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**Management Discussion**

International Business Machines Corporation and Subsidiary Companies

- An increase in cash used for net capital expenditures of \$672 million; and
- A decrease in cash provided from divestitures of \$573 million.

Financing activities were a net use of cash of \$9,721 million in 2020 compared to a net source of cash of \$9,042 million in 2019. The year-to-year change of \$18,763 million was driven by:

- A decrease in net cash provided by debt transactions of \$19,998 million driven primarily by a higher level of net additions in the prior year to fund the Red Hat acquisition; partially offset by
- A decrease in cash used for gross common share repurchases of \$1,361 million.

**Global Financing Return on Equity Calculation**

(\$ in millions)

<b>At December 31:</b>	<b>2020</b>	<b>2019</b>
Numerator		
Global Financing after-tax income <sup>(1)</sup> *	\$ 635	\$ 765
Denominator		
Average Global Financing equity <sup>(2)</sup> **	\$2,465	\$2,968
Global Financing return on equity <sup>(1)/(2)</sup>	25.8 %	25.8 %

\* Calculated based upon an estimated tax rate principally based on Global Financing's geographic mix of earnings as IBM's provision for income taxes is determined on a consolidated basis.

\*\* Average of the ending equity for Global Financing for the last five quarters.