

INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **132.31** P/E RATIO **13.1** (Trailing: 13.6; Median: 19.0) RELATIVE P/E RATIO **0.77** DIV'D YLD **1.8%** VALUE LINE

TIMELINESS 2 Lowered 10/9/09	High: 95.0	139.2	134.9	124.7	126.4	94.5	100.4	99.1	97.9	121.5	130.9	132.3	Target Price Range																																							
SAFETY 1 Raised 4/15/05	Low: 47.8	80.9	80.1	83.8	54.0	73.2	81.9	71.9	72.7	88.8	69.5	81.8	2012 2013 2014																																							
TECHNICAL 3 Raised 1/1/10	<p>LEGENDS — 10.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 5/97 2-for-1 split 5/99 Options: Yes Shaded area: prior recession Latest recession began 12/07</p>																																																			
BETA .90 (1.00 = Market)	<p>2012-14 PROJECTIONS</p> <table border="1"> <tr> <td>Price</td> <td>Gain</td> <td>Ann'l Total Return</td> </tr> <tr> <td>High 210</td> <td>(+60%)</td> <td>14%</td> </tr> <tr> <td>Low 170</td> <td>(+30%)</td> <td>8%</td> </tr> </table>												Price	Gain	Ann'l Total Return	High 210	(+60%)	14%	Low 170	(+30%)	8%																															
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1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
26.97	27.25	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	72.65	75.75	Revenues per sh	100.00
2.85	3.90	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	13.90	14.55	"Cash Flow" per sh	18.80
d.01	1.23	2.76	2.76	3.01	3.29	3.72	4.44	4.35	3.95	4.34	5.05	5.22	6.06	7.18	8.93	9.85	10.50	Earnings per sh ^A	13.50
.40	.25	.25	.33	.39	.44	.47	.51	.55	.59	.63	.70	.78	1.10	1.50	1.90	2.15	2.35	Div'ds Decl'd per sh ^B	3.00
1.36	1.31	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	3.00	3.50	Cap'l Spending per sh	4.75
8.00	9.50	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	13.85	20.50	Book Value per sh ^D	30.45
2325.6	2350.8	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	1315.0	1300.0	Common Shs Outst'g ^C	1150.0
--	12.8	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	11.0	--	Avg Ann'l P/E Ratio	14.0
--	.84	.56	.67	.87	.99	1.65	1.61	1.27	1.17	1.12	.95	.86	.75	.79	.75	.74	--	Relative P/E Ratio	.95
3.2%	1.6%	1.1%	1.1%	.9%	.7%	4%	5%	5%	7%	7%	8%	9%	1.3%	1.4%	1.7%	2.0%	--	Avg Ann'l Div'd Yield	1.6%

CAPITAL STRUCTURE as of 9/30/09																	
Total Debt \$25468 mill. Due in 5 Yrs \$20775 mill. LT Debt \$20583 mill. LT Interest \$1285 mill. (LT interest earned: 14.0x; total interest coverage: 9.8x) (53% of Cap'l)																	
Leases, Uncapitalized Annual rentals \$1451 mill. Pension Assets-12/08 \$75.1 bill. Oblig. \$87.9 bill. Pfd Stock None Common Stock 1,313,602,936 shs.																	
MARKET CAP \$173 billion (Large Cap)																	
CURRENT POSITION																	
	2007	2008	9/30/09														
Cash Assets	16146	12907	11512														
Receivables	28789	27555	23622														
Inventory (Avg Cst)	2664	2701	2546														
Other	5578	5841	5766														
Current Assets	53177	49004	43446														
Accts Payable	8054	7014	6145														
Debt Due	12235	11237	4885														
Other	24021	24184	21930														
Current Liab.	44310	42435	32960														

BUSINESS: International Business Machines Corporation is a worldwide supplier of advanced information processing technology, communication systems, services, and program products. 2008 revenue breakdown: Global Technology Services, 38%; Global Business Services, 19%; Systems and Technology, 19%; Software, 21%; Global Financing, 2%; Other, 1%. Foreign business: 65% of 2008 revenues. Research, development, and engineering costs, 6.1%. '08 depreciation rate: 14.2%. Has 398,455 employees. Officers & directors control less than 1% of stock; State Street Bank, 5.5% (3/09 proxy). Chairman, President, and CEO: Samuel J. Palmisano. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tele.: 914-499-1900. Internet: www.ibm.com.

ANNUAL RATES																	
	Past 10 Yrs	Past 5 Yrs	Est'd '06-'08 to '12-'14														
Revenues	5.5%	7.0%	6.0%														
"Cash Flow"	7.0%	10.0%	8.5%														
Earnings	9.5%	12.0%	10.5%														
Dividends	14.5%	20.5%	12.5%														
Book Value	5.0%	2.5%	10.5%														

IBM expects to report 2009 earnings of at least \$9.85 a share. Both reported and constant-currency revenues declined in the first nine months of the year, reflecting the weak corporate spending environment. The company's industrial markets and its computer hardware business were especially hurt. IBM offset the top-line weakness with a richer revenue mix and expense-reduction initiatives (that were estimated to yield \$3.5 billion of full-year savings). Reductions in diluted shares also helped push earnings per share higher. Going into the December quarter, it appeared that the recession had ended, and IBM believed it had gained share in hardware, which may have translated into better sales of mainframe computers and other servers in late 2009. The company also began the period with a modestly higher backlog of services signings. December-quarter revenues may have inched above the disappointing year-earlier figure, with share net up about 5%. We're cautiously optimistic about the company's prospects in 2010, although the timing of a pickup in corporate technology spending still isn't clear. IBM plans to roll out several new hardware products in the new year, including for its z series mainframe computers. Services contract signings, though a bit lower in the 2009 September interim than in the first half, nonetheless were quite healthy in the quarter, at \$11.8 billion, and should help support a growing annuity-like revenue stream. In the software segment, demand for key branded middleware appears strong. The company also expects to realize more savings from the 2009 expense initiatives, and from an ongoing focus on raising back-office efficiency, and looks for share net in the \$10-\$11 range in 2010. Cash flow generation remains healthy, allowing IBM to make acquisitions (like the October purchase of predictive analytics firm SPSS), buy back stock (under a new \$5 billion authorization), and reduce debt. IBM shares have had a strong run over the past 12 months, reflecting the company's earnings progress. Even so, the stock is ranked favorably for Timeliness and still has worthwhile total return potential to mid-decade. <i>Theresa Brophy</i> January 8, 2010																	
Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year												
	Mar.31	Jun.30	Sep.30	Dec.31													
2006	20659	21890	22617	26258	91424												
2007	22029	23772	24119	28866	98786												
2008	24502	26820	25302	27006	103630												
2009	21711	23250	23566	27023	95550												
2010	22200	23800	24500	28000	98500												
Cal-endar	EARNINGS PER SHARE ^A				Full Year												
	Mar.31	Jun.30	Sep.30	Dec.31													
2006	1.08	1.30	1.45	2.26	6.06												
2007	1.21	1.55	1.68	2.80	7.18												
2008	1.65	1.98	2.05	3.28	8.93												
2009	1.70	2.32	2.40	3.43	9.85												
2010	1.80	2.45	2.55	3.70	10.50												
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year												
	Mar.31	Jun.30	Sep.30	Dec.31													
2006	.20	.30	.30	.30	1.10												
2007	.30	.40	.40	.40	1.50												
2008	.40	.50	.50	.50	1.90												
2009	.50	.55	.55	.55													
2010																	

(A) Based on average shares until '97, then diluted. Excludes nonrecurring gains (losses): '93, (\$3.56); '94, 2c; '95, (.94c); '96, (.20c); '99, 40c; '02, (\$1.89); '04, (11c); '05, (34c); gain (losses) from discontinued operations; '03, (2c); '04, (1c); '05, (2c); '06, 5c. Quarters may not sum. Next earnings report late Jan. (B) Dividends historically paid in early March, June, September, and December. Dividend reinvestment plan available. (C) In mill., adjusted for splits. (D) Includes intangibles. In '08, \$15.76 a share.

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