



1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
37.38	40.54	44.10	48.52	50.14	49.83	47.14	52.60	58.52	57.90	60.69	71.31	77.39	73.36	81.33	91.92	92.90	97.25	Revenues per sh	123.80
5.34	5.72	6.10	7.50	7.41	7.27	6.53	7.27	8.24	8.71	9.56	11.28	13.28	14.11	16.01	17.77	18.85	20.35	"Cash Flow" per sh	25.90
2.76	3.01	3.29	3.72	4.44	4.35	3.95	4.34	5.05	5.22	6.01	7.18	8.93	10.01	11.52	13.06	14.40	15.80	Earnings per sh ^A	20.00
.33	.39	.44	.47	.51	.55	.59	.63	.70	.78	1.10	1.50	1.90	2.15	2.50	2.90	3.30	3.55	Div'ds Decl'd per sh ^B	4.40
2.90	3.51	3.52	3.30	3.19	3.28	2.76	2.59	2.65	2.44	2.90	3.34	3.11	2.64	3.41	3.53	3.50	3.50	Cap'l Spending per sh	4.75
10.52	10.10	10.36	11.23	11.56	13.70	13.23	16.44	18.08	21.03	18.92	20.55	10.06	17.43	18.87	17.40	20.85	28.35	Book Value per sh ^D	61.90
2031.9	1936.5	1851.8	1804.2	1762.9	1723.2	1722.4	1694.5	1645.6	1574.0	1506.5	1385.2	1339.1	1305.3	1228.0	1163.2	1130.0	1100.0	Common Shs Outst'g ^C	1050.0
10.7	15.1	19.0	28.9	24.8	24.7	21.4	19.6	18.0	16.1	13.9	14.8	12.3	10.9	11.4	13.1	13.0	13.0	Avg Ann'l P/E Ratio	13.0
.67	.87	.99	1.65	1.61	1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	.83	.83	.83	Relative P/E Ratio	.85
1.1%	.9%	.7%	.4%	.5%	.5%	.7%	.7%	.8%	.9%	1.3%	1.4%	1.7%	2.0%	1.9%	1.7%	1.7%	1.7%	Avg Ann'l Div'd Yield	1.7%

CAPITAL STRUCTURE as of 6/30/12																			
Total Debt \$32435 mill. Due in 5 Yrs \$20927 mill. LT Debt \$24766 mill. LT Interest \$700 mill. (LT interest earned: 30.6x; total interest coverage: 22.6x)																			
Pension Assets-12/11 \$70.6 bill. Oblig. \$83.8 bill.																			
Pfd Stock None Common Stock 1,142,774,594 shs.																			
MARKET CAP \$234 billion (Large Cap)																			
CURRENT POSITION																			
2010 2011 6/30/12																			
(SMILL.)																			
Cash Assets 11651 11922 11187																			
Receivables 28225 29561 26857																			
Inventory (Avg Cst) 2450 2595 2758																			
Other 5790 6850 6590																			
Current Assets 48116 50928 47392																			
Accts Payable 7804 8517 7482																			
Debt Due 6778 8463 7669																			
Other 25980 25143 23752																			
Current Liab. 40562 42123 38903																			

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '09-'11 to '15-'17
change (per sh)			
Revenues	5.0%	7.0%	7.0%
"Cash Flow"	8.0%	12.5%	8.5%
Earnings	10.5%	16.5%	9.5%
Dividends	17.5%	24.0%	9.5%
Book Value	4.0%	-1.5%	22.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	21711	23250	23566	27231	95758
2010	22857	23724	24271	29018	99870
2011	24607	26666	26157	29486	100916
2012	24673	25783	25500	29044	105000
2013	24800	25800	26100	30300	107000

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	1.70	2.32	2.40	3.59	10.01
2010	1.97	2.61	2.82	4.18	11.52
2011	2.31	3.00	3.19	4.62	13.06
2012	2.61	3.34	3.45	5.00	14.40
2013	2.95	3.65	3.75	5.45	15.80

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	.40	.50	.50	.50	1.90
2009	.50	.55	.55	.55	2.15
2010	.55	.65	.65	.65	2.50
2011	.65	.75	.75	.75	2.90
2012	.75	.85	.85	.85	3.30

(A) Based on average shs. until '97, then diluted. Excl. nonrecurring gains (losses): '02, (\$1.89); '04, (\$0.11); '05, (\$0.34); gain (losses) from discontinued operations; '03, (\$0.02); '04, (\$0.01); '05, (\$0.02); '06, \$0.05. Quarters may not sum due to change in shares. Next earnings report mid-Oct. (B) Dividends historically paid in early March, June, September, and December. (C) In mill., adj. for split. (D) Incl. Intangibles. In '11, \$29.6 billion, \$25.45/sh. In '08, incl. \$15.2 bill. retirement benefit plan loss.

IBM had a mixed June quarter. Reported revenues fell 3% due to currency fluctuations (a negative \$1 billion) and a 7% decline in computer hardware revenues (due to the timing of the product cycle and tough year-to-year comparisons for its System x servers). But constant-currency revenues rose 1%, with software up 4%. Efforts to improve productivity and the product mix widened margins. IBM also bought back \$3 billion of its stock, which enhanced share net. Reported earnings included \$0.17 a share of acquisitions and other noncash expenses.

Management looks for reported earnings of at least \$14.40 a share in 2012. The company expects the currency situation to remain unfavorable in the second half. Weak economic activity worldwide and IBM's lower services backlog at mid-year also suggest revenues over the rest of 2012 may decline modestly. But we expect margins to widen a bit further given the increasing contribution of software to the product mix and ongoing productivity improvement initiatives. In 2013, IBM should make more progress toward its goal of earning \$20 a share by 2015, aided by

efforts to build up its software business, mix improvement, and share repurchases. **The first phase of IBM's sale of its retail point-of-sale equipment business to Toshiba was completed on July 31st**, with IBM retaining a 19.9% interest in the venture. IBM received a portion of the purchase price (\$850 million) at that time, will receive a second portion next year, and the remainder in 2014 in exchange for its 19.9% stake. IBM will lose the operation's revenues (\$1.15 billion in 2011). Part of the gain on the sale, an estimated \$300 million-\$370 million after tax, will be recognized in each year, but may be offset by workforce rebalancing costs. The transaction isn't expected to reduce earnings by more than a penny or two a quarter in the second half of 2012 and the 2013 first half.

IBM shares are suitable for conservative investors. Earnings have grown steadily over the past decade. A large portion of its business (software and services) generates an annuity-like income stream. But the timely stock's strength discounts much of its potential to mid-decade.

Theresa Brophy
 October 5, 2012

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	100

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