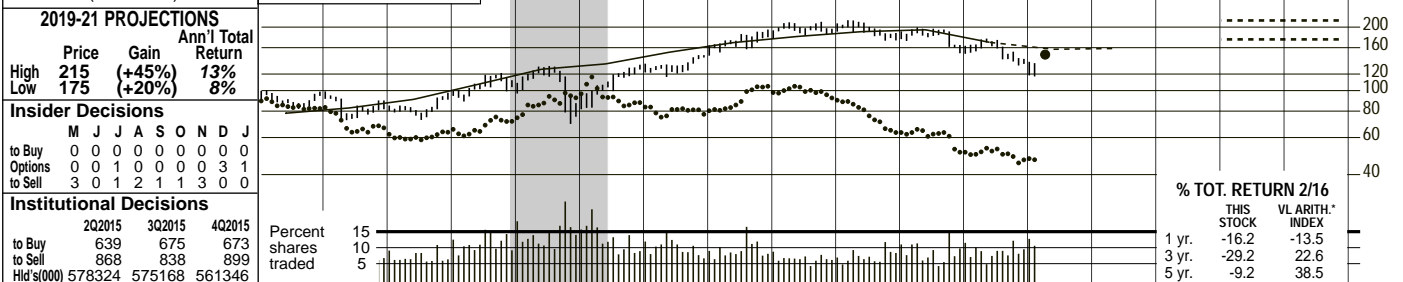


<b>TIMELINESS</b> 4 Lowered 7/31/15	High: 99.1 97.9 121.5 130.9 132.9 147.5 194.9 211.8 215.9 199.2 176.3 149.3	Low: 71.9 72.7 88.8 69.5 81.8 116.0 146.6 177.3 172.6 150.5 131.6 116.9	Target Price Range 2019 2020 2021
<b>SAFETY</b> 1 Raised 4/15/05	<b>LEGENDS</b> — 9.5 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession		
<b>TECHNICAL</b> 4 Lowered 4/1/16			
<b>BETA</b> .85 (1.00 = Market)			



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
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	84.64	<b>84.45</b>	<b>83.15</b>	Revenues per sh	97.15
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	17.83	<b>16.55</b>	<b>16.70</b>	"Cash Flow" per sh	19.95
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	13.60	<b>12.25</b>	<b>12.75</b>	Earnings per sh <sup>A</sup>	15.00
.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	<b>5.20</b>	<b>5.40</b>	Div'ds Decl'd per sh <sup>B</sup>	6.00
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	3.71	<b>4.00</b>	<b>4.25</b>	Cap'l Spending per sh	5.00
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	14.77	<b>18.50</b>	<b>23.05</b>	Book Value per sh <sup>D</sup>	41.00
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	965.73	<b>940.0</b>	<b>920.0</b>	Common Shs Outst'g <sup>C</sup>	875.0
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	11.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
1.61	1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.58			Relative P/E Ratio	.80
.5%	.5%	.7%	.7%	.8%	.9%	1.3%	1.4%	1.7%	2.0%	1.9%	1.7%	1.7%	1.9%	2.3%	3.2%			Avg Ann'l Div'd Yield	3.1%

CAPITAL STRUCTURE as of 12/31/15				91424	98786	103630	95758	99870	106916	104507	99751	92793	81741	77500	76500	Revenues (\$mill)	85000	
				19.3%	20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	22.5%	23.0%	Operating Margin	23.5%	
Total Debt \$39889 mill. Due in 5 Yrs \$24734 mill.				4983.0	5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	3850	3500	Depreciation (\$mill)	4100	
LT Debt \$33428 mill. LT Interest \$870 mill.				9416.0	10418	12334	13425	14833	15855	16604	16483	15751	13364	11700	11850	Net Profit (\$mill)	13350	
(LT interest earned: 19.3x; total interest coverage: 16.6x)				29.3%	28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	20.0%	20.0%	Income Tax Rate	20.0%	
(70% of Cap'l)				10.3%	10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	15.1%	15.5%	Net Profit Margin	15.7%	
Pension Assets-12/14 \$87.6 bill. Oblig. \$103.1 bill.				4569.0	8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	7700	7000	Working Cap'l (\$mill)	12000	
				13780	23039	22689	21932	21846	22857	24088	32856	35073	33428	33000	35000	Long-Term Debt (\$mill)	40000	
Pfd Stock None				28506	28470	13465	22755	23172	20236	18860	22792	11868	14262	17375	21200	Shr. Equity (\$mill) <sup>D</sup>	35850	
Common Stock 965,729,004 shs.				23.1%	21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.5%	21.5%	Return on Total Cap'l	18.0%	
				33.0%	36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	67.5%	56.0%	Return on Shr. Equity	37.0%	
MARKET CAP \$143 billion (Large Cap)				27.1%	29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	39.0%	32.5%	Retained to Com Eq	22.5%	
CURRENT POSITION				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	All Div'ds to Net Prof	40%

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '13-'15 to '19-'21
Revenues	5.0%	3.5%	1.0%
"Cash Flow"	9.0%	6.0%	.5%
Earnings	11.5%	7.5%	.5%
Dividends	20.0%	14.5%	5.5%
Book Value	-1.5%	1.0%	17.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	23408	24924	23720	27699	99751
2014	22236	24047	22397	24113	99793
2015	19590	20813	19280	22059	81741
2016	18250	19500	18500	21250	77500
2017	18000	19300	18200	21000	76500

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	2.70	2.91	3.68	5.73	14.94
2014	2.43	4.23	3.46	5.54	15.59
2015	2.44	3.58	3.02	4.59	13.60
2016	1.85	3.25	2.75	4.40	12.25
2017	2.00	3.35	2.90	4.50	12.75

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.75	.85	.85	.85	3.30
2013	.85	.95	.95	.95	3.70
2014	.95	1.10	1.10	1.10	4.25
2015	1.10	1.30	1.30	1.30	5.00
2016	1.30				

economic weakness in emerging nations has hurt. In 2015, currency fluctuations reduced revenues by \$7 billion and profits by \$1 billion. Divestitures also lowered revenues by \$3 billion. Declines in Business Services and Software offset increases in Technology Services and Systems Hardware. Margins were hurt by spending to build up new businesses and shifts in resources to newer lines. Reported share net in the December quarter and 2015 included \$0.25 and \$1.32 of retirement/acquisition costs.

**Turning its fortunes around will require further shifts in IBM's business mix.** The company is making progress. Newer, faster-growing markets, like Cloud computing and analytics, accounted for 35% of IBM's revenues in 2015, up from 22% in 2013. The company also is delivering more technology as a service (revenues

**ter results.** And in 2016, management expects the currency pressures to persist, reducing revenues by another 2%-3%, pretax profits by \$1.3 billion, and share net by \$1.00. In 2017, although revenues may decline a bit further, we tentatively look for a modest earnings uptick. Gross margins might be helped by the slowly improving revenue mix, and stock repurchases should enhance share net.

**Nonetheless, the growth in revenues in newer markets apparently has lent some support to the stock, which recently retraced some of the decline since mid-2013.** The untimely issue is not as cheap as at the start of this year and is ranked unfavorably for Timeliness, but still may interest patient investors. Total return potential to 2019-2021 is enhanced by IBM's attractive dividend.

*Theresa Brophy* *April 1, 2016*

**IBM snapped its string of 12 years of annual earnings increases in 2015.** In fact, revenues have been falling since 2011 and quarterly earnings progress has been uneven in recent years. Rapid changes in the information technology sector have taken a toll on IBM's core operations. Economic weakness in emerging nations has hurt. In 2015, currency fluctuations reduced revenues by \$7 billion and profits by \$1 billion. Divestitures also lowered revenues by \$3 billion. Declines in Business Services and Software offset increases in Technology Services and Systems Hardware. Margins were hurt by spending to build up new businesses and shifts in resources to newer lines. Reported share net in the December quarter and 2015 included \$0.25 and \$1.32 of retirement/acquisition costs. **Turning its fortunes around will require further shifts in IBM's business mix.** The company is making progress. Newer, faster-growing markets, like Cloud computing and analytics, accounted for 35% of IBM's revenues in 2015, up from 22% in 2013. The company also is delivering more technology as a service (revenues of \$4.5 billion in 2015). But thus far, declines in IBM's traditional businesses have offset the growth in newer ones. And competition in the software arena, IBM's most profitable segment, remains intense. **It may take a couple of years for the transformation to translate into better results.** And in 2016, management expects the currency pressures to persist, reducing revenues by another 2%-3%, pretax profits by \$1.3 billion, and share net by \$1.00. In 2017, although revenues may decline a bit further, we tentatively look for a modest earnings uptick. Gross margins might be helped by the slowly improving revenue mix, and stock repurchases should enhance share net. **Nonetheless, the growth in revenues in newer markets apparently has lent some support to the stock, which recently retraced some of the decline since mid-2013.** The untimely issue is not as cheap as at the start of this year and is ranked unfavorably for Timeliness, but still may interest patient investors. Total return potential to 2019-2021 is enhanced by IBM's attractive dividend. *Theresa Brophy* April 1, 2016

(A) Based on diluted shs. Excl. nonrecurring gains (losses) from discontinued operations; '03, (\$0.02); '04, (\$0.01); '05, (\$0.02); '06, \$0.05; '14, (\$3.65). Quarters may not sum due to change in shs. Next earnings report mid-April. (B) Dividends historically paid in early March, June, September, and December. (C) In millions. (D) Incl. Intangibles. As of 12/31/15, \$35.5 billion, \$36.77/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 55  
Earnings Predictability 95

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