



IBM 4Q 2019 Earnings

Jan 21, 2020
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Forward Looking Statements and Non-GAAP Information

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements except as required by law; these charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, certain non-GAAP information including revenue for Red Hat normalized for historical comparability, revenue adjusting for divested businesses and currency, operating earnings, other "operating" financial measures, including free cash flow, net cash from operating activities excluding Global Financing receivables, and adjustments for currency. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K filed with the SEC on January 21, 2020. The reconciliation of non-GAAP information to GAAP is included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation, as well as in Exhibit 99.1 to the company's Form 8-K filed with the SEC on January 21, 2020. For other related information please visit the Company's investor relations web site at:

<http://www.ibm.com/investor/events/earnings/4q19.html>





Overview

4Q19

\$21.8B

\$4.71

FY19

\$77.1B

\$12.81

\$11.9B

Revenue

Operating (non-GAAP) EPS

Free Cash Flow

- Significant actions in 2019 strengthened IBM's foundation for Chapter 2
- Solid fourth quarter revenue and gross margin performance
 - Revenue growth of 3% yr/yr @CC*
 - Operating gross margin expansion of 2.3 points
- Continued momentum in hybrid cloud
 - Cloud revenue +23% yr/yr @CC* in the fourth quarter
 - \$21 billion cloud revenue for the year
- Strong cash generation
 - \$10 billion debt reduction since Red Hat closing

*Yr/Yr excludes impact of divested businesses





Hybrid Cloud and Red Hat Update

- Red Hat continued strong performance: revenue +24% yr/yr @CC
 - Record revenue, with > \$1 billion in the quarter
 - Infrastructure, led by RHEL continued double-digit growth
 - App Dev & emerging tech growth accelerated, led by OpenShift and Ansible

- Red Hat + IBM driving synergies
 - Strong Cloud Pak adoption leverages IBM containerized software + OpenShift
 - Accelerated new services engagements based on Red Hat
 - Doubled number of Red Hat large client deals vs. 3Q
 - Expanding client base: >2,000 clients using Red Hat and IBM's hybrid cloud platform
 - Expanded partnerships





Key Financial Metrics

- Grew revenue and expanded gross margin
- Solid free cash flow performance; free cash flow realization of 126% for the year

Financial results reflect impact of transaction-related adjustments associated with the acquisition of Red Hat

Revenue Highlights	4Q19	B/(W) Yr/Yr	P&L Highlights (Operating)	4Q19	B/(W) Yr/Yr
Revenue	\$21.8	3%*	Gross Profit Margin	51.8%	2.3 pts
Cloud & Cognitive Software	\$7.2	9%	Expense	\$6.6	(15%)
Global Business Services	\$4.2	Flat	Tax Rate	10.5%	1.7 pts
Global Technology Services	\$6.9	(4%)	Net Income	\$4.2	(5%)
Systems	\$3.0	16%	Earnings Per Share	\$4.71	(3%)
Cloud Revenue	\$6.8	23%*	Cash Highlights	4Q19	FY19
			Free Cash Flow (excl. GF Receivables)	\$6.0	\$11.9
			Share Repurchase (Gross)	\$0.0	\$1.4
			Dividends	\$1.4	\$5.7
			Cash Balance @ December 31	\$9.0	

Revenue growth rates @CC, \$ in billions

*Yr/Yr excludes impact of divested businesses





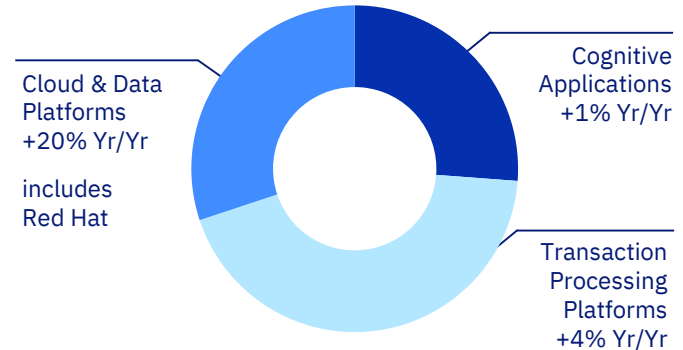
Cloud & Cognitive Software Segment

- Cloud & Data Platforms growth driven by IBM + Red Hat hybrid cloud strategy
- Cognitive Applications performance led by integrated security solutions and verticals such as IoT
- Segment results reflect impact of transaction-related adjustments associated with the Red Hat acquisition

Segment Results Overview

Segment	4Q19	B/(W) Yr/Yr
Revenue (External)	\$7.2	9%
Pre-Tax Income	\$2.9	(7%)
Pre-Tax Income Margin	36.6%	(6.0 pts)
Cloud Revenue	\$1.6	78%

Segment Revenue Elements





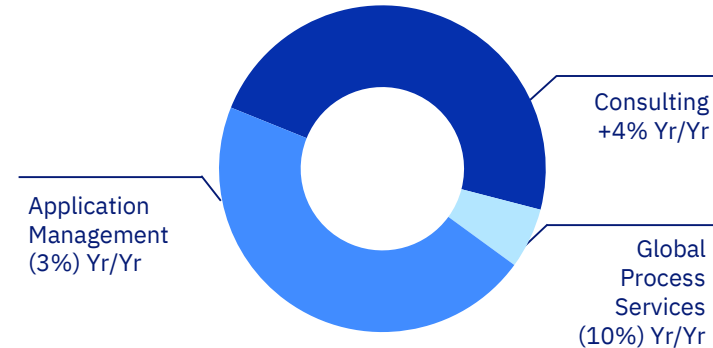
Global Business Services Segment

- Consulting revenue reflects strength in application modernization and next gen enterprise applications
- Strong signings growth across all lines of business
- Accelerated synergy with Red Hat

Segment Results Overview

Segment	4Q19	B/(W) Yr/Yr
Revenue (External)	\$4.2	Flat
Gross Profit Margin (External)	27.5%	(0.3 pts)
Pre-Tax Income	\$0.5	(16%)
Pre-Tax Income Margin	11.1%	(1.9 pts)
Cloud Revenue	\$1.5	4%

Segment Revenue Elements





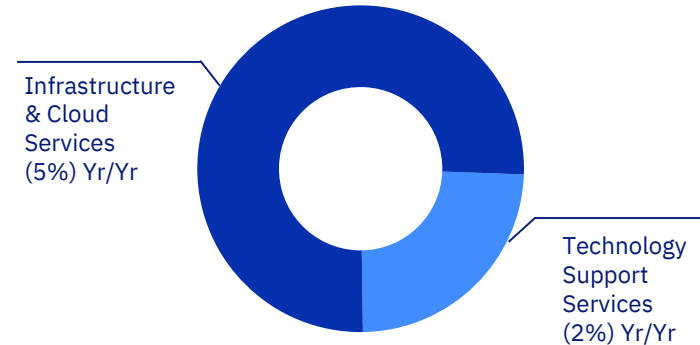
Global Technology Services Segment

- Continued revenue impact from client business volumes
- Gross margin expansion driven by productivity and cloud scale
- Double-digit cloud signings growth

Segment Results Overview

Segment	4Q19	B/(W) Yr/Yr
Revenue (External)	\$6.9	(4%)
Gross Profit Margin (External)	35.2%	0.2 pts
Pre-Tax Income	\$0.6	(2%)
Pre-Tax Income Margin	8.9%	0.3 pts
Cloud Revenue	\$2.4	13%

Segment Revenue Elements





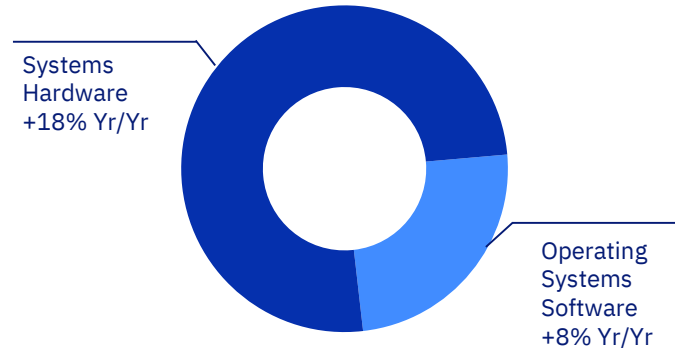
Systems Segment

- Good start to z15 mainframe cycle with >60% revenue growth
- Storage growth driven by new high-end DS8900 release
- Pre-tax income reflects strength in high-value offerings from recent portfolio innovation

Segment Results Overview

Segment	4Q19	B/(W) Yr/Yr
Revenue (External)	\$3.0	16%
Pre-Tax Income	\$0.8	46%
Pre-Tax Income Margin	24.8%	5.5 pts
Cloud Revenue	\$1.4	21%

Segment Revenue Elements





Cash Flow and Balance Sheet Highlights

- Free cash flow realization 126% for the year
- Debt reduction of \$10 billion since Red Hat close

Cash Flow	4Q19	Yr/Yr	FY19	Balance Sheet	Dec 19	Dec 18
Net Cash from Operations*	\$6.7	(\$0.7)	\$14.3	Cash & Marketable Securities	\$9.0	\$12.2
Free Cash Flow*	\$6.0	(\$0.4)	\$11.9			
Selected Uses of Cash				Global Financing Debt	\$24.7	\$31.2
Net Capital Expenditures	\$0.6		\$2.4	Core (non-GF) Debt	\$38.2	\$14.6
Acquisitions	\$0.0		\$32.6	Total Debt	\$62.9	\$45.8
Dividends/Share Repurchase	\$1.4		\$7.1			

\$ in billions

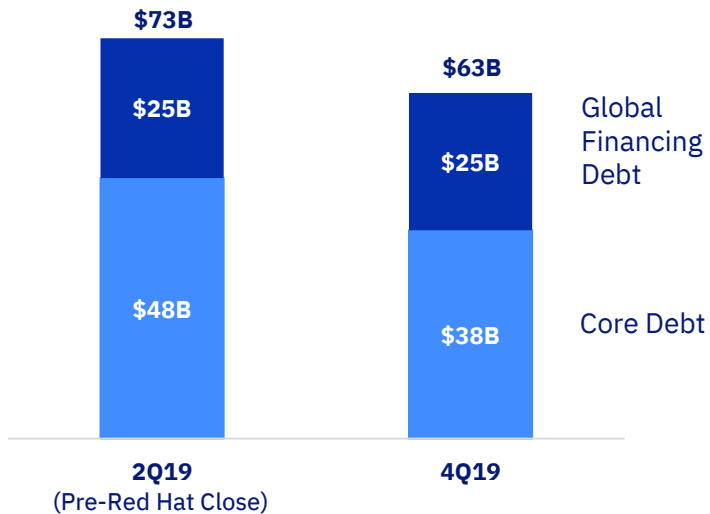
*Non-GAAP metrics; excludes Global Financing receivables





Debt Update

Total Debt



- Debt reduction of \$10 billion since Red Hat close
- Suspended share repurchase to focus on debt reduction
- Committed to achieving leverage ratio consistent with mid to high single-A credit rating within a couple of years





Summary

- Significant actions in 2019 strengthened IBM's foundation for Chapter 2
- Good trajectory exiting the year
 - Revenue growth and gross margin expansion
 - Continued momentum in hybrid cloud, including IBM + Red Hat synergies
 - Strong cash generation
- 2020 expectations:
 - Growth in revenue, operating EPS, and free cash flow
 - At least \$13.35 of operating earnings per share
 - Approximately \$12.5 billion free cash flow





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Supplemental Materials

- Currency – Impact on Revenue Growth
- Additional Revenue Information
- Additional Revenue, Gross Profit & Backlog Information
- Expense Summary
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Key Financial Metrics – FY 2019
- Additional Revenue Information – FY 2019
- Expense Summary – FY 2019
- Retirement–Related Summary
- Non-GAAP Supplemental Materials



Currency – Impact on Revenue Growth

Quarterly Averages per US \$	4Q19	Yr/Yr	1/17/2020	1Q20	2Q20	3Q20	4Q20	FY20
			Spot					
Euro	0.90	(3%)	0.90	(2%)	(1%)	0%	0%	(1%)
Pound	0.78	0%	0.77	0%	1%	5%	1%	2%
Yen	109	4%	110	0%	0%	(3%)	(1%)	(1%)
Revenue Impact, Future @ 1/17/20 Spot		(0.6 pts)		~(1-1.5 pts)	~(0-1pts)	0 pts	0 pts	~(0-1pts)
	US\$B	Yr/Yr						
Revenue As Reported	\$21.8	0.1%						
Currency Impact	(\$0.1)	(0.6 pts)						
Revenue @ CC		0.7%						



Additional Revenue Information

Segment Revenue	4Q19	B/(W) Yr/Yr
Cloud & Cognitive Software	\$7.2	9%
Cognitive Applications	\$1.6	1%
Cloud & Data Platforms	\$3.1	20%
Transaction Processing Platforms	\$2.5	4%
Global Business Services	\$4.2	Flat
Consulting	\$2.1	4%
Global Process Services	\$0.2	(10%)
Application Management	\$1.9	(3%)
Global Technology Services	\$6.9	(4%)
Infrastructure & Cloud Services	\$5.3	(5%)
Technology Support Services	\$1.7	(2%)
Systems	\$3.0	16%
Systems Hardware	\$2.6	18%
Operating Systems Software	\$0.5	8%
Global Financing	\$0.3	(25%)

Geography Revenue	4Q19	B/(W) Yr/Yr*
Americas	\$10.5	6%
Europe/ME/Africa	\$7.1	4%
Asia Pacific	\$4.2	(6%)
Cloud Revenue	4Q19	B/(W) Yr/Yr*
Total Cloud	\$6.8	23%

Revenue growth rates @CC, \$ in billions

*Yr/Yr excludes impact of divested businesses

Supplemental Materials



Additional Revenue, Gross Profit & Backlog Information

Systems Revenue	4Q19	B/(W) Yr/Yr
Systems Hardware Revenue	\$2.6	18%
IBM Z		63%
Power		(23%)
Storage		3%

Systems Gross Profit	4Q19	B/(W) Yr/Yr
Systems Gross Profit	56.0%	5.2 pts
Systems Hardware	50.8%	7.2 pts
Operating Systems Software	83.8%	(2.4 pts)

Signings & Backlog*	4Q19	B/(W) Yr/Yr
Signings	\$14.4	(9%)
Backlog	\$112.4	(3%)
Backlog Yr/Yr @Actual		(3%)

Growth rates @CC, \$ in billions, Services Backlog calculated using December 31 currency spot rates

*Signings & Backlog includes Global Technology Services, Global Business Services and Security Services; consistent with 2018 reporting

Supplemental Materials



Expense Summary

Expense	4Q19	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
SG&A – Operating	\$5.1	(12%)	1 pts	(8 pts)	(4 pts)
RD&E – Operating	\$1.6	(18%)	0 pts	(14 pts)	(4 pts)
IP and Custom Development Income	(\$0.2)	(14%)			
Other (Income)/Expense - Operating	(\$0.3)	55%			
Interest Expense	\$0.4	(83%)			
Operating Expense & Other Income	\$6.6	(15%)	(1 pts)	(10 pts)	(4 pts)

\$ in billions

*includes acquisitions in the last twelve months net of non-operating acquisition-related charges and includes impact of divested businesses

**represents the percentage change after excluding the impact of currency, acquisitions and divestitures

Supplemental Materials



Balance Sheet Summary

	Dec 19	Jun 19^{**}	Dec 18
Cash & Marketable Securities	\$9.0	\$46.4	\$12.2
Core (non-GF) Assets*	\$115.3	\$79.0	\$71.7
Global Financing Assets	\$27.9	\$29.3	\$39.5
Total Assets	\$152.2	\$154.7	\$123.4
Other Liabilities	\$68.3	\$63.8	\$60.6
Core (non-GF) Debt*	\$38.2	\$48.1	\$14.6
Global Financing Debt	\$24.7	\$25.0	\$31.2
Total Debt	\$62.9	\$73.0	\$45.8
Total Liabilities	\$131.2	\$136.9	\$106.5
Equity	\$21.0	\$17.8	\$16.9

\$ in billions

*includes eliminations of inter-company activity

**pre-Red Hat acquisition close

Supplemental Materials



Cash Flow Summary

	4Q19	B/(W) Yr/Yr	FY19	B/(W) Yr/Yr
Net Cash from Operations	\$3.5	(\$0.7)	\$14.8	(\$0.5)
Less: Global Financing Receivables	(\$3.2)	(\$0.0)	\$0.5	\$0.8
Net Cash from Operations (excluding GF Receivables)	\$6.7	(\$0.7)	\$14.3	(\$1.3)
Net Capital Expenditures	(\$0.6)	\$0.2	(\$2.4)	\$1.3
Free Cash Flow (excluding GF Receivables)	\$6.0	(\$0.4)	\$11.9	\$0.0
Acquisitions	\$0.0	\$0.0	(\$32.6)	(\$32.5)
Divestitures	\$0.1	\$0.1	\$1.1	\$1.1
Dividends	(\$1.4)	(\$0.0)	(\$5.7)	(\$0.0)
Share Repurchases (Gross)	\$0.0	\$2.0	(\$1.4)	\$3.1
Non-GF Debt	(\$5.6)	(\$3.5)	\$22.8	\$23.3
Other (includes GF Net A/R & GF Debt)	(\$1.0)	\$2.2	\$0.7	\$2.4
Change in Cash & Marketable Securities	(\$1.9)	\$0.5	(\$3.2)	(\$2.6)

\$ in billions

Supplemental Materials



Cash Flow (ASC 230)

	4Q19	4Q18	FY19	FY18
Net Income from Operations	\$3.7	\$2.0	\$9.4	\$8.7
Depreciation / Amortization of Intangibles	\$1.6	\$1.1	\$6.1	\$4.5
Stock-based Compensation	\$0.2	\$0.1	\$0.7	\$0.5
Working Capital / Other	\$1.1	\$4.1	(\$1.9)	\$1.9
Global Financing A/R	(\$3.2)	(\$3.2)	\$0.5	(\$0.3)
Net Cash provided by Operating Activities	\$3.5	\$4.1	\$14.8	\$15.2
Capital Expenditures, net of payments & proceeds	(\$0.6)	(\$0.9)	(\$2.4)	(\$3.7)
Divestitures, net of cash transferred	\$0.1	\$0.0	\$1.1	\$0.0
Acquisitions, net of cash acquired	\$0.0	(\$0.0)	(\$32.6)	(\$0.1)
Marketable Securities / Other Investments, net	\$0.6	\$1.3	\$7.0	(\$1.1)
Net Cash provided by/(used in) Investing Activities	\$0.1	\$0.5	(\$26.9)	(\$4.9)
Debt, net of payments & proceeds	(\$4.2)	(\$1.1)	\$16.3	(\$0.3)
Dividends	(\$1.4)	(\$1.4)	(\$5.7)	(\$5.7)
Common Stock Repurchases	\$0.0	(\$2.0)	(\$1.4)	(\$4.4)
Common Stock Transactions - Other	(\$0.1)	\$0.0	(\$0.2)	(\$0.1)
Net Cash provided by/(used in) Financing Activities	(\$5.7)	(\$4.6)	\$9.0	(\$10.5)
Effect of Exchange Rate changes on Cash	\$0.2	(\$0.1)	(\$0.2)	(\$0.5)
Net Change in Cash, Cash Equivalents & Restricted Cash	(\$1.9)	(\$0.1)	(\$3.3)	(\$0.6)

\$ in billions

Supplemental Materials



Key Financial Metrics – FY 2019

Financial results reflect impact of transaction-related adjustments associated with the acquisition of Red Hat

Revenue Highlights	FY19	B/(W) Yr/Yr	P&L Highlights (Operating)	FY19	B/(W) Yr/Yr
Revenue	\$77.1	Flat*	Gross Profit Margin	48.0%	1.1 pts
Cloud & Cognitive Software	\$23.2	6%	Expense	\$24.5	(4%)
Global Business Services	\$16.6	2%	Tax Rate	8.5%	(0.7 pts)
Global Technology Services	\$27.4	(4%)	Net Income	\$11.4	(10%)
Systems	\$7.6	(4%)	Earnings Per Share	\$12.81	(7%)
Cloud Revenue	\$21.2	14%*	Cash Highlights	FY19	
			Free Cash Flow (excl. GF Receivables)	\$11.9	
			Share Repurchase (Gross)	\$1.4	
			Dividends	\$5.7	

Revenue growth rates @CC, \$ in billions

*Yr/Yr excludes impact of divested businesses

Supplemental Materials



Additional Revenue Information – FY 2019

Segment Revenue	FY19	B/(W) Yr/Yr
Cloud & Cognitive Software	\$23.2	6%
Cognitive Applications	\$5.8	4%
Cloud & Data Platforms	\$9.5	12%
Transaction Processing Platforms	\$7.9	1%
Global Business Services	\$16.6	2%
Consulting	\$8.0	6%
Global Process Services	\$1.0	(1%)
Application Management	\$7.6	Flat
Global Technology Services	\$27.4	(4%)
Infrastructure & Cloud Services	\$20.7	(4%)
Technology Support Services	\$6.6	(2%)
Systems	\$7.6	(4%)
Systems Hardware	\$5.9	(6%)
Operating Systems Software	\$1.7	3%
Global Financing	\$1.4	(10%)

Geography Revenue	FY19	B/(W) Yr/Yr*
Americas	\$36.3	1%
Europe/ME/Africa	\$24.4	1%
Asia Pacific	\$16.4	(2%)
Cloud Revenue	FY19	B/(W) Yr/Yr*
Total Cloud	\$21.2	14%

Revenue growth rates @CC, \$ in billions

*Yr/Yr excludes impact of divested businesses

Supplemental Materials



Expense Summary – FY 2019

Expense Metrics	FY19	B/(W) Yr/Yr	Acq/ Divest*		
			Currency	Base**	
SG&A – Operating	\$19.6	(3%)	2 pts	(4 pts)	(1 pts)
RD&E – Operating	\$5.9	(10%)	1 pts	(6 pts)	(5 pts)
IP and Custom Development Income	(\$0.6)	(37%)			
Other (Income)/Expense - Operating	(\$1.4)	NM			
Interest Expense - Operating	\$1.1	(54%)			
Operating Expense & Other Income	\$24.5	(4%)	3 pts	(4 pts)	(3 pts)

\$ in billions

*includes acquisitions in the last twelve months net of non-operating acquisition-related charges and includes impact of divested businesses

**represents the percentage change after excluding the impact of currency, acquisitions and divestitures

Supplemental Materials



Retirement-Related Summary

Key Assumptions and Metrics	2018	2019	2020	Cost and Contributions	Expected	
					2019	2020
Funded Status at Year end*				Operating Cost	\$1.5	\$1.5
US	104%	107%		Non-operating Cost	\$0.6	\$1.2
WW	99%	102%		Total Cost	\$2.1	\$2.7
Discount Rate at Year end				Contributions**	\$2.2	\$2.3
US	4.1%	3.1%				
WW	3.0%	2.2%				
Expected ROA at Prior Year end						
US	5.3%	5.3%	4.5%			
WW	4.5%	4.9%	4.0%			
Actual ROA						
US	(1.8%)	14.9%				
WW	(1.9%)	13.6%				

\$ in billions

*Qualified defined benefit plans

**includes cash and non-cash contributions

Supplemental Materials



Non-GAAP Supplemental Materials

Reconciliation of Operating Earnings Per Share – FY 2020 Expectations

	Full Year 2020 Expectations
GAAP Diluted EPS	at least \$10.57
Operating EPS (Non-GAAP)	at least \$13.35
Adjustments	
Acquisition-Related Charges*	\$1.70
Non-Operating Retirement-Related Items	\$1.02
Tax Reform Enactment Impacts	\$0.06

*Includes acquisitions as of December 31, 2019

The above reconciles the Non-GAAP financial information contained in the “Summary” and “4Q19 Prepared Remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Performance - 4Q 2019

	4Q19 Yr/Yr			4Q19 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Cloud & Cognitive Software	9%	9%	Global Technology Services	(5%)	(4%)
Cognitive Applications	1%	1%	Infrastructure & Cloud Services	(5%)	(5%)
Cloud & Data Platforms	19%	20%	Technology Support Services	(3%)	(2%)
Transaction Processing Platforms	3%	4%	Cloud	12%	13%
Cloud	78%	78%	Systems	16%	16%
Global Business Services	(1%)	Flat	Systems Hardware	18%	18%
Consulting	4%	4%	IBM Z	62%	63%
Global Process Services	(11%)	(10%)	Power	(24%)	(23%)
Application Management	(3%)	(3%)	Storage	3%	3%
Cloud	3%	4%	Operating Systems Software	8%	8%
			Cloud	21%	21%
			Global Financing	(25%)	(25%)

The above reconciles the Non-GAAP financial information contained in the “Key Financial Metrics”, “Cloud & Cognitive Software Segment”, “Global Business Services Segment”, “Global Technology Services Segment”, “Systems Segment”, “Additional Revenue Information”, “Additional Revenue, Gross Profit & Backlog Information”, and “4Q19 Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Performance - 4Q & FY 2019

	4Q19 Yr/Yr				FY19 Yr/Yr			
	GAAP	Divest impact	Currency impact	Adjusted	GAAP	Divest impact	Currency impact	Adjusted
Total Revenue	0.1%	2 pts	1 pts	2.8%	(3.1%)	1 pts	2 pts	0.2%
Americas	2%	3 pts	0 pts	6%	(2%)	2 pts	1 pts	1%
Europe/ME/Africa	Flat	2 pts	2 pts	4%	(4%)	1 pts	5 pts	1%
Asia Pacific	(5%)	1 pts	(1 pts)	(6%)	(4%)	1 pts	1 pts	(2%)
Total Cloud	21%	2 pts	1 pts	23%	11%	1 pts	2 pts	14%

The above reconciles the Non-GAAP financial information contained in the “Overview”, “Key Financial Metrics”, “Additional Revenue Information” and “4Q19 Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue for Red Hat, Normalized - 4Q 2019

Red Hat Revenue, Normalized for Historical Comparability	Three Months Ended		Yr/Yr	Yr/Yr@CC
	Dec 31 2019	Dec 31 2018		
Red Hat revenue as reported in IBM consolidated results (1)	\$573	\$ -		
Add: Red Hat revenue prior to acquisition (2)	-	863		
Add: Purchase accounting deferred revenue and intercompany adjustments (3)	<u>493</u>	<u>-</u>		
Red Hat revenue normalized for historical comparability (non-GAAP)	\$1,066	\$863	24%	24%

- (1) Represents GAAP Revenue as reported by IBM, which is included in the Cloud & Cognitive Software segment.
- (2) Red Hat revenue for the three months ended December 31, 2018 represents pre-acquisition Red Hat standalone revenue and is included for comparative purposes.
- (3) Represents the fourth-quarter 2019 impact of the deferred revenue purchase accounting adjustment and adjustments to add back revenue which was eliminated for sales between Red Hat and IBM. This line represents revenue that would have been recognized by Red Hat under GAAP if the acquisition had not occurred, but was not recognized by IBM due to purchase accounting and intercompany adjustments.

The above reconciles the Non-GAAP financial information contained in the “Hybrid Cloud and Red Hat Update” and “4Q19 Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary - 4Q & FY 2019

	4Q19			FY19		
	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
SG&A						
Currency	1 pts	0 pts	1 pts	2 pts	0 pts	2 pts
Acquisitions/Divestitures	(14 pts)	6 pts	(8 pts)	(7 pts)	3 pts	(4 pts)
Base*	(2 pts)	(2 pts)	(4 pts)	(1 pts)	0 pts	(1 pts)
RD&E						
Currency	0 pts	0 pts	0 pts	1 pts	0 pts	1 pts
Acquisitions/Divestitures	(15 pts)	2 pts	(14 pts)	(7 pts)	1 pts	(6 pts)
Base*	(2 pts)	(2 pts)	(4 pts)	(6 pts)	0 pts	(5 pts)
Operating Expense & Other Income						
Currency	(1 pts)	0 pts	(1 pts)	3 pts	0 pts	3 pts
Acquisitions/Divestitures	(15 pts)	5 pts	(10 pts)	(7 pts)	3 pts	(4 pts)
Base*	2 pts	(6 pts)	(4 pts)	1 pts	(4 pts)	(3 pts)

The above reconciles the Non-GAAP financial information contained in the “Expense Summary” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.

*Represents the percentage change after excluding the impact of currency, acquisitions and divestitures.



Non-GAAP Supplemental Materials

Reconciliation of Tax Rate - FY 2020 Expectations

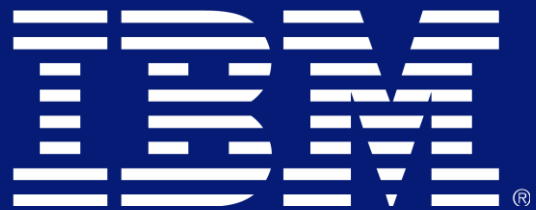
Tax Rate Expectation	GAAP	Operating (Non-GAAP)
Full-Year 2020*	3-6%	7-9%

*includes estimate of discrete tax events for the year; actual events will be recorded as they occur

The above reconciles the Non-GAAP financial information contained in the “4Q-Prepared Remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 21, 2020 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials





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