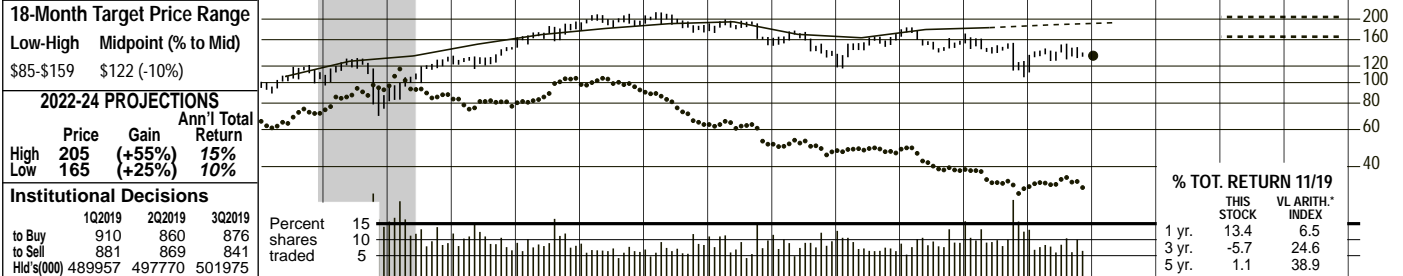


TIMELINESS 3 Raised 3/22/19	High: 130.9	132.9	147.5	194.9	211.8	215.9	199.2	176.3	170.0	182.8	171.1	153.0							Target Price Range
SAFETY 1 Raised 4/15/05	Low: 69.5	81.8	116.0	146.6	177.3	172.6	150.5	131.6	116.9	139.1	105.9	111.7							2022 2023 2024
TECHNICAL 4 Lowered 12/27/19	LEGENDS — 9.5 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA 1.10 (1.00 = Market)																			



18-Month Target Price Range																			
Low-High Midpoint (% to Mid)																			
\$85-\$159 \$122 (-10%)																			
2022-24 PROJECTIONS																			
High	Price	Gain	Ann'l Total																
Low	205	(+55%)	Return																
	165	(+25%)	15%																
			10%																
Institutional Decisions																			
	102019	202019	302019																
to Buy	910	860	876																
to Sell	881	869	841																
Hlds(000)	489957	497770	501975																
																	Percent		
																	shares	15	
																	traded	10	
																		5	
																	% TOT. RETURN 11/19		
																	1 yr.	13.4	6.5
																	3 yr.	-5.7	24.6
																	5 yr.	1.1	38.9
																	© VALUE LINE PUB. LLC		
																	22-24		

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
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	89.18	86.90	88.75	Revenues per sh	93.50
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	18.81	19.20	19.80	20.30	"Cash Flow" per sh	21.55
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	13.66	13.81	12.80	13.15	Earnings per sh ^A	14.25
.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	6.21	6.43	6.57	Div'ds Decl'd per sh ^B	7.15
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	3.80	3.50	4.00	Cap'l Spending per sh	5.00
16.44	18.08	21.03	18.92	20.55	10.06 ^F	17.43	18.87	17.40	16.88	21.62	11.98	14.77	19.29	19.08	18.82	23.45	30.65	Book Value per sh ^D	55.35
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	892.48	886.0	890.0	Common Shs Outst'g ^C	920.0
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	11.6	10.4			Avg Ann'l P/E Ratio	13.0
1.12	.95	.86	.75	.79	.74	.73	.73	.82	.87	.73	.62	.57	.64	.58	.56			Relative P/E Ratio	.70
.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%	4.3%			Avg Ann'l Div'd Yield	3.9%

CAPITAL STRUCTURE as of 9/30/19																			
Total Debt \$66327 mill. Due in 5 Yrs \$29245 mill.																			
LT Debt \$57797 mill. LT Interest \$1550 mill.																			
(LT interest earned: 9.1x; total interest coverage: 8.3x) (76% of Cap'l)																			
Pension Assets-12/18 \$84.9 bill. Oblig. \$93.6 bill.																			
Pfd Stock None																			
Common Stock 885,637,454 shs.																			
MARKET CAP \$119 billion (Large Cap)																			
CURRENT POSITION (SMILL.)																			
	2017	2018	9/30/19																
Cash Assets	12580	12222	10958																
Receivables	31630	30563	20959																
Inventory (Avg Cst)	1583	1682	1712																
Other	3942	4679	4492																
Current Assets	49735	49146	38121																
Accts Payable	6451	6558	4042																
Debt Due	6987	10207	8530																
Other	23925	21462	22494																
Current Liab.	37363	38227	35066																

ANNUAL RATES																			
	Past	Past	Est'd '16-'18																
of change (per sh)	10 Yrs.	5 Yrs.	to '22-'24																
Revenues	2.0%	-1.5%	1.5%																
"Cash Flow"	5.0%	-5%	3.0%																
Earnings	6.0%	-1.0%	1.0%																
Dividends	14.5%	12.0%	3.5%																
Book Value	1.5%	.5%	19.5%																

QUARTERLY REVENUES (\$ mill.)						Full Year
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31		
2016	18684	20238	19226	21771	79919	79919
2017	18155	19289	19153	22542	79139	79139
2018	19072	20003	18756	21760	79591	79591
2019	18182	19161	18028	21629	77000	77000
2020	18500	19500	18500	22500	79000	79000
EARNINGS PER SHARE ^A						Full Year
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31		
2016	2.09	2.61	2.98	4.73	12.39	12.39
2017	2.32	2.94	3.26	5.14	13.66	13.66
2018	2.44	3.08	3.42	4.87	13.81	13.81
2019	2.25	3.17	2.68	4.70	12.80	12.80
2020	2.10	3.05	3.15	4.85	13.15	13.15
QUARTERLY DIVIDENDS PAID ^B						Full Year
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31		
2015	1.10	1.30	1.30	1.30	5.00	5.00
2016	1.30	1.40	1.40	1.40	5.50	5.50
2017	1.40	1.50	1.50	1.50	5.90	5.90
2018	1.50	1.57	1.57	1.57	6.21	6.21
2019	1.57	1.62	1.62	1.62		

The September quarter was IBM's first to include a full three months of the operations of Red Hat, acquired on July 2nd. Management says Red Hat's revenues rose 20% year to year, but the purchase was dilutive to earnings, after the costs of financing the transaction and due to noncash accounting items related to deferred revenues. The acquisition is expected to be accretive to operating earnings by the end of the second year of combined operations. Red Hat's Linux operating system, RHEL, and hybrid cloud platform, OpenShift, help companies move workloads to hybrid cloud environments. **Consolidated results in the September term were mixed.** Cloud & Cognitive Software revenues rose 8%, but segment pretax profits declined 37%, reflecting investment spending and the negative impact of acquisition-accounting. Global Business Services revenue, up 2%, were aided by a 5% pickup in consulting, and pretax income inched 1% higher, supported by more higher-value services and productivity actions. But Technology Services revenues slipped 4% and pretax profits fell 19%. Too, Systems revenues and

profits declined 14% and 81%, respectively, as the company is in the late stages of its z14 mainframe computer product cycle. **We tentatively look for an improving trend to get under way in the year ahead.** We note the uneven progress in the past to put earnings on a sustainable upward path. However, a number of factors might lift results modestly higher in the new year. Sales of IBM's new z15 mainframe, introduced in late September, should ramp up. The dilution from Red Hat ought to fade. Technology Services signings are up and IBM is deemphasizing low-margin service offerings. **The company took on additional debt to support its acquisition of Red Hat in July.** But it is winding down its original equipment commercial financing operations and is reducing debt associated with the business. It also suspended its stock repurchase program, freeing up funds to repay nonfinancing business debt, which will reduce interest expense. **The stock is mostly of interest for income.** But the issue's total return potential to 2022-2024 is slightly below average. *Theresa Brophy* December 27, 2019

(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). Excludes nonoperating expenses: '17, \$7.52; '18, \$4.30; '19, \$1.64. 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) In millions. (D) Incl. Intangibles. As of 9/30/18, \$73.6 billion, \$83.06/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	10
Earnings Predictability	90

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