

| (\$MILL.) |  |  |  | 21\% | 21\% | 22\% | 23\% | 25\% | 27\% | 37\% | 44\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Receivables | 31630 | 30563 | 27945 |  |  |  |  |  |  |  |  |
| Inventory (Avg Cst) | 1583 | 1682 | 1771 |  |  |  |  |  |  | 佼, | is a |

Receivables Inventory (Avg Cst) Other
Current Assets
Accts Payable Debt Due Other Current Liab.

| ANNUAL RATES | Past | Past | Est'd '16-'18 |
| :--- | ---: | ---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '22-'24 |
| Revenues | $2.0 \%$ | $-1.5 \%$ | $1.0 \%$ |
| "Cash Flow" | $5.0 \%$ | $-.5 \%$ | $3.0 \%$ |
| Earnings | $6.0 \%$ | $-1.0 \%$ | $2.0 \%$ |
| Dividends | $14.5 \%$ | $12.0 \%$ | $3.5 \%$ |
| Book Value | $1.5 \%$ | $.5 \%$ | $20.0 \%$ |


| $\begin{gathered} \text { Cal- } \\ \text { endar } \end{gathered}$ | QUARTERLY REVENUES (\$ mill.) |  |  |  | $\begin{array}{\|l\|l\|} \hline \text { Full } \\ \text { Year } \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| 2016 | 18684 | 20238 | 19226 | 21771 | 79919 |
| 2017 | 18155 | 19289 | 19153 | 22542 | 79139 |
| 2018 | 19072 | 20003 | 18756 | 21760 | 79591 |
| 2019 | 18182 | 19100 | 18200 | 21218 | 76700 |
| 2020 | 18200 | 19300 | 18400 | 21500 | 77400 |
| $\begin{aligned} & \text { Cal- } \\ & \text { endar } \end{aligned}$ | EARNINGS PER SHARE A |  |  |  | ull |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | Year |
| 2016 | 2.09 | 2.61 | 2.98 | 4.73 | 12.39 |
| 2017 | 2.32 | 2.94 | 3.26 | 5.14 | 13.66 |
| 2018 | 2.44 | 3.08 | 3.42 | 4.87 | 13.81 |
| 2019 | 2.25 | 3.05 | 3.50 | 4.95 | 13.75 |
| 2020 | 2.30 | 3.10 | 3.60 | 5.10 | 14.10 |
|  | QUARTERLY DIVIDENDS PAID Ba |  |  |  |  |
| endar | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | Year |
| 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 | 1.57 | 1.57 | 1.57 | 6.21 |
| 2019 | 1.57 | 1.62 |  |  |  |

worldwide supplier of technology and business services, software, and systems hardware. 2018 revenue breakdown: Technology Services \& Cloud Platforms, 43\%; Global Business Services, 21\%; Systems, 10\%; Cognitive Solutions, 23\%; Financing \& Other, 3\%. Geographic mix: Americas region, $47 \%$ of revenue; EMEA, $33 \%$;
IBM's March-quarter revenue slipped a currency-adjusted $0.9 \%$, but its gross margin expanded a percentage point. Increases in software revenues (for applications like security and healthcare) and business services (led by consulting) were more than offset by declines in technology services (as IBM exits lowmargined offerings) and systems (reflecting declines in z14 systems sales seven quarters after the product's rollout). But currency translation had a positive effect on margins, which also benefited from a more profitable services mix and productivity initiatives. Pretax income rose, aided by lower workforce rebalancing costs, but a more than $\$ 750$ million negative swing on the tax line held back operating results. The latter exdude $\$ 0.47$ a share of nonoperating costs.
The company still faces a number of challenges, but we look for results to improve gradually over the next several quarters. Currency is expected to remain a top-line headwind. Although the services backlog at the end of March contained a lot of small deals likely to lift near-term revenues, IBM ended the

Asia, 20\%. R\&D, 6.8\% of '18 revenue. '18 depreciation rate: $13.8 \%$. About 350,600 employees. Officers \& directors control less than $1 \%$ of stock; The Vanguard Group, $7.9 \%$; BlackRock, $6.8 \%$; State Street, 5.9\% (3/19 proxy). Chairman, Pres. \& CEO: Virginia M. Rometty. Inc.: NY. Address.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.
quarter with a smaller backlog, which doesn't augur well for revenues beyond the next quarter or two. Meanwhile, the systems business faces unfavorable comparisons in the June period because zSystems revenues, driven by the rollout of IBM's z14 offering in the latter half of 2017, rose $112 \%$ in the 2018 J une term. Systems comparisons should improve in the second half. Too, the divestiture of a few low-profit operations in the J une term will hurt revenues but enhance margins.
IBM expects to complete the acquisition of Red Hat before the end of 2019. It is offering $\$ 190$ in cash for each share of the provider of open-source cloud computing solutions, in a deal originally valued at $\$ 34$ billion. The purchase will accelerate IBM's growth in the business of helping companies manage their operations in a hybrid cloud environment. Red Hat is not yet factored into our numbers. IBM plans to suspend stock buybacks in 2020 and 2021 while repaying debt for the deal.
The stock may appeal to incomeoriented investors. But it doesn't stand out for 3 - to 5 -year total return potential. Theresa Brophy

[^0]
[^0]:    A) Based on diluted shs. Excl. gains (losses) '18, \$4.30. Quarters may not sum due to reinvestment plan available. (C) In millions. from discontinued operations; '03, (\$0.02); '04, change in shs. Next earnings report mid-July. (D) Incl. Intangibles. As of 12/31/18, $\$ 39.4$ bil( $\$ 0.01$ ); '05, ( $\$ 0.02$ ); '06, $\$ 0.05$; '14. ( $\$ 3.65$ ). (B) Dividends historically paid in early March, lion, $\$ 44.09 / \mathrm{sh}$. (E) In '08, incl. $\$ 15.2$ bill. retireExcludes nonoperating expenses: '17, \$7.52; June, September, and December. ■ Dividend ment benefit plan loss.

