# **ModernGraham Valuation**

## **Company Name:**

International Business Machines Corp.



9.90 Fail

Company Ticker
Date of Analysis

11/10/2015

# 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.

5. Earnings Growth

6. Moderate PEmg Ratio

7. Moderate Price to Assets

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
Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10		

Increase of 33% in EPS in past 10
years using 3 year averages at
beginning and end

82.01% Pass
PEmg < 20

9.99 Pass

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

PB Ratio < 2.5 OR PB\*PEmg < 50

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

Morningstar

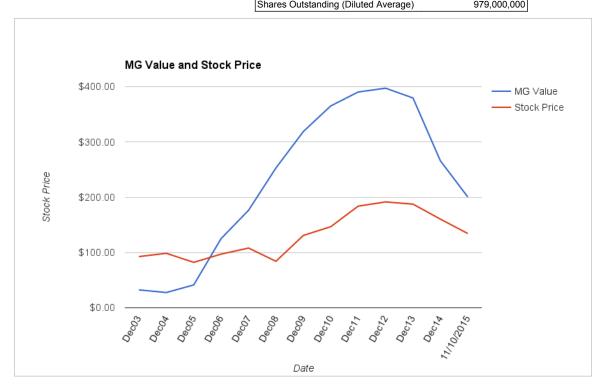
Useful Links: ModernGraham tagged articles

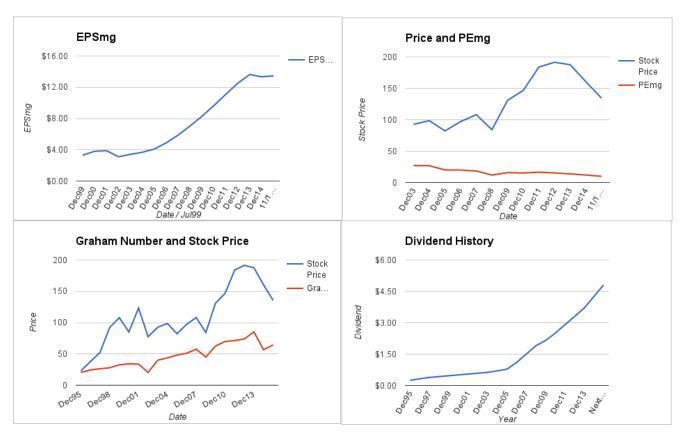
 Google Finance
 MSN Money

 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