|  | B | S, | $A$ |  | :-\|B |  |  | $\text { ENT } 1$ |  | $\begin{array}{\|l\|} \hline \text { P/E } \\ \text { RAT } \end{array}$ |  | $\left\{\begin{array}{l} \text { Trai } \\ \text { Mec } \end{array}\right.$ | $\begin{aligned} & \text { g: } 9.6 \\ & 1: 13.0 \end{aligned}$ | $\begin{array}{\|l\|} \hline \text { RELATI } \\ \text { P/E RA' } \end{array}$ | $0,6$ | $\begin{aligned} & \text { DIN'D } \\ & \text { YLD } \end{aligned}$ |  |  | LUE |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | ESS 4 | owered | 1/15 | High: | $\begin{array}{r} 100.4 \\ 81.9 \\ \hline \end{array}$ | $\begin{array}{r} \hline 99.1 \\ 71.9 \\ \hline \end{array}$ | 97.9 | $\begin{array}{r} 121.5 \\ 88.8 \end{array}$ | $\begin{array}{r} 130.9 \\ 69.5 \end{array}$ | $\begin{array}{r} 132.9 \\ 81.8 \end{array}$ | $\begin{aligned} & \hline 147.5 \\ & 116.0 \end{aligned}$ | $\begin{aligned} & 194.9 \\ & 146.6 \end{aligned}$ | $\begin{array}{\|l\|} \hline 211.8 \\ 177.3 \\ \hline \end{array}$ | $\begin{aligned} & 215.9 \\ & 172.6 \end{aligned}$ | $\begin{aligned} & 199.2 \\ & 150.5 \end{aligned}$ | $\begin{aligned} & 176.3 \\ & 140.6 \end{aligned}$ |  |  | $\begin{aligned} & \text { Target Pri } \\ & 2018 \mid 20 \end{aligned}$ | $\begin{aligned} & \text { Range } \\ & 2020 \end{aligned}$ |
| SAFETY <br> TECHN <br> BETA | AL 3 <br> (1.00 = | Raised 4/ <br> Raised $8 /$ <br> Market) | $\begin{aligned} & 15 / 05 \\ & 14 / 15 \end{aligned}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{r} 2020 \\ -400 \\ -320 \end{array}$ |
|  |  | ECTI |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 200 |
|  |  |  | Total |  |  |  |  |  |  |  |  | 4111 |  |  | Trict |  |  |  |  | 160 |
| High | $\begin{aligned} & \text { rice } \\ & 40 \\ & 75 \end{aligned}$ | $65 \%)$ | $\%$ |  |  |  |  |  | TH! | , | 川! |  |  |  |  |  |  |  |  | 120 100 |
| Insider | Decisi | ns |  | , I |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 80 |
|  | D J | F M A | J J |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
| to Buy Options to Sell | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 0 & 0 \\ 0 & 0 & 2\end{array}$ | $\begin{array}{llll}0 & 0 & 0 \\ 3 & 0 & 1 \\ 7 & 0 & 1\end{array}$ | 0 0 0 <br> 0 0 1 <br> 3 0 1 |  |  |  |  |  |  | - |  |  |  |  |  |  |  |  |  | -40 |
| Institu | tional D | ecision 102015 686 |  | rcent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{lc}\text { THIS } & \text { VL ARITH } \\ \text { STOCK } & \text { INDEX } \\ -20.8 & -3.7\end{array}$ |  |
| $\begin{aligned} & \text { to Buy } \\ & \text { to Sell } \end{aligned}$ | $\begin{array}{r} 619 \\ 1020 \end{array}$ | $\begin{gathered} 681 \\ 921 \end{gathered}$ |  | shares traded |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & 1 \mathrm{yr} . \\ & 3 \mathrm{yr} . \end{aligned}$ | -20.8 -3.7 <br> -18.6 49.7 | - |
| Hld's (000) | 574895 | 588305 | 578324 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | $33.3 \quad 98.6$ |  |
| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | ${ }^{\circ} \mathrm{VA}$ | E LINE PUB. LLC | 18-20 |
| 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 | 93.68 | 86.45 | 89.35 | Rev | per sh | 97.80 |
| 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 | 20.44 | 18.65 | 18.90 | "Cash | ow" per sh | 22.05 |
| 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 | 15.59 | 14.25 | 14.25 | Earni | per sh A | 16.75 |
| . 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 | 5.00 | 5.20 | Div'd | ecl'd per sh ${ }^{\text {B }}$ | 6.00 |
| 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 | 4.22 | 3.60 | 4.00 | Cap' | ending per sh | 5.50 |
| 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 | 11.98 | 17.30 | 23.70 | Book | ue per sh ${ }^{\text {D }}$ | 47.00 |
| 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 | 990.52 | 960.0 | 940.0 | Com | Shs Outst'g ${ }^{\text {c }}$ | 900.0 |
| 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 | 11.7 | Bold fil | are | Avg | P/E Ratio | 13.0 |
| 1.65 | 1.61 | 1.27 | 1.17 | 1.12 | . 95 | . 86 | . 75 | . 79 | . 74 | . 73 | . 73 | . 82 | . 87 | . 73 | . 62 |  | Line | Relat | P/E Ratio | . 80 |
| .4\% | .5\% | .5\% | .7\% | .7\% | .8\% | .9\% | 1.3\% | 1.4\% | 1.7\% | 2.0\% | 1.9\% | 1.7\% | 1.7\% | 1.9\% | 2.3\% | estim |  | Avg An | I Div'd Yield | 2.8\% |
| CAPITAL STRUCTURE as of 6/30/15 <br> Total Debt $\$ 38668$ mill. Due in 5 Yrs $\$ 19246$ mill. LT Debt $\$ 33339$ mill. LT Interest $\$ 945$ mill. (LT interest earned: 19.0x; total interest coverage: 16.9x) <br> (71\% of Cap') |  |  |  |  |  | 91134 | 91424 | 98786 | 103630 | 95758 | 99870 | 106916 | 104507 | 99751 | 92793 | 82500 | 81500 |  | (\$mill) | 88000 |
|  |  |  |  |  |  | 16.0\% | 19.3\% | 20.7\% | 20.6\% | 23.0\% | 23.0\% | 23.5\% | 25.1\% | 24.3\% | 24.0\% | 25.0\% | 25.5\% | Oper | g Margin | 27.5\% |
|  |  |  |  |  |  | 5188.0 | 4983.0 | 5201.0 | 5450.0 | 4994.0 | 4831.0 | 4815.0 | 4676.0 | 4678.0 | 4492.0 | 3900 | 4100 | Depr | tion (\$mill) | 4600 |
|  |  |  |  |  |  | 8519.0 | 9416.0 | 10418 | 12334 | 13425 | 14833 | 15855 | 16604 | 16483 | 15751 | 14000 | 13650 | Net P | (\$mill) | 15250 |
|  |  |  |  |  |  | 30.3\% | 29.3\% | 28.1\% | 26.2\% | 26.0\% | 24.8\% | 24.5\% | 24.2\% | 15.6\% | 21.2\% | 18.0\% | 20.0\% | Income | Tax Rate | 20.0\% |
|  |  |  |  |  |  | 9.3\% | 10.3\% | 10.5\% | 11.9\% | 14.0\% | 14.9\% | 14.8\% | 15.9\% | 16.5\% | 17.0\% | 17.0\% | 16.7\% | Net Pro | t Margin | 17.3\% |
| Pension Assets-12/14 \$147.4 bill. Oblig. \$112.3 bill. |  |  |  |  |  | 10509 | 4569.0 | 8867.0 | 6569.0 | 12933 | 7554.0 | 8805.0 | 5808.0 | 11196 | 9822.0 | 10000 | 10000 | Wor | Cap'I (\$mill) | 12000 |
|  |  |  |  |  |  | 15425 | 13780 | 23039 | 22689 | 21932 | 21846 | 22857 | 24088 | 32856 | 35073 | 33000 | 31000 | Long | m Debt (\$mill) | 40000 |
| Pfd Stock None Common Stock 979,529,828 shs. |  |  |  |  |  | 33098 | 28506 | 28470 | 13465 | 22755E | 23172 | 20236 | 18860 | 22792 | 11868 | 16600 | 22300 | Shr. Eq | ity (\$mill) ${ }^{\text {D }}$ | 42300 |
|  |  |  |  |  |  | 18.3\% | 23.1\% | 21.3\% | 35.6\% | 31.2\% | 33.8\% | 37.6\% | 39.5\% | 30.4\% | 34.6\% | 29.0\% | 26.5\% | Retur | on Total Cap'l | 19.5\% |
| MARKET CAP \$141 billion (Large Cap) |  |  |  |  |  | 25.7\% | 33.0\% | 36.6\% | 91.6\% | 59.0\% | 64.0\% | 78.4\% | 88.0\% | 72.3\% | 132.7\% | 84.0\% | 61.0\% | Retur | Shr. Equity | 36.0\% |
|  |  |  |  |  |  | $\begin{array}{r} 22.0 \% \\ 15 \% \end{array}$ | 27.1\% | 29.1\% | 72.4\% | 46.4\% | 50.3\% | 61.2\% | 68.0\% | 54.5\% | 96.8\% | 55.0\% | 39.0\% | Retai | to Com Eq | 23.0\% |
| (SMILL.) $\begin{gathered}\text { CURRENT POSITION } \\ \text { ( }\end{gathered}$ |  |  |  |  |  |  | 18\% | 21\% | 21\% | 21\% | 21\% | 22\% | 23\% | 25\% | 27\% | 35\% | 36\% | All Div' | sto Net Prof | 36\% |


| C\$MILL.) |  |  |  |
| :--- | ---: | ---: | ---: |
| Cash Assets | 11066 | 8476 | 8760 |
| Receivables | 31836 | 31831 | 27910 |
| Inventory (Avg Cst) | 2310 | 2103 | 1912 |
| Other | 6138 | 7012 | 6604 |
| Current Assets | $\boxed{51350}$ | 49422 | 45186 |
| Accts Payable | 7461 | 6864 | 5943 |
| Debt Due | 6862 | 5731 | 5329 |
| Other | $\underline{25831}$ | $\frac{27005}{}$ | 24263 |
| Current Liab. | 40154 | 39600 | 35535 |


| ANNUAL RATES | Past | Past | Est'd '12-'14 |
| :--- | ---: | ---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '18-'20 |
| Revenues | $6.0 \%$ | $5.0 \%$ | $.5 \%$ |
| "Cash Flow" | $10.5 \%$ | $9.0 \%$ | $2.0 \%$ |
| Earnings | $13.0 \%$ | $11.5 \%$ | $2.0 \%$ |
| Dividends | $19.5 \%$ | $15.0 \%$ | $8.0 \%$ |
| Book Value | $.5 \%$ | $1.0 \%$ | $18.5 \%$ |


| Calendar | QUARTERLY REVENUES (\$ mill.) |  |  |  | Full <br> Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | ar |  | Spp 30 | Dec |  |
| 2012 | 24673 | 25783 | 24747 | 29304 | 104507 |
| 2013 | 23408 | 24924 | 23720 | 27699 | 99751 |
| 2014 | 22236 | 24047 | 22397 | 24113 | 92793 |
| 2015 | 19590 | 20813 | 19800 | 22297 | 82500 |
| 2016 | 19000 | 20500 | 19500 | 22500 | 81500 |
|  | $\text { Mar. } 31$ | $\text { Jun. } 3$ | $\text { Sep. } 30$ | $\text { Dec. } 31$ | $\begin{aligned} & \text { Full } \\ & \text { Pear } \end{aligned}$ |
| 2012 | 2.61 | 3.34 | 3.33 | 5.13 | 14.37 |
| 2013 | 2.70 | 2.91 | 3.68 | 5.73 | 4.94 |
| 2014 | 2.43 | 4.23 | 3.46 | 5.54 | 15.59 |
| 2015 | 2.43 | 3.58 | 3.00 | 5.24 | 14.25 |
| 2016 | 2.25 | 3.40 | 3.20 | 5.40 | 14.25 |
| Calendar | $\text { Mar. } 31$ | $\text { Jun. } 30$ | Sep. 30 | $\begin{aligned} & \hline \text { AID } \mathrm{B}_{\mathbf{n}} \\ & \text { Dec. } 31 \end{aligned}$ | Full <br> Year |
| 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 | 1.10 | 4.25 |
| 20 | 1.10 | 130 | 130 |  |  |

BUSINESS: International Business Machines Corporation is a worldwide supplier of advanced information processing technology, communication systems, services, and program products. 2014 revenue breakdown: Global Technology Services, 38\%; Global Business Services, 18\%; Systems and Technology, 10\%; Software, $32 \%$; Global Financing, $2 \%$. Foreign business: $55 \%$ of 2014 reve-
For IBM, 2015 is turning out to be a perfect storm. N ot only is the company struggling to shift its revenue mix to newer, faster-growing markets, but it also is taking a hit from currency volatility and slower growth in emerging economies.
J une-quarter revenues fell 13\%, or only $1 \%$ adjusted for currency and last year's divestitures. On an adjusted basis, revenues were flat in developed nations but fell 5\% in emerging economies, with the BRICs (Brazil, Russian, India, and China) down 35\% as reported and 18\% adjusted. Without the BRICs, total revenues would have risen 1\%. Adjusted services revenues ( $60 \%$ of the total) were flattish. Software (which has very high margins) fell 3\%. Systems revenues (only 10\% of the mix) rose 5\%, helped by new System $z$ and Power systems, and the absence of the divested Systems $x$ line. The gross margin benefited from the shift to highervalue offerings, but pretax margins were hurt by investment spending, currency shifts, and workforce rebalancing costs.
Some things are going well, but IBM still faces an uphill climb in its quest to put revenues and earnings back on
nues; Research, 5.8\%. '14 depreciation rate: 11.5\%. Has 379,592 empl. Officers \& directors control less than 1\% of stock; Berkshire Hathaway, 7.8\%; State Street, 5.5\%; BlackRock, 5.4\%; Vanguard Group, 5.6\% (3/15 proxy). Chairman, Pres. \& CEO: Virginia M. Rometty. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com
a growth track. We now figure share net in 2015 will come in at the low end of IBM's \$14.25-\$15.00 range (including $\$ 1.50$ of nonoperating costs), and look for lower revenues and operating margin improvement to result in flat earnings in 2016. Revenues from strategic markets, like analytics, grew at a 30\% annual pace in the J une quarter, with cloud computing up $70 \%$, but these areas don't yet contribute enough to offset dedines in legacy offerings and in developing nations (which may worsen in the difficult year ahead). The currency headwinds are likely to persist. Year-ahead earnings prospects depend heavily on revenue picking up in the high-margined software business. The company will need to balance spending on areas of opportunity with savings from productivity improvements.
IBM shares took a significant hit in the August stock market rout. Though very patient investors may want to take advantage of the recent weakness to establish positions, the road to recovery may be long, and the Dow stock's Timeliness rank has slipped a notch, to 4 (Below Average). Theresa Brophy

October 2, 2015

[^0]
[^0]:    (A) Based on diluted shs. Excl. nonrecurring
    gains (losses) from discontinued operations;
    Oct.(B)
    Oche in shs. Next earnings report mid-
    millions. (D) Incl. Intangibles. As of historically paid in early
    $\$ 33.5$ billion, $\$ 34.17 /$ sh. (E) In '08, incl. $\$ 15.2$ gains (losses) from discontinued operations; $\begin{aligned} & \text { Oct.(B) Dividends historically paid in early } \$ 33.5 \text { billion, } \$ 34.17 / \mathrm{sh} \text {. (E) In } \\ & \text { '03, }(\$ 0.02) \text {; } 04, ~(\$ 0.01) ; ~ ' 05, ~(\$ 0.02) ; ~ ' 06, ~\end{aligned}$ March, June, September, and December '03, (\$0.02); '04, (\$0.01); '05, (\$0.02); '06,
    $\$ 0.05 ;$ March, June, September, and December. (\$3.65). Quarters may not sum due
    Dividend reinvestment plan available. (C) In

    Company's Financial Strength Stock's Price Stability
    Price Growth Persistence
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