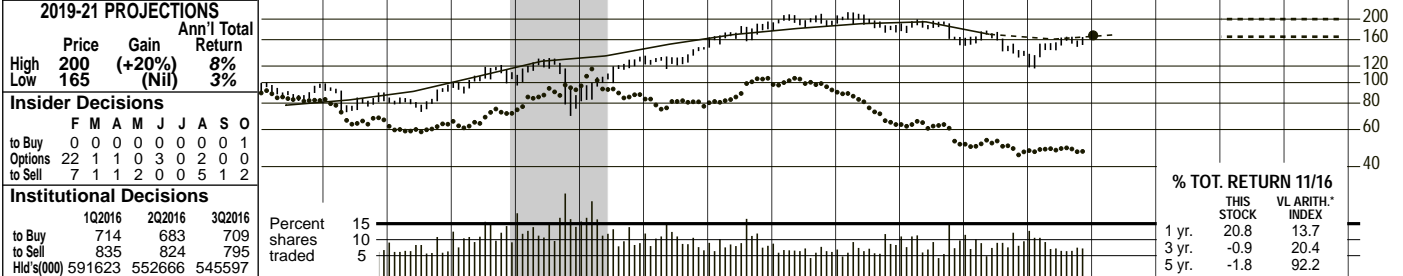


|                                     |   |      |       |       |       |       |       |       |       |       |       |       |  |                    |
|-------------------------------------|---|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|--------------------|
| TIMELINESS <b>2</b> Raised 11/11/16 | High: 99.1  | 97.9 | 121.5 | 130.9 | 132.9 | 147.5 | 194.9 | 211.8 | 215.9 | 199.2 | 176.3 | 170.0 |  | Target Price Range |
| SAFETY <b>1</b> 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 <b>3</b> Lowered 12/30/16 | LEGENDS<br>— 9.5 x "Cash Flow" p sh<br>... Relative Price Strength<br>Options: Yes<br>Shaded area indicates recession |      |       |       |       |       |       |       |       |       |       |       |  |                    |
| BETA .90 (1.00 = Market)            | 2019-21 PROJECTIONS<br>Price Gain Ann'l Total<br>High 200 (+20%) 8%<br>Low 165 (Nil) 3%                               |      |       |       |       |       |       |       |       |       |       |       |  |                    |



| 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>84.55</b> | <b>85.95</b> | Revenues per sh                   | <b>96.00</b> |
| 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>17.00</b> | <b>17.60</b> | "Cash Flow" per sh                | <b>19.90</b> |
| 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>12.50</b> | Earnings per sh <sup>A</sup>      | <b>14.15</b> |
| .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> | <b>6.35</b>  |
| 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>3.75</b>  | <b>4.00</b>  | Cap'l Spending per sh             | <b>5.00</b>  |
| 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>20.35</b> | <b>24.40</b> | Book Value per sh <sup>D</sup>    | <b>39.50</b> |
| 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>   | <b>875.0</b> |
| 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>12.2</b>  |              | Avg Ann'l P/E Ratio               | <b>13.0</b>  |
| 1.61   | 1.27   | 1.17   | 1.12   | .95    | .86    | .75    | .79    | .74    | .73    | .73    | .82    | .87    | .73    | .62    | .58    | <b>.65</b>   |              | Relative P/E Ratio                | <b>.80</b>   |
| .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%   | <b>3.7%</b>  |              | Avg Ann'l Div'd Yield             | <b>3.5%</b>  |

| CAPITAL STRUCTURE as of 9/30/16                             |  |  |  | 2000   | 2001   | 2002   | 2003               | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010         | 2011         | 2012                              | 2013         | 2014 | 2015 | 2016 | 2017 |  | 19-21 |
|---|--|--|--|--|--------|--------|--------------------|--------|--------|--------|--------|--------|--------|--------------|--------------|-----------------------------------|--------------|------|------|------|------|--|-------|
| Total Debt \$42483 mill. Due in 5 Yrs \$24917 mill.         |  |  |  | 91424  | 98786  | 103630 | 95758              | 99870  | 106916 | 104507 | 99751  | 92793  | 81741  | <b>79900</b> | <b>79500</b> | Revenues (\$mill)                 | <b>84000</b> |      |      |      |      |  |       |
| LT Debt \$35563 mill. LT Interest \$970 mill.               |  |  |  | 19.3%  | 20.7%  | 20.6%  | 23.0%              | 23.0%  | 23.5%  | 25.1%  | 24.3%  | 24.0%  | 23.9%  | <b>20.5%</b> | <b>22.5%</b> | Operating Margin                  | <b>23.5%</b> |      |      |      |      |  |       |
| (LT interest earned: 15.4x; total interest coverage: 13.2x) |  |  |  | 4983.0   | 5201.0 | 5450.0 | 4994.0             | 4831.0 | 4815.0 | 4676.0 | 4678.0 | 4492.0 | 3855.0 | <b>4350</b>  | <b>4500</b>  | Depreciation (\$mill)             | <b>5000</b>  |      |      |      |      |  |       |
| Pension Assets-12/15 \$87.6 bill. Oblig. \$103.1 bill.      |  |  |  | 9416.0   | 10418  | 12334  | 13425              | 14833  | 15855  | 16604  | 16483  | 15751  | 13364  | <b>11725</b> | <b>11775</b> | Net Profit (\$mill)               | <b>12500</b> |      |      |      |      |  |       |
| Pfd Stock None  |  |  |  | 29.3%  | 28.1%  | 26.2%  | 26.0%              | 24.8%  | 24.5%  | 24.2%  | 15.6%  | 17.0%  | 17.0%  | <b>7.0%</b>  | <b>17.0%</b> | Income Tax Rate                   | <b>19.0%</b> |      |      |      |      |  |       |
| Common Stock 950,854,551 shs.                               |  |  |  | 10.3%  | 10.5%  | 11.9%  | 14.0%              | 14.9%  | 14.8%  | 15.9%  | 16.5%  | 17.0%  | 16.3%  | <b>14.7%</b> | <b>14.8%</b> | Net Profit Margin                 | <b>14.9%</b> |      |      |      |      |  |       |
| MARKET CAP \$159.4 billion (Large Cap)                      |  |  |  | 4569.0   | 8867.0 | 6569.0 | 12933              | 7554.0 | 8805.0 | 5808.0 | 11196  | 9822.0 | 8235.0 | <b>6500</b>  | <b>7000</b>  | Working Cap'l (\$mill)            | <b>10000</b> |      |      |      |      |  |       |
| CURRENT POSITION  |  |  |  | 13780  | 23039  | 22689  | 21932              | 21846  | 22857  | 24088  | 32856  | 35073  | 33428  | <b>37000</b> | <b>42000</b> | Long-Term Debt (\$mill)           | <b>55000</b> |      |      |      |      |  |       |
| Cash Assets   |  |  |  | 28506  | 28470  | 13465  | 22755 <sup>E</sup> | 23172  | 20236  | 18860  | 22792  | 11868  | 14262  | <b>19250</b> | <b>22550</b> | Shr. Equity (\$mill) <sup>D</sup> | <b>34575</b> |      |      |      |      |  |       |
| Receivables   |  |  |  | 23.1%  | 21.3%  | 35.6%  | 31.2%              | 33.8%  | 37.6%  | 39.5%  | 30.4%  | 34.6%  | 28.4%  | <b>21.5%</b> | <b>19.0%</b> | Return on Total Cap'l             | <b>14.5%</b> |      |      |      |      |  |       |
| Inventory (Avg Cst)   |  |  |  | 33.0%  | 36.6%  | 91.6%  | 59.0%              | 64.0%  | 78.4%  | 88.0%  | 72.3%  | 132.7% | 93.7%  | <b>61.0%</b> | <b>52.0%</b> | Return on Shr. Equity             | <b>36.0%</b> |      |      |      |      |  |       |
| Other   |  |  |  | 27.1%  | 29.1%  | 72.4%  | 46.4%              | 50.3%  | 61.2%  | 68.0%  | 54.5%  | 96.8%  | 59.4%  | <b>33.5%</b> | <b>28.0%</b> | Retained to Com Eq                | <b>20.0%</b> |      |      |      |      |  |       |
| Current Assets  |  |  |  | 18%  | 21%    | 21%    | 21%                | 21%    | 22%    | 23%    | 25%    | 27%    | 37%    | <b>45%</b>   | <b>46%</b>   | All Div'ds to Net Prof            | <b>45%</b>   |      |      |      |      |  |       |
| Accts Payable   |  |  |  | <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.   |        |        |                    |        |        |        |        |        |        |              |              |                                   |              |      |      |      |      |  |       |
| Debt Due  |  |  |  | <b>IBM's September-quarter performance was flatish.</b> Revenues slipped less than 1% year to year. Cognitive Solutions (software) revenues rose 5%, led by analytics, including Watson, a super-computer with many human cognitive abilities, like the ability to process natural language. And Technology Services/Cloud Platforms revenues inched 1% higher. But Global Business Services revenues (including traditional consulting) slipped 2%, and Systems revenues fell 21%, due partly to a normal decline in sales of zSystems servers seven quarters after the product's debut and owing to transitions in the Power systems and storage systems businesses. Currency shifts were a slight positive. <b>Meanwhile, the gross margin contracted two percentage points, reflecting higher investment in IBM's businesses, including acquisitions, and a shift to software-as-a-service, which is ramping up.</b> But net income benefited from a lower tax rate, and stock repurchases (\$900 million in the period) enhanced reported share net, which nearly matched the year-earlier tally. |        |        |                    |        |        |        |        |        |        |              |              |                                   |              |      |      |      |      |  |       |
| Other   |  |  |  | <b>We think the company ended 2016 on a similar note, and look for a little bottom-line improvement in 2017.</b> In the software business, newer markets (analytics, cloud computing, mobility, and information security) accounted for 40% of revenues in the trailing 12 months, and management looks for continued rapid growth in these strategic areas. IBM continues to find new applications for Watson technology. Too, good signings and healthy backlog in Global Technology services in the September quarter position the company favorably for the next couple of quarters. To be sure, competition remains intense and investment spending may remain high, pressuring margins in the year ahead (but positioning IBM for faster growth over the long haul). In all, a meaningful turnaround in IBM's fortunes probably will take another year or two. <b>The stock's Timeliness rank has risen a notch, to 2 (Above Average).</b> And the issue's decent dividend yield may appeal to income-oriented investors. But IBM shares have only modest total return potential to 2019-2021.   |        |        |                    |        |        |        |        |        |        |              |              |                                   |              |      |      |      |      |  |       |
| Current Liab.   |  |  |  | Theresa Brophy December 30, 2016   |        |        |                    |        |        |        |        |        |        |              |              |                                   |              |      |      |      |      |  |       |

| ANNUAL RATES    | Past 10 Yrs. | Past 5 Yrs. | Est'd '13-'15 |
|-----------------|--------------|-------------|---------------|
| change (per sh) | 10 Yrs.      | 5 Yrs.      | to '19-'21    |
| Revenues        | 5.0%         | 3.5%        | 1.0%          |
| "Cash Flow"     | 9.0%         | 6.0%        | Nil           |
| Earnings        | 11.5%        | 7.5%        | -5%           |
| Dividends       | 20.0%        | 14.5%       | 6.5%          |
| Book Value      | -1.5%        | 1.0%        | 16.0%         |

| 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        | 92793        |
| 2015      | 19590                        | 20813        | 19280        | 22059        | 81741        |
| 2016      | 18684                        | 20238        | 19226        | <b>21752</b> | <b>79900</b> |
| 2017      | <b>18500</b>                 | <b>20000</b> | <b>19000</b> | <b>22000</b> | <b>79500</b> |

| 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      | 2.09                            | 2.61        | 2.98        | <b>4.57</b> | <b>12.25</b> |
| 2017      | <b>2.10</b>                     | <b>2.65</b> | <b>3.00</b> | <b>4.75</b> | <b>12.50</b> |

| 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                                  | 1.40   | 1.40   | 1.40   |           |

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