

# IBM 2Q 2018 Earnings

July 18, 2018

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# Forward Looking Statements and Non-GAAP Information

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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 July 18, 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/2q18.html>



# Overview

2Q18

**\$20.0B**

*Revenue*

**\$3.08**

*Operating EPS*

**\$12.6B**

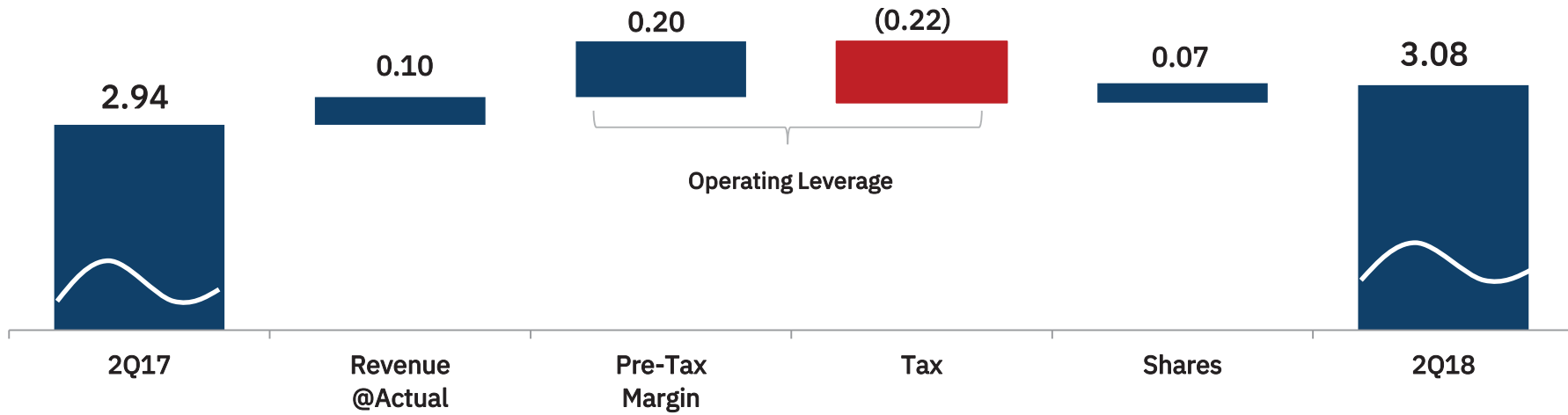
*Free Cash Flow*

*Last 12 Months*

- Revenue up 4% yr/yr, up 2% at constant currency
  - Strategic imperatives revenue growth accelerated to 13% @cc, led by cloud and security
  - Cloud driven by as-a-Service growth of 24% @cc; total cloud revenue now \$18.5B over last 12 months
- Strong profit performance and operating leverage
  - Operating pre-tax profit up 11%, operating pre-tax margin up 110 basis points
  - Pre-tax profit growth driven by gross profit and expense efficiencies
- Clients value IBM's innovative technology + industry expertise + trust and security
- Maintaining full-year expectations for operating earnings per share and free cash flow



# Operating Earnings per Share Drivers – 2Q17 to 2Q18



- Growth in revenue, operating gross profit, pre-tax income
- Solid pre-tax operating leverage
- Significant tax headwind driven by 2Q17 discrete tax benefit
- Mid-single digit EPS growth

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



# Key Financial Metrics

<b>P&amp;L Highlights</b>	2Q18	B/(W) Yr/Yr
Revenue	\$20.0	2%
GP - Operating	\$9.3	2%
Expense - Operating	\$5.9	2%
PTI - Operating	\$3.4	11%
NI - Operating	\$2.8	3%
EPS - Operating	\$3.08	5%

## P&L Ratios (Operating)

GP Margin	46.5%	(0.6 pts)
Expense E/R	29.6%	1.7 pts
PTI Margin	16.9%	1.1 pts
Tax Rate	16.0%	(6.7 pts)
NI Margin	14.2%	(0.1 pts)

<b>Cash Highlights</b>	2Q18	Last 12 Months
Free Cash Flow (excl. GF Receivables)	\$1.9	\$12.6
Share Repurchase (Gross)	\$1.0	\$3.4
Dividends	\$1.4	\$5.6
Cash Balance @ June 30	\$11.9	

- Broad-based revenue growth across geographies and sectors
- Strong pre-tax profit growth with 2/3 from gross profit
- Gross margin performance driven by mix and investments; productivity benefits from 1Q18 actions to ramp in second half
- Expense performance reflects operational efficiency while maintaining high investment levels
- Free cash flow performance impacted by cash tax and capital investments

Revenue growth rates @CC, \$ in billions except for EPS



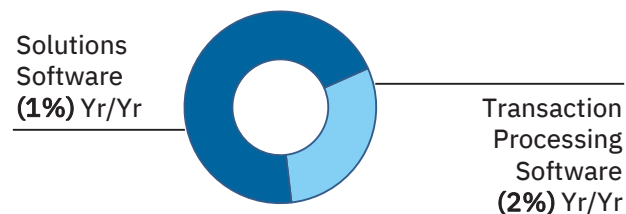
# Cognitive Solutions Segment

Segment Results	2Q18	Yr/Yr
Revenue (External)	\$4.6	(1%)
PTI	\$1.8	9%
PTI Margin	33.2%	2.4 pts

## Highlights

- Solutions Software reflects growth in analytics and industry verticals; repositioning of some offerings
- Transaction Processing Software performance impacted by decline in storage software
- Margin expansion driven by operational efficiencies, mitigated by impact of investments and mix

## Segment Revenue Elements



Strategic Imperatives Revenue within Cognitive Solutions	2Q18	Yr/Yr
Strategic Imperatives	\$3.0	Flat
Cloud	\$0.6	(1%)
as-a-Service annual run rate	\$2.0	

Revenue growth rates @CC, \$ in billions



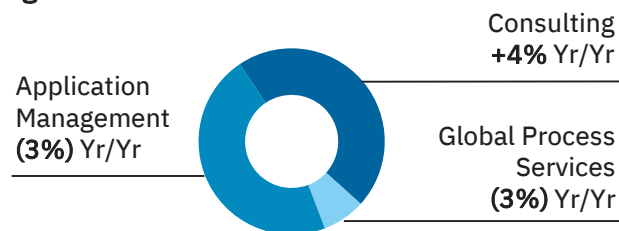
# Global Business Services Segment

Segment Results	2Q18	Yr/Yr
Revenue (External)	\$4.2	Flat
Gross Margin (External)	25.9%	1.3 pts
PTI	\$0.4	24%
PTI Margin	9.0%	1.6 pts

## Highlights

- Continued improvement in revenue performance
- Consulting growth reflects strength in digital offerings
- Gross margin expansion driven by revenue mix and productivity

## Segment Revenue Elements



Strategic Imperatives Revenue within Global Business Services	2Q18	Yr/Yr
Strategic Imperatives	\$2.7	6%
Cloud	\$1.1	8%
as-a-Service annual run rate	\$1.4	



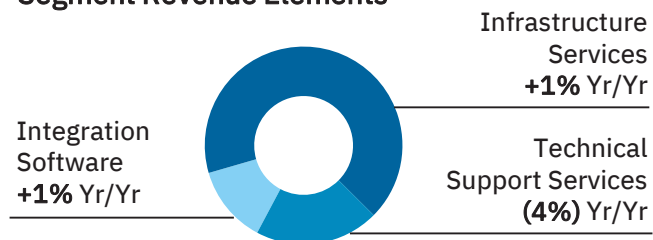
# Technology Services and Cloud Platforms Segment

Segment Results	2Q18	Yr/Yr
Revenue (External)	\$8.6	Flat
Gross Margin (External)	39.4%	(1.0 pts)
PTI	\$0.9	(11%)
PTI Margin	10.1%	(1.5 pts)

## Highlights

- Returned to modest growth led by Infrastructure Services, moving clients to hybrid cloud
- Technical Support Services reflects strong IBM Z cycle
- Gross margin performance impacted by revenue mix and cloud investments

## Segment Revenue Elements



Strategic Imperatives Revenue within Technology Svcs & Cloud Platforms	2Q18	Yr/Yr
Strategic Imperatives	\$3.1	24%
Cloud	\$2.2	27%
as-a-Service annual run rate	\$7.6	





# Systems Segment

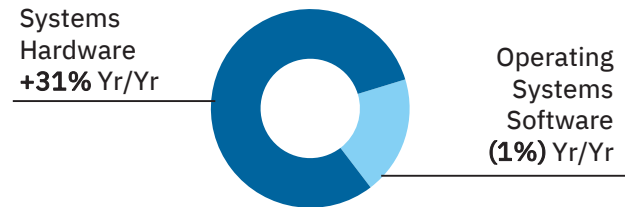
Segment Results	2Q18	Yr/Yr
Revenue (External)	\$2.2	23%
PTI	\$0.3	\$0.3
PTI Margin	14.3%	10.5 pts

## Highlights

- Growth in all three brands; overall Systems share gain
- IBM Z up > 100% yr/yr reflects high adoption rate of z14, and strong demand for new workloads
- Power grew, driven by strong POWER9 acceptance
- Storage returned to growth, led by Flash
- Strong profit growth; margin dynamics reflect mix

Revenue growth rates @CC, \$ in billions

## Segment Revenue Elements



Strategic Imperatives Revenue within Systems	2Q18	Yr/Yr
Strategic Imperatives	\$1.2	55%
Cloud	\$0.8	28%



# Cash Flow and Balance Sheet Highlights

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Cash Flow	2Q18	Yr/Yr	Last 12 Months
Net Cash from Operations*	\$2.9	(\$0.4)	\$16.2
Free Cash Flow*	\$1.9	(\$0.7)	\$12.6
<b>Selected Uses of Cash</b>			
Net Capital Expenditures	\$1.0		\$3.6
Acquisitions	\$0.1		\$0.4
Dividends/Share Repurchase	\$2.4		\$9.0

Balance Sheet	Jun 18	Dec 17	Jun 17
Cash & Marketable Securities***	\$11.9	\$12.8	\$12.5
Total Debt	\$45.5	\$46.8	\$45.7
Global Financing Debt	\$31.1	\$31.4	\$29.0
Global Financing Leverage	9.0	9.0	9.0
Non-GF Debt	\$14.4	\$15.4	\$16.6

- Free cash flow reflects solid working capital performance, offset by higher cash taxes and capital expenditures
- Free cash flow realization ~111%\*\* 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 Jun 17 recast



# Summary

- IBM's differentiated value proposition is driven by innovative technologies, industry expertise, trust and security, delivered through an integrated model
- Strong revenue and profit performance in second quarter
- 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

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



# Currency – Impact on Revenue Growth

Quarterly Averages per US \$	1Q18	Yr/Yr	2Q18	Yr/Yr	7/17/18 Spot	3Q18	4Q18	FY18
Euro	0.81	13%	0.84	8%	0.86	0%	(1%)	5%
Pound	0.72	11%	0.74	6%	0.76	1%	(1%)	4%
Yen	108	5%	109	2%	113	(2%)	0%	1%
Revenue Impact, Future @ 7/17/18 Spot		5 pts		2 pts		(1-2 pts)	~(1 pts)	~1 pts
Prior View @ 4/16/18 Spot				4 pts		~2 pts	~2 pts	~3 pts

	US\$B	Yr/Yr
Revenue As Reported	\$20.0	3.7%
Currency Impact	\$0.4	2.1 pts
Revenue @ CC		1.6%

Supplemental Materials



# Strategic Imperatives Revenue

Strategic Imperatives Revenue	2Q18	Yr/Yr
<b>Total</b>	<b>\$10.1</b>	<b>13%</b>
Analytics	\$5.4	5%
Cloud	\$4.7	18%
<i>aaS annual run rate</i>	<i>\$11.1</i>	<i>24%</i>
Mobile	\$1.3	3%
Security	\$1.0	79%
Social	\$0.2	(18%)

- Growth accelerated in 2Q18, led by security and cloud
- Strategic Imperatives revenue of \$39B over last 12 months, 48% of IBM revenue
- Cloud revenue of \$18.5B over last 12 months, up 23% at actual rates, 23% of IBM revenue

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>2Q18</b>	<b>Yr/Yr</b>
Americas	\$9.2	1%
Europe/ME/Africa	\$6.4	4%
Asia Pacific	\$4.4	Flat

- Broad-based performance across geographies and markets
- Americas reflects continued growth in Latin America and modest growth in US
- E/ME/A accelerated to 4%, led by Germany, UK, France, Spain, and growth across business areas
- Asia Pacific yr/yr performance consistent with 1Q18, Japan improved to +1%

Revenue growth rates @CC, \$ in billions

Supplemental Materials





# Segment Revenue & Gross Profit

Segment Revenue & Gross Profit Metrics - 2Q18	2Q18 Revenue	Yr/Yr	2Q18 GP%	Yr/Yr
<b>Cognitive Solutions</b>	<b>\$4.6</b>	<b>(1%)</b>	<b>77.7%</b>	<b>(1.3 pts)</b>
Solutions Software	\$3.2	(1%)		
Transaction Processing Software	\$1.4	(2%)		
<b>Global Business Services</b>	<b>\$4.2</b>	<b>Flat</b>	<b>25.9%</b>	<b>1.3 pts</b>
Consulting	\$1.9	4%		
Global Process Services	\$0.3	(3%)		
Application Management	\$1.9	(3%)		
<b>Technology Services &amp; Cloud Platforms</b>	<b>\$8.6</b>	<b>Flat</b>	<b>39.4%</b>	<b>(1.0 pts)</b>
<i>Global Technology Services</i>	<i>\$7.5</i>	<i>Flat</i>	<i>33.2%</i>	<i>(1.2 pts)</i>
Infrastructure Services	\$5.8	1%		
Technical Support Services	\$1.7	(4%)		
Integration Software	\$1.1	1%	81.9%	(0.1 pts)
<b>Systems</b>	<b>\$2.2</b>	<b>23%</b>	<b>50.6%</b>	<b>(2.1 pts)</b>
Systems Hardware	\$1.8	31%	42.9%	1.1 pts
Operating Systems Software	\$0.4	(1%)	82.4%	(4.7 pts)
<b>Global Financing</b>	<b>\$0.4</b>	<b>(6%)</b>	<b>26.6%</b>	<b>(4.2 pts)</b>

Revenue growth rates @CC, \$ in billions

Supplemental Materials



# Additional Revenue & Backlog Information

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	2Q18	Yr/Yr
<b>Systems Hardware Revenue</b>	<b>\$1.8</b>	<b>31%</b>
IBM Z		112%
Power		4%
Storage		2%

	2Q18	Yr/Yr
<b>Signings</b>	<b>\$11.5</b>	<b>6%</b>
<b>Services Backlog</b>	<b>\$116</b>	<b>(1%)</b>
Backlog Yr/Yr @Actual		(2%)

Growth rates @CC, \$ in billions, Services Backlog calculated using June 30 currency spot rates

Supplemental Materials



# Expense Summary

Expense Metrics	2Q18	B/(W)	Currency	Acq.*	Base**
		Yr/Yr			
SG&A – Operating	\$4.7	3%	(1 pts)	0 pts	5 pts
RD&E – Operating	\$1.4	5%	(1 pts)	0 pts	6 pts
IP and Custom Development Income	(\$0.3)	(31%)			
Other (Income)/Expense	(\$0.1)	44%			
Interest Expense	\$0.2	(18%)			
<b>Operating Expense &amp; Other Income</b>	<b>\$5.9</b>	<b>2%</b>	<b>(2 pts)</b>	<b>0 pts</b>	<b>4 pts</b>

- Continuing to invest to build innovation pipeline in areas including AI, security, blockchain
- Yr/yr performance reflects operational efficiencies in SG&A and RD&E, mitigated by currency impact and lower level of IP income

\$ 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

	Jun 18	Dec 17	Jun 17
Cash & Marketable Securities*	\$11.9	\$12.8	\$12.5
Non-GF Assets*, **	\$72.4	\$74.2	\$73.9
Global Financing Assets*	\$37.3	\$38.3	\$34.1
Total Assets	\$121.6	\$125.4	\$120.5
Other Liabilities	\$57.5	\$60.8	\$56.3
Non-GF Debt**	\$14.4	\$15.4	\$16.6
Global Financing Debt	\$31.1	\$31.4	\$29.0
Total Debt	\$45.5	\$46.8	\$45.7
Total Liabilities	\$103.0	\$107.6	\$102.0
Equity	\$18.6	\$17.7	\$18.5
Global Financing Leverage	9.0	9.0	9.0

\$ in billions

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

\*\*includes eliminations of inter-company activity

Supplemental Materials



# Cash Flow Summary

	QTD 2Q18	B/(W) Yr/Yr	YTD 2Q18	B/(W) Yr/Yr
Net Cash from Operations	\$2.3	(\$1.2)	\$6.9	(\$0.5)
Less: Global Financing Receivables	(\$0.6)	(\$0.7)	\$1.8	(\$0.4)
<b>Net Cash from Operations (excluding GF Receivables)</b>	<b>\$2.9</b>	<b>(\$0.4)</b>	<b>\$5.1</b>	<b>(\$0.1)</b>
Net Capital Expenditures	(\$1.0)	(\$0.3)	(\$1.9)	(\$0.3)
<b>Free Cash Flow (excluding GF Receivables)</b>	<b>\$1.9</b>	<b>(\$0.7)</b>	<b>\$3.2</b>	<b>(\$0.4)</b>
Acquisitions	(\$0.1)	\$0.0	(\$0.1)	\$0.0
Divestitures	\$0.0	(\$0.0)	\$0.0	(\$0.0)
Dividends	(\$1.4)	(\$0.0)	(\$2.8)	(\$0.1)
Share Repurchases (Gross)	(\$1.0)	\$0.4	(\$1.8)	\$1.0
Non-GF Debt	(\$0.1)	(\$2.2)	(\$0.6)	(\$3.0)
Other (includes GF Net A/R & GF Debt)*	(\$0.6)	(\$0.4)	\$1.2	(\$2.2)
Change in Cash & Marketable Securities*	(\$1.2)	(\$2.9)	(\$0.9)	(\$4.7)

\$ in billions

\*Reflects adoption of the FASB guidance on restricted cash, 2017 recast

Supplemental Materials



# Cash Flow (ASC 230)

	QTD 2Q18	QTD 2Q17	YTD 2Q18	YTD 2Q17
<b>Net Income from Operations</b>	<b>\$2.4</b>	<b>\$2.3</b>	<b>\$4.1</b>	<b>\$4.1</b>
Depreciation / Amortization of Intangibles	\$1.1	\$1.1	\$2.2	\$2.2
Stock-based Compensation	\$0.1	\$0.1	\$0.2	\$0.3
Working Capital / Other	(\$0.8)	(\$0.3)	(\$1.4)	(\$1.4)
Global Financing A/R	(\$0.6)	\$0.2	\$1.8	\$2.2
<b>Net Cash provided by Operating Activities</b>	<b>\$2.3</b>	<b>\$3.5</b>	<b>\$6.9</b>	<b>\$7.4</b>
Capital Expenditures, net of payments & proceeds	(\$1.0)	(\$0.7)	(\$1.9)	(\$1.6)
Divestitures, net of cash transferred	\$0.0	\$0.0	\$0.0	\$0.0
Acquisitions, net of cash acquired	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.2)
Marketable Securities / Other Investments, net*	\$0.4	(\$0.9)	(\$0.4)	\$0.3
<b>Net Cash used in Investing Activities*</b>	<b>(\$0.6)</b>	<b>(\$1.7)</b>	<b>(\$2.4)</b>	<b>(\$1.4)</b>
Debt, net of payments & proceeds	(\$0.0)	\$2.3	(\$0.8)	\$2.8
Dividends	(\$1.4)	(\$1.4)	(\$2.8)	(\$2.7)
Common Stock Repurchases	(\$1.0)	(\$1.4)	(\$1.8)	(\$2.7)
Common Stock Transactions - Other	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.0)
<b>Net Cash used in Financing Activities</b>	<b>(\$2.5)</b>	<b>(\$0.6)</b>	<b>(\$5.4)</b>	<b>(\$2.7)</b>
Effect of Exchange Rate changes on Cash	(\$0.4)	\$0.4	(\$0.3)	\$0.5
<b>Net Change in Cash &amp; Cash Equivalents*</b>	<b>(\$1.3)</b>	<b>\$1.6</b>	<b>(\$1.3)</b>	<b>\$3.9</b>

\$ in billions

\*Reflects adoption of the FASB guidance on restricted cash, 2Q17 recast

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Operating Earnings Per Share

2018

Expectations

GAAP Diluted EPS	at least \$11.60
Operating EPS (Non-GAAP)	at least \$13.80

### Adjustments

Acquisition-Related Charges*	\$0.78
Non-Operating Retirement-Related Items	\$1.32
Tax Reform Enactment Charge Adjustment	\$0.10

\*Includes acquisitions as of June 30, 2018

The above reconciles the Non-GAAP financial information contained in the “Summary” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 2Q 2018

	2Q18 Yr/Yr	
	GAAP	@CC
Americas	Flat	1%
Europe/ME/Africa	11%	4%
Asia Pacific	2%	Flat
U.S.	Flat	Flat
Japan	3%	1%
LA	(3%)	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 July 18, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials





# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 2Q 2018

	2Q18 Yr/Yr	
	GAAP	@CC
Strategic Imperatives	15%	13%
Analytics	7%	5%
Cloud	20%	18%
<i>aaS annual run rate</i>	26%	24%
Mobile	5%	3%
Security	81%	79%
Social	(17%)	(18%)

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 July 18, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 2Q 2018

	2Q18 Yr/Yr			2Q18 Yr/Yr	
	GAAP	@CC		GAAP	@CC
<b>Cognitive Solutions</b>	<b>Flat</b>	<b>(1%)</b>	<b>Tech Svcs &amp; Cloud Platforms</b>	<b>2%</b>	<b>Flat</b>
Solutions Software	1%	(1%)	Global Technology Services	2%	Flat
Transaction Processing Software	Flat	(2%)	Infrastructure Services	4%	1%
Strategic Imperatives	1%	Flat	Technical Support Services	(2%)	(4%)
Cloud	Flat	(1%)	Integration Software	3%	1%
<b>Global Business Services</b>	<b>2%</b>	<b>Flat</b>	Strategic Imperatives	26%	24%
Consulting	6%	4%	Cloud	30%	27%
Global Process Services	(1%)	(3%)	<b>Systems</b>	<b>25%</b>	<b>23%</b>
Application Management	(1%)	(3%)	Systems Hardware	32%	31%
Strategic Imperatives	8%	6%	z Systems	114%	112%
Cloud	10%	8%	Power	5%	4%
			Storage	4%	2%
			Operating Systems Software	Flat	(1%)
			Strategic Imperatives	57%	55%
			Cloud	30%	28%
			<b>Global Financing</b>	<b>(5%)</b>	<b>(6%)</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 July 18, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Growth - 2Q 2018

	2Q18 Yr/Yr	
	GAAP	@CC
as-a-Service - Global Business Services	27%	25%
as-a-Service - Tech Services & Cloud Platform	33%	30%

The above reconciles the Non-GAAP financial information contained in the “2Q18 Prepared Remarks” and “Technology Services & Cloud Platforms Segment” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 2018 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Expense Summary - 2Q 2018

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
<b>SG&amp;A</b>			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions	0 pts	0 pts	0 pts
Base *	5 pts	0 pts	5 pts
<b>RD&amp;E</b>			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions	0 pts	0 pts	0 pts
Base *	6 pts	0 pts	6 pts
<b>Operating Expense &amp; Other Income</b>			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions	0 pts	0 pts	0 pts
Base*	4 pts	1 pts	4 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 July 18, 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 Jun 2018
<b>Net Cash from Operating Activities per GAAP:</b>	<b>\$16.2</b>
Less: the change in Global Financing (GF) Receivables	(\$0.0)
<b>Net Cash from Operating Activities (Excluding GF Receivables)</b>	<b>\$16.2</b>
Capital Expenditures, Net	(\$3.6)
<b>Free Cash Flow (Excluding GF Receivables)</b>	<b>\$12.6</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 July 18, 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	219%	~111%

The above reconciles the Non-GAAP financial information contained in the “Cash Flow and Balance Sheet Highlights” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 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

Supplemental Materials





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