

1Q 2024 Earnings



Forward-looking statements and non-GAAP information

Certain comments made in this presentation may be characterized as forward looking under 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. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM website, or from IBM Investor Relations. Statements in this communication regarding IBM and HashiCorp that are forward-looking may include projections as to closing date for the transaction, the extent of, and the time necessary to obtain, the regulatory approvals required for the transaction, the anticipated benefits of the transaction, the impact of the transaction on IBM's business, the synergies from the transaction or the combined company's future operating results. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements except as required by law; these charts and the associated remarks and comments are integrally related and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its

earnings press release and presentation materials, certain non-GAAP information including operating earnings and other "operating" financial measures, free cash flow, net cash from operating activities excluding IBM Financing receivables, adjusted EBITDA and adjustments for currency. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K submitted to the SEC on April 24, 2024. The reconciliation of non-GAAP information to GAAP is included in the press release within Exhibit 99.1 to the company's Form 8-K submitted to the SEC on April 24, 2024, as well as on the slides entitled "Non-GAAP supplemental materials" in this presentation.

To provide better transparency, the company also discusses management performance metrics including annual recurring revenue, annual bookings, signings, and book-to-bill. The metrics are used to monitor the performance of the business and are viewed as useful decision-making information for management and stakeholders. The rationale for management's use of these performance metrics and their calculation are included in Exhibit 99.2 to the company's Form 8-K submitted to the SEC on April 24, 2024, and in the Management Discussion section of the company's 2023 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 26, 2024. For other related information please visit the Company's investor relations website at:

<https://www.ibm.com/investor/events/earnings-1Q24>



Arvind Krishna
Chairman and Chief
Executive Officer



James Kavanaugh
SVP, Finance & Operations
and Chief Financial Officer

CEO perspective

“We began the year with solid revenue and free cash flow growth, reflecting the strength of our hybrid cloud and AI strategy. We continue to capitalize on the excitement and demand for enterprise AI from our clients. Our book of business for watsonx and generative AI again showed strong momentum, growing quarter over quarter, and has now eclipsed one billion dollars since we launched watsonx in mid-2023. As a result, for the full year, we continue to expect revenue performance in line with our mid-single digit model and about \$12 billion in free cash flow.

To strengthen our position in today’s hybrid cloud and AI-driven technology landscape, we also announced our intent to acquire HashiCorp. IBM’s and HashiCorp’s combined portfolios will help clients manage growing application and infrastructure complexity and create a comprehensive hybrid cloud platform designed for the AI era.”

Arvind Krishna

IBM Chairman and CEO

Creates Leading End-to-End Hybrid and Multi-Cloud Platform

Infrastructure complexity is increasing

...driven by an explosion of applications across hybrid cloud environments, magnified by AI

This combination creates a comprehensive platform

... to include application, infrastructure and security lifecycle management – a total client solution

And builds on IBM's commitment

...to industry collaboration, developer communities and open-source hybrid cloud and AI innovation



Leading Provider of Hybrid
Cloud & AI Solutions



Leading Provider of
Infrastructure & Security
Automation

Together We Unlock Value and Drive Growth

Accelerates Growth in Focus Areas

- Synergies across Red Hat, watsonx, data security, IT automation and Consulting
- Extends HashiCorp's reach and monetization potential with IBM's go-to-market scale and global footprint

Enhances Ability to Capture TAM

- Delivers comprehensive hybrid and multi-cloud capabilities to enterprise clients
- Enhances opportunity to address total cloud TAM of ~\$1.1T, growing at high-teens rate per year*

Attractive Financial Opportunity

- Accelerates IBM's growth profile over time
- Substantial operating efficiencies
- Expected to be accretive to Adjusted EBITDA within the first full year, post close, and free cash flow in year two

*IDC Worldwide Black Book Live Edition, March 2024 (V1 2024) - global whole cloud TAM of \$1.1 trillion in 2023, with a compound annual growth rate in the high teens through 2027.

CEO perspective

“We began the year with solid revenue and free cash flow growth, reflecting the strength of our hybrid cloud and AI strategy. We continue to capitalize on the excitement and demand for enterprise AI from our clients. Our book of business for watsonx and generative AI again showed strong momentum, growing quarter over quarter, and has now eclipsed one billion dollars since we launched watsonx in mid-2023. As a result, for the full year, we continue to expect revenue performance in line with our mid-single digit model and about \$12 billion in free cash flow.

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Arvind Krishna

IBM Chairman and CEO



1Q24 Performance



Generative AI



Investments, innovation
and clients

Financial highlights

1Q24

\$14.5B

Revenue

\$1.9B

Free cash flow

“In the quarter we continued to focus on the fundamentals of our business, growing revenue, expanding operating margins, improving profit performance and increasing productivity and operating leverage.

These fundamentals, combined with our strong cash generation, position us to invest both organically and through strategic acquisitions like today’s announcement with HashiCorp. At the same time, we continue to return value to shareholders through our dividend.”

James Kavanaugh

IBM SVP & CFO

Revenue growth rates @CC

3%

Revenue growth

\$0.6B

Free cash flow yr/yr

>75%

Revenue mix in software and consulting

100bps

Gross margin expansion (operating)

\$19.3B

Cash and marketable securities

130bps

Pre-tax margin expansion (operating)

Software

Strong growth across Hybrid Platform & Solutions and Transaction Processing

Strength in OpenShift, Apptio and watsonx

Solid and growing recurring revenue base; ARR* of \$13.9 billion, +8% yr/yr

Continued investment in innovation

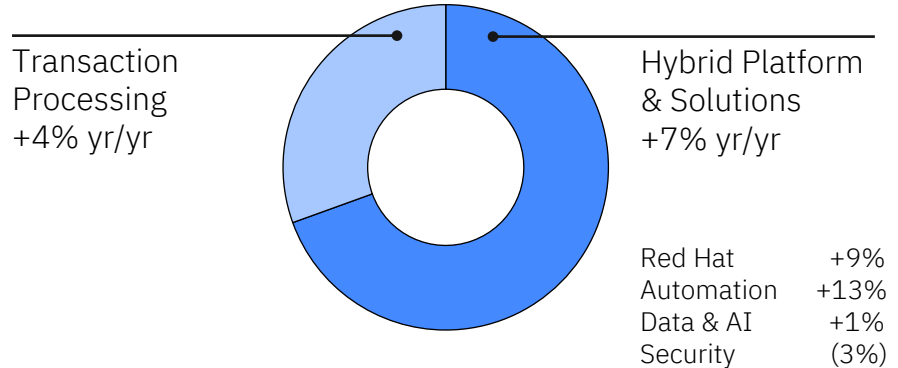
\$5.9B

Revenue

+6%

Revenue growth

Revenue categories



1Q24 results; revenue growth rates @CC

*Annual recurring revenue for Hybrid Platform & Solutions, growth rate @CC

Consulting

Continued strength in technology-driven transformations

Growth in strategic partnerships and Red Hat practice

Book-to-bill ratio of >1.15 for the last year

Reduced yield as clients tightened discretionary spend

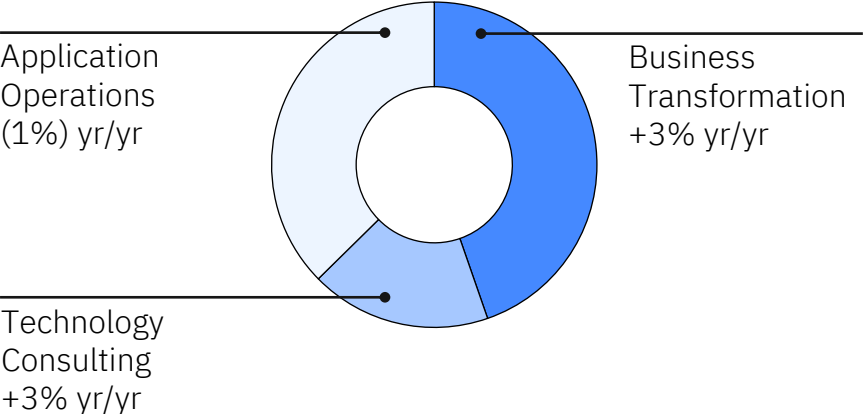
\$5.2B

Revenue

+2%

Revenue growth

Revenue categories



Infrastructure

Infrastructure benefitting from AI across IBM Z and storage

IBM Z drove revenue growth as z16 remains ahead of prior cycles

Distributed Infrastructure performance reflects strength in Power and storage

Gross and segment profit margin expansion

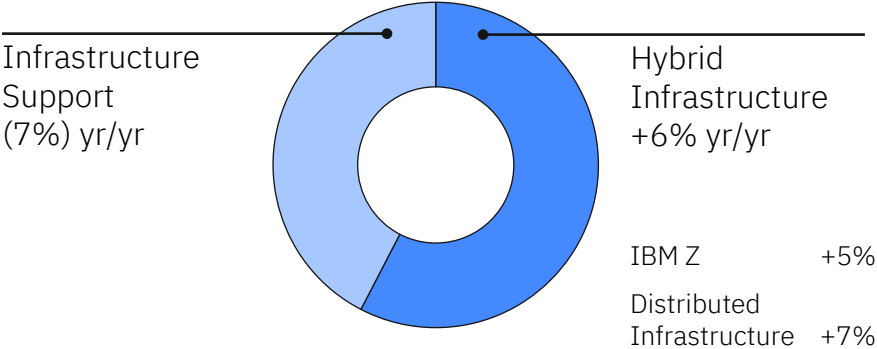
\$3.1B

Revenue

0.2%

Revenue growth

Revenue categories



Summary

1Q24 Summary

Results demonstrate strength of diversified portfolio

watsonx continued to gain traction across Software and Consulting

Operating leverage and productivity initiatives drove margin performance

Strongest first quarter level of free cash flow generation in many years

2024 Expectations

Revenue growth @CC in line with mid-single digit model

Free cash flow of ~\$12 billion

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Supplemental material

Revenue and P&L highlights

Adjusted EBITDA performance

Cash flow and balance sheet highlights

Currency impact on revenue growth

Software & Infrastructure segment details

Consulting segment details

Expense summary

Balance sheet summary

Cash flow summary

Cash flow (ASC 230)

Software segment categories

Consulting segment categories

Infrastructure segment categories

Non-GAAP supplemental materials

Revenue and P&L highlights

Revenue highlights	1Q24	B/(W) Yr/Yr
Revenue	\$14.5	3%
Americas	\$7.3	3%
Europe/ME/Africa	\$4.3	(2%)
Asia Pacific	\$2.9	8%

Operating P&L highlights \$	1Q24	B/(W) Yr/Yr*
Gross profit	\$7.9	3%
Expense	\$6.3	(1%)
Pre-tax income	\$1.7	14%
Net income	\$1.6	25%
Earnings per share	\$1.68	24%

Adjusted EBITDA	\$3.0	7%
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Operating P&L highlights %	1Q24	B/(W) Yr/Yr*
Gross profit margin	54.7%	1.0 pts
Expense E/R	43.3%	0.3 pts
Pre-tax income margin	11.5%	1.3 pts
Net income margin	10.8%	2.0 pts
Tax rate	5.6%	8.1 pts

Revenue growth rates @CC, \$ in billions

*Yr/Yr reflects pre-tax net impact of \$0.22B related to divestiture dynamics and (\$0.11B) for workforce rebalancing charges

Adjusted EBITDA performance

	1Q24	Yr/Yr
Operating (non-GAAP) pre-tax income from continuing operations	\$1.7	\$0.2
Net interest expense	\$0.2	\$0.0
Depreciation/Amortization of non-acquired intangible assets	\$0.7	\$0.0
Stock-based compensation	\$0.3	\$0.1
Workforce rebalancing charges	\$0.4	\$0.1
Corporate (gains) and charges*	(\$0.2)	(\$0.2)
Adjusted EBITDA	\$3.0	\$0.2

\$ in billions

*Corporate (gains) and charges primarily consists of unique corporate actions such as gains on divestitures

Cash flow and balance sheet highlights

Cash flow	1Q24	Yr/Yr
Net cash from operations*	\$2.3	\$0.5
Free cash flow**	\$1.9	\$0.6

Select uses of cash	1Q24	Yr/Yr
Net capital expenditures	\$0.4	(\$0.1)
Acquisitions	\$0.1	\$0.1
Dividends	\$1.5	\$0.0

Balance sheet	Mar 24	Dec 23	Mar 23
Cash & marketable securities	\$19.3	\$13.5	\$17.6
Total debt	\$59.5	\$56.5	\$58.7

Select debt measures	Mar 24	Dec 23	Mar 23
IBM Financing debt	\$9.9	\$11.9	\$10.5
Core (non-IBM Financing) debt	\$49.6	\$44.7	\$48.2

\$ in billions

*Non-GAAP financial measure; excludes Financing receivables

**Non-GAAP financial measure; adjusts for Financing receivables and net capital expenditures

Currency impact on revenue growth

Quarterly averages per US \$	1Q24	Yr/Yr	Spot assumed	2Q24	3Q24	4Q24	FY24
Euro	0.92	1%	0.94	(2%)	(2%)	(1%)	(1%)
Pound	0.79	4%	0.80	(0%)	(2%)	0%	1%
Yen	148	(12%)	154	(12%)	(7%)	(5%)	(9%)
Revenue impact, future @assumed Spot		(1 pts)		~(2.5 pts)	(1.5-2 pts)	(1-1.5 pts)	(1.5-2 pts)
<i>Prior view</i>		(1-1.5 pts)		(1-1.5 pts)	(0-1 pts)	~0 pts	~(1 pts)
	US \$B	Yr/Yr					
Revenue as reported	\$14.5	1.5%					
Currency impact	(\$0.1)	(1 pts)					
Revenue @CC		2.5%					

Software & Infrastructure segment details

Software segment	1Q24	B/(W) Yr/Yr
Revenue	\$5.9	6%
Hybrid Platform & Solutions	\$4.1	7%
Red Hat		9%
Automation		13%
Data & AI		1%
Security		(3%)
Transaction Processing	\$1.8	4%
Segment profit	\$1.5	9%
Segment profit margin	25.4%	0.8 pts
Annual recurring revenue*	\$13.9	8%

Infrastructure segment	1Q24	B/(W) Yr/Yr
Revenue	\$3.1	Flat
Hybrid Infrastructure	\$1.8	6%
IBM Z		5%
Distributed Infrastructure		7%
Infrastructure Support	\$1.3	(7%)
Segment profit	\$0.3	1%
Segment profit margin	10.1%	0.2 pts

Revenue growth rates @CC, \$ in billions

*Annual recurring revenue for Hybrid Platform & Solutions, growth rate @CC

Consulting segment details

Consulting segment	1Q24	B/(W) Yr/Yr
Revenue	\$5.2	2%
Business Transformation	\$2.3	3%
Technology Consulting	\$0.9	3%
Application Operations	\$1.9	(1%)
Gross profit margin	25.3%	(0.2 pts)
Segment profit	\$0.4	(1%)
Segment profit margin	8.2%	Flat
Signings	\$5.5	4%
Book-to-bill ratio (TTM)	>1.15	

Expense summary

Expense	1Q24	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
Operating expense & other income	\$6.3	(1%)	(1 pts)	3 pts	(2 pts)
<i>impact of workforce rebalancing</i>	\$0.4	(2 pts)			
SG&A – operating	\$4.7	(2%)	0 pts	(1 pts)	(2 pts)
<i>impact of workforce rebalancing</i>	\$0.4	(3 pts)			
RD&E	\$1.8	(9%)	0 pts	(1 pts)	(8 pts)
IP and custom development income	(\$0.2)	20%			
Other (income)/expense - operating	(\$0.5)	92%			
Interest expense	\$0.4	(18%)			

\$ in billions

*includes acquisitions in the last twelve months net of non-operating acquisition-related charges and includes impact of closed divested businesses

**represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures

Balance sheet summary

	Mar 24	Dec 23	Mar 23
Cash & marketable securities	\$19.3	\$13.5	\$17.6
Core (non-IBM Financing) assets*	\$106.4	\$107.9	\$103.6
IBM Financing assets	\$11.5	\$13.9	\$12.5
Total assets	\$137.2	\$135.2	\$133.6
Other liabilities	\$54.3	\$56.1	\$53.3
Core (non-IBM Financing) debt*	\$49.6	\$44.7	\$48.2
IBM Financing debt	\$9.9	\$11.9	\$10.5
Total debt	\$59.5	\$56.5	\$58.7
Total liabilities	\$113.8	\$112.6	\$112.0
Equity	\$23.3	\$22.6	\$21.7

\$ in billions

*includes eliminations of inter-company activity

Cash flow summary

	1Q24	B/(W) Yr/Yr
Net cash from operations	\$4.2	\$0.4
Less: IBM Financing receivables	\$1.9	(\$0.1)
Net cash from operations (excluding IBM Financing receivables)	\$2.3	\$0.5
Net capital expenditures	(\$0.4)	\$0.1
Free cash flow (excluding IBM Financing receivables)	\$1.9	\$0.6
Acquisitions	(\$0.1)	(\$0.1)
Divestitures	\$0.7	\$0.7
Dividends	(\$1.5)	(\$0.0)
Non-IBM Financing debt	\$5.2	(\$4.4)
Other (includes IBM Financing net A/R & IBM Financing debt)	(\$0.4)	\$0.3
Change in cash & marketable securities	\$5.8	(\$2.9)

Cash flow (ASC230)

	1Q24	1Q23
Net income from operations	\$1.6	\$0.9
Depreciation / amortization of intangibles	\$1.1	\$1.1
Stock-based compensation	\$0.3	\$0.3
Operating assets and liabilities / other, net	(\$0.8)	(\$0.5)
IBM Financing A/R	\$1.9	\$2.0
Net cash provided by operating activities	\$4.2	\$3.8
Capital expenditures, net of payments & proceeds	(\$0.4)	(\$0.5)
Divestitures, net of cash transferred	\$0.7	-
Acquisitions, net of cash acquired	(\$0.1)	(\$0.0)
Marketable securities / other investments, net	(\$4.5)	(\$7.5)
Net cash provided by/(used in) investing activities	(\$4.2)	(\$8.0)
Debt, net of payments & proceeds	\$3.4	\$7.3
Dividends	(\$1.5)	(\$1.5)
Financing - other	\$0.0	(\$0.1)
Net cash provided by/(used in) financing activities	\$1.9	\$5.7
Effect of exchange rate changes on cash	(\$0.2)	\$0.0
Net change in cash, cash equivalents & restricted cash	\$1.7	\$1.5

Software segment categories

Revenue categories

Hybrid Platform & Solutions

Software, infused with AI, to help clients operate, manage, and optimize their IT resources and business processes within hybrid, multi-cloud environments:

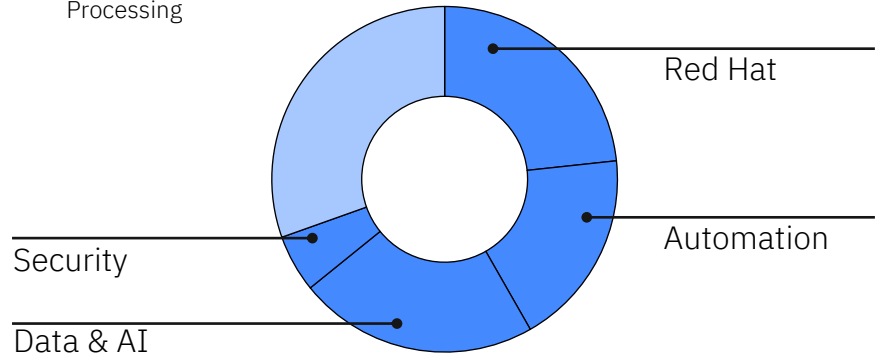
- Red Hat: incl. RHEL, OpenShift, Ansible
- Automation: incl. business automation, AIOps and management, integration, and application servers
- Data & AI: incl. data fabric, customer care, data management, business analytics, dataops & governance, asset & supply chain management, and information exchange
- Security: incl. software for threat, data and identity

Transaction Processing

Software that supports clients' mission-critical on-premise workloads in industries such as banking, airlines and retail incl. transaction processing software such as Customer Information Control System and storage software, and analytics and integration software running on IBM operating systems (e.g., DB2 and WebSphere running on z/OS).

Revenue categories – FY 2023

- Hybrid Platform & Solutions
- Transaction Processing



Consulting segment categories

Revenue categories

Business Transformation

Strategy, process design, system implementation and operations services to improve and transform key business processes.

Deploys AI and automation in business processes to exploit the value of data and includes an ecosystem of partners alongside IBM technology, including strategic partnerships with Adobe, Oracle, Salesforce and SAP, among others.

Technology Consulting

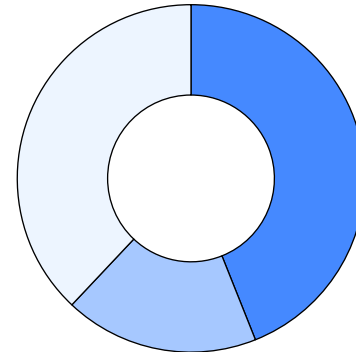
Skills to architect and implement solutions across cloud platforms, including Amazon, Microsoft and IBM, and strategies to transform the enterprise experience and enable innovation, including transformation using AI with watsonx and application modernization for hybrid cloud with Red Hat OpenShift.

Application Operations

Manages, optimizes, orchestrates and secures custom applications and ISV packages for clients. Provides application management, platform engineering, and security services across hybrid cloud environments.

Revenue categories – FY 2023

- Business Transformation
- Technology Consulting
- Application Operations



Infrastructure segment categories

Revenue categories

Hybrid Infrastructure

Innovative infrastructure platforms to help meet the new requirements of hybrid multi-cloud and enterprise AI workloads leveraging flexible and as-a-service consumption models:

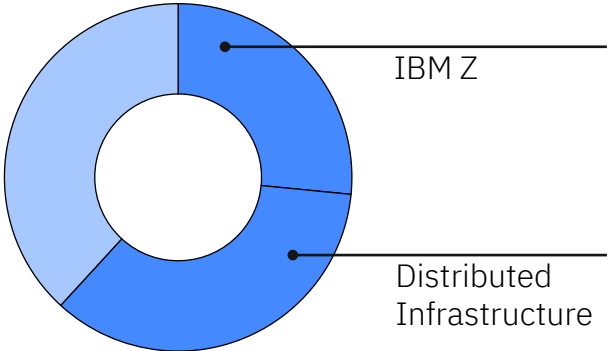
- IBM Z: incl. hardware and operating system
- Distributed Infrastructure: incl. Power hardware and operating system, storage hardware, IBM Cloud IaaS, OEM asset recovery service

Infrastructure Support

Comprehensive, proactive and AI enabled services to maintain and improve the availability and value of clients' IT infrastructure (hardware and software) both on-premises and in the cloud incl. maintenance for IBM products and other technology platforms.

Revenue categories – FY 2023

- Hybrid Infrastructure
- Infrastructure Support



Non-GAAP supplemental materials

Reconciliation of revenue performance – 1Q 2024

	1Q24 Yr/Yr	
	GAAP	@CC
Total revenue	1%	3%
Americas	3%	3%
Europe/ME/Africa	Flat	(2%)
Asia Pacific	Flat	8%

The above reconciles the non-GAAP financial information contained in the “Financial highlights”, “Revenue and P&L highlights” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – 1Q 2024

	1Q24 Yr/Yr			1Q24 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Software	5%	6%	Consulting	Flat	2%
Hybrid Platform & Solutions	6%	7%	Business Transformation	1%	3%
Red Hat	9%	9%	Technology Consulting	1%	3%
Automation	13%	13%	Application Operations	(3%)	(1%)
Data & AI	1%	1%			
Security	(3%)	(3%)	Infrastructure	(1%)	Flat
Transaction Processing	3%	4%	Hybrid Infrastructure	5%	6%
			IBM Z	4%	5%
			Distributed Infrastructure	6%	7%
			Infrastructure Support	(8%)	(7%)

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software & Infrastructure segment details”, “Consulting segment details” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary – 1Q 2024

		1Q24	
	GAAP	Non-GAAP adjustments	Operating (non-GAAP)
SG&A			
Currency	0 pts	0 pts	0 pts
Acquisitions/divestitures	(1 pts)	0 pts	(1 pts)
Base*	(2 pts)	0 pts	(2 pts)
RD&E			
Currency	0 pts	0 pts	0 pts
Acquisitions/divestitures	(1 pts)	0 pts	(1 pts)
Base*	(8 pts)	0 pts	(8 pts)
Operating expense & other income			
Currency	(2 pts)	1 pts	(1 pts)
Acquisitions/divestitures	3 pts	0 pts	3 pts
Base*	(4 pts)	2 pts	(2 pts)

*Represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures

The above reconciles the non-GAAP financial information contained in the “Expense summary” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations – 1Q 2024

		1Q24			
	GAAP	Acquisition- related adjustments	Retirement- related adjustments	Tax reform impacts*	Operating (non-GAAP)
Gross profit	\$7,742	\$170	—	—	\$7,913
Gross profit margin	53.5%	1.2 pts	—	—	54.7%
SG&A	4,974	(268)	—	—	4,706
Other (income) & expense	(317)	(50)	(96)	—	(463)
Total expense	6,669	(318)	(96)	—	6,255
Pre-tax income	1,074	488	96	—	1,658
Pre-tax income margin	7.4%	3.4 pts	0.7 pts	—	11.5%
Tax rate	(46.7%)	22.3 pts	3.0 pts	27.0 pts	5.6%
Net income	1,575	346	91	(448)	1,564
Net income margin	10.9%	2.4 pts	0.6 pts	(3.1 pts)	10.8%
Earnings per share	\$1.69	\$0.37	\$0.10	(\$0.48)	\$1.68

\$ in millions (except EPS which is in whole dollars)

*Includes a net benefit from discrete tax events

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights”, “Expense summary” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of GAAP net income to adjusted EBITDA

	1Q24	Yr/Yr
Net income as reported (GAAP)	\$1.6	\$0.7
Less: Income/(loss) from discontinued operations, net of tax	\$0.0	\$0.0
Income from continuing operations	\$1.6	\$0.6
Provision for/(Benefit from) income taxes from continuing operations	(\$0.5)	(\$0.6)
Pre-tax income from continuing operations (GAAP)	\$1.1	\$0.0
Non-operating adjustments (before tax)		
Acquisition-related charges*	\$0.5	\$0.1
Non-operating retirement-related costs/(income)	\$0.1	\$0.1
Operating (non-GAAP) pre-tax income from continuing operations	\$1.7	\$0.2
Net interest expense	\$0.2	\$0.0
Depreciation/Amortization of non-acquired intangible assets	\$0.7	\$0.0
Stock-based compensation	\$0.3	\$0.1
Workforce rebalancing charges	\$0.4	\$0.1
Corporate (gains) and charges**	(\$0.2)	(\$0.2)
Adjusted EBITDA	\$3.0	\$0.2

\$ in billions

*Primarily consists of amortization of acquired intangible assets

**Corporate (gains) and charges primarily consists of unique corporate actions such as gains on divestitures

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights”, “Prepared remarks” and “Adjusted EBITDA performance” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of net cash from operations to adjusted EBITDA

	1Q24	1Q23
Net cash provided by operating activities	\$4.2	\$3.8
Add:		
Net interest expense	\$0.2	\$0.2
Provision for/(Benefit from) income taxes from continuing operations	(\$0.5)	\$0.1
Less change in:		
Financing receivables	\$1.9	\$2.0
Other assets and liabilities/other, net*	(\$1.0)	(\$0.7)
Adjusted EBITDA	\$3.0	\$2.8

\$ in billions

*Other assets and liabilities/other, net mainly consists of operating assets and liabilities/other, net in the “Cash flow (ASC230)” discussion, workforce rebalancing charges, non-operating impacts and corporate (gains) and charges

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of Pre-tax income margin – 1Q 2024

	Pre-tax margin B/(W)
GAAP	0.0 Pts
Non-operating adjustments*	1.3 Pts
Operating (non-GAAP)	1.3 Pts
Adjusted to exclude workforce rebalancing and divestiture dynamics**	(0.8) Pts
Operating (non-GAAP) excl. impacts of workforce rebalancing and divestiture dynamics	0.5 Pts

*Excludes the effects of certain acquisition-related charges and non-operating retirement related (income)/expense. For details on these adjustments, see slide entitled “Reconciliation of continuing operations – 1Q 2024” in this presentation

**Yr/yr impacts of workforce rebalancing and divestiture dynamics

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of tax rate and Pre-tax income margin – FY 2024 expectations

Tax rate	GAAP	Operating (Non-GAAP)
Full-Year 2024*	Mid-to-High Single Digits	Mid Teens

Pre-tax income margin	GAAP B/(W)	Operating (non-GAAP) B/(W)
Pre-tax income margin Yr/Yr	Flat	~0.5 Pts

*Includes estimated discrete tax events for the year, actual events will be recorded as they occur

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of free cash flow realization – annual average post Red Hat acquisition

	Free cash flow as a % of GAAP Net income	Operating (non-GAAP) Net income
Free Cash Flow Realization*	~250%	~120%

*Represents the average annual free cash flow realization since the acquisition of Red Hat in 2019 and excludes 2021 when the company separated Kyndryl

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of free cash flow – last 12 months

	12 Months Ended Mar 2024
Net cash from operating activities per GAAP	\$14.3
Less: change in IBM Financing receivables	\$1.2
Net cash from operating activities (excluding IBM Financing receivables)	\$13.2
Net capital expenditures	(\$1.4)
Free cash flow (excluding IBM Financing receivables)	\$11.8

\$ in billions

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 24, 2024, for additional information on the use of these non-GAAP financial measures.

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