

IBM 4Q 2022 Earnings



January 25, 2023
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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.

Unless otherwise specified, results are presented on a continuing operations basis. All references to revenue impacts from sales to Kyndryl are incremental sales post-separation.

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 presentation materials, certain non-GAAP information

including operating earnings and other "operating" financial measures, consolidated free cash flow, net cash from operating activities excluding IBM 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 January 25, 2023. The reconciliation of non-GAAP information to GAAP is included in the press release within Exhibit 99.1 to the company's Form 8-K submitted to the SEC on January 25, 2023, as well as on the slides entitled "Non-GAAP supplemental materials" in this presentation.

To provide better transparency, the company also discusses management performance metrics including hybrid cloud revenue, annual recurring revenue, signings, and book-to-bill. The metrics are used to monitor the performance of the business and are viewed as useful decision-making information for management and stakeholders. The rationale for management's use of these performance metrics and their calculation are included in the Management Discussion section of the company's 2021 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 22, 2022. For other related information please visit the Company's investor relations website at:

<https://www.ibm.com/investor/events/earnings-4q22>

Arvind Krishna

Chairman and
Chief Executive Officer



James Kavanaugh

SVP, Finance & Operations,
Chief Financial Officer



CEO perspective

“Our solid fourth-quarter performance capped a year in which we grew revenue above our mid-single digit model. Clients in all geographies increasingly embraced our hybrid cloud and AI solutions as technology remains a differentiating force in today’s business environment.

Looking ahead to 2023, we expect full-year revenue growth consistent with our mid-single digit model.”

Arvind Krishna

IBM Chairman and CEO



4Q22
Performance



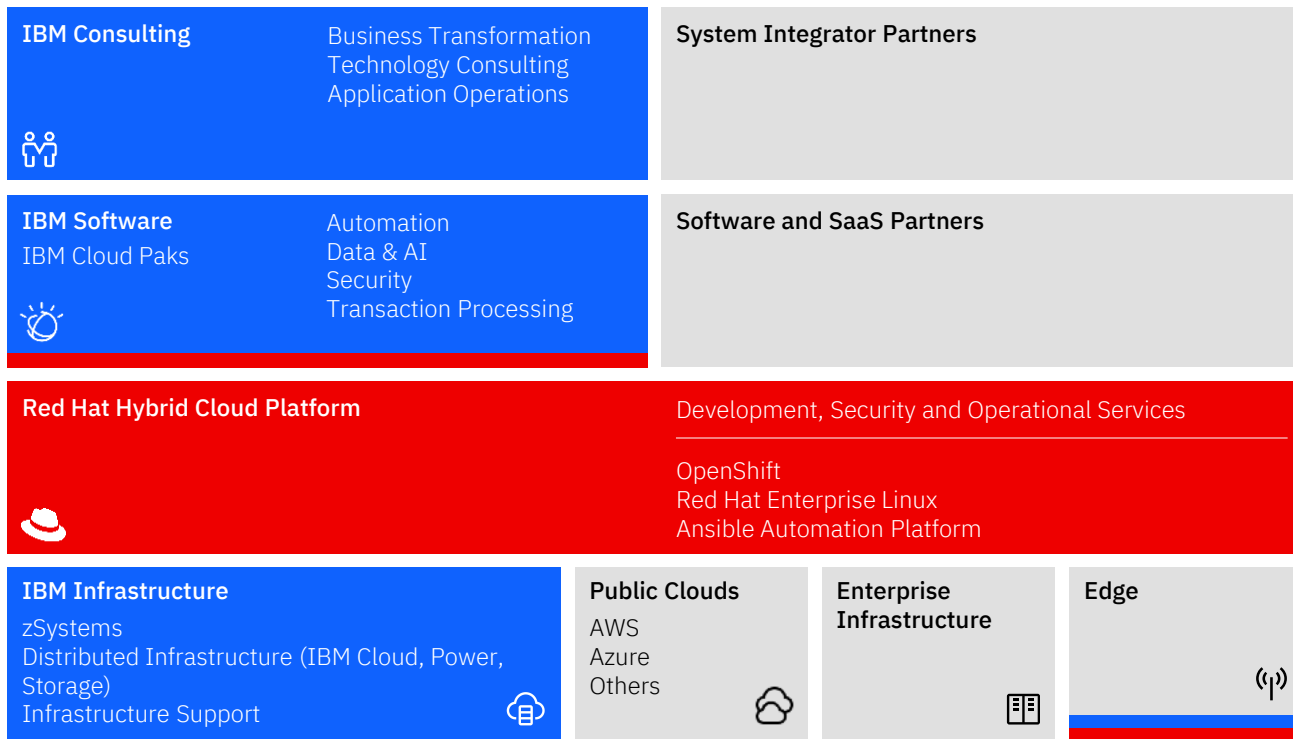
Hybrid cloud and
AI progress



Clients, ecosystem
and innovation

Hybrid cloud and AI progress

Our platform approach



Accelerating
client adoption

Expanding
partner ecosystem

Delivering
innovation

Financial highlights

4Q22

\$16.7B

Revenue

\$9.3B

Free Cash Flow (FY)

“IBM’s revenue growth and operating profit in 2022 demonstrate the strength and multiplier effect of our platform-centric approach to hybrid cloud and AI.

Our client-focused portfolio and strong recurring revenue stream position IBM well for continued growth, solid cash generation and returning value to shareholders through dividends.”

James Kavanaugh

IBM SVP & CFO

Revenue growth rates @CC

6%

Revenue growth

>70%

Revenue mix
in software and consulting

\$22.4B

Hybrid cloud revenue (FY),
+17% yr/yr

\$2.8B

Free cash flow growth (FY)

170bps

Pre-tax margin expansion
(Operating)

\$8.8B

Cash on hand,
incl. marketable securities

Software

Broad-based growth across Software

Solid and growing recurring revenue;
Hybrid Platform & Solutions annual
recurring revenue of \$13.3 billion

Continued pre-tax margin expansion
with full year nearly 25%

\$7.3B

Revenue

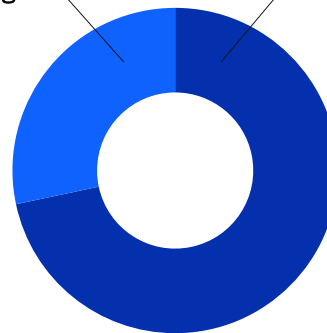
+8%

Revenue growth

Revenue categories

Transaction Processing
+3% yr/yr

Hybrid Platform
& Solutions
+10% yr/yr



Consulting

Broad-based growth driven by demand for digital transformations

Book-to-bill ratio of 1.1 for the year

Strength in Red Hat and strategic partner practices

Profit margin expansion as productivity and pricing actions begin to yield

\$4.8B

Revenue

+9%

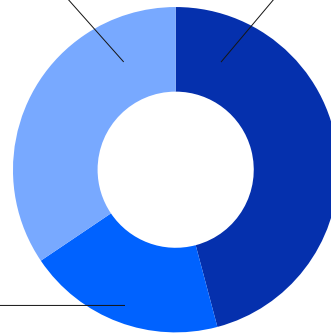
Revenue growth

Revenue categories

Application Operations
+12% yr/yr

Technology Consulting
+10% yr/yr

Business Transformation
+7% yr/yr



Infrastructure

zSystems performance reflects strong adoption of new z16 capabilities

Distributed Infrastructure growth fueled by Power innovation

Full-year pre-tax margin of nearly 15%

\$4.5B

Revenue

+7%

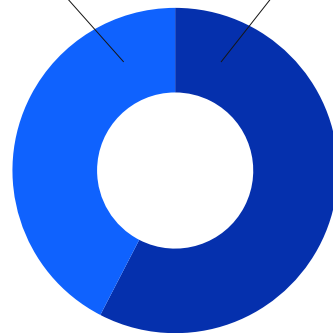
Revenue growth

Revenue categories

Infrastructure Support
Flat yr/yr

Hybrid
Infrastructure
+11% yr/yr

zSystems +21%
Distributed
Infrastructure +5%



Summary

2022

Positions IBM for Sustainable Growth

More focused company aligned to clients' needs

Continued progress across portfolio, go-to-market, ecosystem

Investments in talent and innovation

Higher-growth, higher-value business

2023

Expectations

Revenue growth @CC in line with mid-single digit model

Free cash flow of ~\$10½ billion, up >\$1 billion yr/yr

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Supplemental material

- Revenue and P&L highlights
- Cash flow and balance sheet highlights
- Currency impact on revenue growth
- Software & Infrastructure segment details
- Consulting segment details
- Expense summary
- Balance sheet summary
- Cash flow summary
- Cash flow (ASC 230)

- Revenue and P&L highlights – FY 2022
- Software & Infrastructure segment details – FY2022
- Consulting segment details – FY 2022
- Expense summary – FY 2022
- Retirement-related summary
- Software segment revenue categories
- Consulting segment revenue categories
- Infrastructure segment revenue categories
- Non-GAAP supplemental materials

Unless otherwise specified, results are presented on a continuing operations basis.
Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

Revenue and P&L highlights

Revenue highlights	4Q22	B/(W) Yr/Yr
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Revenue	\$16.7	6%
Hybrid cloud (FY)	\$22.4	17%

Geography revenue	4Q22	B/(W) Yr/Yr
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Americas	\$8.4	5%
Europe/ME/Africa	\$5.2	10%
Asia Pacific	\$3.0	5%

Operating P&L highlights \$	4Q22	B/(W) Yr/Yr
-----------------------------	------	----------------

Gross profit	\$9.8	1%
Expense	\$6.0	3%
Pre-tax income	\$3.8	8%
Net income	\$3.3	9%
Earnings per share	\$3.60	7%

Operating P&L highlights %	4Q22	B/(W) Yr/Yr
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Gross profit margin	58.6%	0.6 pts
Expense E/R	35.7%	1.1 pts
Pre-tax income margin	22.9%	1.7 pts
Net income margin	19.8%	1.6 pts
Tax rate	13.8%	0.4 pts

Cash flow and balance sheet highlights

Cash flow	4Q22	Yr/Yr	FY22
Consolidated net cash from operations*	\$5.8	\$1.9	\$11.2
Consolidated free cash flow**	\$5.2	\$1.9	\$9.3
Selected uses of cash	4Q22		FY22
Net capital expenditures	\$0.5		\$1.9
Acquisitions	\$1.3		\$2.3
Dividends	\$1.5		\$5.9

Balance sheet	Dec 22	Dec 21
Cash & marketable securities	\$8.8	\$7.6
Total debt	\$50.9	\$51.7
Selected debt measures	Dec 22	Dec 21
IBM Financing debt	\$12.9	\$13.9
Core (non-IBM Financing) debt	\$38.1	\$37.8

\$ in billions

*Non-GAAP financial measure; excludes Financing receivables

**Non-GAAP financial measure; adjusts for Financing receivables and net capital expenditures

Currency impact on revenue growth

Quarterly averages per US \$	4Q22	Yr/Yr	Spot 1/24/23	1Q23	2Q23	3Q23	4Q23	FY23
Euro	0.98	(12%)	0.92	(4%)	2%	7%	6%	3%
Pound	0.85	(15%)	0.81	(9%)	(2%)	5%	5%	(0%)
Yen	141	(24%)	130	(12%)	(0%)	6%	8%	1%
Revenue impact, future @ 1/24/23 Spot		(6 pts)		(3-4 pts)	(0-1 pts)	2-3 pts	2-3 pts	0-1 pts
<i>Prior view @ 10/18/22 Spot</i>		(8-9 pts)		~(8 pts)	~(5 pts)	(2-3 pts)		~(4 pts)

	US \$B	Yr/Yr
Revenue as reported	\$16.7	Flat
Currency impact	(\$1.1)	(6.3 pts)
Revenue @CC		6.3%

Software & Infrastructure segment details

Software segment	4Q22	B/(W) Yr/Yr
Revenue	\$7.3	8%
Hybrid Platform & Solutions	\$5.2	10%
Red Hat		15%
Automation		9%
Data & AI		8%
Security		10%
Transaction Processing	\$2.1	3%
Pre-tax income	\$2.3	10%
Pre-tax income margin	32.2%	2.0 pts
Hybrid cloud revenue (FY)	\$9.3	16%
Annual recurring revenue*	\$13.3	7%

Infrastructure segment	4Q22	B/(W) Yr/Yr
Revenue	\$4.5	7%
Hybrid Infrastructure	\$3.1	11%
zSystems		21%
Distributed Infrastructure		5%
Infrastructure Support	\$1.4	Flat
Pre-tax income	\$1.0	(1%)
Pre-tax income margin	22.9%	(0.6 pts)
Hybrid cloud revenue (FY)	\$3.9	11%

Revenue growth rates @CC, \$ in billions

*Annual recurring revenue for Hybrid Platform & Solutions, growth rate @CC

Consulting segment details

Consulting segment	4Q22	B/(W) Yr/Yr
Revenue	\$4.8	9%
Business Transformation	\$2.2	7%
Technology Consulting	\$0.9	10%
Application Operations	\$1.6	12%
Gross profit margin	27.4%	0.3 pts
Pre-tax income	\$0.5	20%
Pre-tax income margin	11.0%	1.8 pts
Hybrid cloud revenue (FY)	\$9.0	23%
Signings	\$6.2	17%
Book-to-bill ratio (FY)	1.1	

Revenue growth rates @CC, \$ in billions

Expense summary

Expense	4Q22	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
SG&A – operating	\$4.5	2%	4 pts	0 pts	(2 pts)
RD&E	\$1.6	1%	3 pts	4 pts	(5 pts)
IP and custom development income	(\$0.2)	36%			
Other (income)/expense - operating	(\$0.2)	1%			
Interest expense	\$0.3	(3%)			
Operating expense & other income	\$6.0	3%	4 pts	1 pts	(2 pts)

\$ in billions

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

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

Balance sheet summary

Consolidated

	Dec 22	Dec 21
Cash & marketable securities	\$8.8	\$7.6
Core (non-IBM Financing) assets*	\$103.4	\$108.9
IBM Financing assets	\$15.0	\$15.5
Total assets	\$127.2	\$132.0
Other liabilities	\$54.3	\$61.3
Core (non-IBM Financing) debt*	\$38.1	\$37.8
IBM Financing debt	\$12.9	\$13.9
Total debt	\$50.9	\$51.7
Total liabilities	\$105.2	\$113.0
Equity	\$22.0	\$19.0

\$ in billions

*includes eliminations of inter-company activity

Cash flow summary

Consolidated

	4Q22	B/(W) Yr/Yr	FY22	B/(W) Yr/Yr
Net cash from operations	\$4.0	\$1.4	\$10.4	(\$2.4)
Less: IBM Financing receivables	(\$1.8)	(\$0.5)	(\$0.7)	(\$4.6)
Net cash from operations (excluding IBM Financing receivables)	\$5.8	\$1.9	\$11.2	\$2.3
Net capital expenditures	(\$0.5)	(\$0.0)	(\$1.9)	\$0.5
Free cash flow (excluding IBM Financing receivables)	\$5.2	\$1.9	\$9.3	\$2.8
Acquisitions	(\$1.3)	(\$1.1)	(\$2.3)	\$0.9
Divestitures	\$0.0	(\$0.1)	\$1.3	\$1.2
Dividends	(\$1.5)	(\$0.0)	(\$5.9)	(\$0.1)
Non-IBM Financing debt	(\$2.8)	(\$2.8)	\$1.9	\$3.1
Other (includes IBM Financing net A/R & IBM Financing debt)	(\$0.5)	\$2.0	(\$2.9)	\$0.1
Change in cash & marketable securities	(\$0.9)	(\$0.0)	\$1.3	\$8.0

\$ in billions

Cash flow (ASC230)

Consolidated

	4Q22	4Q21	FY22	FY21
Net income from operations	\$2.7	\$2.3	\$1.6	\$5.7
Pension settlement charges	-	-	\$5.9	-
Depreciation / amortization of intangibles	\$1.1	\$1.4	\$4.8	\$6.4
Stock-based compensation	\$0.2	\$0.3	\$1.0	\$1.0
Working capital / other	\$1.7	(\$0.1)	(\$2.2)	(\$4.3)
IBM Financing A/R	(\$1.8)	(\$1.3)	(\$0.7)	\$3.9
Net cash provided by operating activities	\$4.0	\$2.5	\$10.4	\$12.8
Capital expenditures, net of payments & proceeds	(\$0.5)	(\$0.5)	(\$1.9)	(\$2.4)
Divestitures, net of cash transferred	\$0.0	\$0.1	\$1.3	\$0.1
Acquisitions, net of cash acquired	(\$1.3)	(\$0.3)	(\$2.3)	(\$3.3)
Marketable securities / other investments, net	\$0.6	\$0.0	(\$1.3)	(\$0.4)
Net cash provided by/(used in) investing activities	(\$1.3)	(\$0.7)	(\$4.2)	(\$6.0)
Debt, net of payments & proceeds	(\$1.4)	(\$2.0)	\$1.2	(\$8.1)
Dividends	(\$1.5)	(\$1.5)	(\$5.9)	(\$5.9)
Financing - other	(\$0.0)	\$0.8	(\$0.2)	\$0.6
Net cash provided by/(used in) financing activities	(\$2.9)	(\$2.7)	(\$5.0)	(\$13.4)
Effect of exchange rate changes on cash	\$0.2	(\$0.0)	(\$0.2)	(\$0.2)
Net change in cash, cash equivalents & restricted cash	\$0.0	(\$0.8)	\$1.0	(\$6.7)

\$ in billions

Revenue and P&L highlights – FY 2022

Revenue highlights	FY22	B/(W) Yr/Yr	sales to KD benefit
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Revenue	\$60.5	12%	~4 pts
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Hybrid cloud	\$22.4	17%	
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Geography revenue	FY22	B/(W) Yr/Yr	sales to KD benefit
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Americas	\$31.1	10%	~3 pts
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Europe/ME/Africa	\$18.0	14%	~5 pts
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Asia Pacific	\$11.5	11%	~5 pts
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Operating P&L highlights \$	FY22	B/(W) Yr/Yr
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Gross profit	\$33.4	4%
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Expense	\$23.5	3%
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Pre-tax income	\$9.8	25%
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Net income	\$8.3	16%
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Earnings per share	\$9.13	15%
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Operating P&L highlights %	FY22	B/(W) Yr/Yr
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Gross profit margin	55.1%	(1.0 pts)
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Expense E/R	38.9%	3.5 pts
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Pre-tax income margin	16.2%	2.5 pts
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Net income margin	13.8%	1.2 pts
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Tax rate	15.2%	(6.3 pts)
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Software & Infrastructure segment details – FY 2022

Software segment	FY22	B/(W) Yr/Yr	sales to KD benefit
Revenue	\$25.0	12%	~6 pts
Hybrid Platform & Solutions	\$17.9	9%	~1 pts
Red Hat		17%	
Automation		7%	
Data & AI		6%	
Security		7%	
Transaction Processing	\$7.2	19%	~19 pts
Pre-tax income	\$6.2	27%	
Pre-tax income margin	24.6%	3.9 pts	
Hybrid cloud revenue	\$9.3	16%	

Infrastructure segment	FY22	B/(W) Yr/Yr	sales to KD benefit
Revenue	\$15.3	14%	~6 pts
Hybrid Infrastructure	\$9.5	21%	~6 pts
zSystems		36%	
Distributed Infrastructure		12%	
Infrastructure Support	\$5.8	3%	~6 pts
Pre-tax income	\$2.3	12%	
Pre-tax income margin	14.8%	0.5 pts	
Hybrid cloud revenue	\$3.9	11%	

Consulting segment details – FY 2022

Consulting segment	FY22	B/(W) Yr/Yr
Revenue	\$19.1	15%
Business Transformation	\$8.8	14%
Technology Consulting	\$3.8	17%
Application Operations	\$6.5	15%
Gross profit margin	25.5%	(2.5 pts)
Pre-tax income	\$1.7	16%
Pre-tax income margin	8.8%	0.7 pts
Hybrid cloud revenue	\$9.0	23%
Signings	\$20.5	14%
Book-to-bill ratio	1.1	

Revenue and signings growth rates @CC, \$ in billions

Expense summary – FY 2022

Expense	FY22	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
SG&A – operating	\$17.5	Flat	4 pts	(1 pts)	(3 pts)
RD&E	\$6.6	(1%)	2 pts	2 pts	(5 pts)
IP and custom development income	(\$0.7)	8%			
Other (income)/expense - operating	(\$1.1)	NM			
Interest expense	\$1.2	(5%)			
Operating expense & other income	\$23.5	3%	5 pts	1 pts	(3 pts)

\$ in billions

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

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

Retirement-related summary

Key assumptions and metrics	2021	2022	2023
Funded status at year end*			
US	112%	125%	
WW	107%	114%	
Discount rate at year end			
US	2.6%	5.3%	
WW	2.0%	4.4%	
Expected ROA at prior year end			
US	3.8%	4.0%	5.5%
WW	3.4%	3.6%	4.9%
Actual ROA**			
US	2.0%	(14.3%)	
WW	3.0%	(15.7%)	

\$ in billions

*Qualified defined benefit plans

** Actual ROA in 2021 not restated for Kyndryl spin-off

*** Includes a one-time non-cash pre-tax pension settlement charge of \$5.9 billion

**** Includes cash and non-cash contributions

	Expected	
Cost and contributions	2022	2023
Operating cost	1.2	1.2
Non-operating cost	6.5 ***	0.1
Total cost	7.7	1.2
Contributions****	2.0	2.1

Software segment categories

Revenue categories

Hybrid Platform & Solutions

Software, infused with AI, to help clients operate, manage, and optimize their IT resources and business processes within hybrid, multi-cloud environments

Red Hat: incl. RHEL, OpenShift, Ansible

Automation: incl. business automation, AIOps and management, integration, and application servers

Data & AI: incl. data fabric, customer care, data management, business analytics, dataops & governance, asset & supply chain management, information exchange and weather

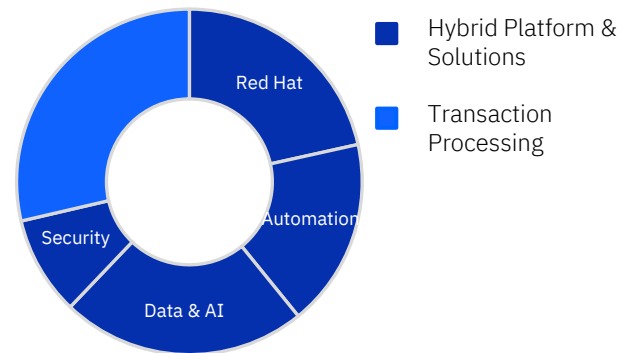
Security: incl. software and services for threat, data and identity

Transaction Processing

Software that supports clients' mission-critical on-premise workloads in industries such as banking, airlines and retail

incl. transaction processing software such as Customer Information Control System and storage software, and analytics and integration software running on IBM operating systems (e.g., DB2 and WebSphere running on z/OS)

Revenue categories – FY 2022



Consulting segment categories

Revenue categories

Business Transformation

Services that enable clients to apply technologies at scale to transform key workflows, processes and domains end-to-end
incl. finance & supply chain, talent, strategy, business process design and operations, data and analytics, and system integration

These services deploy AI in business processes to exploit the value of data, incl. a full ecosystem of partners: Adobe, Oracle, Salesforce and SAP, among others

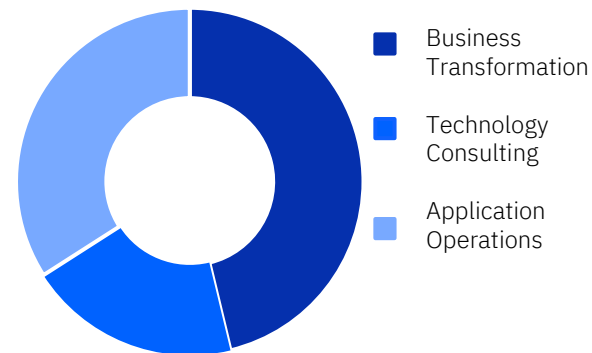
Technology Consulting

The skills to architect and implement cloud platforms, including Amazon and Microsoft, and strategies to transform enterprise experience and enable innovation, including application modernization for hybrid cloud with Red Hat OpenShift

Application Operations

Application and cloud platform services required to operationalize and run cloud platforms. Facilitates clients' efforts to manage, optimize, and orchestrate application and data workloads across environments through both custom applications and ISV/ERP packages

Revenue categories – FY 2022



Infrastructure segment categories

Revenue categories

Hybrid Infrastructure

Innovative infrastructure platforms to help meet the new requirements of hybrid multi-cloud and enterprise AI workloads leveraging flexible and as-a-service consumption models

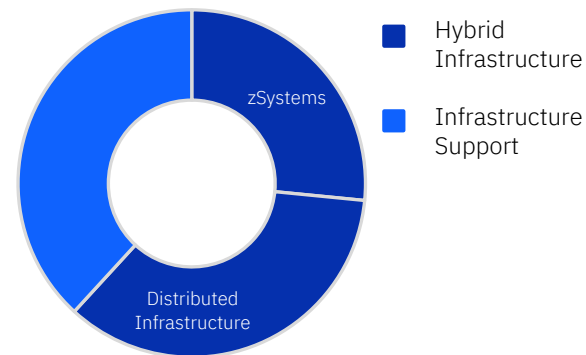
zSystems: incl. hardware and operating system

Distributed Infrastructure: incl. Power hardware and operating system, storage hardware, IBM Cloud IaaS, OEM asset recovery service

Infrastructure Support

Comprehensive, proactive and AI enabled services to maintain and improve the availability and value of clients' IT infrastructure (hardware and software) both on-premises and in the cloud
incl. maintenance for IBM products and other technology platforms

Revenue categories – FY 2022



Non-GAAP supplemental materials

Reconciliation of revenue performance - 4Q 2022 & FY 2022

	4Q22 Yr/Yr			FY22 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Total revenue	Flat	6%	Total revenue	6%	12%
			Total hybrid cloud	11%	17%
Americas	4%	5%	Americas	10%	10%
Europe/ME/Africa	(1%)	10%	Europe/ME/Africa	3%	14%
Asia Pacific	(9%)	5%	Asia Pacific	(1%)	11%

The above reconciles the non-GAAP financial information contained in the “Financial highlights”, “Revenue and P&L highlights”, “Revenue and P&L highlights – FY 2022” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance - 4Q 2022

	4Q22 Yr/Yr			4Q22 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Software	3%	8%	Consulting	Flat	9%
Hybrid Platform & Solutions	5%	10%	Business Transformation	(1%)	7%
Red Hat	10%	15%	Technology Consulting	1%	10%
Automation	4%	9%	Application Operations	2%	12%
Data & AI	4%	8%	Hybrid cloud revenue (FY)	15%	23%
Security	4%	10%			
Transaction Processing	(3%)	3%	Infrastructure	2%	7%
Hybrid cloud revenue (FY)	11%	16%	Hybrid Infrastructure	6%	11%
			zSystems	16%	21%
			Distributed Infrastructure	Flat	5%
			Infrastructure Support	(8%)	Flat
			Hybrid cloud revenue (FY)	7%	11%

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software & Infrastructure segment details”, “Consulting 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 January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance - FY 2022

	FY22 Yr/Yr			FY22 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Software	7%	12%	Consulting	7%	15%
Hybrid Platform & Solutions	5%	9%	Business Transformation	7%	14%
Red Hat	13%	17%	Technology Consulting	9%	17%
Automation	2%	7%	Application Operations	7%	15%
Data & AI	1%	6%	Hybrid cloud revenue	15%	23%
Security	2%	7%			
Transaction Processing	12%	19%	Infrastructure	8%	14%
Hybrid cloud revenue	11%	16%	Hybrid Infrastructure	16%	21%
			zSystems	31%	36%
			Distributed Infrastructure	7%	12%
			Infrastructure Support	(3%)	3%
			Hybrid cloud revenue	7%	11%

The above reconciles the non-GAAP financial information contained in the “Software & Infrastructure segment details – FY 2022”, “Consulting segment details – FY 2022”, and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary - 4Q 2022 & FY 2022

	4Q22			FY22		
	GAAP	Non-GAAP adjustments	Operating (non-GAAP)	GAAP	Non-GAAP adjustments	Operating (non-GAAP)
SG&A						
Currency	4 pts	0 pts	4 pts	4 pts	0 pts	4 pts
Acquisitions/divestitures	0 pts	0 pts	0 pts	(1 pts)	0 pts	(1 pts)
Base*	(1 pts)	(1 pts)	(2 pts)	(2 pts)	0 pts	(3 pts)
RD&E						
Currency	3 pts	0 pts	3 pts	2 pts	0 pts	2 pts
Acquisitions/divestitures	4 pts	0 pts	4 pts	2 pts	0 pts	2 pts
Base*	(5 pts)	0 pts	(5 pts)	(5 pts)	0 pts	(5 pts)
Operating expense & other income						
Currency	4 pts	0 pts	4 pts	5 pts	0 pts	5 pts
Acquisitions/divestitures	0 pts	0 pts	1 pts	1 pts	0 pts	1 pts
Base*	0 pts	(2 pts)	(2 pts)	(25 pts)**	22 pts**	(3 pts)

*represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures.

**includes a one-time non-cash pre-tax pension settlement charge of \$5.9 billion

The above reconciles the non-GAAP financial information contained in the “Expense summary” and “Expense summary – FY 2022” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations - 4Q 2022

		4Q22				
	GAAP	Acquisition- related adjustments	Retirement- related adjustments	Tax reform impacts	Kyndryl- related impact	Operating (non-GAAP)
Gross profit	\$9,632	\$156	—	—	—	\$9,788
Gross profit margin	57.7%	0.9 pts	—	—	—	58.6%
SG&A	4,765	(262)	—	—	(0)	4,503
Other (income) & expense	(118)	(1)	(93)	—	2	(210)
Total expense	6,320	(263)	(93)	—	2	5,965
Pre-tax income	3,312	419	93	—	(2)	3,823
Pre-tax income margin	19.8%	2.5 pts	0.6 pts	—	(0.0 pts)	22.9%
Tax rate	13.4%	1.4 pts	0.1 pts	(1.1 pts)	0.0 pts	13.8%
Net income	2,869	310	77	42	(2)	3,296
Net income margin	17.2%	1.9 pts	0.5 pts	0.3 pts	(0.0 pts)	19.8%
Earnings per share	\$3.13	\$0.34	\$0.08	\$0.05	\$0.00	\$3.60

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

The above reconciles the non-GAAP financial information contained in the “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 January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations - FY 2022

		FY22				
	GAAP	Acquisition- related adjustments	Retirement- related adjustments*	Tax reform impacts	Kyndryl- related impact	Operating (non-GAAP)
Gross profit	\$32,687	\$682	—	—	\$0	\$33,370
Gross profit margin	54.0%	1.1 pts	—	—	0.0 pts	55.1%
SG&A	18,609	(1,080)	—	—	(0)	17,529
Other (income) & expense	5,803	(3)	(6,548)	—	(351)	(1,099)
Total expense	31,531	(1,083)	(6,548)	—	(351)	23,549
Pre-tax income	1,156	1,765	6,548	—	351	9,821
Pre-tax income margin	1.9%	2.9 pts	10.8 pts	—	0.6 pts	16.2%
Tax rate	(54.2%)	14.2 pts	52.6 pts	0.7 pts	1.9 pts	15.2%
Net income	1,783	1,329	4,933	(70)	351	8,326
Net income margin	2.9%	2.2 pts	8.1 pts	(0.1 pts)	0.6 pts	13.8%
Earnings per share	\$1.95	\$1.46	\$5.41	(\$0.08)	\$0.38	\$9.13

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

*includes a one-time non-cash pre-tax pension settlement charge of \$5.9 billion (\$4.4 billion net of tax)

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights – FY 2022”, “Expense summary – FY 2022”, “Retirement-related summary” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of Pre-tax income margin – 1Q and FY 2023 expectations

Pre-tax income margin Yr/Yr expectations	GAAP B/(W)	Operating (non-GAAP) B/(W)
1Q 2023	~3 pts	0.5 to 1 pts [*]
FY 2023	~12 pts ^{**}	~0.5 pts

*excludes expected ~\$0.3B charge to address remaining stranded costs from portfolio actions

**Yr/Yr reflects a one-time non-cash pension settlement charge of \$5.9 billion in 2022

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 January 25, 2023, for additional information on the use of these Non-GAAP financial measures.

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