

# IBM 1Q 2018 Earnings

April 17, 2018

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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. 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 "operating earnings" and other "operating" financial measures. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K submitted to the SEC on April 17, 2018. The reconciliation of non-GAAP information to GAAP is included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation. For other related information please visit the Company's investor relations web site at:

<http://www.ibm.com/investor/events/earnings/1q18.html>



# Overview

1Q18

**\$19.1B**

*Revenue*

**\$2.45**

*Operating EPS*

**\$13.3B**

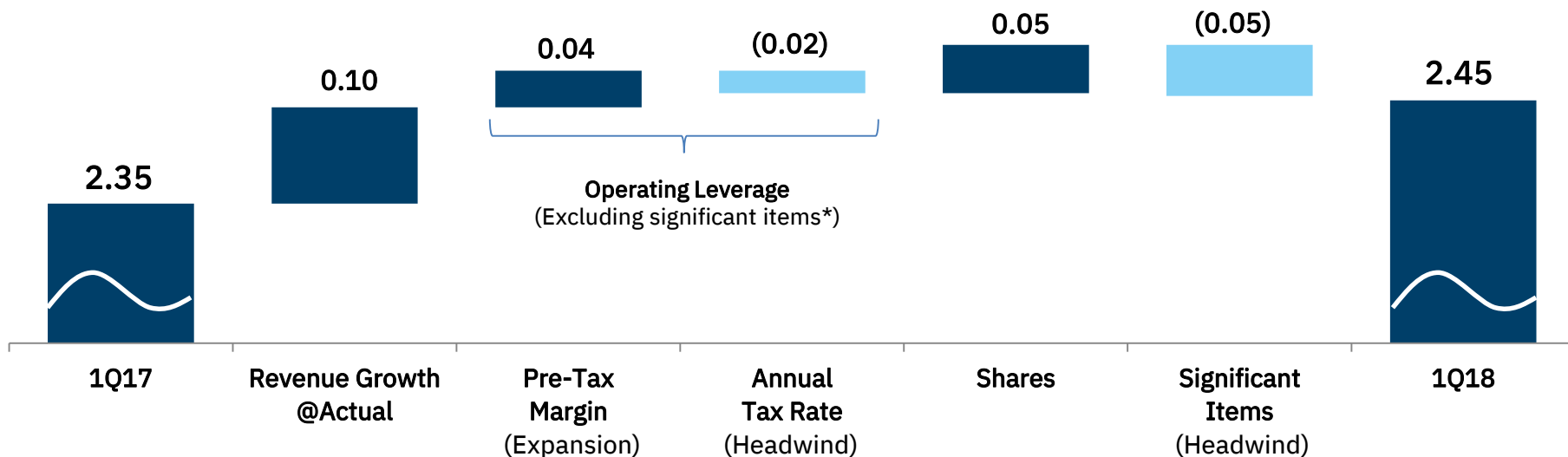
*Free Cash Flow*

*Last 12 Months*

- Revenue up 5% yr/yr; nominal revenue growth at constant currency
  - Strategic imperatives revenue up 15% yr/yr (10% @CC), led by cloud and security
  - Over last twelve months strategic imperatives revenue of \$37.7B; cloud revenue of \$17.7B, up 22%
- Gross margin reflects broad-based improvement in yr/yr performance vs. 4Q17
- Operating earnings per share growth, driven by revenue performance and operating leverage
- Results include actions to continue to reposition the business and tax discrete items
  - Yr/yr headwind to profit and earnings per share growth
- Maintaining full-year expectations for operating earnings per share and free cash flow



# Operating Earnings per Share Drivers – 1Q17 to 1Q18



### Underlying Dynamics:

- Nominal revenue growth @CC
- Gross margin trajectory improving
- Operating PTI margin expansion
- High-single digit operating EPS growth

### Significant Items\*

	1Q18	B/(W) Yr/Yr	EPS Yr/Yr
Actions to continue to reposition business (pre-tax)	(\$613M)	(\$446M)	(\$0.41)
Discrete tax benefits (tax)	\$810M	\$315M	\$0.35

Sum of the components may not add due to the use of rounded numbers



# Key Financial Metrics

P&L Highlights	1Q18	B/(W) Yr/Yr	Yr/Yr Impact of Significant Items
Revenue	\$19.1	Flat	
Expense - Operating	\$6.6	(9%)	(6 pts)
PTI - Operating	\$1.7	(14%)	(21 pts)
NI - Operating	\$2.3	2%	(4 pts)
EPS - Operating	\$2.45	4%	(4 pts)

## P&L Ratios (Operating)

GP Margin	43.7%	(0.7 pts)	(0.4 pts)
Expense E/R	34.6%	(1.4 pts)	(1.9 pts)
PTI Margin	9.1%	(2.1 pts)	(2.3 pts)
Tax Rate	(30.5%)	21.1 pts	22.2 pts
NI Margin	11.9%	(0.3 pts)	(0.4 pts)

Cash Highlights	1Q18	Last 12 Months
Free Cash Flow (excl. GF Receivables)	\$1.3	\$13.3
Share Repurchase (Gross)	\$0.8	\$3.8
Dividends	\$1.4	\$5.6
Cash Balance @ March 31	\$13.2	

- P&L metrics impacted by significant items
- Gross margin yr/yr trajectory improved, driven by mix and productivity led by services
- Expense yr/yr increase driven by currency and actions to continue to reposition the business
- Tax rate in the quarter reflects 16% underlying annual rate

Revenue growth rates @CC, \$ in billions except for EPS  
Yr/Yr Impact of Significant Items included in B/(W) Yr/Yr



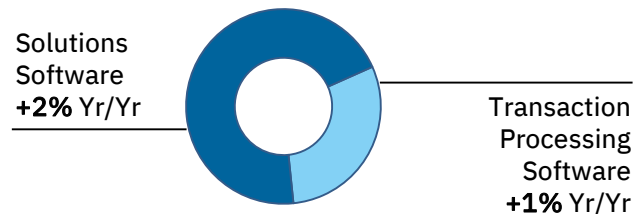
# Cognitive Solutions Segment

Segment Results	1Q18	Yr/Yr	Yr/Yr Impact of Significant Items
Revenue (External)	\$4.3	2%	
PTI	\$1.3	5%	(7 pts)
PTI Margin	26.2%	(0.3 pts)	(1.8 pts)

## Highlights

- Solutions Software growth led by analytics and security
- Transaction Processing Software growth reflects clients' long-term commitment to our platform
- Margin reflects strong transactional performance, mitigated by mix and investment

## Segment Revenue Elements



Strategic Imperatives Revenue within Cognitive Solutions	1Q18	Yr/Yr
Strategic Imperatives	\$2.8	2%
Cloud	\$0.6	4%
as-a-Service annual run rate	\$2.0	



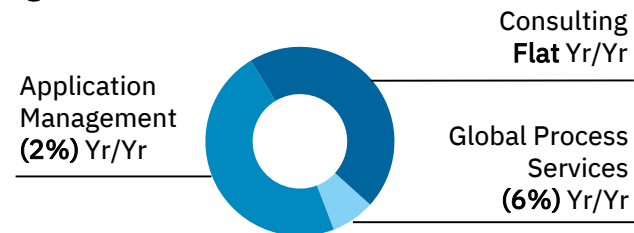
# Global Business Services Segment

Segment Results	1Q18	Yr/Yr	Yr/Yr Impact of Significant Items
Revenue (External)	\$4.2	(1%)	
Gross Margin (External)	23.3%	(0.1 pts)	
PTI	\$0.1	(49%)	(30 pts)
PTI Margin	3.4%	(3.5 pts)	(1.9 pts)

## Highlights

- Modest improvement in yr/yr revenue performance compared to 4Q17
- Third consecutive quarter of growth in Consulting, driven by digital offerings
- Gross margin yr/yr performance improved 2 pts from 4Q17, driven by productivity and revenue mix

## Segment Revenue Elements



Strategic Imperatives Revenue within Global Business Services	1Q18	Yr/Yr
Strategic Imperatives	\$2.5	6%
Cloud	\$1.0	12%
as-a-Service annual run rate	\$1.2	



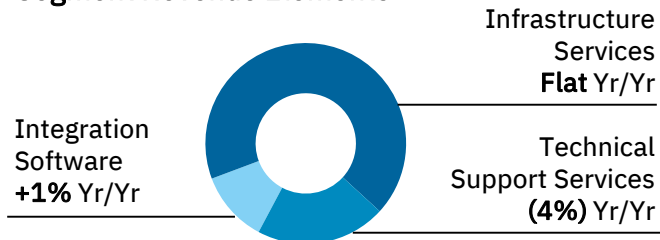
# Technology Services and Cloud Platforms Segment

Segment Results	1Q18	Yr/Yr	Yr/Yr Impact of Significant Items
Revenue (External)	\$8.6	(1%)	
Gross Margin (External)	38.2%	(0.6 pts)	
PTI	\$0.4	(35%)	(28 pts)
PTI Margin	5.0%	(3.1 pts)	(2.0 pts)

## Highlights

- Double-digit growth in Infrastructure Services signings, driven by cloud
- Three point improvement in yr/yr revenue performance compared to 4Q17
- Gross margin yr/yr performance improved 1.4 pts from 4Q17, reflects productivity and scaling

## Segment Revenue Elements



Strategic Imperatives Revenue within Technology Svcs & Cloud Platforms	1Q18	Yr/Yr
Strategic Imperatives	\$3.0	19%
Cloud	\$2.1	20%
as-a-Service annual run rate	\$7.4	





# Systems Segment

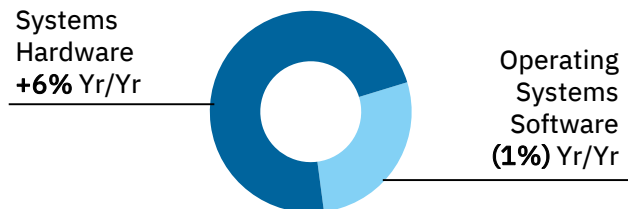
Segment Results	1Q18	Yr/Yr	Yr/Yr Impact of Significant Items
Revenue (External)	\$1.5	4%	
Gross Margin (External)	43.7%	(3.8 pts)	(4.9 pts)
PTI	(\$0.2)	(8%)	(53 pts)
PTI Margin	(12.3%)	(0.2 pts)	(5.3 pts)

## Highlights

- Strong IBM Z performance driven by z14, new workloads growing faster than traditional MIPS
- Power grew for second consecutive quarter
- Storage declined after four consecutive quarters of growth
- Margin dynamics reflect improving mix, mitigated by impact of significant items

Revenue growth rates @CC, \$ in billions except for EPS  
Yr/Yr Impact of Significant Items included in Yr/Yr

## Segment Revenue Elements



Strategic Imperatives Revenue within Systems	1Q18	Yr/Yr
Strategic Imperatives	\$0.7	24%
Cloud	\$0.5	12%



# Cash Flow and Balance Sheet Highlights

Cash Flow	1Q18	Yr/Yr	Last 12 Months
Net Cash from Operations*	\$2.2	\$0.3	\$16.6
Free Cash Flow*	\$1.3	\$0.3	\$13.3
<b>Selected Uses of Cash</b>			
Net Capital Expenditures	\$0.9		\$3.4
Acquisitions	\$0.1		\$0.5
Dividends/Share Repurchase	\$2.2		\$9.4

Balance Sheet	Mar 18	Dec 17	Mar 17
Cash & Marketable Securities***	\$13.2	\$12.8	\$10.9
Total Debt	\$46.4	\$46.8	\$42.8
Global Financing Debt	\$31.7	\$31.4	\$28.5
Global Financing Leverage	9.0	9.0	9.0
Non-GF Debt	\$14.7	\$15.4	\$14.3

- Free cash flow reflects solid working capital performance, mitigated by higher cash taxes and capex
- Free cash flow realization ~120%\*\* over last 12 months

- Positioned to support business over the longer term

\$ in billions

\*Excludes Global Financing receivables

\*\*Adjusted for the charges associated with enactment of U.S. tax reform

\*\*\*Reflects adoption of the FASB guidance on restricted cash, Dec 17 and Mar 17 recast



# Summary

- Differentiated value proposition is driven by innovative technologies, industry expertise, trust and security, delivered through an integrated model
- Revenue up yr/yr, with improved trajectory across several areas
- Gross margin reflects broad-based improvement in yr/yr performance vs. 4Q17
- Continued to invest at a high level while driving productivity in spend base
- Maintaining full-year expectations of at least \$13.80 of operating EPS and \$12 billion of free cash flow





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# Supplemental Materials

- Currency – Impact on Revenue Growth
- Strategic Imperatives Revenue
- Geographic Revenue
- Segment Revenue & Gross Profit
- Additional Revenue & Backlog Information
- Expense Summary
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Non-GAAP Supplemental Materials



# Currency – Impact on Revenue Growth

Quarterly Averages per US \$	1Q18	Yr/Yr	4/16/18 Spot	2Q18	3Q18	4Q18	FY18
Euro	0.81	13%	0.81	11%	5%	5%	9%
Pound	0.72	11%	0.70	11%	9%	7%	9%
Yen	108	5%	107	3%	3%	5%	4%
Revenue Impact, Future @ 4/16/18 Spot		5.0 pts		4 pts	~2 pts	~2 pts	~3 pts
with FX movements @ 1Std Deviation				+/- 2 pts	+/- 3 pts	+/- 4 pts	+/- 2pts
IBM Revenue Impact @ 5 Yr Historical Average FX				~4 pts	~2 pts	1-2 pts	~3 pts

	US\$B	Yr/Yr
Revenue As Reported	\$19.1	5.1%
Currency Impact	\$0.9	5.0 pts
Revenue @ CC	\$18.2	Flat



# Strategic Imperatives Revenue

Strategic Imperatives Revenue	1Q18	Yr/Yr
<b>Total</b>	<b>\$9.0</b>	<b>10%</b>
Analytics	\$4.8	4%
Cloud	\$4.2	14%
<i>aaS annual run rate</i>	<i>\$10.7</i>	<i>20%</i>
Mobile	\$1.2	14%
Security	\$0.8	60%
Social	\$0.2	(22%)

- Strategic Imperatives revenue of \$37.7B over last 12 months, 47% of IBM revenue
- Cloud revenue of \$17.7B over last 12 months, up 22% at actual rates, 22% of IBM revenue
- Double-digit growth in 1Q18, led by strong as-a-Service performance

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud

Supplemental Materials



# Geographic Revenue

<b>Geography Revenue</b>	<b>1Q18</b>	<b>Yr/Yr</b>
Americas	\$8.7	Flat
Europe/ME/Africa	\$6.2	1%
Asia Pacific	\$4.2	Flat

- Americas reflects growth in Canada and Latin America, decline in US (-2%)
- E/ME/A up 1% led by growth in France, Spain and Middle East/Africa; UK, Germany improving though still declined
- Asia Pacific improved yr/yr performance from 4Q17, Japan modest decline (-1%)





# Segment Revenue & Gross Profit

Segment Revenue & Gross Profit Metrics - 1Q18	1Q18	Yr/Yr	1Q18	Yr/Yr
	Revenue		GP%	
<b>Cognitive Solutions</b>	<b>\$4.3</b>	<b>2%</b>	<b>76.3%</b>	<b>(1.0) pts</b>
Solutions Software	\$3.0	2%		
Transaction Processing Software	\$1.3	1%		
<b>Global Business Services</b>	<b>\$4.2</b>	<b>(1%)</b>	<b>23.3%</b>	<b>(0.1) pts</b>
Consulting	\$1.9	Flat		
Global Process Services	\$0.3	(6%)		
Application Management	\$2.0	(2%)		
<b>Technology Services &amp; Cloud Platforms</b>	<b>\$8.6</b>	<b>(1%)</b>	<b>38.2%</b>	<b>(0.6) pts</b>
<i>Global Technology Services</i>	\$7.6	(1%)	32.6%	(0.8) pts
Infrastructure Services	\$5.8	Flat		
Technical Support Services	\$1.8	(4%)		
Integration Software	\$1.0	1%	80.0%	0.7 pts
<b>Systems</b>	<b>\$1.5</b>	<b>4%</b>	<b>43.7%</b>	<b>(3.8) pts</b>
Systems Hardware	\$1.1	6%	28.5%	(3.4) pts
Operating Systems Software	\$0.4	(1%)	84.3%	(2.6) pts
<b>Global Financing</b>	<b>\$0.4</b>	<b>(4%)</b>	<b>34.4%</b>	<b>2.6 pts</b>

Revenue growth rates @CC, \$ in billions

Supplemental Materials



# Additional Revenue & Backlog Information

	1Q18	Yr/Yr
<b>Systems Hardware Revenue</b>	<b>\$1.1</b>	<b>6%</b>
IBM Z		54%
Power		3%
Storage		(15%)

	1Q18	Yr/Yr
<b>Signings</b>	<b>\$9.3</b>	<b>10%</b>
<b>Services Backlog</b>	<b>\$121</b>	<b>(2%)</b>
Backlog Yr/Yr@Actual		4%

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



# Expense Summary

Expense Metrics	1Q18	B/(W)	Currency	Acq.*	Base**
		Yr/Yr			
SG&A – Operating	\$5.3	(9%)	(4 pts)	0 pts	(5 pts)
RD&E – Operating	\$1.4	5%	(2 pts)	0 pts	8 pts
IP and Custom Development Income	(\$0.3)	(29%)			
Other (Income)/Expense	\$0.0	NM			
Interest Expense	\$0.2	(22%)			
<b>Operating Expense &amp; Other Income</b>	<b>\$6.6</b>	<b>(9%)</b>	<b>(5 pts)</b>	<b>0 pts</b>	<b>(5 pts)</b>
Yr/Yr Impact of Significant Items		(6 pts)			

- Expense yr/yr increase driven by currency, higher level workforce transformation charge (up ~\$375M yr/yr) and lower level of IP income (down ~ \$130M yr/yr)

\$ in billions

\*includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

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

Supplemental Materials



# Balance Sheet Summary

	Mar 18	Dec 17	Mar 17
Cash & Marketable Securities*	\$13.2	\$12.8	\$10.9
Non-GF Assets*, **	\$75.6	\$74.2	\$74.6
Global Financing Assets*	\$36.6	\$38.3	\$32.0
Total Assets	\$125.3	\$125.4	\$117.5
Other Liabilities	\$60.6	\$60.8	\$56.3
Non-GF Debt**	\$14.7	\$15.4	\$14.3
Global Financing Debt	\$31.7	\$31.4	\$28.5
Total Debt	\$46.4	\$46.8	\$42.8
Total Liabilities	\$107.0	\$107.6	\$99.0
Equity	\$18.3	\$17.7	\$18.4
Global Financing Leverage	9.0	9.0	9.0

\$ in billions

\*Reflects adoption of the FASB guidance on restricted cash, Dec 17 and Mar 17 recast

\*\*includes eliminations of inter-company activity

Supplemental Materials



# Cash Flow Summary

	1Q18	B/(W) Yr/Yr	FY17
Net Cash from Operations	\$4.6	\$0.6	\$16.7
Less: Global Financing Receivables	\$2.4	\$0.3	\$0.4
<b>Net Cash from Operations (excluding GF Receivables)</b>	<b>\$2.2</b>	<b>\$0.3</b>	<b>\$16.3</b>
Net Capital Expenditures	(\$0.9)	(\$0.1)	(\$3.3)
<b>Free Cash Flow (excluding GF Receivables)</b>	<b>\$1.3</b>	<b>\$0.3</b>	<b>\$13.0</b>
Acquisitions	(\$0.1)	\$0.0	(\$0.5)
Divestitures	\$0.0	\$0.0	(\$0.2)
Dividends	(\$1.4)	(\$0.1)	(\$5.5)
Share Repurchases (Gross)	(\$0.8)	\$0.5	(\$4.3)
Non-GF Debt	(\$0.5)	(\$0.8)	\$1.1
Other (includes GF Net A/R & GF Debt)*	\$1.7	(\$1.8)	\$0.6
Change in Cash & Marketable Securities*	\$0.3	(\$1.8)	\$4.1

\$ in billions

\*Reflects adoption of the FASB guidance on restricted cash, FY17 recast

Supplemental Materials



# Cash Flow (ASC 230)

	1Q18	1Q17
<b>Net Income from Operations</b>	<b>\$1.7</b>	<b>\$1.8</b>
Depreciation / Amortization of Intangibles	\$1.1	\$1.1
Stock-based Compensation	\$0.1	\$0.1
Working Capital / Other	(\$0.7)	(\$1.1)
Global Financing A/R	\$2.4	\$2.0
<b>Net Cash provided by Operating Activities</b>	<b>\$4.6</b>	<b>\$4.0</b>
Capital Expenditures, net of payments & proceeds	(\$0.9)	(\$0.8)
Divestitures, net of cash transferred	\$0.0	(\$0.0)
Acquisitions, net of cash acquired	(\$0.1)	(\$0.1)
Marketable Securities / Other Investments, net*	(\$0.8)	\$1.2
<b>Net Cash used in Investing Activities*</b>	<b>(\$1.8)</b>	<b>\$0.3</b>
Debt, net of payments & proceeds	(\$0.7)	\$0.5
Dividends	(\$1.4)	(\$1.3)
Common Stock Repurchases	(\$0.8)	(\$1.3)
Common Stock Transactions - Other	(\$0.0)	\$0.0
<b>Net Cash used in Financing Activities</b>	<b>(\$2.9)</b>	<b>(\$2.1)</b>
Effect of Exchange Rate changes on Cash	\$0.1	\$0.1
<b>Net Change in Cash &amp; Cash Equivalents*</b>	<b>\$0.0</b>	<b>\$2.2</b>

\$ in billions

\*Reflects adoption of the FASB guidance on restricted cash, 1Q17 recast

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Operating Earnings Per Share

	2018 Expectations
GAAP Diluted EPS	at least \$11.58
Operating EPS (Non-GAAP)	at least \$13.80
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Adjustments	
Acquisition-Related Charges*	\$0.78
Non-Operating Retirement-Related Items	\$1.32
Tax Reform One-time Charge Adjustment	\$0.12

\*Includes acquisitions as of March 31, 2018

The above reconciles the Non-GAAP financial information contained in the “Summary” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 1Q 2018

	1Q18 Yr/Yr	
	GAAP	@CC
Americas	Flat	Flat
Europe/ME/Africa	14%	1%
Asia Pacific	5%	Flat
U.S.	(2%)	(2%)
Japan	4%	(1%)
UK	10%	(2%)
Germany	12%	(3%)

The above reconciles the Non-GAAP financial information contained in the “Geographic Revenue” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.





# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 1Q 2018

	1Q18 Yr/Yr	
	GAAP	@CC
Strategic Imperatives	15%	10%
Analytics	9%	4%
Cloud	20%	14%
<i>aaS annual run rate</i>	25%	20%
Mobile	19%	14%
Security	65%	60%
Social	(18%)	(22%)

The above reconciles the Non-GAAP financial information contained in the “Strategic Imperatives Revenue” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 1Q 2018

	1Q18 Yr/Yr	
	GAAP	@CC
<b>Cognitive Solutions</b>	<b>6%</b>	<b>2%</b>
Solutions Software	6%	2%
Transaction Processing Software	6%	1%
Strategic Imperatives	6%	2%
Cloud	6%	4%
<b>Global Business Services</b>	<b>4%</b>	<b>(1%)</b>
Consulting	6%	Flat
Global Process Services	(3%)	(6%)
Application Management	4%	(2%)
Strategic Imperatives	12%	6%
Cloud	19%	12%

	1Q18 Yr/Yr	
	GAAP	@CC
<b>Tech Svcs &amp; Cloud Platforms</b>	<b>5%</b>	<b>(1%)</b>
Global Technology Services	5%	(1%)
Infrastructure Services	6%	Flat
Technical Support Services	1%	(4%)
Integration Software	5%	1%
Strategic Imperatives	24%	19%
Cloud	26%	20%
<b>Systems</b>	<b>8%</b>	<b>4%</b>
Systems Hardware	9%	6%
z Systems	59%	54%
Power	6%	3%
Storage	(12%)	(15%)
Operating Systems Software	3%	(1%)
Strategic Imperatives	28%	24%
Cloud	16%	12%
<b>Global Financing</b>	<b>Flat</b>	<b>(4%)</b>

The above reconciles the Non-GAAP financial information contained in the “Segment Revenue & Gross Profit”, “Additional Revenue & Backlog Information”, “Cognitive Solutions Segment”, “Global Business Services Segment”, “Technology Services & Cloud Platforms Segment”, and “Systems Segment” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Expense Summary - 1Q 2018

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
<b>SG&amp;A</b>			
Currency	(4 pts)	0 pts	(4 pts)
Acquisitions	0 pts	0 pts	0 pts
Base *	(4 pts)	(1 pts)	(5 pts)
<b>RD&amp;E</b>			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions	0 pts	0 pts	0 pts
Base *	8 pts	0 pts	8 pts
<b>Operating Expense &amp; Other Income</b>			
Currency	(5 pts)	0 pts	(5 pts)
Acquisitions	0 pts	0 pts	0 pts
Base*	(4 pts)	0 pts	(5 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 April 17, 2018 for additional information on the use of these Non-GAAP financial measures.

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

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Free Cash Flow-Last 12 Months

	12 Months Ended Mar 2018
<b>Net Cash from Operating Activities per GAAP:</b>	<b>\$17.4</b>
Less: the change in Global Financing (GF) Receivables	\$0.7
<b>Net Cash from Operating Activities (Excluding GF Receivables)</b>	<b>\$16.6</b>
Capital Expenditures, Net	\$3.4
<b>Free Cash Flow (Excluding GF Receivables)</b>	<b>\$13.3</b>

\$ in billions

The above reconciles the Non-GAAP financial information contained in the “Overview”, “Key Financial Metrics” and “Cash Flow and Balance Sheet Highlights” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Free Cash Flow Realization-Last 12 Months

	LTM	LTM Excluding Tax Reform*
Free Cash Flow Realization	233%	~120%

The above reconciles the Non-GAAP financial information contained in the “Cash Flow and Balance Sheet Highlights” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated April 17, 2018 for additional information on the use of these Non-GAAP financial measures.

\* Adjusted for the charges associated with enactment of U.S. tax reform





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