

<b>INT'L BUS. MACH. NYSE-IBM</b>			RECENT PRICE <b>154.45</b>	P/E RATIO <b>12.5</b> (Trailing: 12.5; Median: 13.0)	RELATIVE P/E RATIO <b>0.68</b>	DIV'D YLD <b>3.7%</b>	<b>VALUE LINE</b>
----------------------------------	--	--	----------------------------	--	--------------------------------	-----------------------	-------------------

TIMELINESS 3 Raised 7/8/16				High: 99.1 97.9 121.5 130.9 132.9 147.5 194.9 211.8 215.9 199.2 176.3 165.0												Target Price Range		
SAFETY 1 Raised 4/15/05				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												2019 2020 2021		
TECHNICAL 2 Raised 9/2/16				LEGENDS														
BETA .90 (1.00 = Market)				9.5 x "Cash Flow" p sh														
				Relative Price Strength														
				Options: Yes														
				Shaded area indicates recession														
2019-21 PROJECTIONS																		
Ann'l Total																		
Price Gain																		
High 215 (+40%) 12%																		
Low 175 (+15%) 7%																		
Insider Decisions																		
N D J F M A M J J																		
to Buy 0 0 0 0 0 0 0 0																		
Options 0 3 1 2 2 1 1 0																		
to Sell 3 0 0 7 1 1 2 0																		
Institutional Decisions																		
4Q2015 1Q2016 2Q2016																		
to Buy 673 714 683																		
to Sell 899 835 824																		
Hld's(000) 561346 591623 552666																		
Percent shares traded																		
15																		
10																		
5																		

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>82.35</b>	<b>83.25</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>16.95</b>	<b>17.80</b>	"Cash Flow" per sh	20.65
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>5.50</b>	<b>5.75</b>	Div'ds Decl'd per sh <sup>B</sup>	6.35
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>19.75</b>	<b>23.75</b>	Book Value per sh <sup>D</sup>	39.60
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>945.0</b>	<b>925.0</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	<b>10.5</b>	<b>10.5</b>	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	<b>.50</b>	<b>.50</b>	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	3.3%

CAPITAL STRUCTURE as of 6/30/16		91424	98786	103630	95758	99870	106916	104507	99751	92793	81741	77800	77000	Revenues (\$mill)	85000
Total Debt \$44525 mill. Due in 5 Yrs \$24917 mill.		19.3%	20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	<b>23.5%</b>	<b>24.5%</b>	Operating Margin	26.0%
LT Debt \$39638 mill. LT Interest \$970 mill.		4983.0	5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	<b>4275</b>	<b>4500</b>	Depreciation (\$mill)	5000
(LT interest earned: 15.4x; total interest coverage: 13.2x)		9416.0	10418	12334	13425	14833	15855	16604	16483	15751	13364	<b>11730</b>	<b>11975</b>	Net Profit (\$mill)	13350
Pension Assets-12/15 \$87.6 bill. Oblig. \$103.1 bill.		29.3%	28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	<b>15.0%</b>	<b>17.0%</b>	Income Tax Rate	19.0%
Pfd Stock None		10.3%	10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	<b>15.1%</b>	<b>15.6%</b>	Net Profit Margin	15.7%
Common Stock 955,844,217 shs.		4569.0	8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	<b>9700</b>	<b>11000</b>	Working Cap'l (\$mill)	12000
MARKET CAP \$147.6 billion (Large Cap)		13780	23039	22689	21932	21846	22857	24088	32856	35073	33428	<b>40000</b>	<b>45000</b>	Long-Term Debt (\$mill)	60000
CURRENT POSITION		28506	28470	13465	22755 <sup>E</sup>	23172	20236	18860	22792	11868	14262	<b>18675</b>	<b>21975</b>	Shr. Equity (\$mill) <sup>D</sup>	34650
2014		23.1%	21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	<b>21.0%</b>	<b>18.5%</b>	Return on Total Cap'l	15.0%
2015		33.0%	36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	<b>63.0%</b>	<b>54.5%</b>	Return on Shr. Equity	38.5%
6/30/16		27.1%	29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	<b>34.5%</b>	<b>30.0%</b>	Retained to Com Eq	22.5%
(SMILL.)		18%	21%	21%	21%	21%	22%	23%	25%	27%	37%	<b>45%</b>	<b>45%</b>	All Div'ds to Net Prof	42%

<b>BUSINESS:</b> International Business Machines Corporation is a worldwide supplier of technology and business services, software, and systems hardware. 2015 revenue breakdown: Global Technology Services, 39%; Global Business Services, 21%; Systems Hardware, 9%; Software, 28%; Global Financing, 3%. Foreign business: 53% of 2015 revenues; Research, 6.4%. '15 depreciation rate: 13.1%. Had 377,757 employees on 12/31/15. Officers & directors control less than 1% of stock; Berkshire Hathaway, 8.4%; National Indemnity Company, 6.1%; BlackRock, 5.3%; State Street, 5.1% (3/16 proxy). Chairman, Pres. & CEO: Virginia M. Rometty. Inc.: NY. Address.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.	
--	--

<b>IBM continues to make inroads in newer arenas, like cloud computing and analytics.</b> Revenues from these so-called strategic imperatives advanced 12% in the June quarter and now account for 38% of the mix. Both acquisitions and internal growth supported the increase.		<b>may start to improve by the final quarter of 2016.</b> We expect revenues from newer markets to increase further, and systems revenue comparisons should be easier in the second half. But continued declines in traditional businesses probably will remain a drag on revenue growth overall for some time to come. Meanwhile, IBM took measures earlier this year to transform the workforce and reduce its real estate footprint that ought to generate noticeable expense savings by the December quarter. And spending to build software and cloud computing capabilities ought to decline in the latter half of 2016. Recent acquisitions (over 20 in the past year) should be less dilutive by late 2016 than in the first half. IBM expects to earn at least \$12.23 a share this year, including \$1.27 of acquisitions and retirement costs. We tentatively look for mid-single-digit share-net growth in 2017.	
<b>But its business segments delivered mixed performances in the June term, despite the positive contribution from the newer markets.</b> IBM's Cognitive Solutions (software) business was its only segment to experience an increase in revenues (up 4%), led by growth in areas like analytics. But investments in the business and a mix shift to software-as-a-service pressured the gross margin. Business Services revenues were hurt by declines in traditional consulting. Technology services revenues were flat, but margins contracted due to an unfavorable mix and heavy investment spending. Systems (computer servers and storage systems) revenues fell 23% year to year, but the comparable period of 2015 benefited from a surge in orders following the introduction of IBM's zSystems offering.		<b>IBM shares have worthwhile total return potential to 2019-2021, supported partly by an above-average dividend yield.</b> But the issue is ranked to track the market averages in the year ahead.	
<b>Year-to-year earnings comparisons</b>		<i>Theresa Brophy</i>	

<b>(A)</b> 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-Oct.		<b>(B)</b> Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. <b>(C)</b> In millions. <b>(D)</b> Incl. Intangibles. As of 3/31/16, \$38.7 billion, \$40.31/sh. <b>(E)</b> In '08, incl. \$15.2 bill. retirement benefit plan loss.	
<b>Company's Financial Strength</b> A++ <b>Stock's Price Stability</b> 85 <b>Price Growth Persistence</b> 40 <b>Earnings Predictability</b> 90		<b>To subscribe call 1-800-VALUELINE</b>	

© 2016 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.