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International Business Machines Corporation and Subsidiary Companies

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**Global Financing**

(\$ in millions)

For the year ended December 31:	2020	2019	Yr.-to-Yr. Percent Change
External revenue	\$1,123	\$1,400	(19.8)%
Internal revenue	894	1,232	(27.5)
Total revenue	\$2,017	\$2,632	(23.4)%
Pre-tax income	\$ 761	\$1,055	(27.8)%

In 2019, we began the wind down of our OEM Commercial Financing business to refocus our Global Financing business on IBM's products and services. In 2020, we entered into arrangements to sell certain financing receivables to third parties. While the strategic actions we have taken are the primary driver of the decline in external revenue and pre-tax income on a year-to-year basis, our repositioning of the Global Financing business has strengthened our liquidity position, improved the quality of our portfolio and lowered our debt needs.

Global Financing total revenue decreased 23.4 percent compared to the prior year. This was due to a decrease in internal revenue of 27.5 percent, driven by decreases in internal used equipment sales (down 22.3 percent to \$670 million) and internal financing (down 39.5 percent to \$224 million). The decrease in internal financing was due to lower average asset balances and yields. External revenue declined 19.8 percent due to decreases in external financing (down 25.5 percent to \$834 million), reflecting the wind down of the OEM IT commercial financing operations and a decline in client financing revenue.

Sales of used equipment represented 47.5 percent and 43.4 percent of Global Financing's revenue for the years ended December 31, 2020 and 2019, respectively, which reflects lower financing revenue compared to 2019. The gross profit margin on used sales was 50.7 percent and 52.2 percent for the years ended December 31, 2020 and 2019, respectively.

Global Financing pre-tax income decreased 27.8 percent year to year primarily driven by a decline in gross profit (\$339 million) due to lower revenue, partially offset by a decrease in expense (\$46 million), which was in line with the segment's performance.

**Geographic Revenue**

In addition to the revenue presentation by reportable segment, we also measure revenue performance on a geographic basis.

(\$ in millions)

For the year ended December 31:	2020	2019	Yr.-to-Yr. Percent Change	Yr.-to-Yr. Percent Change Adjusted for Currency	Yr.-to-Yr. Percent Change Excluding Divested Businesses And Adjusted for Currency
Total revenue	\$73,620	\$77,147	(4.6)%	(4.7)%	(3.5)%
Americas	\$34,114	\$36,274	(6.0)%	(4.8)%	(3.5)%
Europe/Middle East/Africa	23,644	24,443	(3.3)	(4.7)	(3.6)
Asia Pacific	15,863	16,430	(3.5)	(4.3)	(3.5)

Total revenue of \$73,620 million in 2020 decreased 4.6 percent year to year as reported (5 percent adjusted for currency and 4 percent excluding divested businesses and adjusted for currency).

Americas revenue decreased 6.0 percent as reported (5 percent adjusted for currency and 4 percent excluding divested businesses and adjusted for currency). Within North America, the U.S. decreased 4.9 percent and Canada decreased 6.0 percent as reported (5 percent adjusted for currency). Latin America declined 12.9 percent as reported (3 percent adjusted for currency). Within Latin America, Brazil declined 17.9 percent as reported (3 percent adjusted for currency).