

# INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **156.20** P/E RATIO **13.2** (Trailing: 13.0, Median: 12.0) RELATIVE P/E RATIO **0.70** DIV'D YLD **4.0%** VALUE LINE

TIMELINESS <b>3</b> Raised 2/2/18	High: 121.5 Low: 88.8	130.9 69.5	132.9 81.8	147.5 116.0	194.9 146.6	211.8 177.3	215.9 172.6	199.2 150.5	176.3 131.6	170.0 116.9	182.8 139.1	171.1 144.4	Target Price Range 2021 2022 2023
SAFETY <b>1</b> Raised 4/15/05	LEGENDS 9.5 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession												
TECHNICAL <b>3</b> Raised 2/23/18	2021-23 PROJECTIONS												
BETA .90 (1.00 = Market)	Ann'l Total Price Gain Return High 215 (+40%) 12% Low 175 (+10%) 7%												
Insider Decisions													
to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 9 0 0 0 0 0 0 4 1 to Sell 0 0 0 0 0 0 0 0 0 0													
Institutional Decisions													
to Buy 687 667 821 to Sell 970 913 718 Hlds(000) 591315 581210 516405													
Percent shares traded													
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2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	21-23	
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	85.82	<b>89.90</b>	<b>92.60</b>	Revenues per sh	<b>98.80</b>
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	17.13	<b>17.05</b>	<b>17.80</b>	"Cash Flow" per sh	<b>19.70</b>
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	12.04	<b>11.75</b>	<b>12.25</b>	Earnings per sh <sup>A</sup>	<b>13.50</b>
.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	<b>6.30</b>	<b>6.60</b>	Div'ds Decl'd per sh <sup>B</sup>	<b>7.40</b>
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	3.50	<b>4.00</b>	<b>4.00</b>	Cap'l Spending per sh	<b>5.00</b>
13.23	16.44	18.08	21.03	18.92	20.55	10.06 <sup>F</sup>	17.43	18.87	17.40	16.88	21.62	11.98	14.77	19.29	19.08	<b>21.15</b>	<b>23.80</b>	Book Value per sh <sup>D</sup>	<b>36.90</b>
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	922.18	<b>900.0</b>	<b>880.0</b>	Common Shs Outst'g <sup>C</sup>	<b>850.0</b>
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	13.1	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	<b>14.5</b>
1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.57	.64	.65			Relative P/E Ratio	<b>.80</b>
.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%	3.7%			Avg Ann'l Div'd Yield	<b>3.8%</b>

CAPITAL STRUCTURE as of 12/31/17																	
Total Debt \$46824 mill. Due in 5 Yrs \$29841 mill. LT Debt \$39837 mill. LT Interest \$715 mill. (LT interest earned: 16.9x; total interest coverage: 9.9x) (69% of Cap'l)																	
Pension Assets-12/17 \$93.6 bill. Oblig. \$106.5 bill.																	
Pfd Stock None Common Stock 922,179,225 shs.																	
MARKET CAP \$144 billion (Large Cap)																	
CURRENT POSITION																	
(\$MILL.)																	
Cash Assets 8194 8527 12580																	
Receivables 28554 29245 31630																	
Inventory (Avg Cst) 1551 1553 1583																	
Other 4205 4563 3942																	
Current Assets 42504 43888 49735																	
Accts Payable 6028 6209 6451																	
Debt Due 6461 7513 6987																	
Other 21780 22553 23925																	
Current Liab. 34269 36275 37363																	

ANNUAL RATES																	
Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 to '21-'23																	
of change (per sh)																	
Revenues 3.0% -1.0% 2.5%																	
"Cash Flow" 6.0% -5.2% 2.0%																	
Earnings 7.5% -5.1% 1.0%																	
Dividends 17.0% 13.5% 5.0%																	
Book Value -1.5% - - 13.0%																	

QUARTERLY REVENUES (\$ mill.)					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	19590	20813	19280	22059	81741
2016	18684	20238	19226	21771	79919
2017	18155	19289	19153	22542	79139
2018	<b>18500</b>	<b>19500</b>	<b>19250</b>	<b>22750</b>	<b>80000</b>
2019	<b>18800</b>	<b>19900</b>	<b>19550</b>	<b>23250</b>	<b>81500</b>

EARNINGS PER SHARE <sup>A</sup>					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	4.79	12.04
2018	<b>1.80</b>	<b>2.40</b>	<b>2.80</b>	<b>4.75</b>	<b>11.75</b>
2019	<b>1.90</b>	<b>2.50</b>	<b>2.95</b>	<b>4.90</b>	<b>12.25</b>

QUARTERLY DIVIDENDS PAID <sup>B</sup>					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	5.90
2018	1.50				

**International Business Machines ended 2017 in a little better shape than at the start of the year.** Revenues and earnings (the latter excluding a \$5.90-a-share charge related to the new tax law) rose slightly in the final period of 2017, for the first time in many quarters. The company has been ramping up its cloud computing and as-a-service offerings. It brought out new systems models last year. And the consulting business' performance improved, led by digital offerings. **The gross margin in the quarter contracted about a percentage point, however.** This was the result of a less favorable revenue mix and a delay in realizing the benefits of productivity initiatives in its services business. Currency shifts, which helped lift revenues, boosted operating expenses. Too, intellectual property income declined. Note that our share-net presentation for the quarter and the year includes \$0.41 and \$1.82, respectively, of retirement and acquisition-related costs that IBM views as nonoperating in nature. **Management indicated that the company faces two headwinds in 2018.** We look for modest revenue progress this year

and next. But the company expects to maintain a fairly high level of expenditures to build capabilities in areas like artificial intelligence. And management estimates a tax rate of 16% in 2018, a significant increase from 2017, excluding the charge for tax reform. **Much of the revenue growth that we anticipate over the pull to 2021-2023 should come from higher-margin offerings that serve strategic markets, like cloud computing and analytics.** These products and services accounted for 46% of the top line in 2018. IBM is working to build scale in its cloud computing business. It also aims to increase the annuity portion of its software revenues, and tailor software for specific industries (like healthcare). Meanwhile, recently introduced systems (Z Systems and POWER systems) ought to gain ground. **But investors in IBM shares may need to be patient.** The stock, ranked 3 (Average) for Timeliness, has worthwhile 3- to 5-year total return potential, supported partly by an attractive dividend yield. But a full transformation may take some time. *Theresa Brophy March 30, 2018*

(A) Based on diluted shs. Excl. gains (losses) from discontinued operations; '03, (\$0.02); '04, (\$0.01); '05, (\$0.02); '06, \$0.05; '14, (\$3.65). In '17, excludes \$5.90 charge related to tax reform. Quarters may not sum due to change in shs. Next earnings report mid-Apr. (B) Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. (C) In millions. (D) Incl. Intangibles. As of 12/31/17, \$40.5 billion, \$43.95/share. (E) 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** 70 **To subscribe call 1-800-VALUELINE**