

ModernGraham Valuation

International Business
Machines Corp.



Company Name:

Company Ticker IBM

Date of Analysis

2/24/2018

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 | \$143,979,103,945 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.33 | Fail |
| 3. Earnings Stability | Positive EPS for 10 years prior | | Pass |
| 4. Dividend Record | Dividend Payments for 10 years prior | | Pass |
| | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | -7.43% | Fail |
| 5. Earnings Growth | PEmg < 20 | 13.89 | Pass |
| 6. Moderate PEmg Ratio | PB Ratio < 2.5 OR PB*PEmg < 50 | 8.21 | Fail |
| 7. Moderate Price to Assets | | | |

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 | 1.33 | Fail |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 3.22 | 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 Score | | Fail |

Suitability

| | |
|---------------------|-----------|
| Defensive | No |
| Enterprising | No |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | \$11.20 |
| MG Growth Estimate | -2.41% |
| MG Value | \$41.31 |
| MG Value based on 3% Growth | \$162.34 |
| MG Value based on 0% Growth | \$95.17 |
| Market Implied Growth Rate | 2.70% |

MG Opinion

| | |
|----------------------|-------------------|
| Current Price | \$155.52 |
| % of Intrinsic Value | 376.47% |
| Opinion | Overvalued |
| MG Grade | C |

Stage 3: Information for Further Research

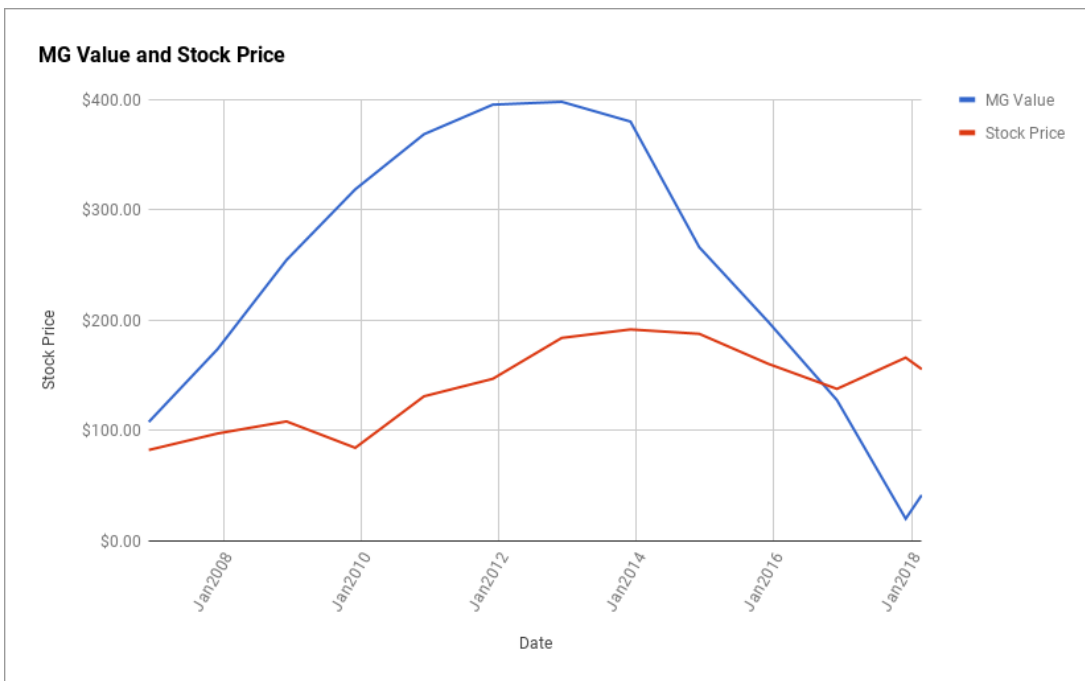
| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$62.47 |
| Graham Number | \$75.98 |
| PEmg | 13.89 |
| Current Ratio | 1.33 |
| PB Ratio | 8.21 |
| Current Dividend | \$5.90 |
| Dividend Yield | 3.79% |
| Number of Consecutive Years of Dividend Growth | 20 |

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[Google Finance](#)
[Yahoo Finance](#)
[GuruFocus](#)

[Morningstar](#)
[MSN Money](#)
[Seeking Alpha](#)
[SEC Filings](#)

| EPS History | | EPSmg History | |
|---------------------------|---------|--|-------------------|
| Next Fiscal Year Estimate | \$13.50 | Next Fiscal Year Estimate | \$11.20 |
| Dec2017 | \$6.14 | Dec2017 | \$10.61 |
| 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 | Balance Sheet Information 12/1/2017 | |
| Dec2000 | \$4.44 | Total Current Assets | \$49,735,000,000 |
| Dec1999 | \$4.12 | Total Current Liabilities | \$37,363,000,000 |
| Dec1998 | \$3.29 | Long-Term Debt | \$39,837,000,000 |
| | | Total Assets | \$125,356,000,000 |
| | | Intangible Assets | \$40,531,000,000 |
| | | Total Liabilities | \$107,762,000,000 |
| | | Shares Outstanding (Diluted Average) | 928,900,000 |





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 – March 2017 \\$IBM](#)
 - [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](#)

- Other ModernGraham posts about related companies**
- [Viavi Solutions Inc Valuation – Initial Coverage \\$VIAV](#)
 - [Equinix Inc Valuation – July 2017 \\$EQIX](#)
 - [Liquidity Services Inc Valuation – Initial Coverage \\$LQDT](#)
 - [LivePerson Inc Valuation – Initial Coverage \\$LPSN](#)
 - [LogMeIn Inc Valuation – Initial Coverage \\$LOGM](#)
 - [Sykes Enterprises Inc Valuation – Initial Coverage \\$SYKE](#)
 - [Convergys Corp Valuation – Initial Coverage \\$CVG](#)
 - [International Business Machines Corp Valuation – March 2017 \\$IBM](#)
 - [Verisk Analytics Inc Valuation – Initial Coverage \\$VRSK](#)
 - [CSRA Inc Valuation – Initial Coverage \\$CSRA](#)