

INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **117** P/E RATIO **18.0** (Trailing: 19.7 Median: 13.0) RELATIVE P/E RATIO **0.98** DIV'D YLD **0.8%** VALUE LINE

TIMELINESS 3 Lowered 11/7/97	High: 87.9	64.8	65.4	61.6	69.9	50.2	29.9	38.2	57.3	83.0	113.5	129.3	Target Price Range		
SAFETY 3 Lowered 10/1/93	Low: 51.0	52.3	46.7	47.3	41.8	24.4	20.4	25.7	35.1	41.6	63.6	95.6	2001	2002	2003
TECHNICAL 3 Lowered 3/13/98	LEGENDS — 7.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 5/97 Shaded area indicates recession														
BETA 1.15 (1.00 = Market)	200 160 128 96 80 64 48 40 32 24 16 12														

2001-03 PROJECTIONS			
Price	Gain	Ann'l Total	Return
High 195	(+65%)		14%
Low 130	(+10%)		4%
Insider Decisions			
A	S	O	N
to Buy	0	0	1
Options	0	0	2
to Sell	0	0	3
Institutional Decisions			
3Q1997	4Q1997	1Q1998	Percent
to Buy	369	432	shares
to Sell	401	375	traded
Hlds(000)	492180	512344	4.0

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	% TOT. RETURN 6/98	THIS STOCK	VL ARITH. INDEX
28.52	32.90	37.49	40.67	42.24	45.38	50.39	54.55	60.39	56.73	56.46	53.94	54.49	65.73	74.75	81.08	93.35	106.65	Revenues per sh ^D	162.85	
6.62	7.71	8.00	7.80	7.23	8.08	8.97	9.29	9.91	7.79	6.73	5.70	7.81	10.85	10.67	11.44	12.90	14.80	"Cash Flow" per sh	22.40	
3.70	4.52	5.39	5.34	3.91	4.36	4.92	4.53	5.26	1.85	1.24	d.03	2.46	5.51	5.52	6.01	6.50	7.50	Earnings per sh ^A	11.50	
1.72	1.86	2.05	2.20	2.20	2.20	2.20	2.37	2.42	2.42	2.42	.79	.50	.50	.65	.78	.88	1.00	Div'ds Decl'd per sh ^B	1.25	
5.55	4.04	4.47	5.22	3.81	3.60	4.57	5.58	5.70	5.69	4.16	2.71	2.62	4.33	5.79	7.02	8.00	9.10	Cap'l Spending per sh	12.85	
16.57	19.01	21.62	25.99	28.33	32.03	33.48	33.50	37.48	32.40	24.17	16.01	19.00	20.26	21.04	20.21	19.50	21.65	Book Value per sh	32.05	
1204.8	1221.4	1225.4	1230.8	1213.2	1194.7	1180.1	1149.6	1142.8	1142.0	1142.9	1162.8	1175.4	1094.5	1016.0	968.23	875.00	825.00	Common Shs Outst'g ^C	700.00	
9.4	12.7	10.8	12.3	18.0	16.6	11.9	12.3	10.4	28.6	33.7	--	12.8	8.3	10.7	15.1	15.1	15.1	Avg Ann'l P/E Ratio	14.0	
1.04	1.07	1.01	1.00	1.22	1.11	.99	.93	.77	1.83	2.04	--	.84	.56	.67	.87	.87	.87	Relative P/E Ratio	1.00	
5.0%	3.2%	3.5%	3.4%	3.1%	3.0%	3.8%	4.2%	4.4%	4.6%	5.8%	3.2%	1.6%	1.1%	1.1%	.9%	.9%	.9%	Avg Ann'l Div'd Yield	.8%	

CAPITAL STRUCTURE as of 3/31/98															© VALUE LINE PUB., INC. 01-03											
Total Debt \$27696 mill. Due in 5 Yrs \$22000 mill.															Revenues per sh ^D	162.85										
Inc. \$24294 mill. of customer financing debt.															"Cash Flow" per sh	22.40										
LT Debt \$15029 mill. LT Interest \$865 mill.															Earnings per sh ^A	11.50										
(LT interest earned: 11.0%; total interest coverage: 6.4x) (44% of Cap'l)															Div'ds Decl'd per sh ^B	1.25										
Leases, Uncapitalized: Annual rentals \$1820 mill.															Cap'l Spending per sh	12.85										
Pension Liability None															Book Value per sh	32.05										
Pfd Stock \$252 mill. Pfd Div'd \$20.0 mill.															Common Shs Outst'g ^C	700.00										
2,597,261 shs 7.5% cum., not callable before '01. (1% of Cap'l)															Avg Ann'l P/E Ratio	14.0										
Common Stock 942,902,483 shs. (55% of Cap'l)															Relative P/E Ratio	1.00										
MARKET CAP: \$110 billion (Large Cap)															Avg Ann'l Div'd Yield	.8%										
CURRENT POSITION			1996	1997	3/31/98	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Revenues (\$mill) ^D	Operating Margin	
Cash Assets			8137	7553	5889	28.52	32.90	37.49	40.67	42.24	45.38	50.39	54.55	60.39	56.73	56.46	53.94	54.49	65.73	74.75	81.08	93.35	106.65	81700	88000	114000
Receivables			23167	23826	22050	6.62	7.71	8.00	7.80	7.23	8.08	8.97	9.29	9.91	7.79	6.73	5.70	7.81	10.85	10.67	11.44	12.90	14.80	5100	5600	7300
Inventory (Avg Cst)			5870	5139	5392	3.70	4.52	5.39	5.34	3.91	4.36	4.92	4.53	5.26	1.85	1.24	d.03	2.46	5.51	5.52	6.01	6.50	7.50	6215	6615	8415
Other			3521	3900	4240	1.72	1.86	2.05	2.20	2.20	2.20	2.20	2.37	2.42	2.42	2.42	.79	.50	.50	.65	.78	.88	1.00	6215	6615	8415
Current Assets			40695	40418	37571	5.55	4.04	4.47	5.22	3.81	3.60	4.57	5.58	5.70	5.69	4.16	2.71	2.62	4.33	5.79	7.02	8.00	9.10	32.05	32.05	32.05
Accts Payable			4767	5215	4475	16.57	19.01	21.62	25.99	28.33	32.03	33.48	33.50	37.48	32.40	24.17	16.01	19.00	20.26	21.04	20.21	19.50	21.65	21.65	21.65	21.65
Debt Due			12957	13230	12667	1204.8	1221.4	1225.4	1230.8	1213.2	1194.7	1180.1	1149.6	1142.8	1142.0	1142.9	1162.8	1175.4	1094.5	1016.0	968.23	875.00	825.00	875.00	825.00	825.00
Other			16276	15062	12850	9.4	12.7	10.8	12.3	18.0	16.6	11.9	12.3	10.4	28.6	33.7	--	12.8	8.3	10.7	15.1	15.1	15.1	15.1	15.1	15.1
Current Liab.			34000	33507	29992	1.04	1.07	1.01	1.00	1.22	1.11	.99	.93	.77	1.83	2.04	--	.84	.56	.67	.87	.87	.87	.87	.87	.87
						5.0%	3.2%	3.5%	3.4%	3.1%	3.0%	3.8%	4.2%	4.4%	4.6%	5.8%	3.2%	1.6%	1.1%	1.1%	.9%	.9%	.9%	.9%	.9%	

BUSINESS: International Business Machines Corporation is the world's largest supplier of advanced information processing technology and communication systems and services and program products. 1997 revenue breakdown: Sales, 46%; software, 16%; maintenance, 8%; services, 25%; rentals and financing, 5%. Foreign business accounted for 46% of 1997 revenues. Research, development, and engineering costs equaled 6.2% of revenues. '97 dep. rate: 11.9%. Has 269,465 employees, 623,535 shareholders. Officers & Directors control less than 1% of stock (3/98 proxy). Chairman and C.E.O.: Louis V. Gerstner, Jr. Inc.: New York. Address: New Orchard Road, Armonk, NY 10504. Telephone: 914-499-7777. Internet: <http://www.ibm.com>.

IBM has unveiled the latest, most powerful members of its mainframe line. In the mid-Nineties, the company switched its mainframes to a new technology, which cut manufacturing and maintenance costs. However, a competitor's offerings packed more power than IBM's machines, so Big Blue's share of the high-end market eroded. Now, though, the company has announced new versions that will all but close the gap. The new models boast 120 MIPS (millions of instructions per second) of power in a single processor, and 10 processors can be packed together to deliver 900 MIPS. The machines will start shipping in volume by late August. We expect them to sell well, which might lead to a resumption of mainframe revenue growth by next year.

Operations, meanwhile, are something of a mixed bag. On the negative side, personal computer sales likely were weak again in the second quarter as the company continued to work down inventory, and we think the intense competitive pricing pressure that has plagued the PC market will continue into the September interim. The strong U.S. dollar, which

trims revenue when overseas sales in local currencies are translated into dollars, and the economic turmoil in much of Asia that has slowed economic activity and demand for computer gear, are likely to continue to hurt sales and profits for much of this year. On the other hand, the revamped mid-range AS/400 line is selling well, and, as noted above, we think the new mainframes will be well received. Too, the company's sales of storage products and semi-conductors have been strong. Perhaps most important, the services side of the business is growing very rapidly, and that likely will continue to be the case, given IBM's global presence and its extensive experience managing networks of large systems. Finally, the company will probably continue to use its hefty cash flow to buy back stock. All told, we expect to see good annual share-net growth out to 2001-2003. **We're neutral on this stock for now.** The issue is an average selection for the year ahead. And the share-net gains we project out to 2001-2003 probably aren't strong enough to keep the stock ahead of the pack over that span either.

George A. Niemond July 24, 1998

(A) Based on average shares outstanding until '97, then diluted. Excludes nonrecurring gains (losses): '88, \$0.43, (\$0.44); '89, (\$1.29); '91 (\$4.32); '92, \$1.66, (\$7.25); '93, (\$7.11); '94, \$0.05; '95, (\$1.89); '96, (\$0.40). Next earnings report due mid-Oct. (B) Next dividend meeting about Oct. 30. Next ex date about Aug. 5. Dividend payment dates: about March 10, June 10, Sept. 10, Dec. 10. (C) In millions, adjusted for split. (D) Includes fin. sub. from 1988. (E) Quarters don't add because of change in shares out.	Company's Financial Strength	A++
	Stock's Price Stability	55
	Price Growth Persistence	25
	Earnings Predictability	15