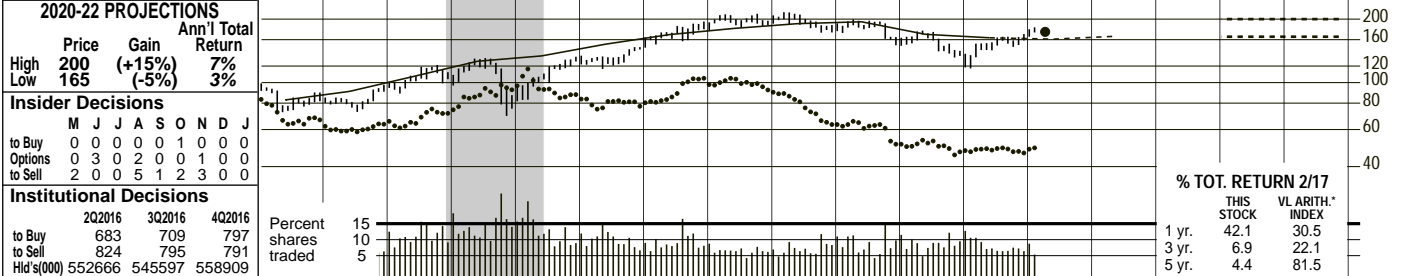


INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **173.88** P/E RATIO **14.5** (Trailing: 14.0 Median: 12.0) RELATIVE P/E RATIO **0.75** DIV'D YLD **3.5%** VALUE LINE

TIMELINESS 3 Lowered 3/17/17	High: 97.9	121.5	130.9	132.9	147.5	194.9	211.8	215.9	199.2	176.3	170.0	182.8	Target Price Range
SAFETY 1 Raised 4/15/05	Low: 72.7	88.8	69.5	81.8	116.0	146.6	177.3	172.6	150.5	131.6	116.9	165.3	2020 2021 2022
TECHNICAL 2 Raised 3/24/17	LEGENDS — 9.5 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession												
BETA .90 (1.00 = Market)	400 320 200 160 120 100 80 60 40												



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	84.49	84.85	85.65	Revenues per sh	98.80
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	17.19	16.95	17.50	"Cash Flow" per sh	20.60
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	12.39	11.95	12.10	Earnings per sh ^A	14.00
.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	5.50	5.90	6.30	Div'ds Decl'd per sh ^B	7.10
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	3.77	4.00	4.00	Cap'l Spending per sh	5.00
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	19.29	21.95	24.40	Book Value per sh ^D	34.35
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	945.87	925.0	905.0	Common Shs Outst'g ^C	850.0
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	12.1	11.4	12.1	Avg Ann'l P/E Ratio	13.0
1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.57	.64	.57	.64	Relative P/E Ratio	.80
.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%	3.7%	3.2%	3.7%	Avg Ann'l Div'd Yield	3.9%

CAPITAL STRUCTURE as of 12/31/16				2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
Total Debt \$42168 mill. Due in 5 Yrs \$26134 mill.	98786	103630	95758	99870	106916	104507	99751	92793	81741	79919	78500	77500	Revenues (\$mill)	84000									
LT Debt \$34655 mill. LT Interest \$950 mill.	20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	19.8%	21.5%	22.5%	Operating Margin	23.0%									
(LT interest earned: 14.0x; total interest coverage: 11.2x)	5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	4381.0	4550	4800	Depreciation (\$mill)	5500									
(66% of Cap'l)	10418	12334	13425	14833	15855	16604	16483	15751	13364	11881	11150	11050	Net Profit (\$mill)	12000									
Pension Assets-12/16 \$87.4 bill. Oblig. \$97.6 bill.	28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	3.6%	15.0%	15.0%	Income Tax Rate	18.0%									
Pfd Stock None	10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	14.9%	14.2%	14.3%	Net Profit Margin	14.3%									
Common Stock 943,212,551 shs. as of 2/10/17	8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	7613.0	6500	7000	Working Cap'l (\$mill)	10000									
MARKET CAP \$164.0 billion (Large Cap)	23039	22689	21932	21846	22857	24088	32856	35073	33428	34655	37000	42000	Long-Term Debt (\$mill)	55000									
	28470	13465	22755	23172 ^E	20236	18860	22792	11868	14262	18246	20325	22075	Shr. Equity (\$mill) ^D	29200									
	21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.0%	20.5%	18.0%	Return on Total Cap'l	15.0%									
	36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	65.1%	55.0%	50.0%	Return on Shr. Equity	41.0%									
	29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	36.3%	28.0%	24.0%	Retained to Com Eq	20.0%									
	21%	21%	21%	21%	22%	23%	25%	27%	37%	44%	49%	52%	All Div'ds to Net Prof	51%									

BUSINESS: International Business Machines Corporation is a worldwide supplier of technology and business services, software, and systems hardware. 2016 revenue breakdown: Technology Services & Cloud Platforms, 44%; Global Business Services, 21%; Systems, 10%; Cognitive Solutions, 23%; Global Financing, 2%. Foreign business: 53% of 2015 revenues; Research, 7.2% of '16 rev. '16 depreciation rate: 14.5%. Had 380,300 employees on 12/31/16. Officers & directors control less than 1% of stock; Vanguard, 6.1%; Berkshire Hathaway, 8.5%; BlackRock, 5.5%; State Street, 5.4% (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.

ANNUAL RATES					Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22
of change (per sh)	10 Yrs.	5 Yrs.	to '20-'22	2.0%	1.5%	2.0%	
Revenues	4.0%	1.5%	2.0%	2.0%	1.5%	2.0%	
"Cash Flow"	7.5%	3.0%	2.0%	2.0%	1.5%	2.0%	
Earnings	10.0%	3.5%	Nil	2.0%	1.5%	2.0%	
Dividends	19.0%	14.5%	6.5%	2.0%	1.5%	2.0%	
Book Value	-2.5%	-3.0%	14.5%	2.0%	1.5%	2.0%	

IBM's results in the final quarter of 2016 were a mixed story. Revenues from strategic initiatives (software that powers analytics, cloud computing, mobile computing, and information security) rose a currency-adjusted 12%, and accounted for 44% of total revenues. The strength was mostly reflected in the 2.2% increase in the Cognitive Solutions segment (including double-digit growth in software as a service, or SaaS) and 2.4% rise in Technology Services & Cloud Platforms (infrastructure services and integration software). But revenues slipped slightly, with declines in Global Business Services (consulting and process services) and Systems (where growth in z System mainframes was offset by declines in IBM's Power systems and storage systems). A continued high level of investment in its businesses and inefficiencies tied to shifting to the SaaS model, as well as price pressure in Business Services, squeezed margins. But higher intellectual property income, a lower tax rate, and stock repurchases lifted earnings per share modestly. The company may be nearing an inflection point, but a meaningful turnaround may take a couple of years. Management looks for pretax income to improve in 2017, but expects a higher tax rate to depress the bottom line. (IBM won a \$1 billion tax case in Japan in 2016 that is unlikely to repeat.) Although revenue from traditional businesses may decline further, margins should benefit from further growth in higher-margined strategic lines, as IBM applies its skills to problems in industries, like healthcare and finance. IBM expects to earn at least \$11.95 a share in 2017, including \$1.85 of retirement and acquisitions expenses. We look for only a small gain in 2018. Two-thirds of IBM's debt supports its financing business. It has restructured a portion of the financing segment as a wholly-owned subsidiary that plans to issue about \$600 million of debt directly in the market. The move aims to improve cash allocation and capital management. The blue chip stock, ranked 3 (Average) for Timeliness, may be of interest for income. But it has less-than-average total return potential to 2020-2022, after its recent run to high ground.					
Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31		
2014	22236	24047	22397	24113	92793
2015	19590	20813	19280	22059	81741
2016	18684	20238	19226	21771	79919
2017	18200	19800	19000	21500	78500
2018	17800	19600	18800	21300	77500
Cal-endar	EARNINGS PER SHARE ^A	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31		
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	4.73	12.39
2017	2.00	2.45	2.85	4.65	11.95
2018	1.95	2.50	2.90	4.75	12.10
Cal-endar	QUARTERLY DIVIDENDS PAID ^B	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31		
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	5.50
2017	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-April. (B) Dividends historically paid in early March, June, September, and December. (C) In millions. (D) Incl. Intangibles. As of 12/31/16, \$40.9 billion, \$43.25/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	40
Earnings Predictability	85

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