

ModernGraham Valuation

Company Name:

Company Ticker IBM

Date of Analysis

11/10/2015

International Business
Machines Corp.



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$130,363,404,678	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.25	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	82.01%	Pass
6. Moderate PEmg Ratio	PEmg < 20	9.99	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	9.90	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.25	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	3.83	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$13.46
MG Growth Estimate	3.20%
MG Value	\$200.54
MG Value based on 3% Growth	\$195.14
MG Value based on 0% Growth	\$114.39
Market Implied Growth Rate	0.74%

MG Opinion

Current Price	\$134.38
% of Intrinsic Value	67.01%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$54.39
Graham Number	\$64.27
PEmg	9.99
Current Ratio	1.25
PB Ratio	9.90
Dividend Yield	3.57%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$13.53	Next Fiscal Year Estimate	\$13.46
Dec14	\$11.90	Dec14	\$13.33
Dec13	\$14.94	Dec13	\$13.63
Dec12	\$14.37	Dec12	\$12.50
Dec11	\$13.06	Dec11	\$11.09
Dec10	\$11.52	Dec10	\$9.65
Dec09	\$10.01	Dec09	\$8.28
Dec08	\$8.89	Dec08	\$7.04
Dec07	\$7.18	Dec07	\$5.87
Dec06	\$6.11	Dec06	\$4.88
Dec05	\$4.87	Dec05	\$4.09
Dec04	\$4.38	Dec04	\$3.68
Dec03	\$4.32	Dec03	\$3.42
Dec02	\$1.39	Dec02	\$3.10
Dec01	\$3.69	Dec01	\$3.88
Dec00	\$4.44	Dec00	\$3.80
Dec99	\$4.12	Dec99	\$3.31
Dec98	\$3.29	Balance Sheet Information	Sep15
Dec97	\$3.01	Total Current Assets	\$42,112,000,000
Dec96	\$2.51	Total Current Liabilities	\$33,732,000,000
Dec95	\$1.81	Long-Term Debt	\$32,122,000,000
		Total Assets	\$108,649,000,000
		Intangible Assets	\$33,051,000,000
		Total Liabilities	\$95,355,000,000
		Shares Outstanding (Diluted Average)	979,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [30 Companies in the Spotlight This Week – 11/15/14](#)
- [International Business Machines Annual Valuation – 2014 \\$IBM](#)
- [5 Outstanding Dow Components – March 2014](#)
- [ModernGraham Valuation: International Business Machines \(IBM\)](#)

Other ModernGraham posts about related companies

- [Motorola Solutions Inc. Valuation – November 2015 Update \\$MSI](#)
- [Qualcomm Inc. Valuation – October 2015 Update \\$QCOM](#)
- [Cognizant Technology Solutions Corp Analysis – October 2015 Update \\$CTSH](#)
- [Infosys Limited Analysis – October 2015 Update \\$INFY](#)
- [Teradata Corporation Analysis – September 2015 Update \\$TDC](#)
- [Akamai Technologies Inc. Analysis – August 2015 Update \\$AKAM](#)
- [Total System Services Inc. Analysis – August 2015 Update \\$TSS](#)
- [Acxiom Corporation Analysis – Initial Coverage \\$ACXM](#)
- [ACI Worldwide Inc. Analysis – Initial Coverage \\$ACIW](#)
- [Motorola Solutions Inc. Analysis – July 2015 Update \\$MSI](#)