

# ModernGraham Valuation

## Company Name:

Company Ticker IBM

Date of Analysis

3/13/2017

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	\$167,049,901,878	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.21	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	28.93%	Fail
6. Moderate PEmg Ratio	PEmg < 20	13.53	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	9.27	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	1.21	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	4.55	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		Fail
	Score		

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$13.04
MG Growth Estimate	-0.65%
<b>MG Value</b>	<b>\$94.03</b>
MG Value based on 3% Growth	\$189.10
MG Value based on 0% Growth	\$110.85
Market Implied Growth Rate	2.52%

### MG Opinion

Current Price	\$176.46
% of Intrinsic Value	187.67%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$57.72
Graham Number	\$76.12
PEmg	13.53
Current Ratio	1.21
PB Ratio	9.27
Current Dividend	\$5.50
Dividend Yield	3.12%
Number of Consecutive Years of Dividend Growth	20

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$13.42	Next Fiscal Year Estimate	\$13.04
Dec2016	\$12.38	Dec2016	\$13.04
Dec2015	\$13.42	Dec2015	\$13.42
Dec2014	\$11.90	Dec2014	\$13.33
Dec2013	\$14.94	Dec2013	\$13.63
Dec2012	\$14.37	Dec2012	\$12.50
Dec2011	\$13.06	Dec2011	\$11.09
Dec2010	\$11.52	Dec2010	\$9.65
Dec2009	\$10.01	Dec2009	\$8.28
Dec2008	\$8.89	Dec2008	\$7.03
Dec2007	\$7.15	Dec2007	\$5.82
Dec2006	\$6.11	Dec2006	\$4.85
Dec2005	\$4.87	Dec2005	\$4.06
Dec2004	\$4.38	Dec2004	\$3.66
Dec2003	\$3.74	Dec2003	\$3.40
Dec2002	\$2.06	Dec2002	\$3.33
Dec2001	\$3.69	Dec2001	\$3.88
Dec2000	\$4.44	<b>Balance Sheet Information</b>	<b>12/1/2016</b>
Dec1999	\$4.12	Total Current Assets	\$43,888,000,000
Dec1998	\$3.29	Total Current Liabilities	\$36,275,000,000
Dec1997	\$3.00	Long-Term Debt	\$34,655,000,000
		Total Assets	\$117,470,000,000
		Intangible Assets	\$40,888,000,000
		Total Liabilities	\$99,224,000,000
		Shares Outstanding (Diluted Average)	958,714,000





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

- [International Business Machines Corp Valuation – November 2015 Update \\$IBM](#)
- [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

- [Verisk Analytics Inc Valuation – Initial Coverage \\$VRSK](#)
- [CSRA Inc Valuation – Initial Coverage \\$CSRA](#)
- [CSG Systems International Inc Valuation – Initial Coverage \\$CSGS](#)
- [Computer Programs & Systems Inc Valuation – Initial Coverage \\$CPSI](#)
- [Qualcomm Inc Valuation – February 2017 \\$QCOM](#)
- [Verisign Inc Valuation – February 2017 \\$VRSN](#)
- [Jack Henry & Associates Inc Valuation – Initial Coverage \\$JKHY](#)
- [Super Micro Computer Inc Valuation – Initial Coverage \\$SMCI](#)
- [Teradata Corp Valuation – January 2017 \\$TDC](#)
- [Akamai Technologies Inc Valuation – January 2017 \\$AKAM](#)