

## Intl Business Machines (IBM)

**\$185.03** (Stock Price as of 02/29/2024)

Price Target (6-12 Months): **\$204.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/12/22)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**2-Buy**

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: F

### Summary

IBM is likely to benefit from the rising demand of its hybrid cloud and AI solutions. Increased watsonx adoption by clients is a tailwind. A combination of a better business mix, improving operating leverage through productivity gains and increased investment in growth opportunities will likely drive profitability. IBM's collaboration with SAP to tap generative AI technology within the retail industry will likely generate incremental revenues. Strong free cash flow generation provides the financial flexibility required for strategic investments in the evolving business environment. However, frequent acquisitions have escalated integration risks. In addition, buyouts have negatively impacted the company's balance sheet in the form of high levels of goodwill and net intangible assets. Foreign exchange volatility remains another concern.

### Data Overview

52 Week High-Low	\$196.90 - \$120.55
20 Day Average Volume (sh)	4,200,506
Market Cap	\$169.6 B
YTD Price Change	13.1%
Beta	0.70
Dividend / Div Yld	\$6.64 / 3.6%
Industry	<b>Computer - Integrated Systems</b>
Zacks Industry Rank	<b>Top 39% (99 out of 251)</b>

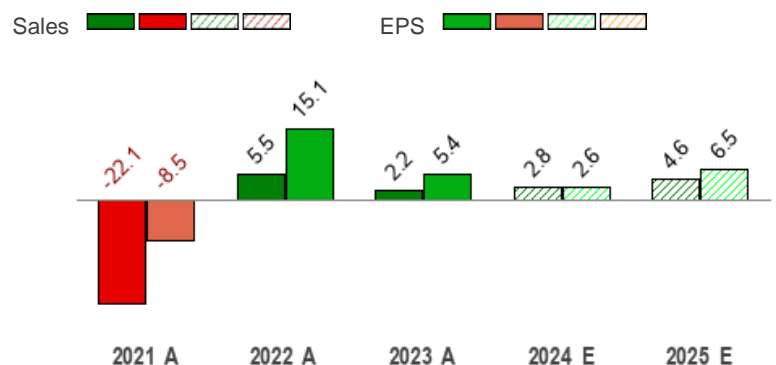
Last EPS Surprise	2.4%
Last Sales Surprise	0.6%
EPS F1 Est- 4 week change	0.3%
Expected Report Date	<b>04/17/2024</b>
Earnings ESP	-3.2%

P/E TTM	19.3
P/E F1	18.8
PEG F1	4.2
P/S TTM	2.7

### Price, Consensus & Surprise<sup>(1)</sup>



### Sales and EPS Growth Rates (Y/Y %)<sup>(2)</sup>



### Sales Estimates (millions of \$)<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2025	16,133 E	16,289 E	16,155 E	17,969 E	66,546 E
2024	14,532 E	15,820 E	15,335 E	17,926 E	63,614 E
2023	14,252 A	15,475 A	14,752 A	17,381 A	61,860 A

### EPS Estimates<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2025	2.02 E	2.62 E	2.51 E	3.36 E	10.51 E
2024	1.54 E	2.25 E	2.24 E	3.84 E	9.87 E
2023	1.36 A	2.18 A	2.20 A	3.87 A	9.62 A

\*Quarterly figures may not add up to annual.

1) The data in the charts and tables, except the estimates, is as of 02/29/2024.

2) The report's text, the analyst-provided estimates, and the price target are as of 03/01/2024.

## Overview

International Business Machines Corporation has gradually evolved as a provider of cloud and data platforms. Red Hat acquisition, in particular, has helped it in strengthening competitive position in the hybrid cloud market. With Red Hat buyout, the company offers Linux operating system — Red Hat Enterprise Linux — and hybrid cloud platform — Red Hat OpenShift — that aids enterprises with digital transformation. In addition, the company provides advanced information technology solutions, computer systems, quantum computing and super computing solutions, enterprise software, storage systems and microelectronics.

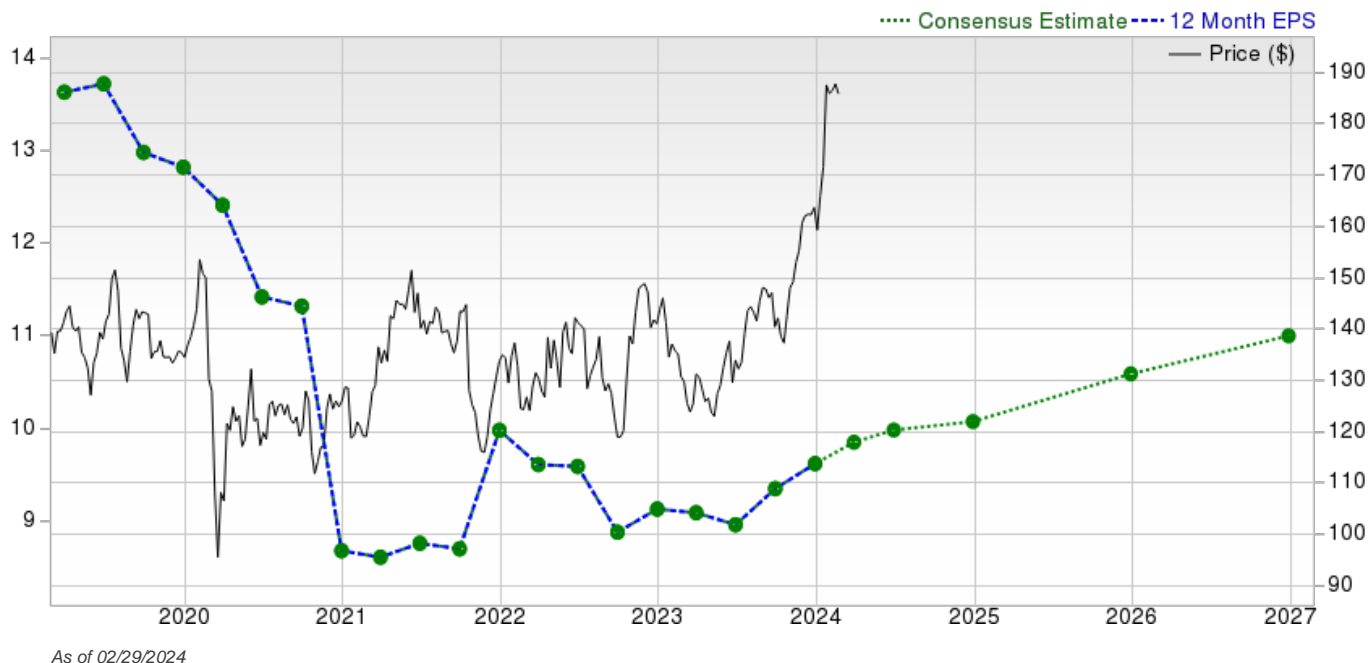
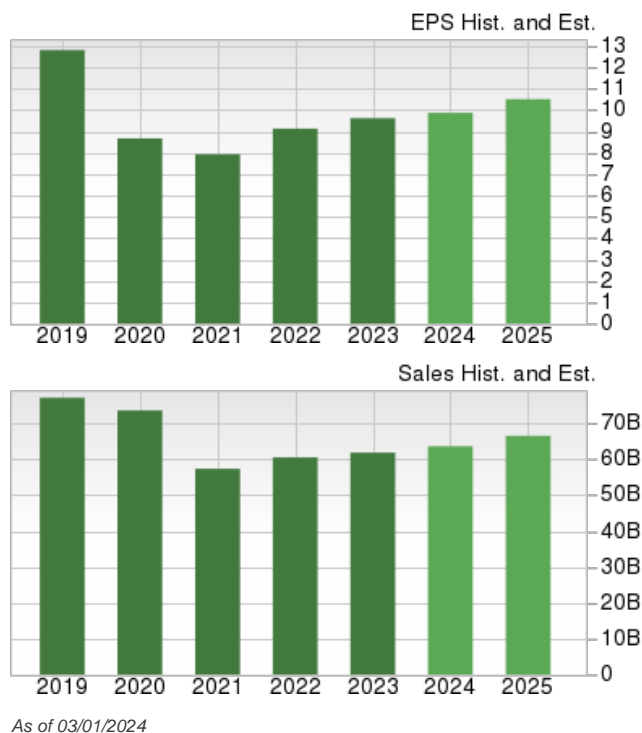
Armonk, NY-based, IBM reported revenues of \$60.5 billion in 2022. It announced the spin-off of its legacy Managed Infrastructure Services business in a bid to accelerate its hybrid cloud growth strategy. IBM has restructured its segments post the separation of Kyndryl. The new segments of the company are Software, Consulting, Infrastructure and Financing.

**Software (erstwhile Cloud & Cognitive Software):** This segment consists of Hybrid Platform & Solutions comprising software services, Red Hat, automation and data & AI businesses and Transaction Processing. It recorded 43.2% of GAAP revenues in fourth-quarter 2023.

**Consulting (erstwhile Global Business Services):** This segment comprises Business Transformation, Technology Consulting and Application Operations. It recorded 29% of GAAP revenues in fourth-quarter 2023.

**Infrastructure (erstwhile Systems):** This segment comprises Hybrid Infrastructure and Infrastructure Support services. It recorded 26.5% of GAAP revenues in fourth-quarter 2023.

**Financing (erstwhile Global Financing):** This segment includes client and commercial financing services. It recorded 1% of GAAP revenues in fourth-quarter 2023.



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## Reasons To Buy:

▲ IBM is poised to benefit from strong demand for hybrid cloud and AI, driving growth in Software and Consulting. The company's growth is expected to be driven primarily by analytics, cloud computing, and security in the long haul. A combination of a better business mix, improving operating leverage through productivity gains and increased investment in growth opportunities will likely drive profitability. IBM's research and development (R&D) initiatives set it apart from its peers. On an annual basis, the company invests around 7-8% on R&D for reaping the high-growth and high-value opportunities.

IBM is poised to benefit from strong demand for hybrid cloud and AI, driving growth in Software and Consulting.

▲ The acquisition of Apptio Inc., a prominent provider of financial and operational IT management and optimization software, for \$4.6 billion has bolstered IBM's IT automation capabilities, empowering enterprise leaders to generate incremental value across the technology domain. By combining Apptio's offerings with IBM's IT automation software and Watson AI platform, organizations worldwide will gain the ability to optimize and streamline enterprise IT spend while achieving tangible financial and operational improvements. It will provide clients with a comprehensive technology business management platform, effectively functioning as a "virtual command center" for spend management and optimization across their entire technology landscape. Furthermore, Apptio's anonymized IT spend data, amounting to \$450 billion, will unlock valuable insights for clients and partners. The acquisition reflects IBM's ongoing commitment to hybrid cloud and AI. It is expected to yield significant synergies in critical growth areas such as automation, Red Hat, IBM's AI portfolio and IBM Consulting. Additionally, Apptio will benefit from IBM's extensive global presence and established partnerships with leading systems integrators.

▲ The acquisition of Red Hat has augmented the Open Hybrid Architecture Initiative of the company. The deal marks IBM's largest acquisition ever and the combined company has redefined the dynamics of "the cloud market for business." Specifically, IBM hopes to leverage Red Hat to help it become the world's largest hybrid cloud platform provider. The company anticipates Red Hat buyout to improve revenue growth approximately by a CAGR of two points over a five-year period. IBM Cloud remains the key to winning back investors' optimism regarding strength of the company's business model. More than 4,000 clients are utilizing Red Hat and IBM's hybrid cloud platform. We remain bullish regarding improving utility of hybrid cloud services based on architecture built by IBM and Red Hat, by notable clients including American Express, Bharti Airtel, Vodafone, Banco Sabadell, Broadridge Financial Solutions, and Caixa Bank. Red Hat's expanding foothold across Asia Pacific is also anticipated to bolster IBM's TAM. It has spun off its legacy Managed Infrastructure Services business in a bid to accelerate its hybrid cloud growth strategy, with a focus on enabling clients with accelerated digital transformation. IBM has further restructured its segments post the separation of its managed infrastructure services business to Kyndryl.

▲ IBM is betting big on the Watsonx platform, which is likely to be the core technology platform for its AI capabilities. Watsonx delivers the value of foundational models to the enterprise, enabling them to be more productive. This enterprise-ready AI and data platform comprises three products to help organizations accelerate and scale AI – the watsonx.ai studio for new foundation models, generative AI and machine learning; the watsonx.data fit-for-purpose data store, built on an open lake house architecture; and the watsonx.governance toolkit to help enable AI workflows to be built with responsibility and transparency. While the first two products are currently available in the market, the third is likely to find its way next year. IBM has inked a definitive agreement to acquire Software AG's iPaaS (integration platform-as-a-service) businesses, StreamSets and webMethods. StreamSets and webMethods are industry leaders in data integration, API management and application integration. IBM is aiming to extend watsonx data ingestion capabilities and craft a comprehensive application and data integration platform in the industry. Consequently, the merger with IBM will give StreamSets and webMethods substantial exposure on a global scale, enhancing their brand visibility and commercial prospects.

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## Reasons To Sell:

▼ IBM faces stiff competition in most of its markets. In the hardware enterprise servers and storage segment, the company competes against Dell, Oracle, Hewlett-Packard, and NetApp. The IT services business is also becoming increasingly competitive due to its high-margin nature and the company is facing pricing pressure from Hewlett-Packard. Although it possesses massive data centers, we believe that the company will continue facing tough competition from Amazon Web Services (AWS) and Microsoft's Azure. In the services and software space, the company competes with Accenture. The company competes with Oracle in the middleware software market. Although IBM continues to extend and build its capabilities in the analytics arena, competition from Oracle in this space is intensifying.

Time-consuming transition to cloud, weakness in traditional businesses, cash crunch and increasing competition in cloud market are headwinds.

▼ IBM's ongoing heavily time-consuming business model transition to cloud is a challenging task. Weakness in its traditional business and foreign exchange volatility remain significant concerns. Also, higher profit on lower revenues indicates that the company has been lowering costs to maintain profits. We believe that the scope for further cost cutting is limited. Consequently, if costs are further reduced, there could be a negative impact on product quality. It could also delay the launch of new products, causing it to lag its peers.

▼ IBM's frequent acquisitions have escalated integration risks. Buyouts have negatively impacted the company's balance sheet in the form of high level of goodwill and net intangible assets. Moreover, a highly-leveraged balance sheet has been troubling IBM over time. As of Dec 31, 2023, total debt stood at \$50.1 billion. Although the company generates significant cash flow, a high debt level can jeopardize its ability to sustain dividend payout and pursue accretive acquisitions as well as other growth initiatives.

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# Last Earnings Report

## IBM Beats Q4 Earnings Estimates on Solid AI, Cloud Demand

IBM ended 2023 on a positive note with strong fourth-quarter results, wherein both the top and bottom lines beat the respective Zacks Consensus Estimate. The company witnessed healthy demand for hybrid cloud and AI solutions with a client-focused portfolio and broad-based growth.

### Net Income

On a GAAP basis, net income from continuing operations was \$3,285 million or \$3.54 per share compared with \$2,711 million or \$3.13 per share in the year-ago quarter. The improvement in GAAP earnings was primarily attributable to top-line growth.

Excluding non-recurring items, non-GAAP net income from continuing operations was \$3.87 per share compared with \$3.60 in the prior-year quarter. The bottom line beat the Zacks Consensus Estimate by 9 cents.

For 2023, GAAP net income from continuing operations was \$7,514 million or \$8.15 per share compared with \$1,783 million or \$1.95 per share in 2022. Non-GAAP net income from continuing operations was \$9.62 per share compared with \$9.13 in 2022.

### Quarter Details

Quarterly total revenues increased to \$17,381 million from \$16,690 million on strong demand for hybrid cloud and AI, driving growth in the Software and Consulting segments. On a constant currency basis, revenues were up 3% year over year. The top line beat the consensus estimate of \$17,279 million.

Gross profit was \$10,267 million compared with \$9,632 million in the prior-year quarter, resulting in respective gross margins of 59.1% and 57.7% owing to a strong portfolio mix. Total expenses increased to \$6,509 million from \$6,320 million, driven by higher interest expense and R&D costs.

### Segmental Performance

**Software:** Revenues improved to \$7,514 million from \$7,288 million, driven by growth in Hybrid Platform & Solutions, Red Hat, Automation, Data & AI and Transaction Processing. The reported segment revenues exceeded our estimate of \$6,936 million owing to solid hybrid cloud traction. Segment pre-tax income from continuing operations was \$2,417 million compared with \$2,347 million in the year-ago quarter for margins of 32.2% each. The company is witnessing healthy hybrid cloud adoption by clients and solid demand trends across RedHat, automation and Data & AI.

**Consulting:** Revenues were \$5,048 million, up from \$4,770 million, led by pervasive growth driven by demand for digital transformation, increasing revenues across all business lines and regions. The segment's revenues beat our estimate of \$5,017 million. Segment pre-tax income was \$582 million compared with \$523 million in the year-ago quarter, driven by productivity enhancement initiatives for respective margins of 11.5% and 11%.

**Infrastructure:** Revenues were \$4,604 million, up from \$4,483 million, as lower demand for support services was more than offset by higher demand for hybrid and distributed infrastructure. Segment pre-tax income was \$1,185 million compared with \$1,026 million in the year-ago quarter for respective margins of 25.7% and 22.9%.

**Financing:** Revenues improved to \$175 million from \$172 million. Segment pre-tax income was \$117 million compared with \$75 million in the year-ago quarter for respective margins of 67.3% and 43.6%.

### Cash Flow & Liquidity

During the fourth quarter, IBM generated \$4,463 million in cash from operations compared with \$3,965 million in the year-ago quarter, bringing the respective tallies for 2023 and 2022 to \$13,931 million and \$10,435 million. Free cash flow was \$6,087 million in the quarter, up from \$5,209 million in the prior-year period, driven by higher profit and working capital efficiencies. As of Dec 31, 2023, the company had \$13,068 million in cash and cash equivalents with \$50,121 million of long-term debt compared with respective tallies of \$7,886 million and \$46,189 million in the year-ago period.

### Outlook

For full-year 2024, the company expects revenue growth in the mid-single digit on a constant currency basis. Free cash flow is expected to be in the vicinity of \$12 billion.

FY Quarter Ending 12/31/2023

Earnings Reporting Date	Jan 24, 2024
Sales Surprise	0.59%
EPS Surprise	2.38%
Quarterly EPS	3.87
Annual EPS (TTM)	9.61

Recent News

On Jan 11, 2024, IBM announced that it has collaborated with SAP to tap generative AI technology within the retail industry. The collaboration is likely to facilitate higher productivity and help accelerate business transformation in consumer-packaged goods and retail firms. The collaboration will help wholesale distributors and retailers improve product distribution by feeding external data such as weather, traffic and local events into the SAP Direct Distribution solution and apply AI to identify optimal store delivery routes to reduce costs. It will also help to efficiently manage store-level assortments by using generative AI based on the market dynamics of each store, prior sales patterns, anticipated demand and current product mix. In addition, IBM will work with SAP to develop solutions that leverage automation and intelligent workflows to proactively deliver operational efficiencies based on AI.

Valuation

IBM's shares are up 25.1% in the past six months and up 43.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 14.8% in the past six months, while stocks in the Zacks Computer and Technology sector are up 17.3%. Over the past year, the Zacks sub-industry is up 31.2% and the sector is up 51.5%.

The S&P 500 Index is up 11.6% in the past six months and up 27.8% in the past year.

The stock is currently trading at 18.23X forward 12-month earnings, which compares to 16.76X for the Zacks sub-industry, 26.53X for the Zacks sector and 20.9X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 19.33X and as low as 7X, with a 5-year median of 12.08X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$204 price target reflects 11.19X forward 12-month earnings.

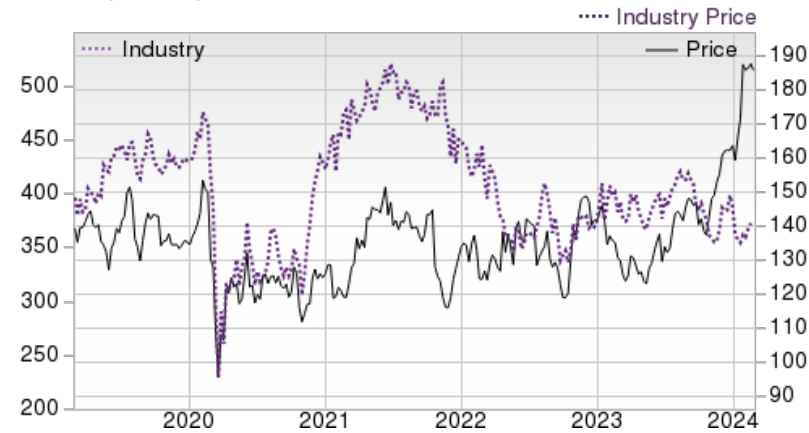
The table below shows summary valuation data for IBM

Valuation Multiples - IBM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.23	16.76	26.53	20.9
	5-Year High	19.33	16.81	29.26	24.14
	5-Year Low	7	7.95	18.31	15.56
	5-Year Median	12.08	13.26	24.35	19.39
P/S F12M	Current	2.63	1.83	4.77	4.11
	5-Year High	2.73	1.83	5.16	4.46
	5-Year Low	1.07	1.12	2.91	3.08
	5-Year Median	1.69	1.42	3.97	3.79
EV/EBITDA TTM	Current	14.86	11.93	14.48	14.18
	5-Year High	15.20	12.21	16.71	17.08
	5-Year Low	6.79	6.59	8.26	9.73
	5-Year Median	9.75	8.49	12.15	13.53

As of 02/29/2024Source: Zacks Investment Research



## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 39% (99 out of 251)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Outperform	1
Blackbaud, Inc. (BLKB)	Neutral	4
Salesforce Inc. (CRM)	Neutral	2
HP Inc. (HPQ)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	2
Oracle Corporation (ORCL)	Neutral	4
PAR Technology Corporation (PAR)	Neutral	3
SAP SE (SAP)	Neutral	2

Industry Comparison <sup>(1)</sup> Industry: Computer - Integrated Systems				Industry Peers		
	IBM	X Industry	S&P 500	AMZN	HPQ	MSFT
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	1	3	2
VGM Score	C	-	-	A	A	D
Market Cap	169.63 B	1.23 B	33.46 B	1,836.07 B	27.78 B	3,073.53 B
# of Analysts	8	1.5	17	16	6	17
Dividend Yield	3.59%	0.00%	1.59%	0.00%	3.89%	0.73%
Value Score	C	-	-	C	A	D
Cash/Price	0.08	0.11	0.04	0.05	0.11	0.03
EV/EBITDA	14.04	4.60	14.87	20.22	7.86	29.44
PEG Ratio	4.15	2.77	2.18	1.55	2.36	2.20
Price/Book (P/B)	7.47	3.26	3.34	9.10	NA	12.90
Price/Cash Flow (P/CF)	12.74	12.74	13.74	23.40	6.78	35.26
P/E (F1)	18.75	17.57	18.05	43.50	8.26	35.57
Price/Sales (P/S)	2.74	2.85	2.74	3.19	0.52	13.51
Earnings Yield	5.44%	3.68%	5.50%	2.30%	12.11%	2.81%
Debt/Equity	2.22	0.16	0.62	0.29	-5.67	0.19
Cash Flow (\$/share)	14.53	0.04	8.67	7.55	4.18	11.73
Growth Score	C	-	-	A	B	D
Hist. EPS Growth (3-5 yrs)	-8.37%	0.36%	10.05%	7.88%	16.06%	20.59%
Proj. EPS Growth (F1/F0)	2.60%	13.46%	7.55%	40.00%	4.57%	18.55%
Curr. Cash Flow Growth	1.05%	32.82%	3.27%	59.36%	-18.58%	3.89%
Hist. Cash Flow Growth (3-5 yrs)	-4.99%	20.00%	7.01%	25.29%	1.48%	16.55%
Current Ratio	0.96	1.56	1.20	1.05	0.71	1.22
Debt/Capital	68.91%	21.31%	39.86%	22.41%	NA	15.86%
Net Margin	12.13%	3.89%	12.03%	5.29%	6.45%	36.27%
Return on Equity	39.55%	8.76%	17.02%	16.61%	-181.02%	38.40%
Sales/Assets	0.47	0.54	0.54	1.17	1.46	0.53
Proj. Sales Growth (F1/F0)	2.80%	3.12%	4.26%	11.50%	1.50%	15.00%
Momentum Score	F	-	-	B	B	B
Daily Price Chg	-0.15%	0.00%	0.52%	2.08%	-1.36%	1.45%
1 Week Price Chg	-1.02%	-1.37%	0.18%	3.23%	2.41%	1.55%
4 Week Price Chg	-1.00%	-0.92%	3.87%	10.97%	-2.11%	2.44%
12 Week Price Chg	15.48%	6.04%	11.14%	20.34%	-3.67%	11.51%
52 Week Price Chg	43.51%	-3.82%	28.00%	91.86%	-1.67%	64.72%
20 Day Average Volume	4,200,506	209,589	2,154,543	48,430,776	7,406,631	20,677,284
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.72%	0.00%
(F1) EPS Est 4 week change	0.29%	0.00%	0.00%	10.81%	-0.68%	3.16%
(F1) EPS Est 12 week change	2.96%	0.00%	-0.21%	15.26%	-0.17%	4.52%
(Q1) EPS Est Mthly Chg	0.18%	0.00%	-0.49%	18.14%	0.41%	6.97%

## Analyst Earnings Model<sup>(2)</sup>

### International Business Machines Corporation (IBM)

In \$MM, except per share data

	2021A	2022A	2023A				2024E				2025E	2026E		
	FY	FY	1QA	2QA	3QA	4QA	FY	1QE	2QE	3QE	4QE	FY	FY	FY
FY Ends December 31st	Dec-21	Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	Dec-24	Dec-25	Dec-26
Income Statement														
Total Revenue	\$57,350.0	\$60,530.0	\$14,252.0	\$15,475.0	\$14,752.0	\$17,381.0	\$61,860.0	\$14,532.2	\$15,820.4	\$15,335.1	\$17,926.0	\$63,613.6	\$66,545.7	\$69,018.6
Constant Currency	2.7%	12.0%	4.4%	0.4%	3.5%	3.0%	3.0%	3.3%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%
Cost of Goods Sold, Non-GAAP	\$25,145.0	\$27,160.0	\$6,594.0	\$6,825.0	\$6,567.0	\$6,942.0	\$26,929.0	\$6,518.1	\$6,878.4	\$6,691.9	\$7,220.3	\$27,308.7	\$29,057.9	\$29,824.8
Cost of Goods Sold, GAAP	\$25,864.0	\$27,843.0	\$6,743.0	\$6,974.0	\$6,729.0	\$7,114.0	\$27,560.0	\$6,689.1	\$7,053.1	\$6,907.9	\$7,472.3	\$28,122.4	\$29,852.7	\$30,700.0
Gross Profit, Non-GAAP	\$32,205.0	\$33,370.0	\$7,658.0	\$8,650.0	\$8,185.0	\$10,439.0	\$34,931.0	\$8,014.1	\$8,941.9	\$8,643.1	\$10,705.7	\$36,304.9	\$37,487.8	\$39,193.8
Gross Profit, GAAP	\$31,486.0	\$32,687.0	\$7,509.0	\$8,501.0	\$8,023.0	\$10,267.0	\$34,300.0	\$7,843.1	\$8,767.2	\$8,427.2	\$10,453.7	\$35,491.2	\$36,692.9	\$38,318.6
SG&A, Non-GAAP	\$17,577.0	\$17,529.0	\$4,607.0	\$4,655.0	\$4,181.0	\$4,520.0	\$17,964.0	\$4,559.6	\$4,829.1	\$4,498.1	\$4,814.3	\$18,701.1	\$19,416.1	\$20,189.6
SG&A, GAAP	\$18,745.0	\$18,609.0	\$4,853.0	\$4,900.0	\$4,458.0	\$4,791.0	\$19,003.0	\$4,841.2	\$5,116.3	\$4,796.9	\$5,107.9	\$19,862.4	\$20,591.7	\$21,405.2
Research, Development and Engineering, Non-GAAP	\$6,488.0	\$6,567.0	\$1,655.0	\$1,687.0	\$1,685.0	\$1,748.0	\$6,775.0	\$1,711.7	\$1,663.9	\$1,697.8	\$1,756.8	\$6,830.2	\$7,100.6	\$7,330.2
Research, Development and Engineering, GAAP	\$6,488.0	\$6,567.0	\$1,655.0	\$1,687.0	\$1,685.0	\$1,748.0	\$6,775.0	\$1,711.7	\$1,663.9	\$1,697.8	\$1,756.8	\$6,830.2	\$7,100.6	\$7,330.2
Intellectual Property and Custom Development Income	\$612.0	\$663.0	\$180.0	\$248.0	\$190.0	\$242.0	\$860.0	\$218.5	\$251.7	\$253.1	\$259.3	\$982.5	\$1,035.1	\$1,032.3
Total Operating Expense, Non-GAAP	\$23,453.0	\$23,433.0	\$6,082.0	\$6,094.0	\$5,676.0	\$6,026.0	\$23,879.0	\$6,052.8	\$6,241.3	\$5,942.9	\$6,311.8	\$24,548.8	\$25,481.7	\$26,487.5
Total Operating Expense, GAAP	\$24,621.0	\$24,513.0	\$6,328.0	\$6,339.0	\$5,953.0	\$6,297.0	\$24,918.0	\$6,334.4	\$6,528.5	\$6,241.6	\$6,605.4	\$25,710.0	\$26,657.2	\$27,703.1
EBITDA	\$15,168.0	\$14,739.0	\$2,650.0	\$3,632.0	\$3,602.0	\$5,565.0	\$15,447.0	\$3,130.0	\$3,929.4	\$3,947.1	\$5,671.5	\$16,678.0	\$16,485.4	\$17,112.9
Depreciation & Amortization	\$6,416.0	\$4,802.0	\$1,074.0	\$1,076.0	\$1,093.0	\$1,152.0	\$4,395.0	\$1,168.7	\$1,228.8	\$1,246.8	\$1,277.6	\$4,921.9	\$4,479.3	\$4,406.6
Operating Income, Non-GAAP	\$8,752.0	\$9,937.0	\$1,576.0	\$2,556.0	\$2,509.0	\$4,413.0	\$11,052.0	\$1,961.3	\$2,700.6	\$2,700.3	\$4,393.9	\$11,756.1	\$12,006.1	\$12,706.3
Operating Income, GAAP	\$6,865.0	\$8,174.0	\$1,181.0	\$2,162.0	\$2,070.0	\$3,970.0	\$9,382.0	\$1,508.6	\$2,238.7	\$2,185.5	\$3,848.3	\$9,781.2	\$10,035.7	\$10,615.6
Other (Income) / Expense, Non-GAAP	(\$285.0)	(\$1,099.0)	(\$242.0)	(\$262.0)	(\$203.0)	(\$159.0)	(\$866.0)	(\$138.6)	(\$166.0)	(\$164.0)	(\$204.3)	(\$672.9)	(\$947.3)	(\$894.0)
Other (Income) / Expense, GAAP	\$873.0	\$5,803.0	(\$245.0)	(\$261.0)	(\$215.0)	(\$193.0)	(\$914.0)	(\$138.6)	(\$166.0)	(\$164.2)	(\$176.4)	(\$645.1)	(\$967.3)	(\$1,853.8)
Interest Expense, Non-GAAP	\$1,155.0	\$1,216.0	\$367.0	\$423.0	\$412.0	\$405.0	\$1,607.0	\$433.8	\$436.5	\$434.3	\$431.7	\$1,736.3	\$1,474.0	\$1,586.0
Interest Expense, GAAP	\$1,155.0	\$1,216.0	\$367.0	\$423.0	\$412.0	\$405.0	\$1,607.0	\$433.8	\$436.5	\$433.8	\$431.7	\$1,735.8	\$1,473.9	\$1,585.8
Pre-Tax Income, Non-GAAP	\$7,881.0	\$9,821.0	\$1,449.0	\$2,396.0	\$2,299.0	\$4,167.0	\$10,311.0	\$1,666.0	\$2,430.1	\$2,430.0	\$4,166.5	\$10,692.7	\$11,479.4	\$12,014.2
Pre-Tax Income, GAAP	\$4,837.0	\$1,156.0	\$1,058.0	\$2,000.0	\$1,873.0	\$3,759.0	\$8,690.0	\$1,213.5	\$1,968.2	\$1,915.9	\$3,593.0	\$8,690.5	\$9,529.1	\$10,883.6
Income Tax, Non-GAAP	\$706.0	\$1,495.0	\$200.0	\$393.0	\$268.0	\$580.0	\$1,441.0	\$231.6	\$337.8	\$337.8	\$579.1	\$1,486.3	\$1,595.6	\$1,670.0
Income Tax, GAAP	\$124.0	(\$626.0)	\$124.0	\$419.0	\$159.0	\$474.0	\$1,176.0	\$152.9	\$248.0	\$241.4	\$452.7	\$1,095.0	\$1,200.7	\$1,371.3
Tax Rate, Non-GAAP	9.0%	15.2%	13.8%	16.4%	11.7%	13.9%	14.0%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Tax Rate, GAAP	2.6%	(54.2%)	11.7%	21.0%	8.5%	12.6%	13.5%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%
Net Income from Continuing Operations, Non-GAAP	\$7,174.0	\$8,326.0	\$1,249.0	\$2,003.0	\$2,031.0	\$3,587.0	\$8,870.0	\$1,434.4	\$2,092.3	\$2,092.2	\$3,587.4	\$9,206.4	\$9,883.8	\$10,344.2
Net Income from Continuing Operations, GAAP	\$4,712.0	\$1,783.0	\$934.0	\$1,581.0	\$1,714.0	\$3,285.0	\$7,514.0	\$1,060.6	\$1,720.2	\$1,674.5	\$3,140.3	\$7,595.5	\$8,328.5	\$9,512.3
Net Income/(Loss) from Discontinuing Operations	\$1,030.0	(\$143.0)	(\$7.0)	\$2.0	(\$10.0)	\$3.0	(\$12.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income, GAAP	\$5,743.0	\$1,639.0	\$927.0	\$1,583.0	\$1,704.0	\$3,288.0	\$7,502.0	\$1,060.6	\$1,720.2	\$1,674.5	\$3,140.3	\$7,595.5	\$8,328.5	\$9,512.3
Diluted Shares Outstanding	904.6	912.3	917.8	919.5	923.7	927.3	922.1	929.3	931.3	933.3	935.3	932.3	940.3	948.3
Diluted EPS From Continuing Operations, Non-GAAP	\$7.93	\$9.13	\$1.36	\$2.18	\$2.20	\$3.87	\$9.62	\$1.54	\$2.25	\$2.24	\$3.84	\$9.87	\$10.51	\$10.90
Diluted EPS From Continuing Operations, GAAP	\$5.21	\$1.95	\$1.02	\$1.72	\$1.86	\$3.54	\$8.15	\$1.14	\$1.85	\$1.79	\$3.36	\$8.14	\$8.85	\$10.03
Diluted EPS, GAAP	\$6.35	\$1.80	\$1.01	\$1.72	\$1.84	\$3.55	\$8.14	\$1.14	\$1.85	\$1.79	\$3.36	\$8.14	\$8.85	\$10.03
Dividend per Share	\$6.55	\$6.60	\$1.65	\$1.66	\$1.66	\$1.66	\$6.63	\$1.66	\$1.67	\$1.67	\$1.67	\$6.67	\$6.71	\$6.75



## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

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### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	F
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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