

## COMPANY ANALYSIS PAPER

# INTERNATIONAL BUSINESS MACHINES (IBM)

Martin Meister  
Boston University  
December, 2011

## Table of Contents

Introduction.....	3
Industry Sector Analysis .....	3
Industry Overview and Principal Competitors .....	3
Factors Affecting the Industry .....	4
Industry Forces .....	5
Company Analysis.....	6
History .....	6
Institution Overview .....	6
Products and Services .....	7
Competitive Strategy of the Company .....	9
Financial Analysis of the Company.....	9
Financial Overview .....	9
Principal financial indicators .....	10
Liquidity .....	10
Assets Management.....	10
Debt Management .....	11
Margins and Profitability .....	11
Market Value .....	13
Conclusions.....	14
Appendix A .....	15
Appendix B .....	17
Resources .....	18

## Introduction

The main purpose of this paper is to analyze the company International Business Machines (IBM) from the standpoint of their fixed income securities and equity, and the Industry where is immersed. The analysis is going to be made from different points of view, passing through the financial states, products and services, strategic position among others, and how it relates with their environment.

## Industry Sector Analysis

### Industry Overview and Principal Competitors

Because IBM has a large diversified range of product and services, and is present in more than 170 countries (IBM Form 10-K Annual 2010 Report, 2011) it's not easy to analyze the markets where it acts. Although, we can see some main competitors: Hewlett-Packard (HP) and Dell, each of these companies with a different focus area. Dell makes most of its money on PC and server hardware, while HP is more diversified as the leader in PCs and Imaging & Printing as well as offering IT services. Since IBM relies heavily on its Software and Services segment, it mainly competes with HP in the servers and IT services markets and with Dell in the servers and software markets.

IBM is the leader in servers, IT services, and software. Also IBM leads HP and Dell in all measures of profitability, largely because IBM is focused on high-margin sectors such as services and software and has gotten out of the thin-margin PC business, in which HP and Dell are still heavily involved.

In addition to HP and Dell, IBM also competes with smaller IT consulting firms such as Accenture. However, IBM leads these companies by a large margin in terms of revenue, profitability, and scale as we see on the next table. Finally, we put the data of Microsoft because it can permit us compare IBM with a large TI Company, but that doesn't compete in a lot of products.

**Table 1****Direct IBM Competitors Comparison - 2011**

	IBM	ACN	HPQ	MSFT	DELL	Industry
<b>Market Cap</b>	<b>229.31B</b>	<b>37.63B</b>	<b>55.49B</b>	<b>216.19B</b>	<b>28.37B</b>	<b>9.00B</b>
<b>Employees</b>	<b>436.085</b>	<b>236.000</b>	<b>N/A</b>	<b>90.000</b>	<b>100.300</b>	<b>1.55K</b>
<b>Qtrly Rev Growth (yoy)</b>	<b>7.80%</b>	<b>23.00%</b>	<b>-3.50%</b>	<b>7.30%</b>	<b>-0.20%</b>	<b>8.10%</b>
<b>Revenue (ttm)</b>	<b>106.45B</b>	<b>27.35B</b>	<b>127.24B</b>	<b>71.12B</b>	<b>61.73B</b>	<b>2.24B</b>
<b>Gross Margin (ttm)</b>	<b>46.64%</b>	<b>30.66%</b>	<b>23.35%</b>	<b>77.20%</b>	<b>22.29%</b>	<b>38.61%</b>
<b>EBITDA (ttm)</b>	<b>26.38B</b>	<b>4.06B</b>	<b>16.37B</b>	<b>30.15B</b>	<b>5.72B</b>	<b>503.00M</b>
<b>Operating Margin (ttm)</b>	<b>20.21%</b>	<b>12.97%</b>	<b>8.95%</b>	<b>38.78%</b>	<b>7.80%</b>	<b>6.14%</b>
<b>Net Income (ttm)</b>	<b>15.62B</b>	<b>2.28B</b>	<b>7.07B</b>	<b>23.48B</b>	<b>3.66B</b>	<b>N/A</b>
<b>EPS (ttm)</b>	<b>12.69</b>	<b>3.40</b>	<b>3.32</b>	<b>2.75</b>	<b>1.94</b>	<b>1.98</b>
<b>P/E (ttm)</b>	<b>15.33</b>	<b>17.28</b>	<b>8.40</b>	<b>9.34</b>	<b>8.13</b>	<b>11.23</b>
<b>PEG (5 yr expected)</b>	<b>1.31</b>	<b>1.42</b>	<b>1.56</b>	<b>0.96</b>	<b>1.53</b>	<b>1.48</b>
<b>P/S (ttm)</b>	<b>2.12</b>	<b>1.33</b>	<b>0.43</b>	<b>3.00</b>	<b>0.45</b>	<b>0.71</b>

*ACN: Accenture plc*

*HPQ: Hewlett-Packard*

*MSFT: Microsoft Corporation*

*DELL: Dell Inc.*

*Industry: Diversified Computer System*

Note: From Yahoo Finance. IBM Competitors, 2011

## Factors Affecting the Industry

### Research and Development

Constant need for research and development and the introduction of new products and services. This is needed not only to obtain some sought of a market share edge in a highly competitive market but also to keep up with the innovation of rival firms.

### Conservation and Ecology

Conservation and ecology have become a major aspect of today's health and socio-economics debates and government policies. The activities of energy intensive companies like those that operate within the computer technology field are now coming under closer scrutiny by ecology experts, activists and government officials.

### **Abroad Cultures**

The success of the companies will depend on its capacity to adapt to a diversity of political, social and cultural climates. It must be integrated into a national environment and to respond positively so far as its interests are not being unjustly infringed.

### **Political and Government Policies**

The Political and government policies and legislations will also have a significant effect on the way, the companies are able to conduct their business and make profits. This is because governments are the ones who define the market and thus will make legislations that will encourage competition and increase consumer price protection.

### **Industry Forces**

To analyze the Industry Forces, we are going to use the Five Force Analysis Model created by Michael Porter.

**Table 2**  
**Five Force Analysis Model for IBM**

<b>Bargaining Power of Buyers</b>	<b>MOD LOW</b>
<b>Bargaining Power of Suppliers</b>	<b>LOW</b>
<b>Existing Industrial Rivalry</b>	<b>HIGH</b>
<b>Threat from New Entrants</b>	<b>LOW</b>
<b>Threat from Substitutes</b>	<b>LOW</b>

Note: From Mathur, A., 2009

We see that the biggest problem in this Industry is the existing rivalry of their component; however the market is growing needing new innovative solutions from their suppliers. The key factor for success is getting high level of differentiation witch could guaranty in the future more profitability and market growth.

## Company Analysis

### History

International Business Machines (IBM) was founded by Thomas J. Watson by the merge of three successful companies: The Tabulating Machine Company, The International Time Recording Company and the Computing Tabulating Recording Company (CTR). In 1914, Thomas Watson joined CTR as CEO and held that title for the next twenty years. In the year 1924, He changed the company's name to International Business Machines Corporation (IBM). From the beginning, IBM defined itself as a research and development company, not only a product seller. IBM began designing and manufacturing calculators in the 1930s, using technology of their own technology invented by Herman Hollerith -owner of merged Tabulating Machine Company- the punch card processing equipment. In 1944, IBM with Harvard University financed the invention of the "Mark 1" computer, the first machine to compute long calculations automatically. By 1953, IBM produced the first commercially successful general-purpose computer, the "IBM 701 EDPM". In 1981, they released the first IBM personal computer for the home consumer that ran on a 4.77 MHz Intel 8088 microprocessor. Since then, the company has made everything from mainframes to personal computers, developing software and hardware for company IT solutions.

### Institution Overview

International Business Machines Corporation (IBM) is a US based IT Company engaged in the production and sale of computer hardware and software. It offers infrastructure services, hosting services, and consulting services. The company's product line includes servers and systems, software, disk systems, hard drives/micro drives, network attached storage, semiconductors, printing paper and toner, blade center workstation and accessories. It also offers a wide portfolio of IT services including consulting, application services, outsourcing, training, small and medium business services, and related services. The company operates its business in five segments namely, Global Technology Services (GTS), Global Business Services (GBS), Software segment, Systems and Technology segment, and Global Financing segment. The company is headquartered in Armonk, New York, the US.

It is considered the eighteenth largest company in the US, and the seventh in profits (Fortune 500, 2011). Actually, IBM has more than 400,000 employees around the world, bringing their services in a wide range of 170 countries.

## Products and Services

The company creates business value for clients and solves business problems through integrated solutions that leverage information technology and deep knowledge of business processes. The typical solutions create value by reducing a client's operational costs or by enabling new capabilities that generate revenue. These solutions draw from an industry leading portfolio of consulting, delivery and implementation services, enterprise software, systems and financing.

The main business segments of the company are:

### 1. - **Global Technology Services (GTS)**

Primarily provides IT infrastructure services and business process services, delivering business value through the company's global scale, standardization and automation.

### 2. - **Global Business Services (GBS)**

Professional services and application management services, delivering business value and innovation to clients through solutions which leverage industry and business-process expertise while integrating the industry-leading portfolio of IBM and strategic partners.

### 3. - **Software**

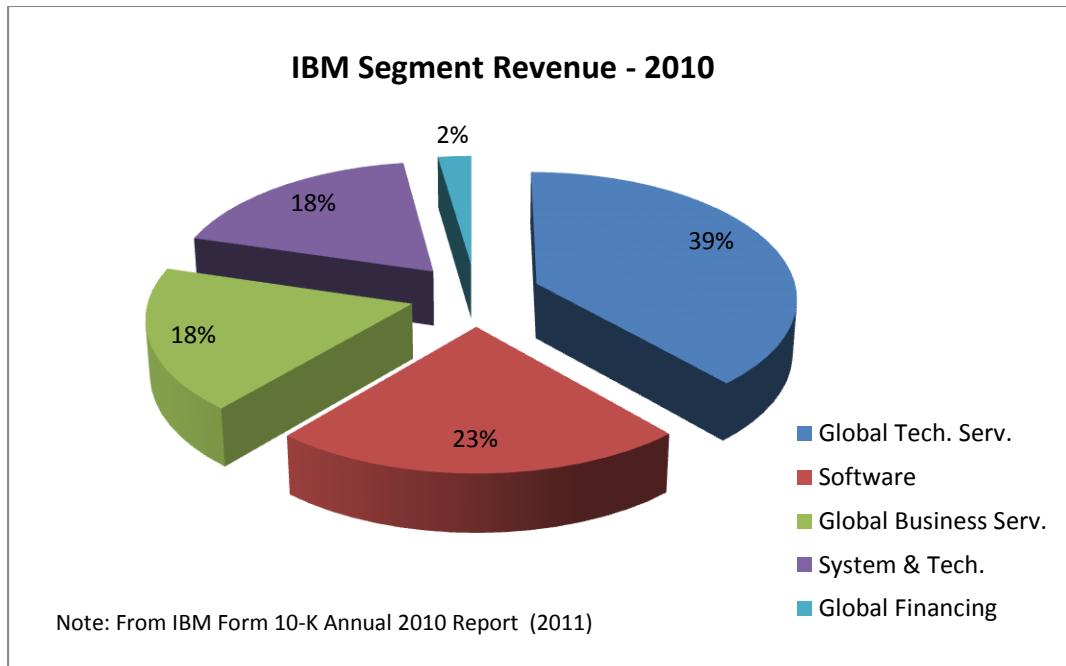
Consists in middleware and operating systems software. Middleware software enables clients to integrate systems, processes and applications across a standard software platform. Operating systems are the software engines that run computers. Approximately two-thirds of external software segment revenue comes from recurring license charges and ongoing subscription and support.

### 4. - **System and Technology**

Provides clients with business solutions requiring advanced computing power and storage capabilities. Approximately half of Systems and Technology's server and storage sales transactions are through the company's business partners; with the balance direct to end-user clients.

**5. - Global Financing**

Facilitates clients' acquisition of IBM systems, software and services. Global Financing invests in financing assets, leverages with debt and manages the associated risks with the objective of generating consistently strong returns on equity.



As we see, the portfolio of products and services is diversified. The business segment with higher gross margin is Software with an 87 percent, followed by Global Financing with 51 percent. If we analyze the weight of the Gross Profit, Software has the 42 percent of the portfolio and Global Technology Services with 29 percent. Both represent the 71 percent (IBM Form 10-K Annual 2010 Report, 2011).

**Table 3  
IBM Geographic Revenues - 2010**

<b>Americas</b>	<b>43,3%</b>
<b>Europe/Middle East/Africa</b>	<b>32,8%</b>
<b>Asia Pacific</b>	<b>23,9%</b>

Note: From IBM Form 10-K Annual 2010 Report (2011).



The major growth of the company in 2010 came from the “BRIC” Countries (Brazil, Russia, India and China) with a 23 percent; the growth markets provided a 16 percent and the Major Markets only a 1 percent. Clearly, IBM is growing overall with the Developing Nations percent (IBM Form 10-K Annual 2010 Report, 2011).

## Competitive Strategy of the Company

The main strategy of IBM is to increase its presence in high-valued areas such as services, software and integrated information technology (IT) solutions, delivering consistently superior performance exiting commoditized segments.

One of the important points is to diversify its portfolio of products and services, as part of this shift, the company has acquired 116 companies this past decade, complementing and scaling its portfolio of products and offerings.

IBM’s clear strategy has enabled steady results in core business areas, while expanding its offerings and addressable markets. The key tenets of this strategy are:

- Deliver value to enterprise clients through integrated business and IT innovation;
- Shift the business mix to higher-value areas
- Become the premier globally integrated enterprise

Consistent with this strategy IBM is leveraging its capabilities to build and expand strong positions in targeted growth areas.

The company constantly is looking for new market opportunities, actually has presence in more than 170 countries, and the major growth in revenues are coming from developing nations (Cauvin, 2011).

Each initiative represents a significant growth opportunity with attractive profit margins for IBM, which is one of their characteristics, have more profitability than the average of the industry (see chapter Analysis of the Company - Margins and Profitability).

## Financial Analysis of the Company

### Financial Overview

Here we are going to analyze the most important ratios on the financial performance of the company, looking at the evolution since 2007 and compare them with the industry average.

## Principal financial indicators

### Liquidity

We can see that the liquidity ratios of the company are very stable in time; Current Ratio is significantly better comparing with the average of the industry, Quick Ratio is similar to the industry and closer to Current Ratio because of the low maintenance of inventories. This Ratio has been in the last 5 years between 1 and 1.5, which indicates a well liquidity health (Hannon, 2009).

By Sept. 2011 the Company has \$ 11,303 billion in Cash and Equivalent, with a Working Capital of \$9,345 billion (\$7,554 in Dec. 2010).

**Table 4**  
**Liquidity of IBM**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Industry Average
<b>Current Ratio</b>	<b>1.3</b>	<b>1.2</b>	<b>1.4</b>	<b>1.2</b>	<b>1.2</b>	<b>0.8</b>
<b>Quick Ratio</b>	<b>1.2</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

### Assets Management

The ability of the company to obtain more sales relative to its fixed assets is more than the industry average. On Sept 2011 the ratio was 10 percent more efficient. The total asset turn over average for IBM in the last 5 years has been 1.1x in alignment with his industry.

**Table 5**  
**Assets Management of IBM**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Industry Average
<b>Fixed Assets Turnover</b>	<b>7.53</b>	<b>7.09</b>	<b>6.83</b>	<b>7.24</b>	<b>6.55</b>	<b>6.86</b>
<b>Total Assets Turnover</b>	<b>0.95</b>	<b>1.14</b>	<b>1.13</b>	<b>1.06</b>	<b>1.22</b>	<b>1.00</b>

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

### Debt Management

The Debt to Equity Ratio and Long-Term one are greater than the average of the industry by 61 and 74 percent respectively. Despite this, the ratios are not indicating a bad management and the trend is a moderate growth the last 3 years. By the other hand, the Interest Coverage in the third quarter of 2011 (ttm) was 48.0 (54.6 in 2010) higher than the average of the industry (36.9). This ratio indicates that IBM can serve comfortably the interest payments of their debt (Loth, n.d.).

The Debt Ratio has been constant in the last 5 years, indicating the strategy of IBM to leverage their assets with an average of 80% of debt; the main reason is that the Company can afford convenient conditions in term of interest rates and periods of payments (IBM Form 10-K Annual 2010 Report, 2011).

**Table 6**  
**Solvency of IBM**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Industry Average
Debt to Equity Ratio	1.35	1.24	1.15	2.52	1.24	0.84
LT Debt to Equity Ratio	1.08	0.95	0.97	1.69	0.81	0.62
Debt Ratio	0.80	0.80	0.79	0.88	0.76	nf
Equity Multiplier	4.94	4.92	4.82	8.13	4.23	nf

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

### Margins and Profitability

All the margin ratios indicate that IBM has a better position than his competitors in the industry (AOL Money & Finance, 2011). The Ebitda margin for the year ended on 2010 is 33 percent higher than the average of the industry and has growth from 18.9 percent in 2007 to 23.5 on Sept 2011 (ttm).

In perspective, in the last 5 years the Gross and Revenue Margin have been higher than the industry average, 29.8 percent and 40.9 percent above respectively (AOL Money & Finance, 2011). In absolute terms, in 2010 IBM earned \$ 14.833 billion in profits, a 10.5 percent more comparing to 2009 and 42.4 percent to 2007. This indicates a strong profit generating position, having the seventh positing in the US (Fortune 500, 2011).

Looking at the profitability ratios, they have grown consistently in time and the same as the margins, are higher than the average of the industry (AOL Money & Finance, 2011). At Sept 2011 the ROA was 14.4 percent (ttm) 48.5 percent more than the average of the industry and 51.6 of IBM's own ratio in 2007. The last 3 years, the ROE has almost been more than 60 percent ending in 70.2 percent on Sept 2011 (ttm) almost the double of 2007.

**Table 7**  
**Margins & Profitability of IBM**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Industry Average
Gross Margin	51.1%	50.6%	50.4%	49.3%	47.5%	38.0%
EBITDA Margin	23.5%	23.0%	22.7%	20.6%	18.9%	17.7%
Net Profit Margin	14.7%	14.9%	13.9%	11.9%	10.5%	10.0%
Return on Assets	14.4%	13.5%	11.8%	11.3%	9.5%	9.7%
Return on Invested Capital	30.6%	29.6%	27.9%	22.2%	18.1%	19.4%
Return on Equity	70.2%	64.4%	59.3%	91.6%	36.6%	nf

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

The sales have been stable during the last years, increasing only 1 percent since 2007. The industry is growing faster; in the past 5 years has an average of 3.2 percent (2.1 percent for IBM).

**Table 8**  
**Margins & Profitability 5 Years Average**

	5 YR IBM Avg	5 YR Industry Avg
Revenue Growth	2,1%	3,2%
Gross Margin	49,2%	37,9%
Net Profit Margin	12,4%	8,8%
Return on Assets	10,9%	8,4%
Return on Investment	27,6%	19,4%

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

### Market Value

The company IBM has very similar ratios and performance related to the industry. The Price Earnings Ratio (P/E) has grown the last 5 years from 13.2 to the actual 15.40 and the current P/E ratio as a percentage of the 5 year average P/E ratio has improved 116 percent (Forbes, 2011).

According to Zacks Investment Research (MSN Money, 2011) the current recommendation for IBM stocks is to **“Moderate Buy”**, that includes the opinion of 21 Market analysts. In the last 5 years the stock price has grown more than 100% (see appendix B).

Finally, the average dividend growth for the last 5 years is 22.15 with a divided yield of 1.7 for the same period.

**Table 9**  
**Market Value Ratios of IBM 3Q**  
**2011**

	IBM	Industry
P/E Ratio (ttm)	15.40	14.60
EPS (ttm)	7.00	6.80
Price to Sales (ttm)	2.15	1.60
Price to Cash Flow (ttm)	11.20	11.10
Dividend Yield (5 yr avg)	1.70	1.30
Dividend Growth rate (5 yr avg)	20.15	20.58
Payout ratio (ttm)	22.00	17.00

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

## Conclusions

In our opinion, IBM has a strong financial health. Their sales are growing a little below the average industry company, however all the margin and profitability ratios are far away of the other companies. It is expected that the shares and dividends yields grow more than the average of the industry. Because of that we recommend to invest in common stocks.

On the other hand, in the Debt Solvency IBM has a high Interest Coverage almost 50 percent better than the relevant industry. If we look at the Debt Ratios, they indicate that the company has an appropriate leverage, and have been constant the last 5 years. The Long-Term to Equity Ratio of 1.08 indicates that the company has a suitable level of indebtedness. IBM has a great ability to produce EBITDA, having a margin of 23.5 percent versus 17.7 of the Industry, that indicates that they don't have problems to serve their actual financial obligation, and can leverage more loans because of their consistent market competitive strategy, covering a wide range products and services in the technology industry (software, hardware and services). We recommend invest in bonds of the companies or lend new debts.

## Appendix A

### Financial Statements

**Table 10**  
**IBM Income Statement (in \$ millions)**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007
Sales	26,157.00	99,871.00	95,758.00	103,630.00	98,786.00
Cost of Sales	12,792.00	49,026.00	46,979.00	52,519.00	51,856.00
Gross Operating Profit	13,365.00	50,845.00	48,779.00	51,111.00	46,930.00
Selling, General, and Administrative Expenses	5,662.00	21,837.00	20,952.00	23,386.00	22,060.00
Research & Development	1,546.00	6,026.00	5,820.00	6,337.00	6,153.00
Operating Income before D & A (EBITDA)	6,157.00	22,982.00	22,007.00	21,388.00	18,717.00
Depreciation & Amortization	1,192.00	4,831.00	4,994.00	5,450.00	5,201.00
Interest Income	0.00	0.00	0.00	0.00	565.00
Other Income – Net	169.00	1,940.00	1,527.00	1,450.00	1,019.00
Special Income / Charges	0.00	0.00	0.00	0.00	0.00
<b>Total Income Before Interest Expenses (EBIT)</b>	<b>5,134.00</b>	<b>20,091.00</b>	<b>18,540.00</b>	<b>17,388.00</b>	<b>15,100.00</b>
Interest Expense	107.00	368.00	402.00	673.00	611.00
Pre-Tax Income	5,027.00	19,723.00	18,138.00	16,715.00	14,489.00
Income Taxes	1,188.00	4,890.00	4,713.00	4,381.00	4,071.00
Minority Interest	0.00	0.00	0.00	0.00	0.00
<b>Net Income From Continuing Operations</b>	<b>3,839.00</b>	<b>14,833.00</b>	<b>13,425.00</b>	<b>12,334.00</b>	<b>10,418.00</b>
<b>Net Income From Discontinued Operations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Income From Total Operations</b>	<b>3,839.00</b>	<b>14,833.00</b>	<b>13,425.00</b>	<b>12,334.00</b>	<b>10,418.00</b>
Extraordinary Income/Losses	0.00	0.00	0.00	0.00	0.00
Income From Cum. Effect of Acct. Change	0.00	0.00	0.00	0.00	0.00
Income From Tax Loss Carryforward	0.00	0.00	0.00	0.00	0.00
Other Gains / Losses	0.00	0.00	0.00	0.00	0.00
<b>Total Net Income</b>	<b>3,839.00</b>	<b>14,833.00</b>	<b>13,425.00</b>	<b>12,334.00</b>	<b>10,418.00</b>
<b>Normalized Income</b> <b>(Net Income From Continuing Operations,</b> <b>Ex. Special Income / Charge)</b>	<b>3,839.00</b>	<b>14,833.00</b>	<b>13,425.00</b>	<b>12,334.00</b>	<b>10,418.00</b>

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011

**Table 11**  
**IBM Balance Sheet (in \$ Millions)**

	Sept 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007
<b>Assets</b>					
Cash and Equivalents	11,303.00	10,661.00	12,183.00	12,741.00	14,991.00
Receivables	24,987.00	28,225.00	26,793.00	27,555.00	28,789.00
Inventories	2,663.00	2,450.00	2,494.00	2,701.00	2,664.00
Other Current Assets	1.00	0.00	0.00	0.00	0.00
<b>Total Current Assets</b>	<b>45,373.00</b>	<b>48,116.00</b>	<b>48,935.00</b>	<b>49,004.00</b>	<b>53,117.00</b>
Property, Plant & Equipment, Gross	40,139.00	40,289.00	39,596.00	38,445.00	38,584.00
Accumulated Depreciation & Depletion	26,252.00	26,193.00	25,431.00	24,140.00	23,503.00
Property, Plant & Equipment, Net	13,887.00	14,096.00	14,165.00	14,305.00	15,081.00
Intangibles	3,033.00	3,488.00	2,513.00	2,878.00	2,107.00
Other Non-Current Assets	20,382.00	19,396.00	19,024.00	17,841.00	34,268.00
<b>Total Non-Current Assets</b>	<b>64,785.00</b>	<b>65,336.00</b>	<b>60,087.00</b>	<b>60,520.00</b>	<b>67,254.00</b>
<b>Liabilities &amp; Shareholder Equity</b>					
<b>Total Assets</b>	<b>110,158.00</b>	<b>113,452.00</b>	<b>109,022.00</b>	<b>109,524.00</b>	<b>120,431.00</b>
Accounts Payable	7,093.00	7,804.00	7,436.00	7,014.00	8,054.00
Short Term Debt	6,071.00	6,778.00	4,168.00	11,236.00	12,235.00
Other Current Liabilities	2,360.00	4,216.00	8,330.00	7,366.00	8,318.00
<b>Total Current Liabilities</b>	<b>36,028.00</b>	<b>40,562.00</b>	<b>36,002.00</b>	<b>42,435.00</b>	<b>44,310.00</b>
Long Term Debt	24,089.00	21,846.00	21,932.00	22,689.00	23,039.00
Deferred Income Taxes	0.00	0.00	0.00	0.00	1,064.00
Other Non-Current Liabilities	27,663.00	27,872.00	28,333.00	30,935.00	23,548.00
<b>Total Non-Current Liabilities</b>	<b>51,839.00</b>	<b>49,844.00</b>	<b>50,383.00</b>	<b>53,624.00</b>	<b>47,651.00</b>
<b>Total Liabilities</b>	<b>87,867.00</b>	<b>90,406.00</b>	<b>86,385.00</b>	<b>96,059.00</b>	<b>91,961.00</b>
Preferred Stock Equity	0.00	0.00	0.00	0.00	0.00
Common Stock Equity	22,291.00	23,046.00	22,637.00	13,465.00	28,470.00
Common Par	47,558.00	45,418.00	41,810.00	39,129.00	35,188.00
Cumulative Translation Adjustment	0.00	0.00	0.00	0.00	3,655.00
Retained Earnings	100,266.00	92,532.00	80,900.00	70,353.00	60,640.00
Treasury Stock	(107,434.00)	(96,161.00)	(81,243.00)	(74,171.00)	(63,945.00)
Other Equity Adjustments	(18,099.00)	(18,743.00)	(18,830.00)	(21,846.00)	(7,069.00)
<b>Total Capitalization</b>	<b>46,380.00</b>	<b>44,892.00</b>	<b>44,569.00</b>	<b>36,154.00</b>	<b>51,509.00</b>
<b>Total Equity</b>	<b>22,291.00</b>	<b>23,046.00</b>	<b>22,637.00</b>	<b>13,465.00</b>	<b>28,470.00</b>
<b>Total Liabilities &amp; Stock Equity</b>	<b>110,158.00</b>	<b>113,452.00</b>	<b>109,022.00</b>	<b>109,524.00</b>	<b>120,431.00</b>
<b>Total Common Shares Outstanding</b>	<b>1,178.62</b>	<b>1,227.99</b>	<b>1,305.34</b>	<b>1,339.10</b>	<b>1,385.23</b>
Preferred Shares	0.00	0.00	0.00	0.00	0.00
Treasury Shares	1,000.50	933.81	821.68	757.89	672.37
Basic Weighted Shares Outstanding	1,188.60	1,268.79	1,327.16	1,359.77	1,450.57
Diluted Weighted Shares Outstanding	1,204.90	1,287.36	1,341.35	1,381.77	1,423.04

Note: From the *Financial Statements*, Daily Finance – AOL Money & Finance, 2011



## Appendix B

### Stock evolution from 2007 -2011



Note: From Yahoo Finance, 2011.

## Resources

AOL Money & Finance – Daily Finance (2011). International Business Machines Inc. Analysis. Retrieved December 8, 2011 from <http://www.dailyfinance.com>

Hannon, S. (2009, 5). Three Great Liquidity Ratios for Fundamental Investing. Retrieved December 9, 2011 from <http://www.stocktradingtogo.com/>

Yahoo Finance (2011). International Business Machines financial Information. Retrieved December 10, 2011 from <http://finance.yahoo.com>

Loth, R. (n.d.). Debt Ratios: Interest Coverage Ratio. Retrieved December 9, 2011 from <http://www.investopedia.com>

IBM Form 10-K Annual 2010 Report (2011). Retrieved on December 8, 2011 from <http://idc.api.edgar-online.com>

Fortune 500 (2011). Annual Ranking of American's Largest Corporations. Retrieved December 10, 2011 from <http://money.cnn.com>

Forbes (2011). Intl Business Machines Ratios and Returns. Retrieved on December 11, 2011 from <http://finapps.forbes.com>

About (n.d.). Herman Hollerith – Punch Cards. Retrieved December 11, 2011 from <http://inventors.about.com>

Bellis, M. (n.d.). Profile of a Computer Manufacturing Giant. About. Retrieved on December 11, 2011 from <http://inventors.about.com>

Cauvin, N. (2011, 1). IBM: Income Statement Analysis for the December 2010 Quarter. Retrieved December 11, 2011 from <http://www.financial-gauges.com>

Gogia, S. (n.d.). IBM Stock Research and Analysis. Morning Star. Retrieved December 11, 2011 from <http://quicktake.morningstar.com>

Wikipinvest (n.d.). IBM Wiki Analysis. Retrieved December 11, 2011 from <http://www.wikipinvest.com>

Mathur, A. (2009). Analysis on the Five Competitive Forces that Shape Strategy on IBM. Retrieved on December 12, 2011 from <http://es.scribd.com>

UK Essays (n.d.). Business and Environment. Retrieved December 12, 2011 from <http://www.ukessays.com>