



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>85.25</b>	<b>87.00</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>17.10</b>	<b>17.65</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>23.60</b>	<b>26.65</b>	Book Value per sh <sup>D</sup>	<b>38.80</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>920.0</b>	<b>900.0</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>13.2</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	<b>.64</b>		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%	<b>3.7%</b>		Avg Ann'l Div'd Yield	<b>3.9%</b>

**CAPITAL STRUCTURE as of 9/30/17**

Total Debt \$45626 mill. Due in 5 Yrs \$24918 mill.  
 LT Debt \$41327 mill. LT Interest \$600 mill.  
 (LT interest earned: 21.2x; total interest coverage: 20.6x) (68% of Cap'l)

Pension Assets-12/16 \$87.4 bill. Oblig. \$97.6 bill.

Pfd Stock None  
 Common Stock 925,791,378 shs.

**MARKET CAP \$142 billion (Large Cap)**

CURRENT POSITION (\$MILL.)	2015	2016	9/30/17
Cash Assets	8194	8527	11515
Receivables	28554	29245	27126
Inventory (Avg Cst)	1551	1553	1711
Other	4205	4563	4390
Current Assets	42504	43888	44742
Accts Payable	6028	6209	5442
Debt Due	6461	7513	4299
Other	21780	22553	21956
Current Liab.	34269	36275	31697

98786	103630	95758	99870	106916	104507	99751	92793	81741	79919	<b>78450</b>	<b>78300</b>	Revenues (\$mill)	<b>84000</b>
20.7%	20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	19.8%	<b>22.5%</b>	<b>24.0%</b>	Operating Margin	<b>25.0%</b>
5201.0	5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	4381.0	<b>4575</b>	<b>4775</b>	Depreciation (\$mill)	<b>5500</b>
10418	12334	13425	14833	15855	16604	16483	15751	13364	11881	<b>11175</b>	<b>11100</b>	Net Profit (\$mill)	<b>12000</b>
28.1%	26.2%	26.0%	24.8%	24.5%	24.2%	15.6%	21.2%	16.2%	3.6%	<b>7.0%</b>	<b>7.0%</b>	Income Tax Rate	<b>18.0%</b>
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>14.2%</b>	Net Profit Margin	<b>14.3%</b>
8867.0	6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	7613.0	<b>9000</b>	<b>7000</b>	Working Cap'l (\$mill)	<b>10000</b>
23039	22689	21932	21846	22857	24088	32856	35073	33428	34655	<b>42000</b>	<b>45000</b>	Long-Term Debt (\$mill)	<b>55000</b>
28470	13465	22755	23172	20236	18860	22792	11868	14262	18246	<b>21700</b>	<b>23975</b>	Shr. Equity (\$mill) <sup>D</sup>	<b>33000</b>
21.3%	35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.0%	<b>18.0%</b>	<b>16.5%</b>	Return on Total Cap'l	<b>14.0%</b>
36.6%	91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	65.1%	<b>51.5%</b>	<b>46.5%</b>	Return on Shr. Equity	<b>36.5%</b>
29.1%	72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	36.3%	<b>26.5%</b>	<b>22.0%</b>	Retained to Com Eq	<b>18.0%</b>
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>

**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.

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22

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%	17.0%

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	22236	24047	22397	24113	92793
2015	19590	20813	19280	22059	81741
2016	18684	20238	19226	21771	79919
2017	18155	19289	19153	<b>21853</b>	<b>78450</b>
2018	<b>18000</b>	<b>19200</b>	<b>19150</b>	<b>21950</b>	<b>78300</b>

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	2.92	<b>4.70</b>	<b>11.95</b>
2018	<b>1.85</b>	<b>2.50</b>	<b>2.95</b>	<b>4.80</b>	<b>12.10</b>

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	

**There are signs that International Business Machines' results are beginning to stabilize.** Adjusted for currency shifts, September-quarter revenues slipped only 1% year to year compared to a 3% decline in the first half of 2017. Cognitive Solutions (software) revenues rose 3% and Systems advanced 10% (aided by the launch of IBM's new z System mainframe and growth in Storage systems), nearly offsetting declines of 2% and 4%, respectively, in Global Business Services and Technology Services. IBM's gross margin contracted 40 basis points, significantly less than in the first half, and operating costs and other income/expenses decreased 1%, despite lower intellectual property income and higher commercial dispute costs. **We look for the company to make more progress in 2018, but a full transformation no doubt will take time.** Revenues from strategic initiatives, like cloud computing and analytics (45% of revenues in the September quarter) have wider margins than many of IBM's other offerings and ought to account for a larger portion of the revenue mix over time, offsetting declines in older, less differentia-

ted products. Meanwhile, the new z System mainframe should contribute significantly to Systems and Global Financing revenues in the year ahead. Too, IBM intends to roll out its new POWER9 systems throughout 2018. IBM's consulting revenues have started to grow again. And Technology Services revenues ought to benefit from the over 25% increase in segment signings in the September quarter, reflecting strength in cloud computing offerings. Finally, stock repurchases under a remaining \$1.5 billion of stock buyback authorization ought to enhance share net. In all, we figure share net will increase 1% in 2018 on flattish revenues. **The debt-to-equity ratio is higher than average, but two-thirds of IBM's debt supports its financing business.** Nonfinancing segment debt accounted for 45% of capital on September 30th. **Patient investors may want to consider IBM shares for their worthwhile 3- to 5-year total return potential, supported by an above-average dividend yield.** But the stock is ranked unfavorably (4: Below Average) for Timeliness. *Theresa Brophy* December 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-Jan. (B) Dividends historically paid in early March, June, September, and December. (C) Dividend reinvestment plan available. (D) In millions. (E) Incl. Intangibles. As of 9/30/16, \$40.7 billion, \$44.03/sh. (F) In '08, incl. \$15.2 bill. retirement benefit plan loss.

**Company's Financial Strength** A++  
**Stock's Price Stability** 90  
**Price Growth Persistence** 25  
**Earnings Predictability** 85