

# IBM 1Q 2021 Earnings

April 19, 2021  
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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 website, 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 year to year change in revenue for Red Hat and Cloud & Data Platforms normalized for historical comparability, revenue adjusting for divested businesses and currency, operating earnings, other "operating" financial measures, including free cash flow, adjusted 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 submitted to the SEC on April 19, 2021. 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 submitted to the SEC on April 19, 2021. For other related information please visit the Company's investor relations website at:

<https://www.ibm.com/investor/events/earnings-1q21>

# Arvind Krishna

Chairman and Chief Executive Officer



# James Kavanaugh

Senior Vice President  
and Chief Financial Officer



# CEO Perspective

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“Strong performance this quarter in cloud, driven by increasing client adoption of our hybrid cloud platform and growth in software and consulting enabled us to get off to a solid start for the year.

We are confident we can achieve full-year revenue growth and meet our adjusted free cash flow target in 2021.”

- Arvind Krishna, IBM Chairman and CEO



1Q21 Progress



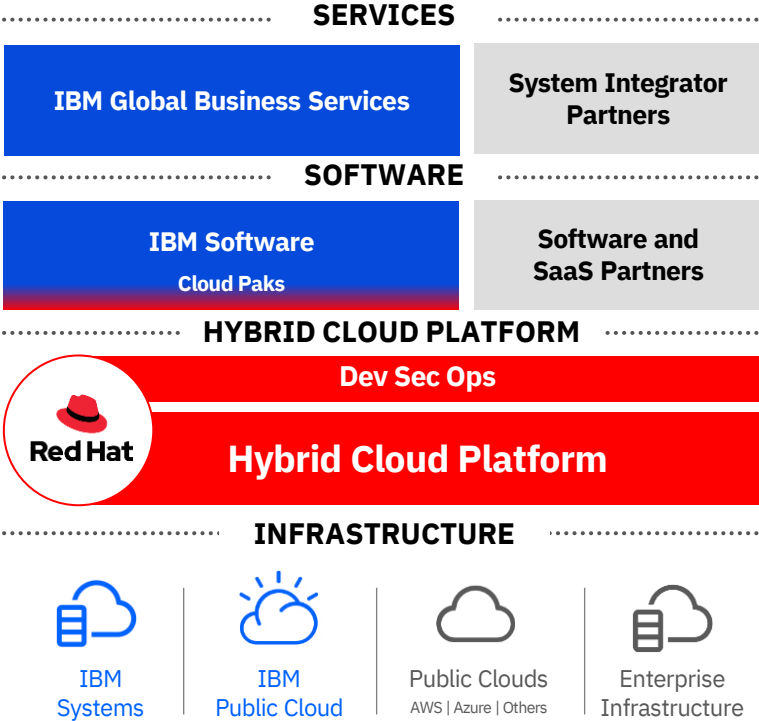
Hybrid Cloud and AI Strategy



Clients, Ecosystems and Innovation

# IBM's Hybrid Cloud & AI Strategy

## Our Platform Approach



 **Accelerating client adoption of hybrid cloud & AI**

 **Expanding partner ecosystem**

 **Delivering innovation**

 **Executing actions to drive change**

# Financial Highlights

1Q21 .....

**\$17.7B**

Revenue

**\$11.6B**

Free Cash Flow,  
Adjusted (LTM)

“In the first quarter we continued to improve the fundamentals of our business model.

With strong cash generation and disciplined financial management, we increased investments in our hybrid cloud and AI capabilities, while significantly deleveraging in the quarter and supporting our commitment to a secure and growing dividend.”

– James Kavanaugh, IBM SVP and CFO

Cloud growth @CC excludes impact of divested businesses; Cash includes marketable securities; Adjusted FCF excludes cash impacts related to structural actions initiated in 4Q20 and spin-off related costs



## Progress in Revenue Growth

**18%**

Cloud revenue growth

**Software & Consulting**

returned to growth



## Improving Business Model Fundamentals

**>110 bps**

Gross margin expansion

**+\$0.8B**

Adjusted FCF growth



## Strong Balance Sheet & Liquidity

**\$11B**

Cash balance

**\$5B**

Debt reduction

# Cloud & Cognitive Software

Cloud & Data Platforms grew double-digit rate on strength in Red Hat and Cloud Paks

~3000 hybrid cloud platform clients

Growth in Cognitive Applications led by Security software and services

Transaction Processing Platforms impacted by client buying behaviors

Revenue

**\$5.4B**

1% yr/yr

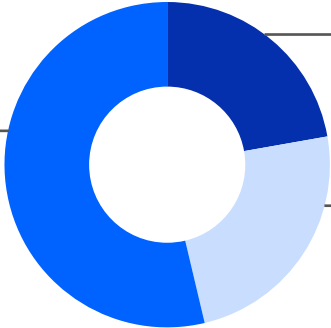
C&CS Cloud Revenue Growth

**+34%**

yr/yr

Segment Elements

Cloud & Data Platforms  
**+10% yr/yr**



Cognitive Applications  
**+2% yr/yr**

Transaction Processing Platforms  
**(15%) yr/yr**

# Global Business Services

Cloud revenue growth up 28% yr/yr

Consulting returns to growth driven by ecosystem and cloud offerings

Accelerating Red Hat engagements

Expanding gross margin, while continuing to invest

## Revenue

**\$4.2B**

(1%) yr/yr

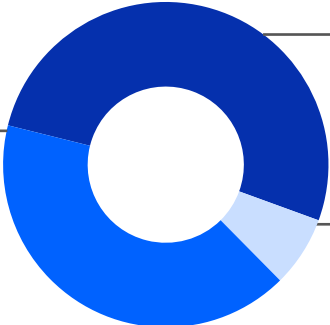
## Gross Margin Expansion

**+100 bps**

yr/yr

## Segment Elements

Application Management  
(8%) yr/yr



Consulting  
**+2% yr/yr**

Global Process Services  
**+19% yr/yr**



# Systems

IBM Z reflects demand for secure, scalable and reliable platform

Storage and Power performance reflects product cycle dynamics

Strong gross margin performance, +430 basis points yr/yr

## Revenue

**\$1.4B**

+2% yr/yr

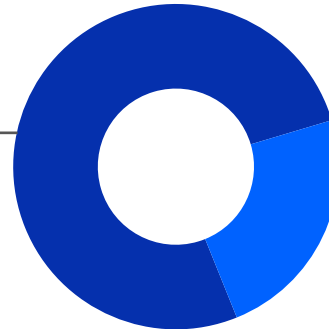
## IBM Z Revenue Growth

**+49%**

yr/yr

## Segment Elements

Systems Hardware  
**+10% yr/yr**



Operating  
Systems  
Software  
**((18%) yr/yr)**

# Global Technology Services

Continued renewals and new client additions

Improving revenue trajectory driven by increased client volumes and projects

Gross margin expansion reflects recent actions

Managed infrastructure services separation remains on track for end of 2021

Revenue

**\$6.4B**

(5%) yr/yr

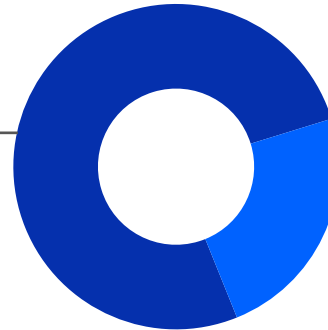
Gross Margin Expansion

**+60 bps**

yr/yr

Segment Elements

Infrastructure &  
Cloud Services  
(5%) yr/yr



Technology  
Support  
Services  
(5%) yr/yr

# Summary

## Accelerating IBM's Performance

Focus on hybrid cloud and AI strategy

Progress in revenue trajectory and business model fundamentals

Executing actions to accelerate change

Maintaining expectations for full-year 2021

- Revenue growth based on mid-April spot rates
- Adjusted free cash flow\* of \$11-12 billion

\*Adjusted FCF excludes cash impacts of ~\$3B in 2021 from structural actions initiated in 4Q20 and transaction costs associated with the separation of managed infrastructure services business



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# Supplemental Materials

- Revenue and P&L Highlights
- Cash Flow and Balance Sheet Highlights
- Currency – Impact on Revenue Growth
- Services Segments Details
- Software and Systems Segment Details
- Expense Summary
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Non-GAAP Supplemental Materials

Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

# Revenue and P&L Highlights

<b>Revenue Highlights</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr*</b>
Revenue	\$17.7	(2%)
Cloud	\$6.5	18%

<b>Geography Revenue</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr*</b>
Americas	\$8.2	Flat
Europe/ME/Africa	\$5.6	(5%)
Asia Pacific	\$3.9	(4%)

<b>Operating P&amp;L Highlights \$</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>
Gross Profit	\$8.4	3%
Expense	\$6.6	11%**
Pre-Tax Income	\$1.8	158%**
Net Income	\$1.6	(3%)
Earnings Per Share	\$1.77	(4%)

<b>Operating P&amp;L Highlights %</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>
Gross Profit Margin	47.3%	1.1 pts
Expense E/R	37.3%	5.0 pts**
Pre-Tax Income Margin	10.0%	6.1 pts**
Net Income Margin	9.0%	(0.4 pts)
Tax Rate	10.1%	(150 pts)

Revenue growth rates @CC, \$ in billions

\*Yr/Yr excludes impact of divested businesses

\*\*Yr/Yr reflects impact of (\$0.15B) workforce rebalancing charges in 1Q21 and (\$0.9B) workforce rebalancing and one-time charges in 1Q20

# Cash Flow and Balance Sheet Highlights

<b>Cash Flow</b>	<b>1Q21</b>	<b>Yr/Yr</b>	<b>LTM</b>	<b>Balance Sheet</b>	<b>Mar 21</b>	<b>Dec 20</b>	<b>Mar 20</b>
Net Cash from Operations*	\$2.1	(\$0.0)	\$13.8	Cash & Marketable Securities	\$11.3	\$14.3	\$12.0
Adjusted Free Cash Flow**	\$2.2	\$0.8	\$11.6	Total Debt	\$56.4	\$61.5	\$64.3
<b>Selected Uses of Cash</b>				<b>Selected Debt Measures</b>			
Net Capital Expenditures	\$0.5		\$2.8	Global Financing Debt	\$18.3	\$21.2	\$22.3
Acquisitions	\$1.1		\$1.4	Core (non-GF) Debt	\$38.1	\$40.4	\$42.1
Dividends/Share Repurchase	\$1.5		\$5.8				

\$ in billions

\*Non-GAAP metrics; excludes financing receivables

\*\*Non-GAAP metrics; excludes cash impacts incurred in the period related to structural actions initiated in 4Q20 and spin-off related costs

# Currency – Impact on Revenue Growth

<b>Quarterly Averages per US \$</b>	<b>1Q21</b>	<b>Yr/Yr</b>	<b>4/16/2021 Spot</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>FY21</b>
Euro	0.83	9%	0.83	8%	2%	0%	5%
Pound	0.73	7%	0.72	10%	6%	4%	7%
Yen	106	3%	109	(1%)	(3%)	(4%)	(1%)
Revenue Impact, Future @ 4/16/21 Spot		3 pts		~3 pts	~1 pts	(1)-0 pts	1-2 pts
<i>Prior View @ 1/20/21 Spot</i>		3-4 pts		~4 pts	1-2 pts	0-1 pts	~2 pts
	US\$B	Yr/Yr					
Revenue As Reported	\$17.7	1%					
Currency Impact	\$0.6	3 pts					
Revenue @CC		(2%)					



# Services Segments Details

<b>GBS Segment</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>	<b>GTS Segment</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>
Revenue (External)	\$4.2	(1%)	Revenue (External)	\$6.4	(5%)
Consulting	\$2.2	2%	Infrastructure & Cloud Services	\$4.9	(5%)
Application Management	\$1.8	(8%)	Technology Support Services	\$1.5	(5%)
Global Process Services	\$0.3	19%	Gross Profit Margin (External)	34.5%	0.6 pts
Gross Profit Margin (External)	28.2%	1.0 pts	Pre-Tax Income	\$0.1	179%
Pre-Tax Income	\$0.4	44%	<i>impact of structural actions/charges</i>	(\$0.1)	190 pts
<i>impact of structural actions/charges</i>	(\$0.0)	37 pts	Pre-Tax Income Margin	2.1%	4.7 pts
Pre-Tax Income Margin	9.1%	2.6 pts	<i>impact of structural actions/charges</i>	(1 pts)	5 pts
<i>impact of structural actions/charges</i>	(1 pts)	2 pts	Cloud Revenue (External)	\$2.4	2%
Cloud Revenue (External)	\$1.7	28%			
					<b>B/(W)</b>
			<b>Services Signings &amp; Backlog</b>	<b>1Q21</b>	<b>Yr/Yr</b>
			Signings	\$6.7	(27%)
			Backlog	\$104.8	(7%)
			Backlog Yr/Yr @Actual		(3%)

Revenue & Signings growth rates @CC, \$ in billions, Services Backlog calculated using March 31 currency spot rates, Signings & Backlog includes Security Services

# Software and Systems Segment Details

<b>Cloud &amp; Cognitive Software Segment</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>	<b>Systems Segment</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>
Revenue (External)	\$5.4	1%	Revenue (External)	\$1.4	2%
Cloud & Data Platforms	\$2.9	10%	Systems Hardware	\$1.1	10%
Cognitive Applications	\$1.2	2%	IBM Z		49%
Transaction Processing Platforms	\$1.3	(15%)	Power		(13%)
Pre-Tax Income	\$1.4	53%	Storage		(14%)
<i>impact of structural actions/charges</i>	(\$0.0)	27 pts	Operating Systems Software	\$0.3	(18%)
Pre-Tax Income Margin	22.8%	7.4 pts	Gross Profit Margin (External)	54.5%	4.3 pts
<i>impact of structural actions/charges</i>	(0 pts)	3 pts	Systems Hardware	47.4%	9.3 pts
Cloud Revenue (External)	\$1.8	34%	Operating Systems Software	79.8%	(3.1 pts)
			Pre-Tax Income	(\$0.0)	99%
			<i>impact of structural actions/charges</i>	(\$0.0)	NM
			Pre-Tax Income Margin	(0.1%)	14.2 pts
			<i>impact of structural actions/charges</i>	(1 pts)	3 pts
			Cloud Revenue (External)	\$0.5	21%

Revenue growth rates @CC, \$ in billions

Supplemental Materials



# Expense Summary

<b>Expense</b>	<b>1Q21</b>	<b>B/(W) Yr/Yr</b>	<b>Currency</b>	<b>Acq/ Divest**</b>	<b>Base***</b>
SG&A – Operating	\$4.8	15%	(2 pts)	0 pts	17 pts
<i>impact of structural actions/charges*</i>	<i>\$0.1</i>	<i>12 pts</i>			<i>12 pts</i>
RD&E	\$1.6	(0%)	(2 pts)	0 pts	2 pts
IP and Custom Development Income	(\$0.1)	26%			
Other (Income)/Expense - Operating	\$0.0	NM			
Interest Expense	\$0.3	14%			
<b>Operating Expense &amp; Other Income</b>	<b>\$6.6</b>	<b>11%</b>	<b>(2 pts)</b>	<b>(1 pts)</b>	<b>14 pts</b>
<i>impact of structural actions/charges*</i>	<i>\$0.1</i>	<i>10 pts</i>			<i>10 pts</i>

\$ in billions

\*impact includes (\$0.15B) workforce rebalancing charges in 1Q21 and (\$0.9B) workforce rebalancing and one-time charges in 1Q20

\*\*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

# Balance Sheet Summary

	<b>Mar 21</b>	<b>Dec 20</b>	<b>Mar 20</b>
Cash & Marketable Securities	\$11.3	\$14.3	\$12.0
Core (non-GF) Assets*	\$117.1	\$118.5	\$116.4
Global Financing Assets	\$20.2	\$23.2	\$24.9
Total Assets	\$148.6	\$156.0	\$153.4
Other Liabilities	\$70.7	\$73.7	\$68.9
Core (non-GF) Debt*	\$38.1	\$40.4	\$42.1
Global Financing Debt	\$18.3	\$21.2	\$22.3
Total Debt	\$56.4	\$61.5	\$64.3
Total Liabilities	\$127.1	\$135.2	\$133.3
Equity	\$21.5	\$20.7	\$20.1

\$ in billions

\*includes eliminations of inter-company activity

# Cash Flow Summary

	1Q21	B/(W) Yr/Yr
<b>Net Cash from Operations</b>	<b>\$4.9</b>	<b>\$0.4</b>
Less: Global Financing Receivables	\$2.9	\$0.5
<b>Net Cash from Operations (excluding GF Receivables)</b>	<b>\$2.1</b>	<b>(\$0.0)</b>
Net Capital Expenditures	(\$0.5)	\$0.2
<b>Free Cash Flow (excluding GF Receivables)</b>	<b>\$1.5</b>	<b>\$0.2</b>
Structural actions initiated in 4Q20 & spin-off charges*	\$0.6	\$0.6
<b>Adjusted Free Cash Flow</b>	<b>\$2.2</b>	<b>\$0.8</b>
<b>Free Cash Flow (excluding GF Receivables)</b>	<b>\$1.5</b>	<b>\$0.2</b>
Acquisitions	(\$1.1)	(\$1.1)
Divestitures	(\$0.0)	(\$0.0)
Dividends	(\$1.5)	(\$0.0)
Non-GF Debt	(\$1.7)	(\$5.2)
Other (includes GF Net A/R & GF Debt)	(\$0.2)	\$0.2
<b>Change in Cash &amp; Marketable Securities</b>	<b>(\$3.0)</b>	<b>(\$6.0)</b>

\$ in billions

\*includes cash impacts incurred in the period related to structural actions initiated in 4Q20 and spin-off related costs

# Cash Flow (ASC 230)

	QTD 1Q21	QTD 1Q20
<b>Net Income from Operations</b>	<b>\$1.0</b>	<b>\$1.2</b>
Depreciation / Amortization of Intangibles	\$1.7	\$1.6
Stock-based Compensation	\$0.2	\$0.2
Working Capital / Other	(\$0.8)	(\$0.9)
Global Financing A/R	\$2.9	\$2.4
<b>Net Cash provided by Operating Activities</b>	<b>\$4.9</b>	<b>\$4.5</b>
Capital Expenditures, net of payments & proceeds	(\$0.5)	(\$0.7)
Divestitures, net of cash transferred	(\$0.0)	\$0.0
Acquisitions, net of cash acquired	(\$1.1)	(\$0.0)
Marketable Securities / Other Investments, net	(\$0.3)	(\$0.2)
<b>Net Cash provided by/(used in) Investing Activities</b>	<b>(\$2.0)</b>	<b>(\$0.9)</b>
Debt, net of payments & proceeds	(\$4.3)	\$1.4
Dividends	(\$1.5)	(\$1.4)
Common Stock Repurchases	-	-
Common Stock Transactions - Other	(\$0.0)	(\$0.0)
<b>Net Cash provided by/(used in) Financing Activities</b>	<b>(\$5.8)</b>	<b>(\$0.1)</b>
Effect of Exchange Rate changes on Cash	(\$0.1)	(\$0.4)
<b>Net Change in Cash, Cash Equivalents &amp; Restricted Cash</b>	<b>(\$3.0)</b>	<b>\$3.1</b>

\$ in billions

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance - 1Q 2021

	1Q21 Yr/Yr	
	GAAP	@CC
<b>Cloud &amp; Cognitive Software</b>	<b>4%</b>	<b>1%</b>
Cloud & Data Platforms	13%	10%
Cognitive Applications	4%	2%
Transaction Processing Platforms	(12%)	(15%)
Cloud	38%	34%
<b>Global Business Services</b>	<b>2%</b>	<b>(1%)</b>
Consulting	6%	2%
Application Management	(4%)	(8%)
Global Process Services	22%	19%
Cloud	33%	28%

	1Q21 Yr/Yr	
	GAAP	@CC
<b>Global Technology Services</b>	<b>(1%)</b>	<b>(5%)</b>
Infrastructure & Cloud Services	(1%)	(5%)
Technology Support Services	(2%)	(5%)
Cloud	6%	2%
<b>Systems</b>	<b>4%</b>	<b>2%</b>
Systems Hardware	12%	10%
IBM Z	50%	49%
Power	(10%)	(13%)
Storage	(12%)	(14%)
Operating Systems Software	(16%)	(18%)
Cloud	23%	21%

The above reconciles the Non-GAAP financial information contained in the “Cloud & Cognitive Software”, “Global Business Services”, “Global Technology Services”, “Systems”, “Services Segments Details”, “Software and Systems Segment Details”, and “Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 19, 2021 for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance - 1Q 2021

	1Q21 Yr/Yr			
	GAAP	Divest impact	Currency impact	Adjusted
Total Revenue	1%	0 pts	(3 pts)	(2%)
Americas	0%	0 pts	0 pts	0%
Europe/ME/Africa	2%	0 pts	(8 pts)	(5%)
Asia Pacific	1%	0 pts	(4 pts)	(4%)
Total Cloud	21%	0 pts	(4 pts)	18%

The above reconciles the Non-GAAP financial information contained in the “Financial Highlights”, “Revenue and P&L Highlights”, and “Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 19, 2021 for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue for Red Hat and Cloud & Data Platforms - 1Q 2021

	1Q21 Yr/Yr	
	Red Hat	Cloud & Data Platforms
<b>Revenue, Normalized for Historical Comparability</b>		
<b>Revenue GAAP growth rate<sup>*</sup></b>	<b>53%</b>	<b>13%</b>
Impact from purchase accounting deferred revenue and intercompany adjustments <sup>**</sup>	(35 pts)	(8 pts)
<b>Revenue growth rate, normalized for historical comparability (non-GAAP)</b>	<b>17%</b>	<b>5%</b>
Impact from currency	(3 pts)	(3 pts)
<b>Revenue growth rate, normalized for historical comparability and adjusting for currency (non-GAAP)</b>	<b>15%</b>	<b>2%</b>

\*Represents change in GAAP revenue as reported by IBM. Red Hat is included in Cloud & Data Platforms, both are included the Cloud & Cognitive Software segment

\*\*Represents change in the first-quarter 2021 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 “Prepared Remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 19, 2021 for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Expense Summary - 1Q 2021

	1Q21		
	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
<b>SG&amp;A</b>			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions/Divestitures	0 pts	0 pts	0 pts
Base*	15 pts	2 pts	17 pts
<b>RD&amp;E</b>			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions/Divestitures	0 pts	0 pts	0 pts
Base*	2 pts	0 pts	2 pts
<b>Operating Expense &amp; Other Income</b>			
Currency	(3 pts)	0 pts	(2 pts)
Acquisitions/Divestitures	(1 pts)	0 pts	(1 pts)
Base*	12 pts	3 pts	14 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 19, 2021 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 Continuing Operations - 1Q 2021

	1Q21					
	GAAP	Acquisition- Related Adjustments	Retirement- Related Adjustments	Tax Reform Impacts	Spin-off- Related Charges	Adjusted
Gross Profit	\$8,204	\$175	—	—	\$3	\$8,382
Gross Profit Margin	46.3%	1.0 pts	—	—	0.0 pts	47.3%
SG&A	5,174	(293)	—	—	(58)	4,823
Other (Income) & Expense	362	(1)	(343)	—	—	18
Total Expense	7,299	(294)	(343)	—	(58)	6,604
Pre-tax Income	905	469	343	—	61	1,777
Pre-tax Income Margin	5.1%	2.6 pts	1.9 pts	—	0.3 pts	10.0%
Tax Rate	(5.6%)	9.0 pts	4.5 pts	1.1 pts	1.0 pts	10.1%
Net Income	956	335	282	(19)	46	1,599
Net Income Margin	5.4%	1.9 pts	1.6 pts	(0.1 pts)	0.3 pts	9.0%
Earnings Per Share	\$1.06	\$0.37	\$0.31	(\$0.02)	\$0.05	\$1.77

\$ in millions (except EPS which is in whole dollars)

The above reconciles the Non-GAAP financial information contained in the “Financial Highlights”, “Revenue and P&L Highlights”, “Expense Summary” and “Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 19, 2021 for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Free Cash Flow - Last 12 Months

**12 Months  
Ended  
Mar 2021**

<b>Net Cash from Operating Activities per GAAP:</b>	<b>\$18.6</b>
Less: change in Global Financing (GF) Receivables	\$4.8
<b>Net Cash from Operating Activities (Excluding GF Receivables)</b>	<b>\$13.8</b>
Capital Expenditures, Net	(\$2.8)
<b>Free Cash Flow (Excluding GF Receivables)</b>	<b>\$11.0</b>
Structural actions initiated in 4Q20 & spin-off charges*	\$0.7
<b>Adjusted Free Cash Flow</b>	<b>\$11.6</b>

\$ in billions

\*includes cash impacts incurred in the period related to structural actions initiated in 4Q20 and spin-off related costs

The above reconciles the Non-GAAP financial information contained in the “Financial Highlights”, “Cash Flow and Balance Sheet Highlights”, “Cash Flow Summary” and “Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 19, 2021 for additional information on the use of these Non-GAAP financial measures.



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