INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **184.95** | P/E RATIO **13.6** (Trailing: 14.6 Median: 16.0) | RELATIVE P/E RATIO **0.94** | DIV'D YLD **1.7%** | **VALUE LINE**

TIMELINESS **2** Lowered 9/23/11
SAFETY **1** Raised 4/15/05
TECHNICAL **3** Raised 12/23/11
BETA .85 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	285	(+55%)	*13%*
Low	235	(+25%)	*8%*

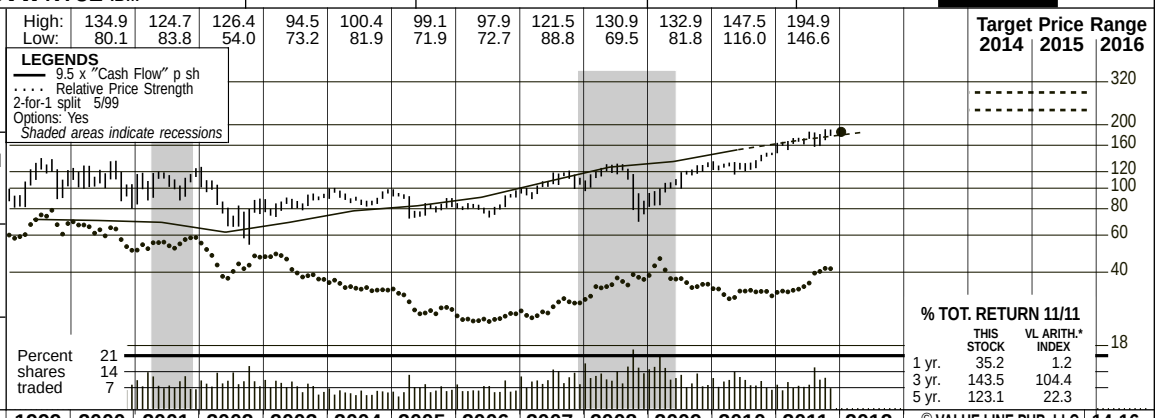
Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	5	0	1	0	0	3	2	0	3
to Sell	12	0	2	5	0	6	2	0	4

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	596	553	568
to Sell	823	854	846
Hld's(000)	712139	688482	708392

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
	32.87	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	*93.05*	*100.00*	Revenues per sh	*130.00*
	5.42	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	*17.85*	*19.50*	"Cash Flow" per sh	*26.00*
	2.76	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	*12.95*	*14.25*	Earnings per sh [A]	*20.00*
	.25	.33	.39	.44	.47	.51	.55	.59	.63	.70	.78	1.10	1.50	1.90	2.15	2.50	2.90	*3.15*	Div'ds Decl'd per sh [B] ■	*4.40*
	2.17	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	*3.25*	*3.50*	Cap'l Spending per sh	*4.75*
	10.13	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	*20.25*	*24.25*	Book Value per sh [D]	*50.50*
	2188.9	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	*1150.0*	*1100.0*	Common Shs Outst'g [C]	*1000.0*
	8.3	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	*13.2*		Avg Ann'l P/E Ratio	*13.0*
	.56	.67	.87	.99	1.65	1.61	1.27	1.17	1.12	.95	.86	.75	.79	.74	.73	.73	*.85*		Relative P/E Ratio	*.85*
	1.1%	1.1%	.9%	.7%	.4%	.5%	.5%	.7%	.7%	.8%	.9%	1.3%	1.4%	1.7%	2.0%	1.9%	1.7%		Avg Ann'l Div'd Yield	*1.7%*
	85866	81186	89131	96293	91134	91424	98786	103630	95758	99870	*107000*	*110000*	Revenues ($mill)	*130000*
	16.4%	18.0%	16.6%	16.8%	16.0%	19.3%	20.7%	20.6%	23.0%	23.0%	*23.5%*	*24.0%*	Operating Margin	*24.5%*
	4820.0	4379.0	4701.0	4915.0	5188.0	4983.0	5201.0	5450.0	4994.0	4831.0	*4925*	*5050*	Depreciation ($mill)	*5800*
	7723.0	6868.0	7613.0	8643.0	8519.0	9416.0	10418	12334	13425	14833	*15600*	*16400*	Net Profit ($mill)	*21000*
	29.5%	30.3%	30.0%	30.0%	30.3%	29.3%	28.1%	26.2%	26.0%	24.8%	*24.5%*	*24.5%*	Income Tax Rate	*25.0%*
	9.0%	8.5%	8.5%	9.0%	9.3%	10.3%	10.5%	11.9%	14.0%	14.9%	*14.6%*	*14.9%*	Net Profit Margin	*16.2%*
	7342.0	7102.0	7098.0	7172.0	10509	4569.0	8867.0	6569.0	12933	7554.0	*7500*	*8000*	Working Cap'l ($mill)	*12000*
	15963	19986	16986	14828	15425	13780	23039	22689	21932	21846	*25900*	*28000*	Long-Term Debt ($mill)	*35000*
	23614	22782	27864	29747	33098	28506	28470	13465	22755	23172	*23300*	*26650*	Shr. Equity ($mill)	*50500*
	20.5%	16.7%	17.5%	19.9%	18.3%	23.1%	21.3%	35.6%	31.2%	33.8%	*32.0%*	*30.5%*	Return on Total Cap'l	*25.0%*
	32.7%	30.1%	27.3%	29.1%	25.7%	33.0%	36.6%	91.6%	59.0%	64.0%	*67.0%*	*61.5%*	Return on Shr. Equity	*41.5%*
	28.6%	25.7%	23.4%	25.1%	22.0%	27.1%	29.1%	72.4%	46.4%	50.3%	*52.0%*	*48.0%*	Retained to Com Eq	*32.5%*
	13%	15%	14%	14%	15%	18%	21%	21%	21%	21%	*22%*	*22%*	All Div'ds to Net Prof	*22%*



CAPITAL STRUCTURE as of 9/30/11

Total Debt $30160 mill. **Due in 5 Yrs** $17935 mill.
LT Debt $24089 mill. **LT Interest** $340 mill.
(LT interest earned: 54.8x; total interest coverage: 43.6x) (52% of Cap'l)

Leases, Uncapitalized Annual rentals $1607 mill.
Pension Assets-12/10 $86.0 bill. **Oblig.** $93.9 bill.
Pfd Stock None
Common Stock 1,178,618,168 shs.

MARKET CAP $218 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	13974	11651	11303
Receivables	26793	28225	24987
Inventory (Avg Cst)	2494	2450	2663
Other	5674	5790	6420
Current Assets	48935	48116	45373
Accts Payable	7436	7804	7093
Debt Due	4168	6778	6071
Other	24398	25980	22864
Current Liab.	36002	40562	36028

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	6.5%	*9.0%*
"Cash Flow"	7.5%	12.5%	*10.5%*
Earnings	10.5%	16.0%	*12.0%*
Dividends	16.5%	25.5%	*12.5%*
Book Value	3.5%	-3.5%	*22.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	24502	26820	25302	27006	103630
2009	21711	23250	23566	27231	95758
2010	22857	23724	24271	29018	99870
2011	24607	26666	26157	*29570*	*107000*
2012	*25000*	*26700*	*26500*	*31800*	*110000*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.65	1.98	2.05	3.28	8.93
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	*4.45*	*12.95*
2012	*2.70*	*3.30*	*3.35*	*4.90*	*14.25*

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	
2012					

BUSINESS: International Business Machines Corporation is a worldwide supplier of advanced information processing technology, communication systems, services, and program products. 2010 revenue breakdown: Global Technology Services, 38%; Global Business Services, 18%; Systems and Technology, 18%; Software, 23%; Global Financing, 2%; Other, 1%. Foreign business: 64% of 2010 revenues. Research, development, and engineering costs, 6.0%. '10 depreciation rate: 12.0%. Has 426,751 empl. Officers & directors control less than 1% of stock; BlackRock, 5.21%; State Street, 5.2% (3/11 proxy). Chairman: Samuel J. Palmisano. Pres. & CEO: Virginia M. Rometty. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tele.: 914-499-1900. Internet: www.ibm.com.

IBM probably ended 2011 on a decent note, even though its systems business faced tough comparisons, reflecting the introduction of a *System z* mainframe in the latter half of 2010. The software division had a strong pipeline of new business at the end of September, and management expected business services revenues to advance at a low- to mid-single-digit clip. Moreover, demand in IBM's growth markets probably remained strong. We also assume the margin improvement in the first nine months of 2011 carried over into the December period. In addition, the company had $5.2 billion of remaining share repurchase authorization at the end of September and probably continued to buy back stock, enhancing share net.

Top- and bottom-line momentum, while still very favorable, might moderate a bit in 2012. Systems revenue growth probably will remain disappointing into the new year. Moreover, the turmoil in the euro zone might crimp technology spending in that region. Fortunately, IBM now derives a lot of its revenues from nations that are building up their technology infrastructures. In the September quarter, revenue in growth markets, like China, rose 12 percentage points faster than in IBM's more established markets, like the U.S. and Europe. Another potential problem may be the impact of recent flooding in Thailand on hard drive supplies. IBM has an extensive supplier network, but hard drive costs could rise.

The balance sheet remains healthy. Excluding its financing business, debt-to-capital was only 28% on September 30th.

IBM expects to earn $20 a share by 2015. It envisions further rapid revenue growth in developing nations, cloud computing, analytics, and IBM's Smarter Planet initiative, which seeks to apply technology to industry problems. Margin improvement, including raising the contribution of high-margin software to the mix, and share repurchases also figure in the plan. IBM reached the earnings target of its 2006-2010 plan sooner than it expected. Its 2015 goals are probably achievable.

The stock is timely, and is a solid selection for conservative investors. But the issue's continued strength discounts much of its 3- to 5-year potential.

Theresa Brophy *January 6, 2012*

(A) Based on average shares until '97, then diluted. Excludes nonrecurring gains (losses): '95, ($0.94); '96, ($0.20); '99, $0.40; '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-January. **(B)** Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. **(C)** In mill., adj. for split. **(D)** Incl. Intang. In '10, $23.30/sh.

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	100

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