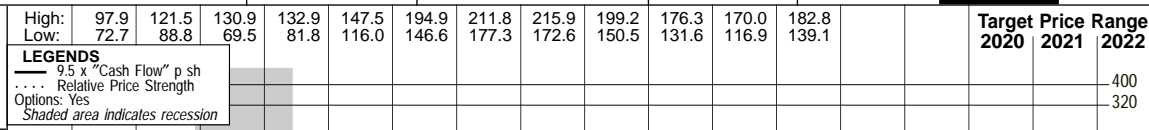


INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **144.39** P/E RATIO **12.1** (Trailing: 12.0 Median: 12.0) RELATIVE P/E RATIO **0.62** DIV'D YLD **4.3%** VALUE LINE

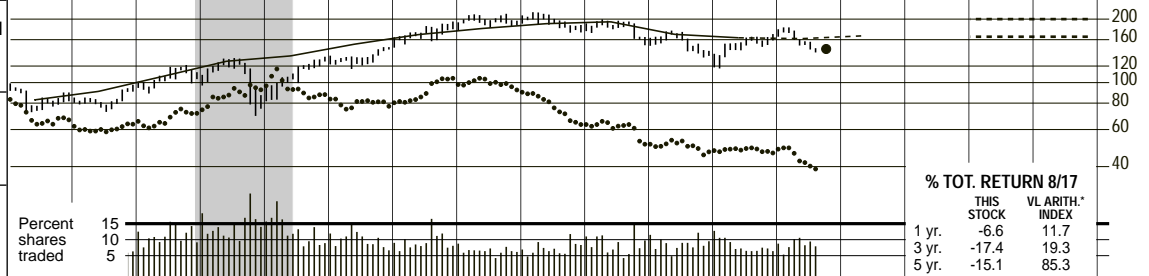
TIMELINESS 4 Lowered 5/19/17
SAFETY 1 Raised 4/15/05
TECHNICAL 4 Lowered 9/8/17
BETA .90 (1.00 = Market)



2020-22 PROJECTIONS
 Price High 200 Low 165
 Gain (+40%)
 Ann'l Total Return 12% 8%

Insider Decisions
 N D J F M A M J J
 to Buy 0 0 0 0 0 0 0 0
 Options 1 0 0 9 0 1 0 9
 to Sell 3 0 0 2 0 0 0 0

Institutional Decisions
 4Q2016 1Q2017 2Q2017
 to Buy 797 801 687
 to Sell 791 824 970
 Hlds(000) 558909 600146 591315



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	83.80	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	17.05	17.60	"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	23.50	26.70	Book Value per sh ^D	37.90
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	11.95	12.10	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	.62	.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 6/30/17
 Total Debt \$45673 mill. Due in 5 Yrs \$24918 mill.
 LT Debt \$37612 mill. LT Interest \$600 mill.
 (LT interest earned: 21.2x; total interest coverage: 20.6x) (67% of Cap'l)
 Pension Assets-12/16 \$87.4 bill. Oblig. \$97.6 bill.
 Pfd Stock None
 Common Stock 931,940,297 shs.
 MARKET CAP \$135 billion (Large Cap)

98786	103630	95758	99870	106916	104507	99751	92793	81741	79919	77500	77500	Revenues (\$mill)	84000
20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	19.8%	22.0%	22.5%	Operating Margin	23.0%
5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	4381.0	4550	4775	Depreciation (\$mill)	5500
10418	12334	13425	14833	15855	16604	16483	15751	13364	11881	11225	11175	Net Profit (\$mill)	12000
28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	3.6%	10.0%	10.0%	Income Tax Rate	18.0%
10.5%	11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	14.9%	14.5%	14.4%	Net Profit Margin	14.3%
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
23039	22689	21932	21846	22857	24088	32856	35073	33428	34655	40000	45000	Long-Term Debt (\$mill)	55000
28470	13465	22755	23172 ^E	20236	18860	22792	11868	14262	18246	21750	24150	Shr. Equity (\$mill) ^D	32200
21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.0%	18.5%	16.5%	Return on Total Cap'l	14.0%
36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	65.1%	51.5%	46.5%	Return on Shr. Equity	37.5%
29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	36.3%	26.5%	22.0%	Retained to Com Eq	18.5%
21%	21%	21%	21%	22%	23%	25%	27%	37%	44%	49%	52%	All Div'ds to Net Prof	51%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22
 of change (per sh)
 Revenues 4.0% 1.5% 2.0%
 "Cash Flow" 7.5% 3.0% 2.0%
 Earnings 10.0% 3.5% Nil
 Dividends 19.0% 14.5% 6.5%
 Book Value -2.5% -3.0% 16.5%

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	18155	19289	18500	21556	77500
2018	17800	19200	18800	21700	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	1.85	2.48	2.90	4.72	11.95
2018	1.85	2.50	2.95	4.80	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	1.50	1.50	1.50	5.50

IBM turned in another quarter of disappointing earnings in the June term while it struggled to turn around its fortunes. Revenues slipped a currency-adjusted 3%, with declines in all five of the company's business segments. Some of the shortfall was attributable to efforts to move away from lower-value work and declining markets. Too, sales of IBM's z13 mainframe computer are winding down, 10 quarters after the product's introduction. One positive sign was that revenues generated by strategic initiatives, like cloud computing, rose 5% and accounted for 43% of the top line. The increase still didn't offset declines in traditional markets, however. Gross margins contracted across the board. IBM continued to spend heavily to build up promising operations, and margins may have been squeezed by the costs of ramping up small businesses acquired in the 2015/2016 time frame. Lower selling expenses, tax benefits, and stock repurchases mitigated the decline in reported share net, which included \$0.49 of acquisition and retirement costs. **Management expects results to strengthen in the second half.** And we

look for revenues to reach an inflection point in the coming year or two. IBM's Cognitive Solutions (software) segment experienced double-digit growth in software-as-a-service signings in the June term, which ought to support higher annuity revenues. Global Business Services signings have also improved, and the consulting backlog has stabilized, after several quarters of declines. New contracts added in 2017 ought to lift Technology Services revenues in 2018, but the segment probably will post a disappointing performance this year. The Systems business should get a boost from the rollout of IBM's z14 mainframe computer later this year. In sum, IBM still looks for reported share net of \$11.95 in 2017, including \$1.85 of one-time costs. Our forecast of a slight earnings uptick in 2018 is still rather tentative. **The stock's pullback since early 2017 has created a good entry point.** IBM shares have decent 3- to 5-year total return potential, supported by an attractive dividend yield. But the issue is ranked unfavorably for Timeliness, and long-term investors may need to be patient. *Theresa Brophy* September 29, 2017

(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-Oct. (B) Dividends historically paid in early March, June, September, and December. ^C Dividend reinvestment plan available. (C) In millions. (D) Incl. Intangibles. As of 6/30/16, \$40.7 billion, \$43.67/sh. (E) In '08, incl. \$15.2 bill. retirement benefit plan loss. **Company's Financial Strength** A++ **Stock's Price Stability** 85 **Price Growth Persistence** 30 **Earnings Predictability** 85