INTERNATIONAL BUSINESS MACHINES CORP Form 10-Q April 29, 2014

### UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

### **WASHINGTON, DC 20549**

### FORM 10 - Q

# QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

### FOR THE QUARTER ENDED MARCH 31, 2014

### 1-2360

(Commission file number)

### **INTERNATIONAL BUSINESS MACHINES CORPORATION**

(Exact name of registrant as specified in its charter)

### New York

### 13-0871985

(State of incorporation)

(IRS employer identification number)

### Armonk, New York

### **10504**

(Address of principal executive offices)

(Zip Code)

### 914-499-1900

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No

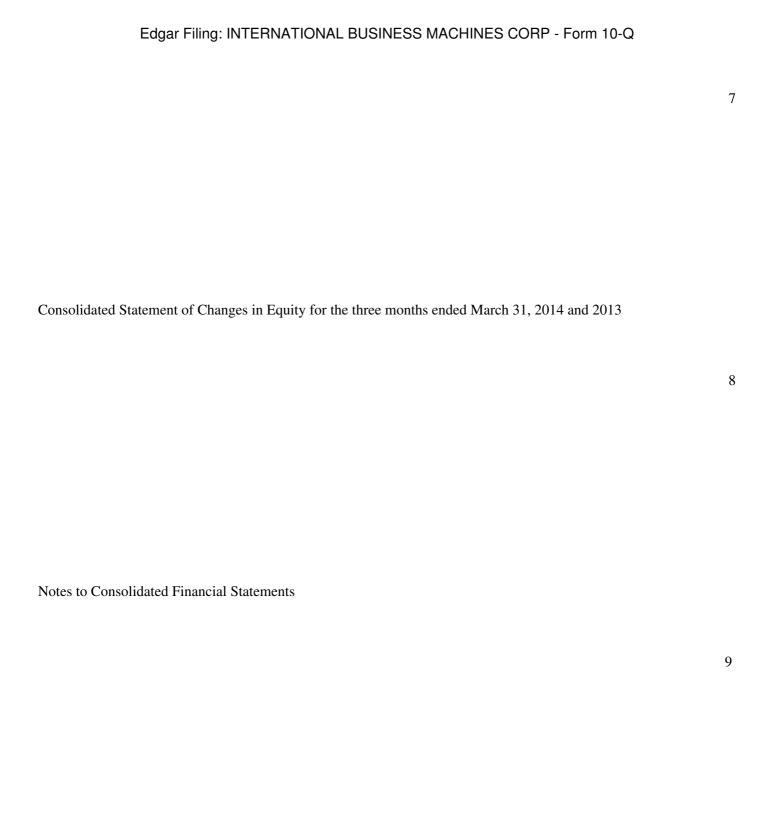
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer ý
Accelerated filer	
	Non-accelerated filer
Smaller reporting company  (Do not check if a smaller reporting company)	
(Do not check if a smaller reporting company)	
Indicate by check mark whether the reAct). Yes No ý	egistrant is a shell company (as defined in Rule 12b-2 of the Exchange
The registrant had 1,012,183,432 shares of	of common stock outstanding at March 31, 2014.

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	<u>Index</u>	
	Page	
Part I - Financial Information:		

**Item 1. Consolidated Financial Statements:** 

Consolidated Statement of Earnings for the three months ended March 31, 2014 and 2013	
	3
Consolidated Statement of Comprehensive Income for the three months ended March 31, 2014 and 2013	
	4
Consolidated Statement of Einensial Position at March 21, 2014 and December 21, 2012	
Consolidated Statement of Financial Position at March 31, 2014 and December 31, 2013	
	5
Consolidated Statement of Cash Flows for the three months ended March 31, 2014 and 2013	



Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q	
Item 4. Controls and Procedures	
	67
	07
Part II - Other Information:	
Item 1. Legal Proceedings	
	67

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities

67

Item 6. Exhibits

68

### **Part I - Financial Information**

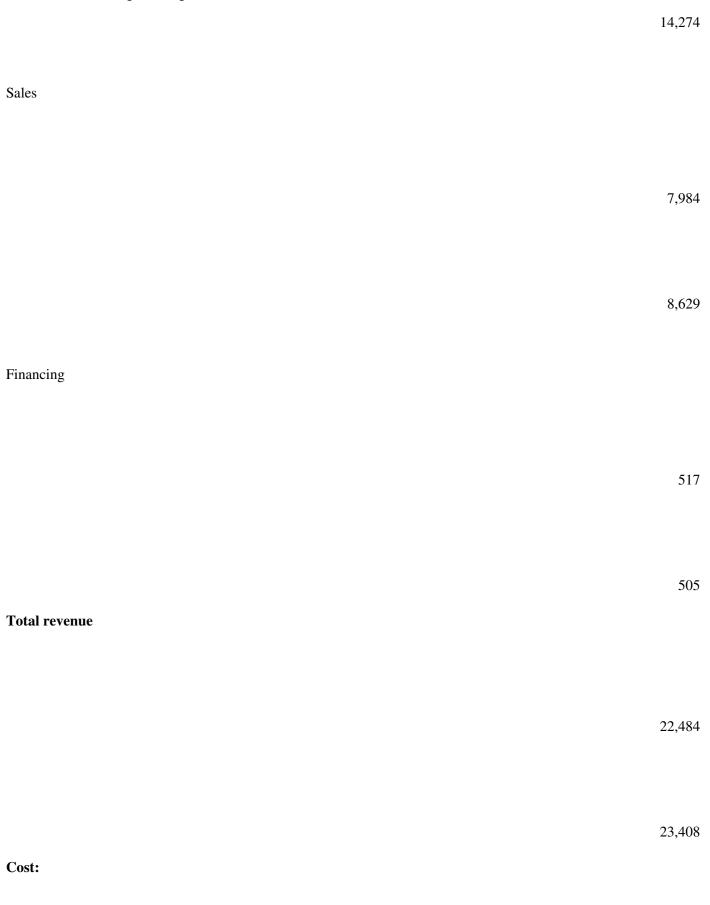
### **Item 1. Consolidated Financial Statements:**

# INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

	s Ended March 31,
(Dollars in millions except per share amounts)	
	2014
Revenue:	2013
Services	
\$	
	13,982

\$



Services 9,101 9,526 Sales 2,561 2,931 Financing

	273
Total cost	
	11,941
	12,730
Gross profit	
	10,543
Expense and other (income):	10,678
Expense and other (income):	
Selling, general and administrative	

	6,289
	5,577
Research, development and engineering	
	1,501
	1,644
Intellectual property and custom development income	
	(207)
	(183)
Other (income) and expense	

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	(126)
	((0)
	(60)
Interest expense	
	105
	94
Total expense and other (income)	
	7,563
	7,072
Income before income taxes	
	2,980

3,606

# Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q Provision for income taxes 596 Net income \$ 2,384

\$

**Earnings per share of common stock:** 

19

3,032

Assuming dilution	
\$	2.29
\$	2.70
Basic	
\$	2.30
\$	2.72
Weighted-average number of common shares outstanding: (millions)	

Assuming dilution	
	1,041.8
	1,124.0
Basic	
	1,035.2
	1,033.2
	1,113.7
	1,113.7
Cash dividend per common share	

	Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q	
\$		
		0.95
<b>A</b>		
\$		
		0.85

(Amounts may not add due to rounding.)

(The accompanying notes are an integral part of the financial statements.)

# INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31,

(Dollars in millions)

2014	
2013	
	2,384
	3,032
	(61)

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	(405)
Net changes related to available-for-sale securities:	
Tet changes related to available-for-saic securities.	
Unrealized gains/(losses) arising during the period	
Officialized gams/(1088e8) arising during the period	
	0
	(3)

Reclassification of (gains)/losses to net income

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	1
Subsequent changes in previously impaired securities arising during the period	_
	1
Total net changes related to available-for-sale securities	
	4
Unrealized gains/(losses) on cash flow hedges:	(1)

Unrealized gains/(losses) arising during the period	
	88
	360
Reclassification of (gains)/losses to net income	
	(1)
	(56)
Total unrealized gains/(losses) on cash flow hedges	
	87

Retirement-related benefit plans:	
Prior service costs/(credits)	
	1
	33
Net (losses)/gains arising during the period	
	32

(15)

settlements	Curtailments an
4	
prior service (credits)/cost	Amortization of
(29)	
(30)	
net (gains)/losses	Amortization of
649	
(29) (30) let (gains)/losses	

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	886
Total retirement-related benefit plans	
	656
	030
	875
Other comprehensive income/(loss), before tax	
	697
	687
	773
Income tax (expense)/benefit related to items of other comprehensive income	
	(241)
	(241)

Other comprehensive income/(loss)

(480)

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	446
	440
	293
Total comprehensive income/(loss)	
\$	
	2,830
\$	
	3,325
	3,323
(Amounts may not add due to rounding)	

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(The accompanying notes are an integral part of the financial statemen	ts)
4	

### INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

# CONSOLIDATED STATEMENT OF FINANCIAL DOSITION

	(UNAUDITED)	
	ASSETS	
	At March 31,	
(Dollars in millions)	At December 31,	
	2014	
Assets:	2013	

Current assets:	
Cash and cash equivalents	
\$	
Ψ	9,409
\$	10.716
	10,716
Marketable securities	

	350
Notes and accounts receivable - trade (net of allowances of \$305	
in 2014 and \$291 in 2013)	
	9,682
	10,465
Short-term financing receivables (net of allowances of \$317 in 2014	

E	Edgar Filing: INTERN	IATIONAL BUSI	INESS MACH	INES CORP -	Form 10-Q	
and \$308 in 2013)						
						10.220
						18,329
						19,787
						12,707
Other accounts rec	eivable (net of allowar	nces of \$36 in 201	14 and			

## Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q \$36 in 2013) 1,650 1,584 Inventories, at lower of average cost or market: Finished goods

444

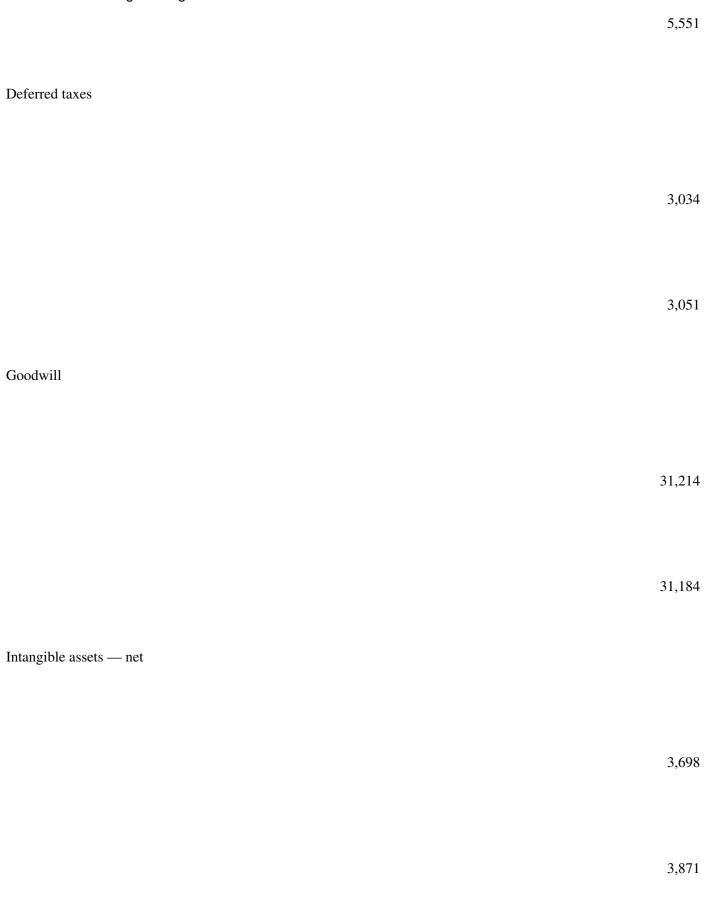
472

Work in process and raw materials	
	1,984
	1,866
Total inventories	
	2.476
	2,456
	2,310
Deferred taxes	
	1,708

	1,651
Prepaid expenses and other current assets	
	4,430
	4,488
Total current assets	
	47,959
	51,350

Property, plant and equipment	
	40,478
	40,475
Less: Accumulated depreciation	
	26,795
	26,654
Property, plant and equipment — net	
	13,683

	13,821
Long-term financing receivables (net of allowances of \$93 in 2014	
and \$80 in 2013)	
	11,918
	12.755
	12,755
Prepaid pension assets	
	6,110



# Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q Investments and sundry assets 5,030 Total assets \$ 122,646

126,223

(Amounts may not add due to rounding.)

\$

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(The accompanying notes are an integral part of the financial statements.)	
(The accompanying notes are an integral part of the inflancial statements.)	
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### INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION – (CONTINUED) (UNAUDITED)

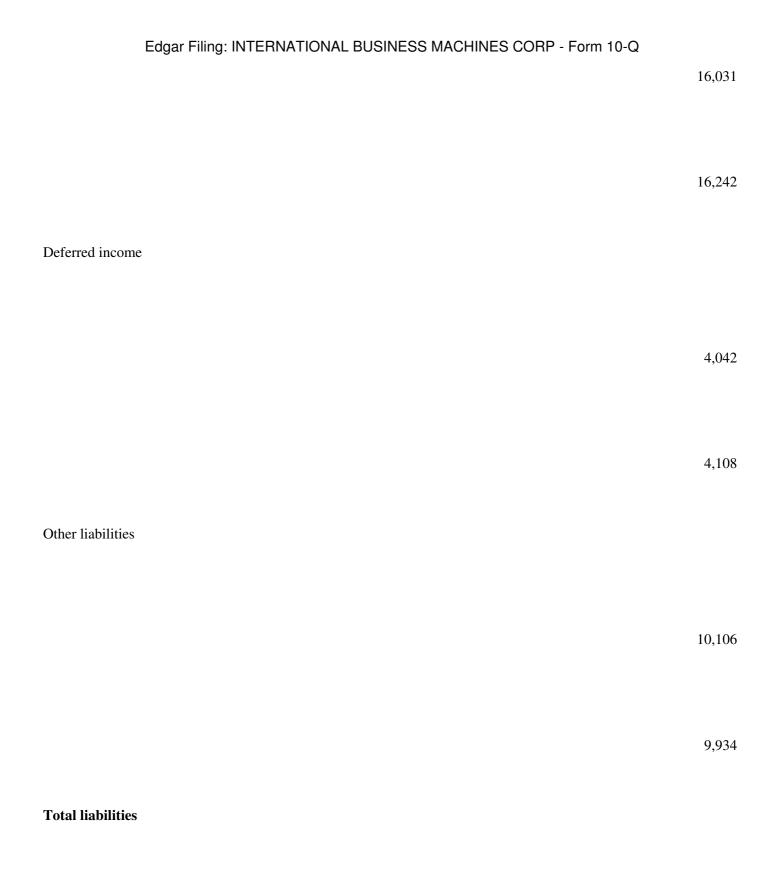
### LIABILITIES AND EQUITY

(Dollars in millions)		
	At March 31,	
	At December 31,	
	2014	
	2013	
Liabilities:		
Current liabilities:		

Гахеѕ	
	2,245
	2,243
	4,633
Short-term debt	
	9,312
	6,862
Accounts payable	

	6,865
	7,461
Compensation and benefits	
	3,664
	3,893
Deferred income	
	13,681
	12,557
	12,007
Other accrued expenses and liabilities	

	5,292
	4,748
Total current liabilities	
	41,058
	40,154
Long-term debt	
	34,668
	32,856
Retirement and nonpension postretirement benefit obligations	



105,906

	103,294
Equity:	
IBM stockholders' equity:	
Common stock, par value \$0.20 per share, and additional paid-in capital	
	<b>7</b> 4 0 4 <b>0</b>
	51,943
	51,594

Shares authorized: 4,687,500,000

Shares issued: 2014 - 2,210,627,775

2013 - 2,207,522,548

## Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q Retained earnings 131,431 Treasury stock - at cost

(137,242)

(145,612)

Shares: 2014 - 1,198,444,343

### Edgar Filing: INTERNATIONAL BUSINESS MACHINES CORP - Form 10-Q 2013 - 1,153,131,611 Accumulated other comprehensive income/(loss) (21,156) (21,602) Total IBM stockholders' equity 16,607 22,792

Noncontrolling interests

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	137
Total equity	
	16.540
	16,740
	22,929
Total liabilities and equity	
\$	
	122,646
<b>\$</b>	
ψ	126,223
	*

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(Amounts may not add due to rounding.)

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(The accompanying notes are an integral part of the financial statements.)
6

### INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Dollars in millions)	Three Months Ended March 31,
	2014
	2014
Cash flows from operating activities:	2013

Net income

\$

2,384