

[Table of Contents](#)

58

Management Discussion

International Business Machines Corporation and Subsidiary Companies

The table below represents the way in which management reviews cash flow as previously described.

(\$ in billions)

For the year ended December 31:	2020	2019	2018
Net cash from operating activities per GAAP	\$18.2	\$ 14.8	\$15.2
Less: the change in Global Financing receivables	4.3	0.5	(0.3)
Net cash from operating activities, excluding Global Financing receivables	13.8	14.3	15.6
Capital expenditures, net	(3.0)	(2.4)	(3.7)
Free cash flow (FCF)	10.8	11.9	11.9
Acquisitions	(0.3)	(32.6)	(0.1)
Divestitures	0.5	1.1	—
Share repurchase	—	(1.4)	(4.4)
Common stock repurchases for tax withholdings	(0.3)	(0.3)	(0.2)
Dividends	(5.8)	(5.7)	(5.7)
Non-Global Financing debt	0.2	22.8	(0.5)
Other (includes Global Financing receivables and Global Financing debt)	0.2	1.0	(1.6)
Change in cash, cash equivalents, restricted cash and short-term marketable securities	\$ 5.3	\$ (3.2)	\$ (0.6)
FCF as percent of Income from Continuing Operations	196 %*	126 %	136 %**

* 143% in 2020 excluding a \$2.0 billion pre-tax charge in the fourth quarter for structural actions.

** 111% in 2018 excluding charge of \$2.0 billion associated with the enactment of U.S. tax reform.

Events that could temporarily change the historical cash flow dynamics discussed previously include significant changes in operating results, material changes in geographic sources of cash, unexpected adverse impacts from litigation, future pension funding requirements during periods of severe downturn in the capital markets or the timing of tax payments. Whether any litigation has such an adverse impact will depend on a number of variables, which are more completely described in note R, "Commitments & Contingencies." With respect to pension funding, in 2020, we contributed \$211 million to our non-U.S. defined benefit plans compared to \$274 million in 2019. As highlighted in the Contractual Obligations table, we expect to make legally mandated pension plan contributions to certain non-U.S. plans of approximately \$1.5 billion in the next five years. The 2021 contributions are currently expected to be approximately \$300 million. Contributions related to all retirement-related plans are expected to be approximately \$2.3 billion in 2021, an increase of approximately \$100 million compared to 2020. Financial market performance could increase the legally mandated minimum contributions in certain non-U.S. countries that require more frequent remeasurement of the funded status. We are not quantifying any further impact from pension funding because it is not possible to predict future movements in the capital markets or pension plan funding regulations.

In 2021, we are not legally required to make any contributions to the U.S. defined benefit pension plans.

Our cash flows are sufficient to fund our current operations and obligations, including investing and financing activities such as dividends and debt service. When additional requirements arise, we have several liquidity options available. These options may include the ability to borrow additional funds at reasonable interest rates and utilizing our committed global credit facilities. With our share repurchase program suspended since the close of the Red Hat acquisition, our overall shareholder payout remains at a comfortable level and we remain fully committed to our long-standing dividend policy.