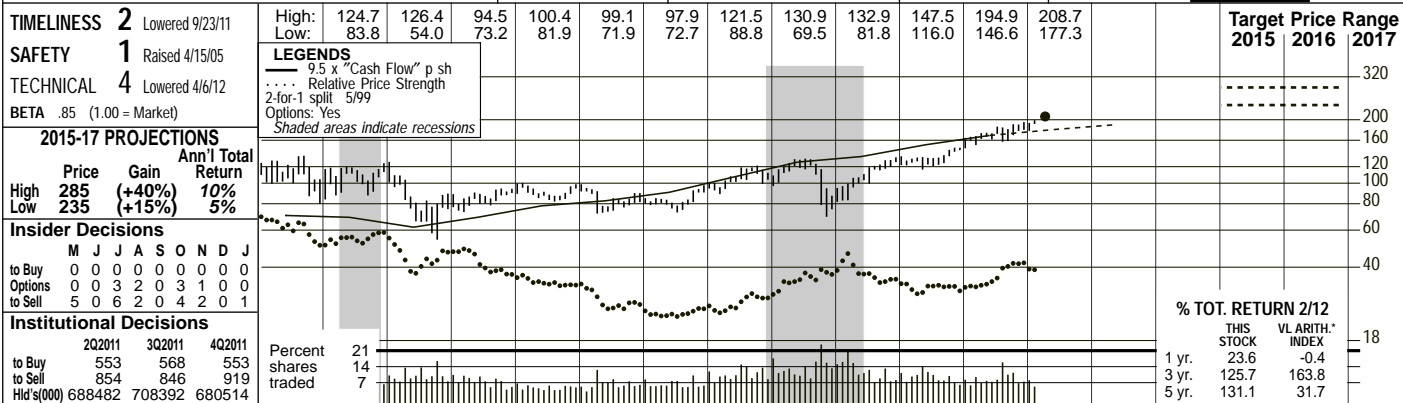


INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **207.18** P/E RATIO **14.9** (Trailing: 15.8; Median: 14.0) RELATIVE P/E RATIO **0.94** DIV'D YLD **1.5%** **VALUE LINE**



2015-17 PROJECTIONS	Price	Gain	Ann'l Total Return
High	285	(+40%)	10%
Low	235	(+15%)	5%

Insider Decisions	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options to Buy	0	0	3	2	0	3	1	0	0
to Sell	5	0	6	2	0	4	2	0	0

Institutional Decisions	2Q2011	3Q2011	4Q2011
to Buy	553	568	553
to Sell	854	846	919
Hlds(000)	688462	708392	680514

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	96.00	102.30	Revenues per sh	130.00
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	18.90	20.00	"Cash Flow" per sh	26.30
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	14.20	15.00	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	3.15	3.25	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	23.25	27.65	Book Value per sh ^D	55.50
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	1125.0	1085.0	Common Shs Outst'g ^C	1000.0
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 12/31/11		2009	2010	12/31/11	2009	2010	12/31/11	2009	2010	12/31/11	2009	2010	12/31/11	2009	2010	12/31/11	2009	2010	12/31/11	2009	2010	12/31/11	
Total Debt	\$31320 mill.	18.0%	16.6%	16.8%	16.0%	19.3%	20.7%	20.6%	23.0%	23.0%	23.5%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
LT Debt	\$22857 mill.	4379.0	4701.0	4915.0	5188.0	4983.0	5201.0	5450.0	4994.0	4831.0	4815.0	4925	5050	4925	5050	4925	5050	4925	5050	4925	5050	4925	5050
LT Interest	\$710 mill.	6868.0	7613.0	8643.0	8519.0	9416.0	10418	12334	13425	14833	15855	16330	16650	16330	16650	16330	16650	16330	16650	16330	16650	16330	16650
Pension Assets-12/11	\$70.6 bill.	7102.0	7098.0	7172.0	10509	4569.0	8867.0	6569.0	12933	7554.0	8805.0	7500	8000	7500	8000	7500	8000	7500	8000	7500	8000	7500	8000
Obliq.	\$83.8 bill.	19986	16986	14828	15425	13780	23039	22689	21932	21846	22857	23200	23600	23200	23600	23200	23600	23200	23600	23200	23600	23200	23600
Pfd Stock	None	22782	27864	29747	33098	28506	28470	13465	22755	23172	20236	26150	30025	26150	30025	26150	30025	26150	30025	26150	30025	26150	30025
Common Stock	1,163,182,617 shs.	16.7%	17.5%	19.9%	18.3%	23.1%	21.3%	35.6%	31.2%	33.8%	37.6%	34.0%	31.5%	34.0%	31.5%	34.0%	31.5%	34.0%	31.5%	34.0%	31.5%	34.0%	31.5%
MARKET CAP	\$241 billion (Large Cap)	30.1%	27.3%	29.1%	25.7%	33.0%	36.6%	91.6%	59.0%	64.0%	78.4%	62.5%	55.5%	62.5%	55.5%	62.5%	55.5%	62.5%	55.5%	62.5%	55.5%	62.5%	55.5%
CURRENT POSITION	(SMILL.)	25.7%	23.4%	25.1%	22.0%	27.1%	29.1%	72.4%	46.4%	50.3%	61.2%	48.5%	43.5%	48.5%	43.5%	48.5%	43.5%	48.5%	43.5%	48.5%	43.5%	48.5%	43.5%
Cash Assets	13974	11651	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922	11922
Receivables	26793	28225	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561	29561
Inventory (Avg Cst)	2494	2450	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595	2595
Other	5674	5790	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850
Current Assets	48935	48116	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928	50928
Accts Payable	7436	7804	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517	8517
Debt Due	4168	6778	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463	8463
Other	24398	25980	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143	25143
Current Liab.	36002	40562	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123	42123

BUSINESS: International Business Machines Corporation is a worldwide supplier of advanced information processing technology, communication systems, services, and program products. 2011 revenue breakdown: Global Technology Services, 38%; Global Business Services, 18%; Systems and Technology, 18%; Software, 23%; Global Financing, 2%; Other, 1%. Foreign business: 65% of 2011 revenues; Research, 5.9%. '11 depreciation rate: 12.0%. Has 433,362 empl. Officers & directors control less than 1% of stock; BlackRock, 5.2%; State Street, 5.4%; Berkshire Hathaway, 5.5% (3/12 proxy). Chairman: Samuel J. Palmisano. Pres. & CEO: Virginia M. Rometty. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.

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	106916
2012	24800	26800	26400	30000	108000
2013	25200	27500	27100	31200	111000

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	2.55	3.25	3.50	4.90	14.20
2013	2.65	3.35	3.75	5.25	15.00

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				

Two of IBM's three product groups probably will enjoy decent revenue growth in 2012, as in the final period of 2011. The company expects technology and business services revenues together to rise 3% this year, following a nearly 7% advance in 2011. It entered 2012 with a healthy services backlog, and continues to expand its services offerings in both rapidly growing nations and in emerging fields, like business analytics. Meanwhile, management looks for software revenues, which advanced 9% in the December quarter, to grow at a similar pace in 2012, aided by a strong new business pipeline.

But systems revenues may face tough comparisons in the first half, after falling 8% in the December period, when a new product (the launch of a System z server in late 2010) anniversaried. Nonetheless, the company expects reported earnings of at least \$14.16 a share in 2012, and we look for the beat to pick up a bit in 2013. The \$14.16 a share includes an estimated \$0.69 of acquisition and retirement charges. Concerns have arisen that information technology spending might moderate in 2012. But new products should boost systems revenues. And software offerings, like IBM's *Smarter Commerce*, which aims to help companies sell and service their products, seem to be gaining traction and have attractive margins. Productivity improvements and a better services mix also ought to support wider margins. Stock repurchases should enhance earnings per share.

Excluding debt related to IBM's financing arm, the debt-to-equity ratio was 32% at the end of 2011, up from 23% a year earlier, due to a reduction in shareholders' equity related to the retirement plan and rise in nonfinancing debt, from \$5.8 billion to \$8 billion. IBM says it is comfortable maintaining this ratio in the 30%-40% range.

IBM's goal is to earn \$20 a share by mid-decade, which still seems achievable. But the stock, ranked favorably for Timeliness, has nearly tripled in price since late 2008, and discounts a good portion of the earnings growth that we project to 2015-2017. Nonetheless, the blue chip remains a core inclusion in conservative portfolios.

Theresa Brophy
 April 6, 2012

(A)	Based on average shares until '97, then diluted. Excludes nonrecurring gains (losses): '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-April. (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.	Company's Financial Strength	A++
Stock's Price Stability			95
Price Growth Persistence			55
Earnings Predictability			100