

IBM

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Share price (& range)

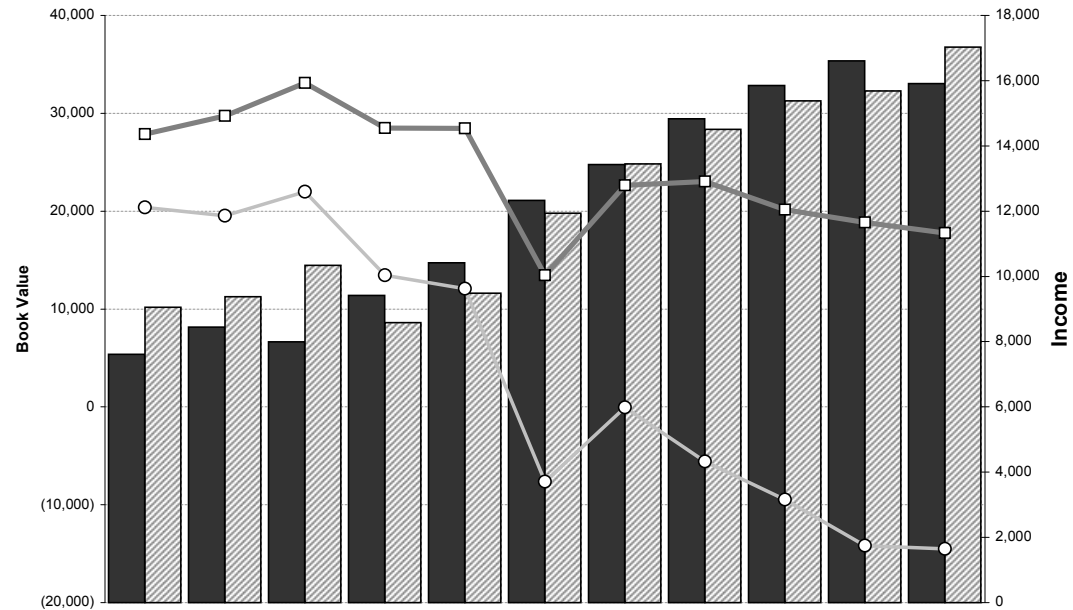
\$184.77

215.90 - 181.10

Company Name

International Business Machines

International Business Machines Corporation (IBM) is an information technology (IT) company. IBM operates in five segments: Global Technology Services (GTS), Global Business Services (GBS), Software, Systems and Technology and Global Financing. GTS primarily provides IT infrastructure services and business process services. GBS provides professional services and application management services. Software consists primarily of middleware and operating systems software. Systems and Technology provides clients with business solutions. Global Financing invests in financing assets. Effective August 30, 2013, International Business Machines Corp acquired CSL International Ltd. In September 2013, the Company announced that it has completed the acquisition of Trusteer, Ltd. Effective September 19, 2013, International Business Machine Corp acquired Daeja Image Systems Ltd. In October 2013, International Business Machines Corporation acquired Xtify Inc.



Market Cap	\$204,872m
EV/EBIT TTM	14.0
P/E (cash adjusted)	12.9
P/FCF TTM (cash adjusted)	14.1
P/TBV	(14.1)
FCF/Net profit (10yr)	116%
FCF - acq / Net profit (5yr)	82%
Cap ex/depr (5yr)	111%
Net Debt (cash)	\$23,765m
Interest Cover	37
Dividend Yield	1.9%

DCF Valuation	
Intrinsic Value using 5 yr revenue growth	\$132,649m
Intrinsic Value using 5 yr net profit growth	\$212,148m
Current Enterprise Value	\$228,637m
Min. Margin of safety	(72%)

Capital allocation in last 5 years (% of total FCF)	
Acquisitions	23%
Dividends	20%
Share buybacks	78%
Decrease/(increase) in net debt	(1%)

(may not sum to 100 due to liquidation/purchase of other assets)

Top Shareholders	
Berkshire Hathaway, Inc. (Investment Ma	6.2%
SSgA Funds Management, Inc.	5.5%
The Vanguard Group, Inc.	5.0%

	2003/12	2004/12	2005/12	2006/12	2007/12	2008/12	2009/12	2010/12	2011/12	2012/12	TTM	CAGR	
												5yr avg	10 yr avg
Income													
Revenue	89,131	96,293	91,134	91,424	98,786	103,630	95,758	99,871	106,916	104,507	102,383	0%	2%
Gross Profit	33,018	36,032	36,532	38,295	41,729	45,661	43,785	46,014	50,138	50,298	49,708	2%	4%
Gross Margin	37.0%	37.4%	40.1%	41.9%	42.2%	44.1%	45.7%	46.1%	46.9%	48.1%	48.6%	46.2%	43.0%
EBITDA	14,790	15,890	14,564	16,912	18,717	21,388	22,007	22,982	25,101	25,119	25,712	4%	5%
EBITDA Margin	16.6%	16.5%	16.0%	18.5%	18.9%	20.6%	23.0%	23.0%	23.5%	24.0%	25.1%	22.8%	20.1%
Interest	(145)	(139)	(220)	(278)	(611)	(673)	(402)	(368)	(411)	(459)	(425)		
PBT	10,874	12,028	12,226	13,317	14,489	16,715	18,138	19,723	21,003	21,901	20,655	7%	7%
Net profit (continuing)	7,613	8,448	7,994	9,416	10,418	12,334	13,425	14,833	15,855	16,604	15,914	8%	8%
Special income (charges)	0	0	0	7	0	0	0	0	0	0	0		
EPS (continuing)	4.42	5.04	4.99	6.15	7.32	9.07	10.12	11.69	13.25	14.53	13.77	13%	13%
Owners Income exc. Special	9,057	9,375	10,338	8,580	9,488	11,937	13,451	14,506	15,385	15,689	17,025	7%	6%
Balance Sheet													
Book Value	27,864	29,747	33,098	28,506	28,470	13,465	22,637	23,046	20,138	18,860	17,756	9%	-4%
Tangible book	20,369	19,521	21,994	13,450	12,078	(7,639)	(66)	(5,578)	(9,467)	(14,173)	(14,508)	17%	
TBV per share	11.60	11.42	13.51	8.66	8.49	(5.53)	(0.05)	(4.33)	(7.80)	(12.27)	(12.56)	22%	
ROI	17.4%	20.1%	19.0%	23.2%	21.9%	35.8%	38.6%	37.1%	40.1%	40.5%	38.3%		
Net debt (cash)	15,985	12,357	8,955	12,026	19,128	21,018	12,126	16,973	19,398	22,140	23,765		
Cash Flow													
Depreciation & amortisation	(4,701)	(3,959)	(4,147)	(3,907)	(4,038)	(4,140)	(3,773)	(3,657)	(3,589)	(3,392)	(4,632)	-5%	-3%
Cap Ex	(3,257)	(3,032)	(1,803)	(4,736)	(4,968)	(4,537)	(3,747)	(3,984)	(4,059)	(4,307)	(3,521)	-1%	3%
Net cash from continuing operations	14,569	15,406	14,914	15,095	16,094	18,811	20,773	19,549	19,847	19,586	18,057		
Disposals (acquisitions)	(1,836)	(1,738)	(1,482)	(3,799)	(699)	(6,242)	(794)	(5,867)	(1,797)	(3,122)			
Dividends	(1,085)	(1,174)	(1,250)	(1,683)	(2,147)	(2,585)	(2,860)	(3,177)	(3,473)	(3,773)	(3,921)		
Share buybacks	(3,232)	(5,418)	(6,506)	(6,399)	(18,828)	(10,578)	(7,429)	(15,375)	(15,046)	(11,995)	(10,859)		
Other Information													
Shares outstanding (diluted)	1,756	1,709	1,628	1,554	1,423	1,382	1,341	1,287	1,214	1,155	1,155	-4.1%	-4.1%
Receivable days	3	3	4	4	4	4	4	4	4	4	5		
Inventory days	17	18	16	17	19	20	18	20	21	20	20		