

**The Merriam Report IBM 12/31/10 INTERNATIONAL BUSINESS MACHINES CORP**

All amounts in millions except for earnings per share

Quarterly period ending:	2	3	4	1	2	3	4	Averages	
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10		
Earnings Per Share (Incl. Ext. Items)	\$ 2.320	\$ 2.400	\$ 3.590	\$ 1.970	\$ 2.61000	\$ 2.820	\$ 4.140	\$ 2.836	1
% Change in E.P.S. (from prev. qtr.)		3.4%	49.6%	-45.1%	32.5%	8.0%	46.8%	15.9%	1
Total Revenues	2325000.0	2356600.0	2723100.0	2285700.0	2372400.0	2427100.0	2901900.0	2484542.9	1
% Change in Revenues (from prev. qtr.)		1.4%	15.6%	-16.1%	3.8%	2.3%	19.6%	4.4%	1
Cost of Revenues	322100.0	3404000.0	4079000.0	3224000.0	3313000.0	3512000.0	4325000.0	3168442.9	-1
Accounts Receivable:	2385600.0	2362200.0	2679300.0	2351100.0	2349200.0	2449600.0	2822500.0	2485642.9	-1
% Change in Receivables (from prev. qtr.)		-1.0%	13.4%	-12.2%	-0.1%	4.3%	15.2%	3.3%	-1
DSO's (# of days it took customers to pay)	93.4	91.2	89.5	93.6	90.1	91.8	88.5	91.2	1
Inventories:	269100.0	254600.0	249400.0	252400.0	259500.0	262900.0	245000.0	256128.6	1
% Change in Inventory (from prev. qtr.)		-5.4%	-2.0%	1.2%	2.8%	1.3%	-6.8%	-1.5%	1
Inventory as a % of Sales	11.6%	10.8%	9.2%	11.0%	10.9%	10.8%	8.4%	10.40%	1
Prepaid Expenses:	370,900.00	393,400.00	394,600.00	412,100.00	512,400.00	466,100.00	422,600.00	424585.7	
Other Current Assets:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Property, Plant & Equip. (net):	1394800.0	1418900.0	1416500.0	1384100.0	1353400.0	1400900.0	1409600.0	1396885.7	
% Change in P,P& E (from prev. qtr.)		1.7%	-0.2%	-2.3%	-2.2%	3.5%	0.6%	0.2%	
Accounts Payable:	586900.0	614500.0	743600.0	634500.0	723300.0	708400.0	780400.0	684514.3	-1
% Change in Payables (from prev. qtr.)		4.7%	21.0%	-14.7%	14.0%	-2.1%	10.2%	5.5%	-1
Quarterly period ending:	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10		
Total Liabilities:	8827500.0	8527900.0	8638500.0	8317500.0	8236100.0	8493600.0	9040600.0	8583100.0	
Shareholder equity:	1538000.0	1839600.0	2263700.0	2203300.0	2105900.0	2223800.0	2304600.0	2068414.3	
Retained Earnings (Accum. Deficit)	7432800.0	7681200.0	8090000.0	8278300.0	8532300.0	8809500.0	9253200.0	8296757.1	
Operating Cash Flow (OCF)	7096933.6	7593432.7	8334533.4	8392536.4	8583638.7	8762833.6	9074934.5	8258277.6	1
OCF as % of Revenues	305.2%	322.2%	306.1%	367.2%	361.8%	361.0%	311.7%	333.60%	-1
Balance Sheet Cash Flow (BSCF)	8827165.7	8527563.0	8638118.3	8317160.2	8235741.5	8493237.6	9040197.5	8582740.5	-1
BSCF as % of Revenues	379.7%	361.9%	317.2%	363.9%	347.1%	349.9%	311.5%	347.32%	1
Spread between OCF & BSCF	-1730232.1	-934130.3	-303584.8	75376.1	347897.2	269596.0	3837.1	-324463.0	3
Ratios									
Spread to Revenues	-74.42%	-39.64%	-11.15%	3.30%	14.66%	11.11%	0.13%	-0.137	
Spread to OCF	0.804	0.890	0.965	1.009	1.042	1.032	1.000	0.963	
MR Dual Cash-Flow Figure	0.060	0.494	0.853	1.042	1.189	1.143	1.002	0.826	

**The Merriam Report**

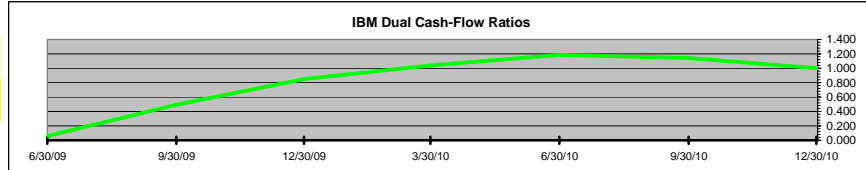
Quarterly period ending:	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
MR Dual Cash-Flow Figure	0.060	0.494	0.853	1.042	1.189	1.143	1.002

**Merriam Report Signals:**

Recent Bearish

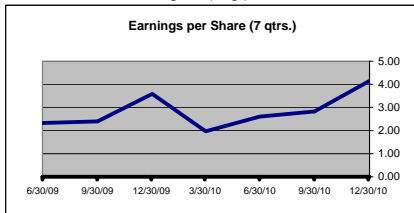
Recent Bullish

Confirmed Bullish



**MR Dual Cash-Flow Figure (avg.)**

	06/30/09	09/30/09	12/31/09	03/31/10	06/30/10	09/30/10	12/31/10	
P/E	8	7.72	12.93	12.32	11.52	12.04	12.55	-1 11.011
P/S	1.44	1.68	1.83	0	0	0	1.89	-1 0.9771
P/FCF	10.5302	10.8128	12.1381	11.8404	12.2077	13.8447	15.5033	-1 12.411
PEG	0.0413	0.0168	1.0267	0.829	-0.6328	-0.4248	0.8322	-1 0.2412
Earnings Yield	0.1251	0.1295	0.0773	0.0812	0.0868	0.083	0.0797	-1 0.0947
Cash-to-Total-Asse	0.1208	0.111	0.1282	0.1329	0.1184	0.1034	0.1027	-1 0.1168
Debt-to-Assets	0.2013	0.1985	0.2012	0.2025	0.2032	0.2043	0.1926	1 0.2005



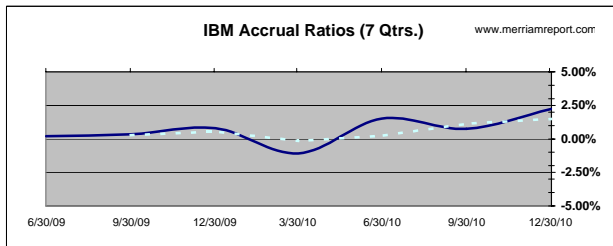
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
Accrual Ratios	0.20%	0.34%	0.79%	-1.08%	1.51%	0.76%	2.24%
Average Accruals	0.68%						

**Revenue Metrics (as % of Sales)**

	Recent Qtr.		Combined Avg.
Research & Development	5.44%	-1	5.96%
Cost of Sales	14.90%	-1	14.42%
S/G/A	20.51%	1	21.58%
Payables	26.89%	1	27.55%

	Recent Qtr.		Combined Avg.
Inventory / Revenues	\$ 0.084	1	\$ 0.103
Receivables / Revenues	\$ 0.9726	1	\$ 1.0004
Inventory & Receivables / Revenues	\$ 1.057	1	\$ 1.104
P,P&E / Revenues	\$ 0.486	1	\$ 0.562



-0.48% 1.07%

## Summary of Merriam Report Signals

Dual Cash-Flow Figures

Recent Bearish

Confirmed Bearish

Recent Bullish

Confirmed Bullish

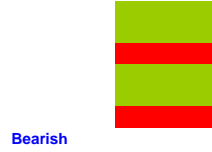
Operating Cash-Flow Trend  
Balance Sheet Cash-Flow Trend



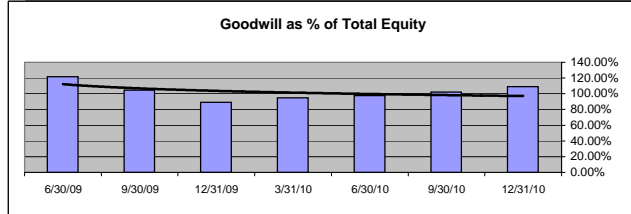
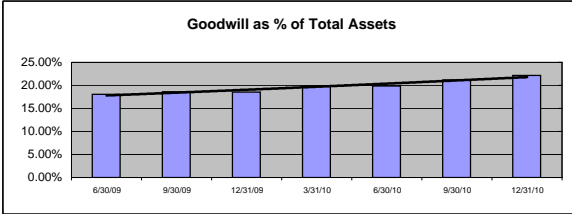
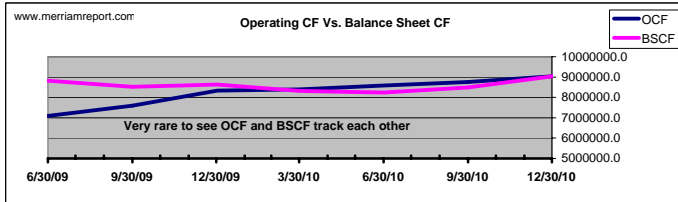
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
OCF	7096933.6	7593432.7	8334533.4	8392536.4	8583638.7	8762833.6	9044034.5
BSCF	8827165.7	8527563.0	8638118.3	8317160.2	8235741.5	8493237.6	9040197.5

### Comparison of Recent Quarter Changes to Average

EPS  
Revenues  
Accounts Receivable  
Days Sales Outstanding  
Inventory  
Accounts Payable  
Accrual Ratios



Bearish



	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	AVG.	
Goodwill as % of Total Assets	18.08%	18.59%	18.52%	19.85%	19.86%	21.18%	22.16%	19.75%	-1
Goodwill as % of Total Equity	121.83%	104.76%	89.19%	94.81%	97.55%	102.09%	109.07%	102.76%	-1
	6.74	5.64	4.82	4.78	4.91	4.82	4.92	5.20	1
									-1

Dual Cash Flow Trend	0
Financial Ratios (conventional)	-5
Balance Sheet and Income Statement	3
Accrual Ratios	-0.45
Revenue Metrics and Capital Productivity	4
Goodwill Trends	-1
<b>Merriam Report Score</b>	<b>0.55</b>

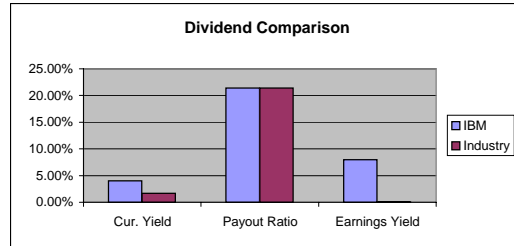
INTERNATIONAL BUSINESS MACHINES	12/31/10	3/7/11
Ending Period Share Price	146.76	159.92
Estimated Fair Value	\$ 150.23	
End Price to Est. FV	-2.96%	6.45%

SHORT CANDIDATE  
AVOID  
**HOLD**   
BUY  
STRONG BUY

Valuation	Computer Services
<b>OVERVALUED</b>	Technology
<b>Earnings Quality</b>	Computer And Office Equipment
A+	
A-	IBM Industry
<b>B+</b>	Cur. Yield 4.00% 1.68%
B-	Payout Ratio 21.42% 21.42%
C+	Earnings Yield 7.97% 0.04%
C-	

Adjustments (Payables)	\$	(1.00)
Adjustments (Receivables)	\$	(2.58)
Adjustments (DSO)	\$	0.63
Adjustments (OCF)	\$	(1.42)
Adjustments (BSCF)	\$	2.23
Adjustments (Inventory)	\$	1.15
<b>Total Adjustments</b>	<b>\$</b>	<b>(1.00)</b>

Next Earnings 4/18/11



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