

[Table of Contents](#)
Management Discussion

53

International Business Machines Corporation and Subsidiary Companies

PRIOR YEAR IN REVIEW

This section provides a summary of our segment results and year-to-year comparisons between 2019 and 2018. These results have been recast to conform to our segment changes effective first-quarter 2020 which impacted the Cloud & Cognitive Software segment, Global Business Services segment and the Other—divested businesses category. The recast results of those segments impacted are presented below. There was no change to Global Technology Services, Systems or Global Financing segments, and there was no change to our consolidated results. Refer to “Year in Review” pages 34 to 46 of the “Management Discussion” section of our 2019 Annual Report for all other details of our financial performance in 2019 compared to 2018.

Segment Details

The table below presents each reportable segment’s external revenue and gross margin results. Segment pre-tax income includes transactions between segments that are intended to reflect an arm’s-length transfer price and excludes certain unallocated corporate items.

(\$ in millions)

For the year ended December 31:	2019	2018	Yr.-to-Yr. Percent/ Margin Change	Yr.-to-Yr. Percent Change Adjusted for Currency
Revenue				
Cloud & Cognitive Software	\$22,891 *	\$21,857 *	4.7 %**	6.5 %
Gross margin	77.1 %*	78.1 %*	(1.0)pts.**	
Global Business Services	16,798 *	16,795 *	0.0 %	2.2 %
Gross margin	27.7 %*	26.9 %*	0.8 pts.	
Global Technology Services	27,361	29,146	(6.1)%	(3.7)%
Gross margin	34.8 %	34.4 %	0.3 pts.	
Systems	7,604	8,034	(5.3)%	(4.1)%
Gross margin	53.1 %	49.8 %	3.2 pts.	
Global Financing	1,400	1,590	(11.9)%	(10.0)%
Gross margin	35.6 %	29.1 %	6.4 pts.	
Other	1,092 *	2,169 *	(49.6)%	(48.3)%
Gross margin	12.5 %*	39.1 %*	(26.6)pts.	
Total consolidated revenue	\$77,147	\$79,591	(3.1)%⁺	(1.0)%
Total consolidated gross profit	\$36,488	\$36,936	(1.2)%	
Total consolidated gross margin	47.3 %	46.4 %	0.9 pts.	
Non-operating adjustments				
Amortization of acquired intangible assets	534	372	43.8 %	
Acquisition-related charges	13	—	NM	
Operating (non-GAAP) gross profit	\$37,035	\$37,307	(0.7)%	
Operating (non-GAAP) gross margin	48.0 %	46.9 %	1.1 pts.	

* Recast to reflect segment changes.

** 2019 results were impacted by Red Hat purchase accounting and acquisition-related activity.

⁺ 0.2 percent excluding divested businesses and currency.

NM—Not meaningful

Cloud & Cognitive Software

(\$ in millions)

For the year ended December 31:	2019	2018	Yr.-to-Yr. Percent Change **	Yr.-to-Yr. Percent Change Adjusted for Currency **
Cloud & Cognitive Software external revenue	\$22,891 *	\$21,857 *	4.7 %	6.5 %
Cloud & Data Platforms	\$ 9,499	\$ 8,603	10.4 %	12.3 %
Cognitive Applications	5,456 *	5,280 *	3.3	4.8