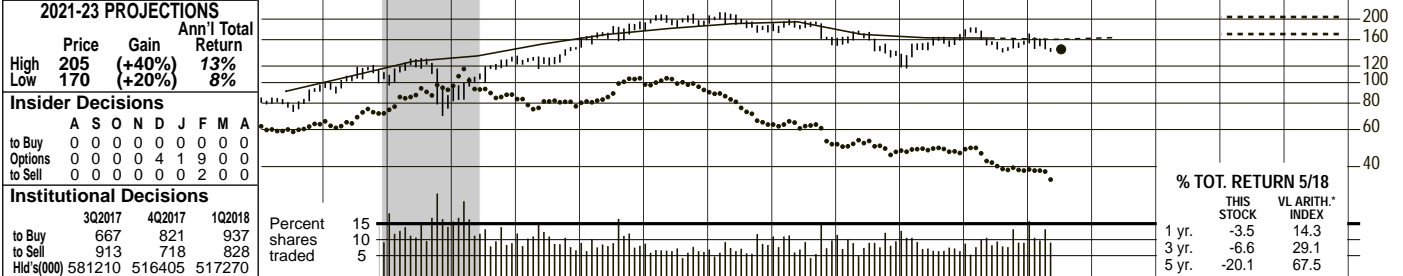


TIMELINESS <b>4</b> Raised 6/15/18	High: 121.5	130.9	132.9	147.5	194.9	211.8	215.9	199.2	176.3	170.0	182.8	171.1		Target Price Range
SAFETY <b>1</b> Raised 4/15/05	Low: 88.8	69.5	81.8	116.0	146.6	177.3	172.6	150.5	131.6	116.9	139.1	139.9		2021 2022 2023
TECHNICAL <b>4</b> Lowered 6/22/18	<b>LEGENDS</b> — 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													



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	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>88.95</b>	<b>91.55</b>	Revenues per sh	100.00
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>16.90</b>	<b>17.25</b>	"Cash Flow" per sh	19.10
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>11.60</b>	<b>11.85</b>	Earnings per sh <sup>A</sup>	13.00
.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>6.21</b>	<b>6.52</b>	Div'ds Decl'd per sh <sup>B</sup>	7.15
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	5.00
13.23	16.44	18.08	21.03	18.92	20.55	10.06 <sup>E</sup>	17.43	18.87	17.40	16.88	21.62	11.98	14.77	19.29	19.08	<b>23.40</b>	<b>26.45</b>	Book Value per sh <sup>D</sup>	37.05
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>905.0</b>	<b>890.0</b>	Common Shs Outst'g <sup>C</sup>	850.0
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	14.5
1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.57	.64	.65			Relative P/E Ratio	.80
.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	3.8%

CAPITAL STRUCTURE as of 3/31/18				2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Revenues (\$mill)	85000
Total Debt \$46387 mill. Due in 5 Yrs \$29841 mill.				20.6%	23.0%	23.0%	23.5%	25.1%	24.3%	24.0%	23.9%	19.8%	19.0%	20.5%	20.5%	Operating Margin	21.5%		
LT Debt \$40410 mill. LT Interest \$715 mill.				5450.0	4994.0	4831.0	4815.0	4676.0	4678.0	4492.0	3855.0	4381.0	4541.0	4600	4650	Depreciation (\$mill)	5200		
(LT interest earned: 16.9x; total interest coverage: 9.9x)				12334	13425	14833	15855	16604	16483	15751	13364	11881	11258	10700	10700	Net Profit (\$mill)	11050		
(69% of Cap'l)				26.2%	26.0%	24.8%	24.5%	24.2%	24.2%	16.2%	16.2%	3.6%	1.2%	NMF	5.0%	Income Tax Rate	16.0%		
Pension Assets-12/17 \$93.6 bill. Oblig. \$106.5 bill.				11.9%	14.0%	14.9%	14.8%	15.9%	16.5%	17.0%	16.3%	14.9%	14.2%	13.3%	13.1%	Net Profit Margin	13.0%		
Prd Stock None				6569.0	12933	7554.0	8805.0	5808.0	11196	9822.0	8235.0	7613.0	12372	13000	13500	Working Cap'l (\$mill)	15000		
Common Stock 917,968,306 shs.				22689	21932	21846	22857	24088	32856	35073	33428	34655	39837	42000	45000	Long-Term Debt (\$mill)	55000		
MARKET CAP \$132 billion (Large Cap)				13465 <sup>E</sup>	22755	23172	20236	18860	22792	11868	14262	18246	17594	21165	23550	Shr. Equity (\$mill) <sup>D</sup>	31500		
CURRENT POSITION				35.6%	31.2%	33.8%	37.6%	39.5%	30.4%	34.6%	28.4%	23.4%	18.1%	17.5%	16.0%	Return on Total Cap'l	14.0%		
2016				91.6%	59.0%	64.0%	78.4%	88.0%	72.3%	132.7%	93.7%	65.1%	64.0%	50.5%	45.5%	Return on Shr. Equity	35.0%		
2017				72.4%	46.4%	50.3%	61.2%	68.0%	54.5%	96.8%	59.4%	36.3%	32.6%	23.5%	19.5%	Retained to Com Eq	16.0%		
3/31/18				21%	21%	21%	22%	23%	25%	27%	37%	44%	49%	54%	55%	All Div'ds to Net Prof	55%		

**BUSINESS:** International Business Machines Corporation is a worldwide supplier of technology and business services, software, and systems hardware. 2017 revenue breakdown: Technology Services & Cloud Platforms, 43%; Global Business Services, 21%; Systems, 10%; Cognitive Solutions, 23%; Financing & Other, 3%. Geographic mix: Americas region, 48% of revenue; EMEA, 31%; Asia, 21%. R&D, 7.3% of '17 revenue. '17 depreciation rate: 14.0%. About 380,000 employees. Officers & directors control less than 1% of stock; The Vanguard Group, 6.88%; BlackRock, 6.2%; State Street, 5.6% (3/18 proxy). Chairman, Pres. & CEO: Virginia M. Rometty, Inc.: NY. Address.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.

**It's unclear whether International Business Machines has reached an inflection point with regard to revenues.** In the March period (for the second consecutive quarter), reported revenues rose. Since a positive currency climate accounted for nearly all of the 5% year-to-year top-line increase, the revenue improvement may not be sustainable. Performance by business segment was mixed, with increases in Cognitive Solutions (software, powered by growth in strategic markets, like cloud computing and analytics) and Systems (aided by sales of IBM's new z14 systems and Power systems) offsetting declines in Application Management and Process Services, and Technical Support. **Efforts to raise the contribution of strategic markets to the revenue mix (47% in the last 12 months) ought to pay off gradually.** The Systems business is rolling out a new z system for cloud environments and a new Power super-computer, but demand for new systems usually falls off after an initial period of favorable reception. Services that help clients adopt cloud computing should enjoy healthy demand, and recent growth in technology services signings augurs well for services revenues. Still, competition is intense, and currency may not continue to provide a revenue tailwind. **Operating profit margins should improve absent repositioning costs.** In the March term, IBM took measures to align the skills of its workforce to high-value markets, and shift the expense mix to more variable (rather than fixed) costs. These items and currency changes boosted operating expenses, but were offset on the bottom line by tax benefits from the settlement of audits. We assume the repositioning costs will decline, but tax credits may not continue to offset tax expense. Too, spending to build up strategic businesses is likely to remain high. We've lowered our share-net estimates for 2018 and 2019, by \$0.15 and \$0.40, respectively. **IBM shares may be of interest for income.** The dividend yield exceeds the Value Line median. But the stock is ranked 4 (Below Average) for Timeliness, and doesn't stand out for the pull to 2021-2023. The company's turnaround appears likely to be a protracted process.

(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-July.	(B) Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. (C) In millions. (D) Incl. Intangibles. As of 3/31/18, \$40.3 billion, \$43.85/sh. (E) In '08, incl. \$15.2 bill. retirement benefit plan loss.	Company's Financial Strength <b>A++</b>	Stock's Price Stability <b>90</b>
		Price Growth Persistence <b>25</b>	Earnings Predictability <b>90</b>

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