	*99.05*	*104.20*	Revenues per sh	*116.65*
6.10	7.50	7.41	7.27	6.53	7.27	8.24	8.71	9.56	11.28	13.28	14.11	16.01	17.77	19.04	20.07	*22.05*	*23.85*	"Cash Flow" per sh	*28.60*
3.29	3.72	4.44	4.35	3.95	4.34	5.05	5.22	6.01	7.18	8.93	10.01	11.52	13.06	14.37	14.94	*17.00*	*18.50*	Earnings per sh A	*22.00*
.44	.47	.51	.55	.59	.63	.70	.78	1.10	1.50	1.90	2.15	2.50	2.90	3.30	3.70	*4.25*	*4.55*	Div'ds Decl'd per sh B ■	*5.50*
3.52	3.30	3.19	3.28	2.76	2.59	2.65	2.44	2.90	3.34	3.11	2.64	3.41	3.53	3.65	3.93	*3.65*	*3.80*	Cap'l Spending per sh	*4.80*
10.36	11.23	11.56	13.70	13.23	16.44	18.08	21.03	18.92	20.55	10.06	17.43	18.87	17.40	16.88	21.62	*23.80*	*31.70*	Book Value per sh D	*72.80*
1851.8	1804.2	1762.9	1723.2	1722.4	1694.5	1645.6	1574.0	1506.5	1385.2	1339.1	1305.3	1228.0	1163.2	1117.4	1054.4	*985.0*	*950.0*	Common Shs Outst'g C	*900.0*
19.0	28.9	24.8	24.7	21.4	19.6	18.0	16.1	13.9	14.8	12.3	10.9	11.4	13.1	13.7	13.0	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.99	1.65	1.61	1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	*Value Line*		Relative P/E Ratio	*.80*
.7%	.4%	.5%	.5%	.7%	.7%	.8%	.9%	1.3%	1.4%	1.7%	2.0%	1.9%	1.7%	1.7%	1.9%	*estimates*		Avg Ann'l Div'd Yield	*1.9%*

CAPITAL STRUCTURE as of 6/30/14

Total Debt $45470 mill. **Due in 5 Yrs** $23590 mill.
LT Debt $34008 mill. **LT Interest** $880 mill.
(LT interest earned: 22.4x; total interest coverage: 17.9x) (66% of Cap'l)

Pension Assets-12/13 $93.7 bill. **Oblig.** $105.1 bill.

Pfd Stock None
Common Stock 997,592,162 shs.

MARKET CAP $191 billion (Large Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
96293	91134	91424	98786	103630	95758	99870	106916	104507	99751	*97575*	*99000*	Revenues ($mill)	*105000*
16.8%	16.0%	19.3%	20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	*27.5%*	*28.5%*	Operating Margin	*29.5%*
4915.0	5188.0	4983.0	5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	*4600*	*4600*	Depreciation ($mill)	*5300*
8643.0	8519.0	9416.0	10418	12334	13425	14833	15855	16604	16483	*17100*	*18050*	Net Profit ($mill)	*20450*
30.0%	30.3%	29.3%	28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	*20.0%*	*21.0%*	Income Tax Rate	*22.0%*
9.0%	9.3%	10.3%	10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	*17.5%*	*18.2%*	Net Profit Margin	*19.5%*
7172.0	10509	4569.0	8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	*7000*	*10000*	Working Cap'l ($mill)	*12000*
14828	15425	13780	23039	22689	21932	21846	22857	24088	32856	*34600*	*38000*	Long-Term Debt ($mill)	*50000*
29747	33098	28506	28470	13465E	22755	23172	20236	18860	22792	*23450*	*30100*	Shr. Equity ($mill) D	*65500*
19.9%	18.3%	23.1%	21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	*30.0%*	*27.0%*	Return on Total Cap'l	*18.0%*
29.1%	25.7%	33.0%	36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	*73.0%*	*60.0%*	Return on Shr. Equity	*31.0%*
25.1%	22.0%	27.1%	29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	*54.5%*	*45.0%*	Retained to Com Eq	*23.5%*
14%	15%	18%	21%	21%	21%	21%	22%	23%	25%	*25%*	*25%*	All Div'ds to Net Prof	*25%*

CURRENT POSITION ($MILL.)	2012	2013	6/30/14
Cash Assets	11129	11066	9720
Receivables	30578	31836	30077
Inventory (Avg Cst)	2287	2310	2338
Other	5439	6138	6046
Current Assets	49433	51350	48182
Accts Payable	7952	7461	6271
Debt Due	9181	6862	12462
Other	26492	25831	23700
Current Liab.	43625	40154	42433

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	6.5%	6.0%	*4.0%*
"Cash Flow"	10.5%	11.0%	*7.0%*
Earnings	13.0%	14.0%	*7.5%*
Dividends	19.0%	17.0%	*9.0%*
Book Value	2.5%	2.5%	*25.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	24607	26666	26157	29486	106916
2012	24673	25783	24747	29304	104507
2013	23408	24924	23720	27699	99751
2014	22484	24364	*23400*	*27327*	*97575*
2015	*22800*	*24500*	*23800*	*27900*	*99000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	2.31	3.00	3.19	4.62	13.06
2012	2.61	3.34	3.33	5.13	14.37
2013	2.70	2.91	3.68	5.73	14.94
2014	2.29	4.12	*4.30*	*6.29*	*17.00*
2015	*3.20*	*4.30*	*4.45*	*6.55*	*18.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.55	.65	.65	.65	2.50
2011	.65	.75	.75	.75	2.90
2012	.75	.85	.85	.85	3.30
2013	.85	.95	.95	.95	3.70
2014	.95	1.10	1.10		

BUSINESS: International Business Machines Corporation is a worldwide supplier of advanced information processing technology, communication systems, services, and program products. 2013 revenue breakdown: Global Technology Services, 37%; Global Business Services, 18%; Systems and Technology, 14%; Software, 27%; Global Financing, 4%. Foreign business: 65% of 2013 revenues; Research, 6.2%. '13 depreciation rate: 11.6%. Has 431,212 empl. Officers & directors control less than 1% of stock; Berkshire Hathaway, 6.3%; State Street, 5.4%; BlackRock, 5.4%; Vanguard Group, 5.1% (3/14 proxy). Chairman: Samuel J. Palmisano. Pres. & CEO: Virginia M. Rometty. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.

IBM, like many of its rivals in the information technology space, has been having a hard time reigniting revenue growth. Its June-quarter earnings handily beat results in the comparable period of 2013, which were reduced by a $0.65-a-share workforce rebalancing charge. But revenues slipped 2% year to year, or 1% adjusted for currency and the divestiture of its customer care business. That was an improvement over the 4% decline in the March period, however. IBM's systems segment was its weakest link, posting a 12% revenue decline compared with a 23% reduction in the prior period. The systems business was also responsible for the reduction in gross profits. But lower operating costs more than offset the shortfall, And repurchases of stock enhanced earnings per share. Note that reported share net in the quarter and the first half included $0.20 and $0.45, respectively, of acquisitions and other nonoperting costs.

Management looks for full-year 2014 earnings of $17.00 a share, after $1.00 of nonoperating expenses. We expect IBM to earn about $18.50 a share on a reported basis in 2015. The company will miss its System x revenues after the pending sale of that business eventually closes. And the 33% decline in signings in the June term may hamper services revenues. But we look for revenues to gradually stabilize in the next couple of quarters, and rise modestly in 2015. The smaller falloff in revenues in the June term was encouraging, and IBM should benefit from its substantial investments to align its offerings with industry shifts, like the increased adoption of cloud computing. It is investing $3 billion over the next five years in next-generation chip technology. It also plans to bring out new POWER8 systems for the mid- and high-ends of the market in the second half of 2014. Meanwhile, ongoing productivity measures should help rein in expenses.

The stock, the bluest of the blue chips, may appeal to a number of types of investors. The shares are ranked 1 (Highest) for Timeliness; the dividend yield, based on a payout that has been increased annually, is a bit above average; and the issue has worthwhile total return potential to 2017-2019.

Theresa Brophy *October 3, 2014*

(A) Based on diluted shs. Excl. nonrecurring gains (losses):'02, ($1.89); '04, ($0.11); '05, ($0.34); gain (losses) from discontinued operations; '03, ($0.02); '04, ($0.01); '05, ($0.02); '06, $0.05. Quarters may not sum due to change in shares. Next earnings report mid-Oct. **(B)** Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. **(C)** In millions. **(D)** Incl. Intangibles. As of 6/30/14, $35.2 billion, $35.24/sh. **(E)** In '08, incl. $15.2 bill. retirement benefit plan loss.

Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	100