



"In the quarter, we remained focused on the fundamentals of our business, increasing productivity and generating operating leverage," said James Kavanaugh, IBM senior vice president and chief financial officer. "As a result, we again expanded our gross profit margin, improved our underlying profit performance and increased our cash generation. We are well-positioned to continue investing for growth and returning value to shareholders through dividends."

### Segment Results for First Quarter

- *Software* — revenues of \$5.9 billion, up 2.6 percent, up 5.6 percent at constant currency:
  - Hybrid Platform & Solutions up 2 percent, up 5 percent at constant currency:
    - Red Hat up 8 percent, up 11 percent at constant currency
    - Automation down 1 percent, up 2 percent at constant currency
    - Data & AI up 1 percent, up 3 percent at constant currency
    - Security down 1 percent, up 2 percent at constant currency
  - Transaction Processing up 3 percent, up 7 percent at constant currency
- *Consulting* — revenues of \$5.0 billion, up 2.8 percent, up 8.2 percent at constant currency:
  - Business Transformation up 1 percent, up 6 percent at constant currency
  - Technology Consulting down 1 percent, up 4 percent at constant currency
  - Application Operations up 7 percent, up 13 percent at constant currency
- *Infrastructure* — revenues of \$3.1 billion, down 3.7 percent, up 0.1 percent at constant currency:
  - Hybrid Infrastructure up 1 percent, up 4 percent at constant currency:
    - z Systems up 7 percent, up 11 percent at constant currency
    - Distributed Infrastructure down 3 percent, flat at constant currency
  - Infrastructure Support down 9 percent, down 4 percent at constant currency
- *Financing* — revenues of \$0.2 billion, up 27.3 percent, up 31.0 percent at constant currency

### Cash Flow and Balance Sheet

In the first quarter, the company generated net cash from operating activities of \$3.8 billion, up \$0.5 billion year to year. Net cash from operating activities excluding IBM Financing receivables was \$1.8 billion. IBM's free cash flow was \$1.3 billion, up \$0.1 billion year to year.

IBM ended the first quarter with \$17.6 billion of cash and marketable securities, up \$8.8 billion from year-end 2022. Debt, including IBM Financing debt of \$10.5 billion, totaled \$58.7 billion, up \$7.8 billion since the end of 2022. The company returned \$1.5 billion to shareholders in dividends in the first quarter.

### Full-Year 2023 Expectations

- Revenue: The company expects constant currency revenue growth of three percent to five percent. At current foreign exchange rates, currency is expected to be neutral to revenue growth.
- Free cash flow: The company continues to expect about \$10.5 billion in free cash flow, up more than \$1 billion year to year.

### Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute

forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including, but not limited to, the following: a downturn in economic environment and client spending budgets; a failure of the company's innovation initiatives; damage to the company's reputation; risks from investing in growth opportunities; failure of the company's intellectual property portfolio to prevent competitive offerings and the failure of the company to obtain necessary licenses; the company's ability to successfully manage acquisitions, alliances and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities and higher debt levels; fluctuations in financial results; impact of local legal, economic, political, health and other conditions; the company's failure to meet growth and productivity objectives; ineffective internal controls; the company's use of accounting estimates; impairment of the company's goodwill or amortizable intangible assets; the company's ability to attract and retain key employees and its reliance on critical skills; impacts of relationships with critical suppliers; product quality issues; impacts of business with government clients; reliance on third party distribution channels and ecosystems; cybersecurity and data privacy considerations; adverse effects related to climate change and environmental matters; tax matters; legal proceedings and investigatory risks; the company's pension plans; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; potential failure of the separation of Kyndryl Holdings, Inc. to qualify for tax-free treatment; risk factors related to IBM securities; and other risks, uncertainties and factors discussed in the company's Form 10-Qs, Form 10-K and in the company's other filings with the U.S. Securities and Exchange Commission or in materials incorporated therein by reference. Any forward-looking statement in this release speaks only as of the date on which it is made. Except as required by law, the company assumes no obligation to update or revise any forward-looking statements.

### **Presentation of Information in this Press Release**

In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company has also disclosed in this press release the following non-GAAP information, which management believes provides useful information to investors:

IBM results —

- adjusting for currency (i.e., at constant currency);
- presenting operating (non-GAAP) earnings per share amounts and related income statement items;
- free cash flow;
- cash from operating activities excluding IBM Financing receivables.

The rationale for management's use of these non-GAAP measures is included in Exhibit 99.2 in the Form 8-K that includes this press release and is being submitted today to the SEC.

### **Conference Call and Webcast**

IBM's regular quarterly earnings conference call is scheduled to begin at 5:00 p.m. EDT, today. The Webcast may be accessed via a link at <https://www.ibm.com/investor/events/earnings-1q23>. Presentation charts will be available shortly before the Webcast.

**Financial Results Below** (certain amounts may not add due to use of rounded numbers; percentages presented are calculated from the underlying whole-dollar amounts).

Contact: IBM

Sarah Meron, 347-891-1770  
[sarah.meron@ibm.com](mailto:sarah.meron@ibm.com)

Tim Davidson, 914-844-7847  
[tfdavids@us.ibm.com](mailto:tfdavids@us.ibm.com)

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

**COMPARATIVE FINANCIAL RESULTS**

(Unaudited; Dollars in millions except per share amounts)

|                                  | Three Months Ended |               |
|----------------------------------|--------------------|---------------|
|                                  | March 31,          |               |
|                                  | 2023               | 2022          |
| <b>REVENUE BY SEGMENT</b>        |                    |               |
| Software                         | \$ 5,921           | \$ 5,772      |
| Consulting                       | 4,962              | 4,829         |
| Infrastructure                   | 3,098              | 3,219         |
| Financing                        | 196                | 154           |
| Other                            | 75                 | 224           |
| <b>TOTAL REVENUE</b>             | <b>14,252</b>      | <b>14,197</b> |
| <b>GROSS PROFIT</b>              | <b>7,509</b>       | <b>7,335</b>  |
| <b>GROSS PROFIT MARGIN</b>       |                    |               |
| Software                         | 79.5 %             | 78.8 %        |
| Consulting                       | 25.2 %             | 24.3 %        |
| Infrastructure                   | 51.7 %             | 50.5 %        |
| Financing                        | 43.9 %             | 37.7 %        |
| <b>TOTAL GROSS PROFIT MARGIN</b> | <b>52.7 %</b>      | <b>51.7 %</b> |
| <b>EXPENSE AND OTHER INCOME</b>  |                    |               |

|   |              |              |
|---|--------------|--------------|
| S,G&A   | 4,853        | 4,597        |
| R,D&E   | 1,655        | 1,679        |
| Intellectual property and custom development income | (180)        | (121)        |
| Other (income) and expense                          | (245)        | 246          |
| Interest expense                                    | 367          | 311          |
| <b>TOTAL EXPENSE AND OTHER INCOME</b>               | <u>6,451</u> | <u>6,712</u> |

**INCOME FROM CONTINUING OPERATIONS**

|   |        |         |
|---|--------|---------|
| <b>BEFORE INCOME TAXES</b>                | 1,058  | 623     |
| Pre-tax margin                            | 7.4 %  | 4.4 %   |
| Provision for/(Benefit from) income taxes | 124    | (39)    |
| Effective tax rate                        | 11.7 % | (6.3) % |

|  |        |        |
|--|--------|--------|
| <b>INCOME FROM CONTINUING OPERATIONS</b> | \$ 934 | \$ 662 |
|--|--------|--------|

**DISCONTINUED OPERATIONS**

|  |     |    |
|--|-----|----|
| Income/(loss) from discontinued operations, net of taxes | (7) | 71 |
|--|-----|----|

|                   |               |               |
|-------------------|---------------|---------------|
| <b>NET INCOME</b> | <u>\$ 927</u> | <u>\$ 733</u> |
|-------------------|---------------|---------------|

**EARNINGS PER SHARE OF COMMON STOCK**

Assuming Dilution

|                         |                |                |
|-------------------------|----------------|----------------|
| Continuing Operations   | \$ 1.02        | \$ 0.73        |
| Discontinued Operations | \$ (0.01)      | \$ 0.08        |
| <b>TOTAL</b>            | <u>\$ 1.01</u> | <u>\$ 0.81</u> |

Basic

|                         |                |                |
|-------------------------|----------------|----------------|
| Continuing Operations   | \$ 1.03        | \$ 0.74        |
| Discontinued Operations | \$ (0.01)      | \$ 0.08        |
| <b>TOTAL</b>            | <u>\$ 1.02</u> | <u>\$ 0.82</u> |

**WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's)**

|                   |       |       |
|-------------------|-------|-------|
| Assuming Dilution | 917.8 | 909.2 |
| Basic             | 907.5 | 899.3 |

**INTERNATIONAL BUSINESS MACHINES CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET****(Unaudited)**

|  | <b>At</b>        | <b>At</b>           |
|--|------------------|---------------------|
|  | <b>March 31,</b> | <b>December 31,</b> |
| <b>(Dollars in Millions)</b>               | <b>2023</b>      | <b>2022</b>         |
| <b>ASSETS:</b>                             |                  |                     |
| <b>Current Assets:</b>                     |                  |                     |
| Cash and cash equivalents                  | \$ 9,337         | \$ 7,886            |
| Restricted cash                            | 198              | 103                 |
| Marketable securities                      | 8,057            | 852                 |
| Notes and accounts receivable - trade, net | 5,757            | 6,541               |
| Short-term financing receivables, net      | 6,662            | 7,790               |
| Other accounts receivable, net             | 812              | 817                 |
| Inventories                                | 1,603            | 1,552               |
| Deferred costs                             | 1,055            | 967                 |
| Prepaid expenses and other current assets  | 2,501            | 2,611               |
| <b>Total Current Assets</b>                | <b>35,982</b>    | <b>29,118</b>       |
| Property, plant and equipment, net         | 5,344            | 5,334               |
| Operating right-of-use assets, net         | 2,789            | 2,878               |
| Long-term financing receivables, net       | 5,065            | 5,806               |
| Prepaid pension assets                     | 8,487            | 8,236               |
| Deferred costs                             | 846              | 866                 |

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Deferred taxes                | 6,419             | 6,256             |
| Goodwill                      | 56,193            | 55,949            |
| Intangibles, net              | 10,905            | 11,184            |
| Investments and sundry assets | 1,607             | 1,617             |
| <b>Total Assets</b>           | <b>\$ 133,637</b> | <b>\$ 127,243</b> |

**LIABILITIES:**

**Current Liabilities:**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Taxes                            | \$ 1,650      | \$ 2,196      |
| Short-term debt                  | 4,887         | 4,760         |
| Accounts payable                 | 3,728         | 4,051         |
| Deferred income                  | 13,220        | 12,032        |
| Operating lease liabilities      | 869           | 874           |
| Other liabilities                | 6,638         | 7,592         |
| <b>Total Current Liabilities</b> | <b>30,993</b> | <b>31,505</b> |

|                                |                |                |
|--------------------------------|----------------|----------------|
| Long-term debt                 | 53,826         | 46,189         |
| Retirement related obligations | 9,509          | 9,596          |
| Deferred income                | 3,443          | 3,499          |
| Operating lease liabilities    | 2,094          | 2,190          |
| Other liabilities              | 12,099         | 12,243         |
| <b>Total Liabilities</b>       | <b>111,964</b> | <b>105,222</b> |

**EQUITY:**

**IBM Stockholders' Equity:**

|   |           |           |
|---|-----------|-----------|
| Common stock                                  | 58,675    | 58,343    |
| Retained earnings                             | 149,253   | 149,825   |
| Treasury stock — at cost                      | (169,544) | (169,484) |
| Accumulated other comprehensive income/(loss) | (16,780)  | (16,740)  |

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| <b>Total IBM Stockholders' Equity</b> | 21,604            | 21,944            |
| Noncontrolling interests              | 68                | 77                |
| <b>Total Equity</b>                   | 21,672            | 22,021            |
| <b>Total Liabilities and Equity</b>   | <b>\$ 133,637</b> | <b>\$ 127,243</b> |

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

**CASH FLOW ANALYSIS**

(Unaudited)

| (Dollars in Millions)   | Three Months Ended |                 |
|---|--------------------|-----------------|
|   | March 31,          |                 |
|   | 2023               | 2022*           |
| <b>Net Cash from Operations per GAAP</b>  | <b>\$ 3,774</b>    | <b>\$ 3,248</b> |
| Less: change in IBM Financing receivables   | 1,977              | 1,631           |
| Capital Expenditures, net   | (457)              | (378)           |
| <b>Free Cash Flow</b>   | <b>1,340</b>       | <b>1,240</b>    |
| Acquisitions  | (22)               | (698)           |
| Divestitures  | —                  | 61              |
| Dividends   | (1,497)            | (1,475)         |
| Non-Financing Debt  | 9,692              | 4,675           |
| Other (includes IBM Financing net receivables and debt)                                       | (762)              | (590)           |
| <b>Change in Cash, Cash Equivalents, Restricted Cash and Short-term Marketable Securities</b> | <b>\$ 8,752</b>    | <b>\$ 3,213</b> |

\* Includes immaterial cash flows from discontinued operations.

INTERNATIONAL BUSINESS MACHINES CORPORATION

CASH FLOW

(Unaudited)

| (Dollars in Millions)   | Three Months Ended |                   |
|---|--------------------|-------------------|
|   | March 31,          |                   |
|   | 2023               | 2022*             |
| <b>Net Income from Operations</b>                               | <b>\$ 927</b>      | <b>\$ 733</b>     |
| Depreciation/Amortization of Intangibles                        | 1,074              | 1,257             |
| Stock-based Compensation  | 268                | 234               |
| Working Capital / Other   | (473)              | (606)             |
| IBM Financing A/R   | 1,977              | 1,631             |
| <b>Net Cash Provided by Operating Activities</b>                | <b>\$ 3,774</b>    | <b>\$ 3,248</b>   |
| Capital Expenditures, net of payments & proceeds                | (457)              | (378)             |
| Divestitures, net of cash transferred                           | —                  | 61                |
| Acquisitions, net of cash acquired                              | (22)               | (698)             |
| Marketable Securities / Other Investments, net                  | (7,481)            | (344)             |
| <b>Net Cash Provided by/(Used in) Investing Activities</b>      | <b>\$ (7,960)</b>  | <b>\$ (1,358)</b> |
| Debt, net of payments & proceeds                                | 7,304              | 2,948             |
| Dividends   | (1,497)            | (1,475)           |
| Financing - Other   | (99)               | (95)              |
| <b>Net Cash Provided by/(Used in) Financing Activities</b>      | <b>\$ 5,708</b>    | <b>\$ 1,377</b>   |
| Effect of Exchange Rate changes on Cash                         | 24                 | (5)               |
| <b>Net Change in Cash, Cash Equivalents and Restricted Cash</b> | <b>\$ 1,547</b>    | <b>\$ 3,263</b>   |

\* Includes immaterial cash flows from discontinued operations.

INTERNATIONAL BUSINESS MACHINES CORPORATION

SEGMENT DATA

(Unaudited)

Three Months Ended March 31, 2023

| (Dollars in Millions)                      | Software | Consulting | Infrastructure | Financing |
|--|----------|------------|----------------|-----------|
| Revenue                                    | \$ 5,921 | \$ 4,962   | \$ 3,098       | \$ 196    |
| Pre-tax Income from Continuing Operations* | \$ 1,164 | \$ 382     | \$ 216         | \$ 100    |
| Pre-tax Margin*                            | 19.7 %   | 7.7 %      | 7.0 %          | 51.3 %    |
| Change YTY Revenue                         | 2.6 %    | 2.8 %      | (3.7) %        | 27.3 %    |
| Change YTY Revenue - constant currency     | 5.6 %    | 8.2 %      | 0.1 %          | 31.0 %    |

Three Months Ended March 31, 2022

| (Dollars in Millions)                     | Software | Consulting | Infrastructure | Financing |
|---|----------|------------|----------------|-----------|
| Revenue                                   | \$ 5,772 | \$ 4,829   | \$ 3,219       | \$ 154    |
| Pre-tax Income from Continuing Operations | \$ 1,134 | \$ 348     | \$ 199         | \$ 84     |
| Pre-tax Margin                            | 19.7 %   | 7.2 %      | 6.2 %          | 54.6 %    |

\* The first quarter 2023 pre-tax charge of approximately \$0.26 billion for stranded costs related to portfolio actions is not included in the measure of segment pre-tax income, consistent with the company's management system.

INTERNATIONAL BUSINESS MACHINES CORPORATION

U.S. GAAP TO OPERATING (Non-GAAP) RESULTS RECONCILIATION

(Unaudited; Dollars in millions except per share amounts)

Three Months Ended March 31, 2023

Continuing Operations

| Acquisition- | Retirement- | Tax | Kyndryl- |
|--------------|-------------|-----|----------|
|--------------|-------------|-----|----------|

|  | Related  |                            | Related                    | Reform     | Related                | Operating  |
|--|----------|----------------------------|----------------------------|------------|------------------------|------------|
|  | GAAP     | Adjustments <sup>(1)</sup> | Adjustments <sup>(2)</sup> | Impacts    | Impacts <sup>(3)</sup> | (Non-GAAP) |
| Gross Profit   | \$ 7,509 | \$ 148                     | \$ —                       | \$ —       | \$ —                   | \$ 7,658   |
| Gross Profit Margin                                      | 52.7 %   | 1.0 pts.                   | — pts.                     | — pts.     | — pts.                 | 53.7 %     |
| S,G&A  | \$ 4,853 | \$ (246)                   | \$ —                       | \$ —       | \$ —                   | \$ 4,607   |
| Other (Income) & Expense                                 | (245)    | (2)                        | 5                          | —          | —                      | (242)      |
| Total Expense & Other (Income)                           | 6,451    | (247)                      | 5                          | —          | —                      | 6,209      |
| Pre-tax Income from Continuing Operations                | 1,058    | 396                        | (5)                        | —          | —                      | 1,449      |
| Pre-tax Income Margin from Continuing Operations         | 7.4 %    | 2.8 pts.                   | 0.0 pts.                   | — pts.     | — pts.                 | 10.2 %     |
| Provision for/(Benefit from) Income Taxes <sup>(4)</sup> | \$ 124   | \$ 91                      | \$ (10)                    | \$ (5)     | \$ —                   | \$ 200     |
| Effective Tax Rate                                       | 11.7 %   | 3.1 pts.                   | (0.7) pts.                 | (0.3) pts. | — pts.                 | 13.8 %     |
| Income from Continuing Operations                        | \$ 934   | \$ 305                     | \$ 5                       | \$ 5       | \$ —                   | \$ 1,249   |
| Income Margin from Continuing Operations                 | 6.6 %    | 2.1 pts.                   | 0.0 pts.                   | 0.0 pts.   | — pts.                 | 8.8 %      |
| Diluted Earnings Per Share: Continuing Operations        | \$ 1.02  | \$ 0.33                    | \$ 0.01                    | \$ 0.01    | \$ —                   | \$ 1.36    |

**Three Months Ended March 31, 2022**

**Continuing Operations**

|                                | Acquisition- |                            | Retirement-                | Tax     | Kyndryl-               | Operating |
|--------------------------------|--------------|----------------------------|----------------------------|---------|------------------------|-----------|
|                                | Related      |                            | Related                    | Reform  | Related                |           |
|                                | GAAP         | Adjustments <sup>(1)</sup> | Adjustments <sup>(2)</sup> | Impacts | Impacts <sup>(3)</sup> |           |
| Gross Profit                   | \$ 7,335     | \$ 181                     | \$ —                       | \$ —    | \$ —                   | \$ 7,516  |
| Gross Profit Margin            | 51.7 %       | 1.3 pts.                   | — pts.                     | — pts.  | — pts.                 | 52.9 %    |
| S,G&A                          | \$ 4,597     | \$ (286)                   | \$ —                       | \$ —    | \$ (0)                 | \$ 4,311  |
| Other (Income) & Expense       | 246          | (1)                        | (202)                      | —       | (222)                  | (179)     |
| Total Expense & Other (Income) | 6,712        | (287)                      | (202)                      | —       | (222)                  | 6,001     |

|  |         |          |          |            |          |          |
|--|---------|----------|----------|------------|----------|----------|
| Pre-tax Income from Continuing         |         |          |          |            |          |          |
| Operations                             | 623     | 468      | 202      | —          | 222      | 1,515    |
| Pre-tax Income Margin from             |         |          |          |            |          |          |
| Continuing Operations                  | 4.4 %   | 3.3 pts. | 1.4 pts. | — pts.     | 1.6 pts. | 10.7 %   |
| Provision for/(Benefit from) Income    |         |          |          |            |          |          |
| Taxes <sup>(4)</sup>                   | \$ (39) | \$ 109   | \$ 58    | \$ 116     | \$ —     | \$ 244   |
| Effective Tax Rate                     | (6.3) % | 9.1 pts. | 4.6 pts. | 7.7 pts.   | 0.9 pts. | 16.1 %   |
| Income from Continuing Operations      | \$ 662  | \$ 359   | \$ 144   | \$ (116)   | \$ 222   | \$ 1,271 |
| Income Margin from Continuing          |         |          |          |            |          |          |
| Operations                             | 4.7 %   | 2.5 pts. | 1.0 pts. | (0.8) pts. | 1.6 pts. | 9.0 %    |
| Diluted Earnings Per Share: Continuing |         |          |          |            |          |          |
| Operations                             | \$ 0.73 | \$ 0.39  | \$ 0.16  | \$ (0.13)  | \$ 0.24  | \$ 1.40  |

---

(1) Includes amortization of purchased intangible assets, in process R&D, transaction costs, applicable restructuring and related expenses, tax charges related to acquisition integration and pre-closing charges, such as financing costs.

(2) Includes amortization of prior service costs, interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements and pension insolvency costs and other costs.

(3) Primarily relates to fair value changes in shares of Kyndryl common stock that were retained by IBM.

(4) Tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to the As Reported pre-tax income under ASC 740, which employs an annual effective tax rate method to the results.

SOURCE IBM

---

<https://stage.mediaroom.com/ibmnewsroom/2023-04-19-IBM-RELEASES-FIRST-QUARTER-RESULTS>