

# INT'L BUS. MACH. NYSE-IBM

RECENT PRICE **89.01** P/E RATIO **22.8** (Trailing: 20.4 Median: 21.0) RELATIVE P/E RATIO **1.09** DIV'D YLD **0.6%** **VALUE LINE**

TIMELINESS <b>4</b> Lowered 4/19/02	High: 34.9 25.1 15.0 19.1 28.7 41.5 56.8 95.0 139.2 134.9 124.7 126.4	Target Price Range 2005 2006 2007									
SAFETY <b>2</b> Raised 10/23/98	Low: 20.9 12.2 10.2 12.8 17.6 20.8 31.8 47.8 80.9 80.1 83.8 85.4										
TECHNICAL <b>3</b> Raised 3/15/02	LEGENDS 11.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 5/97 2-for-1 split 5/99 Options: Yes Shaded area indicates recession										
BETA 1.05 (1.00 = Market)											
<b>2005-07 PROJECTIONS</b>											
Price	Gain	Ann'l Total Return									
High <b>165</b>	<b>(+85%)</b>	<b>17%</b>									
Low <b>125</b>	<b>(+40%)</b>	<b>10%</b>									
<b>Insider Decisions</b>											
M J J A S O N D J											
to Buy	0 0 0 1 0 0 0 0 0 0										
Options	6 0 0 4 0 4 6 0 0 0										
to Sell	6 0 0 2 0 5 9 0 0 0										
<b>Institutional Decisions</b>											
202001 302001 402001											
to Buy	576 564 617										
to Sell	569 574 548										
Hlds(000)	881567 881105 911902										
Percent shares traded	12.0 8.0 4.0										
<table border="1"> <tr> <td>1 yr.</td> <td>8.7</td> <td>17.9</td> </tr> <tr> <td>3 yr.</td> <td>19.0</td> <td>43.9</td> </tr> <tr> <td>5 yr.</td> <td>212.4</td> <td>87.9</td> </tr> </table>			1 yr.	8.7	17.9	3 yr.	19.0	43.9	5 yr.	212.4	87.9
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3 yr.	19.0	43.9									
5 yr.	212.4	87.9									

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% TOT. RETURN 3/02	THIS STOCK	VL ARITH. INDEX
21.12	22.69	25.19	27.28	30.20	28.37	28.23	26.97	27.25	32.87	37.38	40.54	44.10	48.52	50.14	49.83	<b>49.70</b>	<b>55.00</b>	Revenues per sh		<b>76.65</b>
3.62	4.04	4.49	4.64	4.95	3.89	3.37	2.85	3.90	5.42	5.34	5.72	6.10	7.50	7.41	7.27	<b>7.20</b>	<b>8.25</b>	"Cash Flow" per sh		<b>12.40</b>
1.95	2.18	2.46	2.26	2.63	.92	.62	d.01	1.23	2.76	2.76	3.01	3.29	3.72	4.44	4.35	<b>4.00</b>	<b>4.75</b>	Earnings per sh <sup>A</sup>		<b>7.25</b>
1.10	1.10	1.10	1.18	1.21	1.21	1.21	.40	.25	.25	.33	.39	.44	.47	.51	.51	<b>.59</b>	<b>.66</b>	Div'ds Decl'd per sh <sup>B</sup>		<b>1.10</b>
1.90	1.80	2.28	2.79	2.85	2.84	2.08	1.36	1.31	2.17	2.90	3.51	3.52	3.30	3.19	3.28	<b>3.65</b>	<b>4.05</b>	Cap'l Spending per sh		<b>5.35</b>
14.17	16.01	16.74	16.75	18.74	16.20	12.09	8.00	9.50	10.13	10.52	10.10	10.36	11.23	11.56	13.70	<b>14.30</b>	<b>16.00</b>	Book Value per sh		<b>26.00</b>
2426.5	2389.3	2360.1	2299.1	2285.6	2284.1	2285.7	2325.6	2350.8	2188.9	2031.9	1936.5	1851.8	1804.2	1762.9	1723.2	<b>1650.0</b>	<b>1600.0</b>	Common Shs Outst'g <sup>C</sup>		<b>1500.0</b>
18.0	16.6	11.9	12.3	10.4	28.6	33.7	--	12.8	8.3	10.7	15.1	19.0	28.9	24.8	24.7	<b>24.7</b>	<b>24.7</b>	Avg Ann'l P/E Ratio		<b>20.0</b>
1.22	1.11	.99	.93	.77	1.83	2.04	--	.84	.56	.67	.87	.99	1.65	1.61	1.27	<b>1.61</b>	<b>1.27</b>	Relative P/E Ratio		<b>1.35</b>
3.1%	3.0%	3.8%	4.2%	4.4%	4.6%	5.8%	3.2%	1.6%	1.1%	1.1%	.9%	.7%	.4%	.5%	.5%	<b>.5%</b>	<b>.5%</b>	Avg Ann'l Div'd Yield		<b>.8%</b>

<b>CAPITAL STRUCTURE as of 12/31/01</b>		64523	62716	64052	71940	75947	78508	81667	87548	88396	85866	<b>82000</b>	<b>88000</b>	Revenues (\$mill)	<b>115000</b>
Total Debt \$27151 mill. Due in 5 Yrs \$19960 mill. Inc. \$25545 mill. of global financing debt.	15.0%	11.1%	17.5%	21.6%	18.5%	18.0%	17.3%	19.1%	19.6%	16.4%	<b>18.5%</b>	<b>18.5%</b>	Operating Margin	<b>20.0%</b>	
LT Debt \$15963 mill. LT Interest \$752 mill. (LT interest earned: 15.6x; total interest coverage: 9.9x)	6259.0	6661.0	6295.0	5602.0	5012.0	5001.0	4992.0	6585.0	4995.0	4820.0	<b>5000</b>	<b>5375</b>	Depreciation (\$mill)	<b>7525</b>	
	1435.0	13.0	2965.0	6334.0	5852.0	6093.0	6328.0	6962.0	8093.0	7723.0	<b>6880</b>	<b>7850</b>	Net Profit (\$mill)	<b>11065</b>	
	45.2%	NMF	41.5%	37.5%	35.1%	32.5%	30.0%	30.1%	29.8%	29.5%	<b>29.5%</b>	<b>29.5%</b>	Income Tax Rate	<b>29.5%</b>	
	2.2%	--	4.6%	8.8%	7.7%	7.8%	7.7%	8.0%	9.2%	9.0%	<b>8.4%</b>	<b>8.9%</b>	Net Profit Margin	<b>9.6%</b>	
<b>Leases, Uncapitalized:</b> Annual rentals \$1378 mill.	2955.0	6052.0	12112	9043.0	6695.0	6911.0	5533.0	3577.0	7474.0	7342.0	<b>6850</b>	<b>7725</b>	Working Cap'l (\$mill)	<b>18900</b>	
<b>Pension Liability</b> None	12853	15245	12548	10060	9872.0	13696	15508	14124	18371	15963	<b>15975</b>	<b>15975</b>	Long-Term Debt (\$mill)	<b>15975</b>	
<b>Pfd Stock</b> None	27624	19738	23413	22423	21628	19816	19433	20511	20624	23614	<b>23625</b>	<b>25625</b>	Shr. Equity (\$mill)	<b>39000</b>	
<b>Common Stock</b> 1,716,941,848 shs. (60% of Cap'l) as of 3/1/02	4.9%	1.7%	9.4%	20.0%	19.5%	19.1%	18.6%	20.6%	22.0%	20.5%	<b>18.5%</b>	<b>20.0%</b>	Return on Total Cap'l	<b>21.0%</b>	
<b>MARKET CAP:</b> \$153 billion (Large Cap)	5.2%	.1%	12.7%	28.2%	27.1%	30.7%	32.6%	33.9%	39.2%	32.7%	<b>29.0%</b>	<b>30.5%</b>	Return on Shr. Equity	<b>28.5%</b>	
<b>CURRENT POSITION</b>	NMF	NMF	10.3%	25.9%	24.1%	27.1%	28.6%	30.0%	35.2%	28.6%	<b>25.0%</b>	<b>26.5%</b>	Retained to Com Eq	<b>24.0%</b>	
	NMF	NMF	22%	9%	12%	13%	13%	13%	11%	13%	<b>15%</b>	<b>14%</b>	All Div'ds to Net Prof	<b>15%</b>	

**BUSINESS:** International Business Machines Corporation is the world's largest supplier of advanced information processing technology and communication systems and services and program products. 2001 revenue breakdown: Global Services, 41%; Hardware, 39%; Software, 15%; Global Financing, 4%; Enterprise Investment/Other, 1%. Foreign business accounted for 59% of 2001 revenues. Research, development, and engineering costs, 6.2% of revenues. '01 dep. rate: 12.6%. Has 319,875 employees, 677,425 shareholders. Officers & Directors control less than 1% of stock (3/02 proxy). Chairman: Louis V. Gerstner, Jr. President and CEO: Samuel J. Palmisano. Inc.: NY. Add.: New Orchard Road, Armonk, NY 10504. Tel.: 914-499-1900. Internet: www.ibm.com.

**IBM is getting off to a slow start this year.** The week before the computing giant was scheduled to release March-quarter results, it warned that revenues and earnings for the three-month stretch would fall short of expectations. Times are difficult for the technology group. Even though it appears that the U.S. economy has turned the corner and again is on the upswing, businesses appear to be keeping a lid on capital spending until they can be certain that the recovery is going to be sustainable. That reluctance to spend is slowing sales of IBM's hardware offerings. And the segments of IBM's diverse operation that were problems last year likely will remain problems in the early part of 2002. Demand for semiconductors and hard-disk drives is weak, and efforts to turn a profit at the personal computer segment (manufacturing is being outsourced and the company is pushing to increase direct-to-user sales) will take some time to bear fruit. Finally, the systems integration business probably won't pick up until companies have a better view of their prospects.

**Things should be on an upswing by later in the year, though.** By that time, doubts about the sustainability of the economic recovery should have been laid to rest, which should lead to a better environment for information technology spending. That, in turn, should lead to improved demand for Big Blue's products and services. Too, companies are likely to continue to focus on the core aspects of their business, and farm out other functions. And, enterprises are consolidating their information technology resources to improve controls and to cut costs. Finally, businesses increasingly want complete solutions to their computing needs, rather than hardware and software that they then have to put together. All these trends play into IBM's strengths, to wit, its broad product lineup, its integration skills, and its networking experience. Consequently, share net should advance at a good annual pace through mid-decade. Still . . .

**These good-quality shares have little appeal.** The recently out-of-favor issue is ranked to lag the market in the year ahead, and appreciation potential for the 3- to 5-year haul is only about average.

*George A. Niemond*  
April 19, 2002

(A) Based on average shares until '97, then diluted. Quarters may not add to total. Excludes nonrecurring gains (losses): '88, \$0.22, (\$0.22); '89, (\$0.64); '91 (\$2.16); '92, \$0.83, (\$3.62); '93, (\$3.56); '94, \$0.02; '95, (\$0.94); '96, (\$0.20); '99, \$0.40. Next earnings report due mid-July. (B) Next dividend meeting late April. Next ex date early May. Dividend payment dates: about March 10, June 10, Sept. 10, Dec. 10. ■ Dividend reinvestment plan available. (C) In millions, adjusted for splits.	Company's Financial Strength <b>A++</b>
	Stock's Price Stability <b>70</b>
	Price Growth Persistence <b>90</b>
	Earnings Predictability <b>80</b>