



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	<b>84.85</b>	<b>85.65</b>	Revenues per sh	<b>98.80</b>
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	<b>17.50</b>	<b>17.50</b>	"Cash Flow" per sh	<b>20.60</b>
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	<b>11.95</b>	<b>12.10</b>	Earnings per sh <sup>A</sup>	<b>14.00</b>
.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	<b>5.90</b>	<b>6.30</b>	Div'ds Decl'd per sh <sup>B</sup>	<b>7.10</b>
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	<b>4.00</b>	<b>4.00</b>	Cap'l Spending per sh	<b>5.00</b>
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	<b>21.95</b>	<b>24.40</b>	Book Value per sh <sup>D</sup>	<b>34.35</b>
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	<b>925.0</b>	<b>905.0</b>	Common Shs Outst'g <sup>C</sup>	<b>850.0</b>
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	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	<b>13.0</b>
1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.57	.64			Relative P/E Ratio	<b>.80</b>
.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%			Avg Ann'l Div'd Yield	<b>3.9%</b>

CAPITAL STRUCTURE as of 3/31/17				2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		20-22
Total Debt \$42781 mill. Due in 5 Yrs \$24918 mill. LT Debt \$34441 mill. LT Interest \$620 mill. (LT interest earned: 14.0x; total interest coverage: 11.2x)				98786	103630	95758	99870	106916	104507	99751	92793	81741	79919	<b>78500</b>	<b>77500</b>	Revenues (\$mill)	<b>84000</b>						
Pension Assets-12/16 \$87.4 bill. Oblig. \$97.6 bill.				20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	19.8%	<b>21.5%</b>	<b>22.5%</b>	Operating Margin	<b>23.0%</b>						
Pfd Stock None				5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	4381.0	<b>4550</b>	<b>4800</b>	Depreciation (\$mill)	<b>5500</b>						
Common Stock 939,496,884 shs.				10418	12334	13425	14833	15855	16604	16483	15751	13364	11881	<b>11150</b>	<b>11050</b>	Net Profit (\$mill)	<b>12000</b>						
MARKET CAP \$146.0 billion (Large Cap)				28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	3.6%	<b>15.0%</b>	<b>15.0%</b>	Income Tax Rate	<b>18.0%</b>						
CURRENT POSITION (SMILL.)				10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	14.9%	<b>14.2%</b>	<b>14.3%</b>	Net Profit Margin	<b>14.3%</b>						
Cash Assets				8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	7613.0	<b>6500</b>	<b>7000</b>	Working Cap'l (\$mill)	<b>10000</b>						
Receivables				23039	22689	21932	21846	22857	24088	32856	35073	33428	34655	<b>37000</b>	<b>42000</b>	Long-Term Debt (\$mill)	<b>55000</b>						
Inventory (Avg Cst)				28470	13465	22755	23172 <sup>E</sup>	20236	18860	22792	11868	14262	18246	<b>20325</b>	<b>22075</b>	Shr. Equity (\$mill) <sup>D</sup>	<b>29200</b>						
Other				21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.0%	<b>20.5%</b>	<b>18.0%</b>	Return on Total Cap'l	<b>15.0%</b>						
Current Assets				36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	65.1%	<b>55.0%</b>	<b>50.0%</b>	Return on Shr. Equity	<b>41.0%</b>						
Accts Payable				29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	36.3%	<b>28.0%</b>	<b>24.0%</b>	Retained to Com Eq	<b>20.0%</b>						
Debt Due				21%	21%	21%	21%	22%	23%	25%	27%	37%	44%	<b>49%</b>	<b>52%</b>	All Div'ds to Net Prof	<b>51%</b>						
Other				<p><b>ANNUAL RATES</b> Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22</p> <p>of change (per sh) 4.0% 1.5% 2.0%</p> <p>Revenues 7.5% 3.0% 2.0%</p> <p>"Cash Flow" 10.0% 3.5% Nil</p> <p>Earnings 19.0% 14.5% 6.5%</p> <p>Dividends -2.5% -3.0% 14.5%</p> <p>Book Value</p>																			

**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%. Americas region, 48% of revenue; EMEA, 29%; Asia, 23%. R&D, 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; Berkshire Hathaway, 8.5%; Nat'l Indemnity, 6.1%; BlackRock, 5.5%; State Street, 5.4% (3/17 proxy). Chairman, Pres. & CEO: Virginia M. Rometty. Inc.: NY. Address: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.

Cal-ender	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	18155 <b>19800</b> <b>19000</b> <b>21545</b>	<b>78500</b>
2018	<b>17600</b> <b>19400</b> <b>18800</b> <b>21700</b>	<b>77500</b>
Cal-ender	EARNINGS PER SHARE <sup>A</sup>	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	1.85 <b>2.55</b> <b>2.80</b> <b>4.75</b>	<b>11.95</b>
2018	<b>1.95</b> <b>2.50</b> <b>2.90</b> <b>4.75</b>	<b>12.10</b>
Cal-ender	QUARTERLY DIVIDENDS PAID <sup>B</sup>	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 1.50	

**Although IBM may be nearing an inflection point, growth in its strategic businesses is still not offsetting declines in traditional markets. March-quarter revenues from analytics, cloud computing, and other key areas rose 13% year to year, and contributed to the 3% increase in Cognitive Solutions (software) revenues. But total revenues, adjusted for currency, slipped 2%, due to reductions in IBM's Business Services, Technology Services, and Systems segments. Segment gross margins narrowed across the board in the opening period of 2017. This reflected investments in IBM's businesses and a mix shift to the as-a-service model. But workforce rebalancing charges fell sharply and, along with higher intellectual property income, supported a wider pretax margin. Even so, net income got less help from tax benefits. Our presentation is of reported earnings, after acquisitions/retirement costs (\$0.53 a share in the March term), without which IBM would have earned \$2.38, just above the \$2.35 in the like period of 2016. Management anticipates a sequential-quarter earnings pickup in the June period, and stronger results in the second half. We tentatively look for slight bottom-line improvement in 2018. To be sure, currency shifts are expected to pose more of a revenue headwind in the next couple of quarters. But Cognitive solutions revenues ought to continue growing nicely, aided by IBM's focus on analytics and cloud computing. The company also plans to bring out new systems products later this year. It should benefit as systems revenues ramp up and expenses related to bringing out the new systems moderate. Too, IBM also intends to raise the productivity of recently acquired operations and is taking measures to improve its services businesses' profitability. Moreover, stock repurchases ought to enhance share net.**

**In all, it probably will take a few years for IBM to establish a healthier earnings trajectory.** The blue chip stock's best feature is its above-average dividend yield. But even very patient investors may want to defer commitments, as the untimely issue has below-average total return potential to 2020-2022.

Theresa Brophy June 30, 2017