STANDARD &POOR'S

International Business Machines Corp

S&P Recommendation STRONG BUY ★★★★★	**Price** $169.34 (as of Sep 23, 2011)	**12-Mo. Target Price** $205.00	**Investment Style** Large-Cap Growth

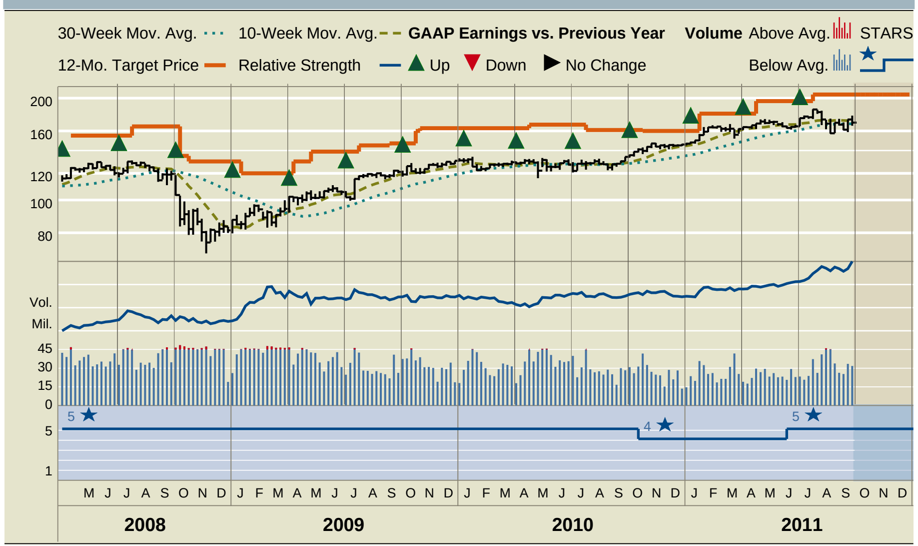
GICS Sector Information Technology
Sub-Industry IT Consulting & Other Services

Summary IBM's global capabilities include information technology services, software, computer hardware equipment, fundamental research, and related financing.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	**$185.63– 133.51**	S&P Oper. EPS 2011**E**	**13.40**	Market Capitalization(B)	**$202.239**	Beta	**0.73**
Trailing 12-Month EPS	**$12.32**	S&P Oper. EPS 2012**E**	**15.00**	Yield (%)	**1.77**	S&P 3-Yr. Proj. EPS CAGR(%)	**13**
Trailing 12-Month P/E	**13.8**	P/E on S&P Oper. EPS 2011**E**	**12.6**	Dividend Rate/Share	**$3.00**	S&P Credit Rating	**A+**
$10K Invested 5 Yrs Ago	**$22,733**	Common Shares Outstg. (M)	**1,194.3**	Institutional Ownership (%)	**58**		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Thomas Smith, CFA** on Sep 02, 2011, when the stock traded at **$168.08**.

Highlights

- We expect revenues to rise about 7.9% in 2011 and 5.0% in 2012, reflecting an improving global economy. A refreshed line-up of server products introduced in September 2010 should spur hardware sales into 2012. Growth in software should be aided by an acquisition campaign. On August 31, IBM agreed to acquire i2, a business analytics software provider, for undisclosed terms, and on September 1, IBM agreed to acquire Algorithmics, a provider of financial risk analytics software, for $387 million. Both deals remain subject to customary closing conditions.
- We look for gross margins to widen to 46.8% in 2011 and 47.2% in 2012, from 46.1% in 2010, on ongoing cost reduction efforts and an improved sales mix. We think pretax margins will expand as well. Effective tax rates should benefit from more international business.
- We estimate operating EPS of $13.40 for 2011 and $15.00 for 2012. The company spent about $4 billion on share repurchases in the second quarter of 2011, and we expect share buybacks to bolster EPS going forward. A dividend yield recently near 1.7% adds appeal.

Investment Rationale/Risk

- IBM's results should benefit from relatively strong revenue growth in emerging markets and improved profitability in more mature markets, by our analysis. We see a gradual widening of margins, reflecting cost containment and more software in the product mix. We expect per-share results to benefit from lower effective tax rates as business shifts overseas, and from share buybacks.
- Risks to our recommendation and target price include pricing pressure and other competitive risks, the potential for product transitions to go less smoothly than we project, and the possibility that antitrust and other lawsuits could hamper results.
- Our 12-month target price of $205 reflects a target multiple of 14.5X, which is in the upper half of the five-year historical range for IBM, applied to our 12-month forward EPS estimate of $14.11. Our target P/E is above a recent P/E of 13.1X for Information Technology Sector companies in the S&P 500 Index based on 2011 earnings estimates. We view the stock's valuation as compelling, given IBM's economies of scale and relatively steady earnings performance.

Qualitative Risk Assessment

LOW	**MEDIUM**	HIGH

Our risk assessment reflects what we view as IBM's competitively positioned solutions offerings, global market presence, and significant economies of scale, offset by what we see as an intensely competitive pricing environment.

Quantitative Evaluations

S&P Quality Ranking **A+**

D	C	B-	B	B+	A-	A	**A+**

Relative Strength Rank **STRONG**

82

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2011	24,607	26,666	--	--	--
2010	25,857	23,724	24,271	29,019	99,870
2009	21,711	23,250	23,566	27,230	95,758
2008	24,502	26,820	25,302	27,006	103,630
2007	22,029	23,772	24,119	28,866	98,786
2006	20,659	21,890	22,617	26,257	91,424

Earnings Per Share ($)

2011	2.31	3.00	**E**3.20	**E**4.70	**E**13.40
2010	1.97	2.61	2.82	4.18	11.52
2009	1.70	2.32	2.40	3.59	10.01
2008	1.65	1.98	2.05	3.28	8.93
2007	1.21	1.55	1.68	2.80	7.18
2006	1.08	1.30	1.45	2.30	6.06

Fiscal year ended Dec. 31. Next earnings report expected: Mid October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.650	10/26	11/08	11/10	12/10/10
0.650	01/25	02/08	02/10	03/10/11
0.750	04/26	05/06	05/10	06/10/11
0.750	07/26	08/08	08/10	09/10/11

Dividends have been paid since 1916. Source: Company reports.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

International Business Machines Corp

Business Summary September 02, 2011

CORPORATE OVERVIEW. With a corporate history dating back to 1911, International Business Machines has grown to be a major contributor to each major category that comprises the total information technology market: hardware, software, and services. The company is a leading server vendor, among the largest software vendors (behind Microsoft Corp.), and has the largest global services organization.

The company strives for innovation as a means of product differentiation, and had a research and development budget of $6.0 billion in 2010, up from $5.8 billion in 2009, which is approximately 6% of revenue for each year. IBM reports being awarded 5,896 patents in 2010, more than any other company.

The company operates in over 170 countries. The global scope of operations is reflected in the mix of revenue sources in 2010, with the Americas representing about 43%, EMEA (Europe, Middle East and Africa) 33%, and Asia Pacific 24%. Regional revenue performance was strongest in Asia Pacific in 2010. The company's revenue from the so-called BRIC countries (Brazil, Russia, India and China) grew 23% in 2010.

CORPORATE STRATEGY. IBM has evolved from being a computer hardware vendor to a systems, services and software company that focuses on integrated solutions. While computer hardware (included in the Systems and Technology segment) accounted for about 18% of sales in 2010 (17% of sales in 2009), IBM has emphasized -- through acquisitions and investments -- services and software. These areas serving adjacent markets to hardware have gained momentum as IBM leverages its ability to offer total solutions to customers. IBM's focus on higher value added segments such as services, at almost 57% of 2010 sales (58% of 2009 sales), and software 23% (23%) resulted in these areas together representing about 80% of revenue in 2010 (81%). Global financing represented approximately 2% (2%) of 2010 revenues, and is primarily used to leverage IBM's financial structuring and portfolio management, and to expand the customer base.

The Systems and Technology segment ($18 billion of revenue in 2010) focuses largely on servers and systems that provide required computing infrastructure for business. IBM has made a transition to more open systems; all IBM servers can run Linux, a key open source operating system. This segment also includes storage product operations that address information retention and archiving needs, microelectronics (semiconductor) operations, and retail store solutions. While IBM introduced the PC, it sold this business to Lenovo Group Ltd. in May 2005, for $1.75 billion.

IBM's Services segments (over $56 billion revenue in 2010) include Global Technology Services ($38 billion) and Global Business Services ($18 billion). Global Technology encompasses strategic outsourcing, integrated technology services, business transformation outsourcing, and maintenance. We believe the services operation has a strong position in emerging e-business services, with a services backlog of $142 billion as of the end of 2010, up from $137 billion at the end of 2009, as estimated by the company.

The Software segment ($23 billion revenue in 2010) has sought growth based on the strength of IBM's middleware and database offerings. IBM has made a number of acquisitions in recent years, including the February 2008 acquisitions of Cognos, which added offerings in business intelligence and performance management, and Net Integration Technologies Inc., which added a business server software solution for small and medium-sized businesses.

FINANCIAL TRENDS. An information technology industry downturn in 2009 turned to a recovery in 2010 that should continue in 2011, by our projections. We believe IBM's revenue growth is challenged by the sheer size of its business (which approached $100 billion in revenues in 2010). However, we see potential for continuing margin expansion as a result of restructuring efforts in the company's hardware business, a more software-oriented business mix, and productivity initiatives in its Services segments. The company spent about $15.4 billion on share repurchases in 2010, which we view as particularly aggressive in the context of a long-standing and ongoing program of share buybacks.

Corporate Information

Investor Contact
T.S. Shaughnessy (914-499-1900)

Office
1 New Orchard Road, Armonk, NY 10504-1722.

Telephone
914-499-1900.

Fax
914-765-7382.

Website
http://www.ibm.com

Officers

Chrmn, Pres & CEO
S.J. Palmisano

CTO
R.C. Adkins

SVP & CFO
M. Loughridge

Treas
R. DelBene

SVP & General Counsel
R.C. Weber

Board Members
A. J. Belda
W. R. Brody
K. I. Chenault
M. L. Eskew
S. A. Jackson
A. N. Liveris
W. J. McNerney, Jr.
J. W. Owens
S. J. Palmisano
J. E. Spero
S. Taurel
L. H. Zambrano

Domicile
New York

Founded
1910

Employees
426,751

Stockholders
523,553

International Business Machines Corp

Quantitative Evaluations

S&P Fair Value Rank — 4+

1	2	3	4	5
LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation — $184.40

Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that IBM is slightly undervalued by $15.06 or 8.9%.

Investability Quotient Percentile — 100

LOWEST = 1 HIGHEST = 100

IBM scored higher than 100% of all companies for which an S&P Report is available.

Volatility — LOW | AVERAGE | HIGH

Technical Evaluation — NEUTRAL

Since September, 2011, the technical indicators for IBM have been NEUTRAL.

Insider Activity — UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2010	2009	2008	2007
Price/Sales	1.89	1.83	1.12	1.59
Price/EBITDA	7.84	7.42	5.36	8.36
Price/Pretax Income	9.58	9.68	6.96	10.82
P/E Ratio	12.74	13.08	9.43	15.05
Avg. Diluted Shares Outstg (M)	1,287.4	1,341.4	1,381.8	1,450.6

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	4.30	-0.46	1.86	2.05
Net Income	10.49	12.13	13.15	9.88
Ratio Analysis (Annual Avg.)				
Net Margin (%)	14.85	13.59	12.32	10.48
% LT Debt to Capitalization	48.53	49.31	45.05	41.65
Return on Equity (%)	64.94	66.04	53.06	41.38

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	NM	NM	NM	8.72	8.93	13.97	11.86	12.36	10.84	12.96
Cash Flow	15.27	13.73	12.49	10.22	9.39	8.10	7.82	7.01	5.61	7.08
Earnings	11.52	10.01	8.93	7.18	6.06	4.91	4.94	4.34	3.07	4.35
S&P Core Earnings	10.78	9.43	6.04	6.94	5.88	3.93	4.06	3.00	0.08	1.33
Dividends	2.50	2.15	1.90	1.50	1.10	0.78	0.70	0.63	0.59	0.55
Payout Ratio	22%	21%	21%	21%	18%	16%	14%	15%	19%	13%
Prices:High	147.53	132.85	130.93	121.46	97.88	99.10	100.43	94.54	126.39	124.70
Prices:Low	116.00	81.76	69.50	88.77	72.73	71.85	90.82	73.17	54.01	83.75
P/E Ratio:High	13	13	15	17	16	20	20	22	41	29
P/E Ratio:Low	10	8	8	12	12	15	18	17	18	19
Income Statement Analysis (Million $)										
Revenue	99,870	95,757	103,630	98,786	91,424	91,134	96,293	89,131	81,186	85,866
Operating Income	24,100	23,660	21,680	18,765	16,912	14,564	15,890	14,790	11,175	14,115
Depreciation	4,831	4,994	4,930	4,405	4,983	5,188	4,915	4,701	4,379	4,820
Interest Expense	368	402	1,477	1,431	278	220	139	145	145	238
Pretax Income	19,723	18,138	16,715	14,489	13,317	12,226	12,028	10,874	7,524	10,953
Effective Tax Rate	NA	26.0%	26.2%	28.1%	29.3%	34.6%	29.8%	30.0%	29.1%	29.5%
Net Income	14,833	13,425	12,334	10,418	9,416	7,994	8,448	7,613	5,334	7,723
S&P Core Earnings	13,883	12,648	8,340	10,072	9,116	6,395	6,923	5,270	111	2,302
Balance Sheet & Other Financial Data (Million $)										
Cash	11,651	13,974	12,907	16,146	10,656	13,686	10,570	7,647	5,975	6,393
Current Assets	48,116	48,935	49,004	53,177	44,660	45,661	46,970	44,998	41,652	42,461
Total Assets	113,452	109,022	109,524	120,431	103,234	105,748	109,183	104,457	96,484	88,313
Current Liabilities	40,562	36,002	42,435	44,310	40,091	35,152	39,798	37,900	34,550	35,119
Long Term Debt	21,846	21,932	22,689	23,039	13,780	15,425	14,828	16,986	19,986	15,963
Common Equity	23,046	22,637	13,465	28,470	28,506	33,098	29,747	27,864	22,782	23,614
Total Capital	45,018	44,687	45,096	51,509	42,286	48,523	44,575	44,850	42,768	39,577
Capital Expenditures	4,185	3,447	4,171	4,630	4,362	3,842	4,368	4,393	4,753	5,660
Cash Flow	19,664	18,419	17,264	14,823	14,399	13,182	13,363	12,314	9,713	12,533
Current Ratio	1.2	1.4	1.2	1.2	1.1	1.3	1.2	1.2	1.2	1.2
% Long Term Debt of Capitalization	48.5	49.1	71.6	44.7	32.6	31.7	33.3	37.9	46.7	40.3
% Net Income of Revenue	14.9	14.0	11.9	10.6	10.3	8.8	8.8	8.5	6.6	9.0
% Return on Assets	13.3	12.3	10.7	9.3	9.0	7.4	7.9	7.6	5.7	8.7
% Return on Equity	64.9	74.4	58.8	36.6	30.6	24.7	29.3	30.1	23.1	35.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

International Business Machines Corp

Sub-Industry Outlook

Our fundamental outlook for the IT Consulting & Other Services sub-industry is neutral. Spending on consulting and infrastructure-based services rose modestly in 2009, and quickened in 2010. Still, during much of the year there was an elevated level of caution on spending on IT services that were more discretionary in nature. More recently, there have been comments from companies in the IT Consulting sub-industry indicating increased interest from clients on projects that are more discretionary in nature, including longer-term consulting and large scale systems integration. According to a survey by IDC, a global industry provider of IT data, spending on IT and business services worldwide is expected to increase at a compound annual growth rate of 4.9% between 2010 and 2015. IDC expects there to be pockets of strength, including growth of 5.3% in business process outsourcing and 7.8% in hosting infrastructure services. IDC looks for IT consulting services spending to increase 3.8% annually between 2010 and 2015.

We see modest near-term growth prospects, and believe some IT service companies will look to supplement growth via acquisitions and partnerships. This trend has begun to quicken, given the acquisitions of Perot Systems by Dell Inc. (DELL 15, Strong Buy) and Affiliated Computer Services by Xerox Corp. (XRX 8, Strong Buy). Another strategy we think is gaining momentum involves focusing on smaller and shorter duration IT service contracts, which often involve reduced upfront costs and provide a faster return on investment. In the government marketplace, we view increased spending on IT-related defense and homeland security initiatives as positive factors, as well as interest in IT-related projects within the health care sector. Longer term, we think computer services concerns will continue to benefit from the effects of an increasingly global economy, deregulation, an IT labor shortage, e-business opportunities, and a constant need on the part of corporations and governments to use services and systems that can help boost productivity and cut costs. We think that cost-cutting initiatives will be a source of strength for the India-based outsourcing companies in the group.

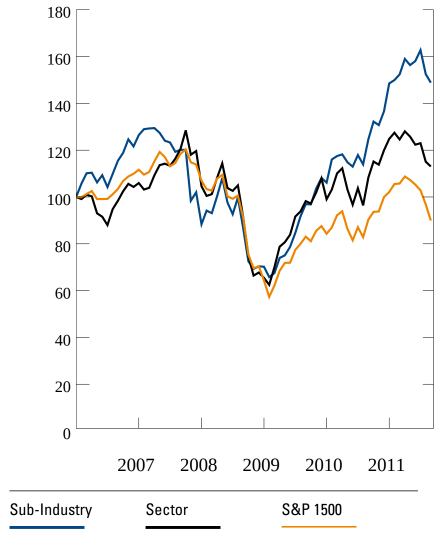
Year to date through September 16, the S&P IT Consulting & Other Services Index rose 12.4%, while the S&P 1500 declined 3.5%. In 2010, it gained 26.3%, versus a 14.2% increase for the larger index. In general, we favor companies that have broad-based exposure to different verticals and are able to deliver services from locations around the world.

--Dylan Cathers

Stock Performance

GICS Sector: Information Technology
Sub-Industry: IT Consulting & Other Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 08/31/11



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : IT Consulting & Other Services Peer Group*: Information Technology Services - Larger Cos.

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Intl Bus. Machines	**IBM**	**202,239**	**169.34**	**185.63/133.51**	**0.73**	**1.8**	**14**	**184.40**	**A+**	**100**	**14.8**	**48.5**
Acxiom Corp	ACXM	841	10.31	18.83/8.94	1.22	Nil	NM	11.30	B	79	NA	38.7
CGI Group	GIB	4,065	17.60	25.63/14.16	0.87	Nil	12	NA	B+	87	8.0	9.7
Infosys Ltd ADS	INFY	27,556	48.23	77.92/46.12	1.17	2.7	18	45.70	NR	93	24.8	NA
Unisys Corp	UIS	687	15.91	41.32/15.00	NM	Nil	9	8.00	C	3	4.0	NA
Wipro Ltd ADS	WIT	22,326	9.15	16.81/8.85	1.81	1.5	19	8.00	NR	66	17.2	7.4

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Source: S&P.

S&P Analyst Research Notes and other Company News

September 1, 2011
02:30 pm ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES (IBM 170.86*****): IBM agrees to acquire Algorithmics, a Toronto-based provider of financial risk analytics software with 900 staff, for about $387 million. Also showing IBM's follow-through on its strategy to expand software operations is its agreement on August 31 to acquire i2, a business analytics software provider with 350 staff. The i2 deal would boost capability in the crime and fraud prevention vertical market. Both deals remain subject to regulatory and customary closing conditions. We are maintaining our EPS estimate of $13.40 for 2011. Our 12-month target price remains $205. /T. Smith, CFA

July 19, 2011
IBM posts $3.09 vs. $2.62 Q2 op. (non-GAAP) EPS on 12% revenue rise. The Capital IQ consensus forecast was $3.03. IBM raises '11 op. (non-GAAP) EPS to at least $13.25 from at least $13.15, which excludes $0.38 of charges. S&P raises estimates, target, maintains strong buy....

July 19, 2011
10:27 am ET ... INTERNATIONAL BUSINESS MACHINES CORP. (IBM 182.00) UP 6.72, INTL BUSINESS MACHINES (IBM) Q2 BEATS STREET. RBC CAPITAL UPS $180 TGT TO $200... Analyst Amit Daryanani tells salesforce IBM delivered a strong Q2 on broad-based strength. Notes signings beat estimates with decent trends in Outsourcing, Transactional. Also notes co. upped '11 EPS view to at least $13.25, which to him looks conservative given solid Q2. Thus, says best case is co. will continue to beat/raise through H2; worst case is a slowing macro is reflected in model. Either way, recommends IBM for investors who seek relatively safer, defensive investment for multi-Q period. Ups $13.18 '11 EPS est. to $13.30. Keeps sector perform. B.Egli

July 18, 2011
05:43 pm ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF IBM (IBM 175.28*****): Q2 operating EPS of $3.09 (excluding $0.09 acquisition related and other costs), versus $2.62 (excluding $0.01), is above our estimate of $3.03. Revenues increased 12% led by strength in software and hardware, and helped by currency translation effects. Services backlog rose to $144 billion, which improves earnings visibility, in our opinion. We are raising our operating EPS estimates to $13.40 from $13.25 for 2011, and to $15.00 from $14.60 for 2012. Revising our P/E analysis, we are lifting our P/E based 12-month target price to $205 from $196. /T. Smith, CFA

July 6, 2011
International Business Machines Corp. veteran Janet Ang has returned as managing director of the company's Singapore operations, succeeding Teresa Lim who will be taking a leave of absence. The appointment will take effect immediately. Ms. Ang was previously MD Singapore from April 2001 till December 2003 when she moved to China. Ms. Lim took up the post of MD Singapore in January 2007. Prior to this appointment, Ms. Ang served as VP, Strategic Services, IBM Greater China. Before that she was VP, Integrated Technology Services, IBM Greater China. She also served as VP for Personal Systems Group in IBM Greater China and VP for Worldwide Desktop Business Unit in Lenovo. Ms. Ang first joined IBM Singapore in 1982 as a Systems Engineer.

June 15, 2011
02:46 pm ET ... S&P UPGRADES OPINION ON SHARES OF IBM TO STRONG BUY FROM BUY, ON VALUATION (IBM 161.94*****): We are taking a more bullish view of IBM shares on valuation, after a price decline in recent weeks. We foresee revenue being driven by enterprise interest in upgrading their data centers. Recent software acquisitions and new server products should offer customers more capabilities and help to widen margins. Effective tax rates should benefit from more international business. A dividend yield near 1.8% adds some appeal. We are maintaining our operating EPS estimates of $13.25 for 2011, and $14.60 for 2012. Our P/E-based 12-month target price remains $196. /T. Smith, CFA

April 26, 2011
UP 0.57 to 168.24... IBM raises its quarterly dividend by 15% to $0.75 per share. Also, sets additional $8 billion stock buyback program.

April 26, 2011
03:58 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF IBM (IBM 168.33****): IBM announces an increase in the quarterly cash dividend to $0.75 from $0.65. The increase indicates a dividend yield of 1.8%, which tops a yield near 1.0% for Information Technology companies in the S&P 500 Index. Also, the board authorized $8 billion more for share repurchases. Management expects to request additional authorization in October. We view these actions as in keeping with the company's long-term financial strategies. We are maintaining our operating EPS estimates of $13.25 for 2011, and $14.60 for 2012, and our 12-month target price of $196. /T.Smith-CFA

April 20, 2011
IBM posts $2.41 vs. $2.00 Q1 op. (non-GAAP) EPS on 7.7% revenue rise. Street was looking for $2.30. Raises '11 op. (non-GAAP) EPS forecast to at least $13.15 from at least $13.00, which excl. $0.42 of charges. S&P raises estimates, target, maintains buy. ...

April 20, 2011
09:32 am ET ... INTERNATIONAL BUSINESS MACHINES CORP. (IBM 162.81) DOWN 2.59, INTL BUS MACHINES (IBM) POSTS Q1. RBC CAPITAL KEEPS SECTOR PERFORM... Analyst Amit Daryanani tells salesforce concerns around signings once again appear to overshadow fairly solid and positive Q1 revenue and EPS performance. Notes signings were down 14% y/y and were once again below expectations, which disappointing as investors had been hoping that the strong Q4 signings number marked an inflection point, not an aberration. Given increasingly cloudy macro outlook due to factors such as Japan and public spending, believes most cos will be reluctant to move up their forecasts. Lowers $13.18/$14.75 '11/'12 EPS ests to $13.04/$14.57. S.Trombino

April 19, 2011
05:50 pm ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES (IBM 165.4****): IBM reports Q1 EPS of $2.41 (excl. $0.10 acquisition-related and other costs), versus $2.00 (excl. $0.03), which is above our estimate of $2.30 and consensus of $2.30 from Capital IQ (an entity that operates independently of S&P Equity Research). Revenues rose 8%, led by a 19% gain in the hardware segment, and we expect a cyclical expansion for computer hardware to continue through 2011. We are raising our operating EPS estimates to $13.25 from $13.10 for 2011, and to $14.60 from $14.50 for 2012. We are increasing our 12-month target price to $196 from $190. /T.Smith-CFA

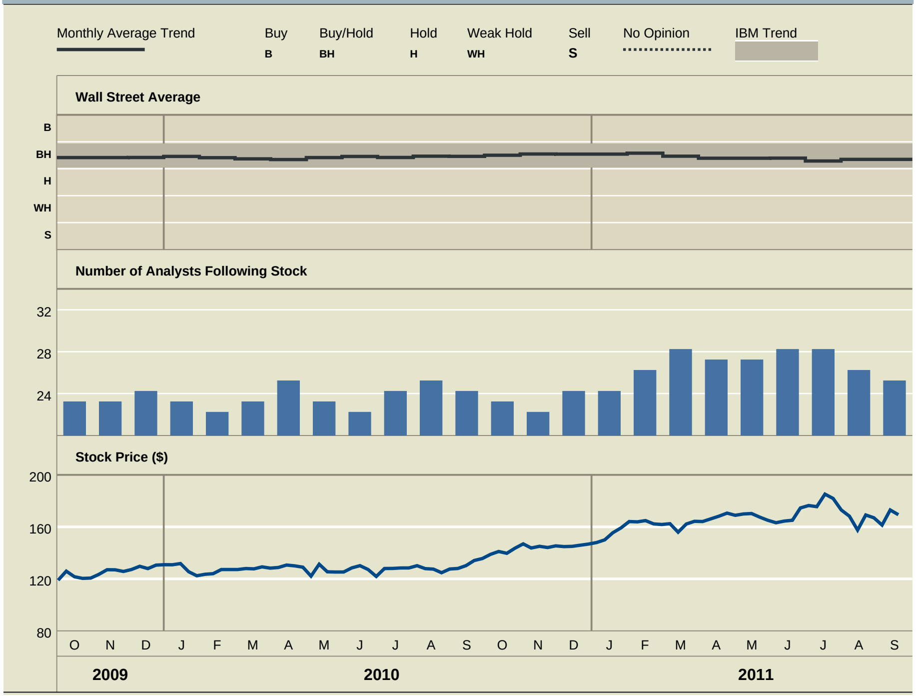
April 15, 2011
11:09 am ET ... S&P REITERATES BUY OPINION ON SHARES OF INTERNATIONAL BUSINESS MACHINES (IBM 165.59****): IBM plans to post Q1 results on April 19, and we are raising our EPS estimate to $2.30 from $2.25. Despite headwinds for revenue in Japan, we expect sales progress based on global economic growth, a rise in service signings in Q4 2010, demand for new server products, and acquisitions. We expect higher volumes and more software in the product mix to aid margins. Share buybacks should aid per share results. We are raising our EPS estimates to $13.10 from $12.85 for 2011, and to $14.50 from $14.00 for 2012. We are lifting our 12-month target price to $190 from $180. /T.Smith-CFA

March 16, 2011
DOWN 5.54 to 153.48... Bernstein downgrades IBM to market perform from outperform. Co. unavailable. ...

International Business Machines Corp

STANDARD &POOR'S

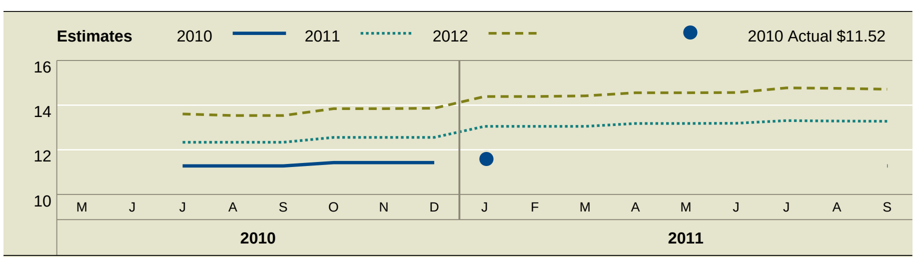
Analysts' Recommendations



Of the total 32 companies following IBM, 26 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	7	27	7	8
Buy/Hold	7	27	8	9
Hold	11	42	11	11
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	1	4	1	0
Total	**26**	**100**	**27**	**28**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	14.76	15.21	14.33	24	11.5
2011	13.31	13.50	13.16	24	12.7
2012 vs. 2011	**▲ 11%**	**▲ 13%**	**▲ 9%**	**0%**	**▼ -9%**
Q3'12	3.55	3.73	3.37	14	47.7
Q3'11	3.21	3.36	3.05	20	52.8
Q3'12 vs. Q3'11	**▲ 11%**	**▲ 11%**	**▲ 10%**	**▼ -30%**	**▼ -10%**

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Steet Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.
Argus Research Company
BMO Capital Markets-us
Barclays Capital
Bofa Merrill Lynch
Canaccord Genuity
Citi
Collins Stewart LLC
Cowen AND Company
Credit Agricole Securities
Credit Suisse - North America
Crowell, Weedon & Co.
Davenport & Company LLC
Deutsche Bank North America
FBN Securities
First Global Stockbroking Ltd.
Goldman Sachs & Co.
Hamburger Sparkasse (haspa)
Janney Montgomery Scott LLC
Jpmorgan
Morgan Stanley
Morningstar, Inc.
Nutmeg Securities
RBC Capital Markets
Sanford C. Bernstein & Co., LLC
Societe Generale
Standard & Poors
Stifel Nicolaus & Company,inc.
Technology Research Group
UBS (us)
Wall Street Access

Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that IBM will earn $13.31. For the 2nd quarter of fiscal year 2011, IBM announced earnings per share of $3.00, representing 23% of the total annual estimate. For fiscal year 2012, analysts estimate that IBM's earnings per share will grow by 11% to $14.76.

Source: S&P,I/B/E/S International, Inc.

The McGraw·Hill Companies

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Intl Bus. Machines

	Raw Score	Max Value
Proprietary S&P Measures	52	115
Technical Indicators	29	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	61	75
IQ Total	**161**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

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Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services North America recommended 38.4% of issuers with buy recommendations, 54.8% with hold recommendations and 6.8% with sell recommendations.

In Europe: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services Europe recommended 36.0% of issuers with buy recommendations, 48.3% with hold recommendations and 15.7% with sell recommendations.

In Asia: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services Asia recommended 45.1% of issuers with buy recommendations, 47.7% with hold recommendations and 7.2% with sell recommendations.

Globally: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services globally recommended 38.6% of issuers with buy recommendations, 53.2% with hold recommendations and 8.2% with sell recommendations.

★★★★★ **5-STARS (Strong Buy)**: Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy)**: Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold)**: Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell)**: Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell)**: Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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In Asia: As of June 30, 2011, Standard & Poor's Quantitative Services Asia recommended 45.1% of issuers with buy recommendations, 23.0% with hold recommendations and 33.0% with sell recommendations.

Globally: As of June 30, 2011, Standard & Poor's Quantitative Services globally recommended 43.0% of issuers with buy recommendations, 21.0% with hold recommendations and 34.0% with sell recommendations.

Additional information is available upon request.

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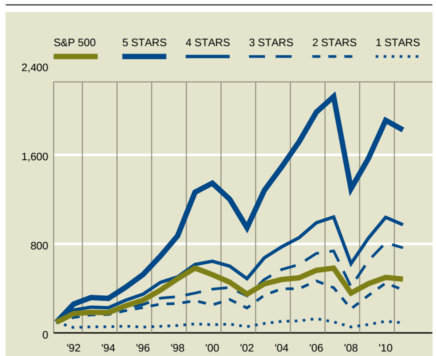
U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of $100
For the Period 12/31/1986 through 08/31/2011



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a $100,000 investment for a 12-month period (or $10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or $1,650), the net return would be 8.35 percent (or $8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of $5,375 and a cumulative net return of 27.2% (or $27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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