

IBM Investor Update



Spring 2024



Our strategy

hybrid cloud and AI

Our value proposition

- Platform-centric approach to hybrid cloud and AI
- Commitment to innovation
- Deep industry and domain expertise
- Integrated solutions
- Trusted by enterprises

Our actions

- Portfolio optimization
- Investments in skills and innovation
- Simplified go-to-market and more technical and experiential selling
- Ecosystem expansion
- Growth-oriented culture

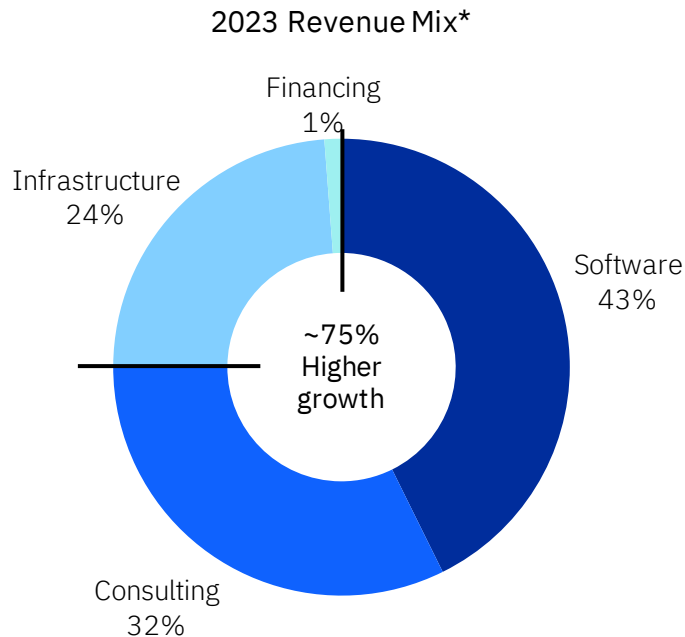
Our model

- Sustainable revenue growth
- Strong cash generation
- Higher ROIC
- Capital allocation supporting investment and shareholder return

IBM Approach for hybrid cloud and AI



Improved Portfolio Mix: Higher Growth, Higher Value



- Continued momentum in Software and Consulting
- Organic investments in technology and talent
- Completed ~40 acquisitions since early 2020
- Continued portfolio optimization including the sale of the Weather Company assets in January 2024

75% of our revenue now comes from higher-growth software and consulting businesses, up from ~55% in 2020

*Reflects 2023 segment revenue as reported in Form 10-K filed on February 26, 2024

2023 Performance Highlights

Our model

- Sustainable revenue growth
- Strong cash generation
- Higher ROIC
- Capital allocation supporting investment and shareholder return

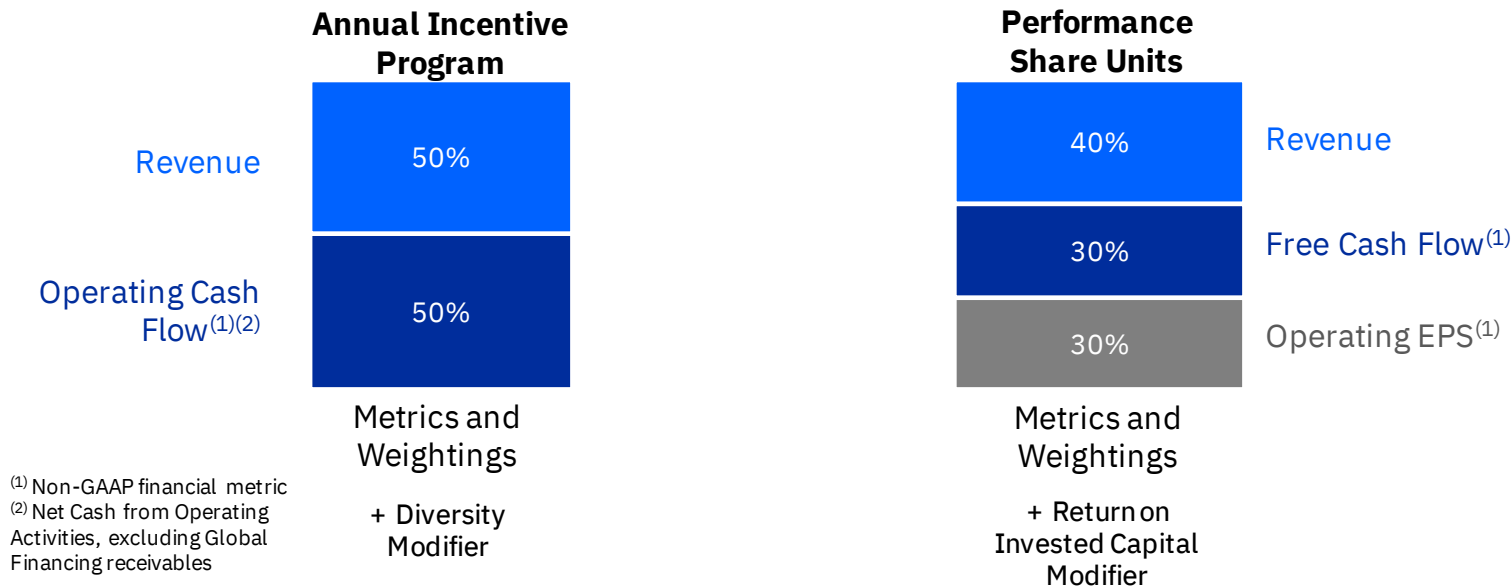
Our results

- Generated \$62 billion of revenue with solid growth in Software and Consulting. IBM revenue was up 2% (3% at constant currency*)
 - A solid and growing recurring revenue base represents over 50% of revenue
 - 75% of revenue from higher-growth Software and Consulting segments
- Expanded gross margin by 140 basis points
- Generated cash from operations of \$13.9 billion and free cash flow* of \$11.2 billion, our strongest level of cash generation since 2019
- Exited the year with a healthy cash balance of \$13.5 billion, including marketable securities
- Continued organic and inorganic investments in hybrid cloud and AI, including closing 9 acquisitions
- Returned ~\$6 billion to stockholders and raised IBM's quarterly dividend for the 28th consecutive year

*non-GAAP financial measure

Reinforcing IBM's Shareholder Commitments

Senior executive pay is heavily weighted to IBM's performance through the annual and long-term incentive program, focused on accelerating our hybrid cloud and AI revenue growth strategy and generating free cash flow for increased investment and shareholder return.



Compensation Aligns with High-Value Business Model

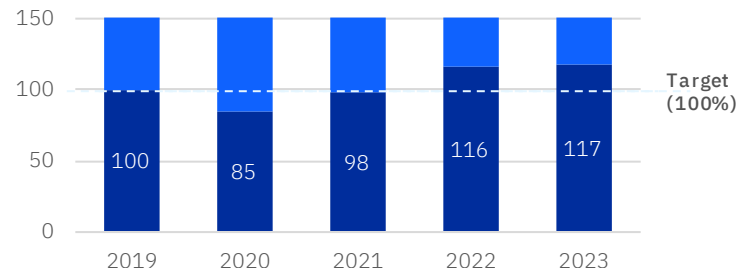
For 2023, at target, 77%, or \$16.6M of CEO pay was at risk and subject to attainment of rigorous performance goals

~77% AT-RISK (\$16.6M)	21% Short Term (\$4.5M)	7% Base Salary (\$1.5M)
		14% Annual Incentive (\$3M) Target: 200% of Base Salary
	79% Long Term (\$17M)	47% Performance Share Units (\$10.2M)
		16% Stock Options (\$3.4M)
		16% Restricted Stock Units (\$3.4M)

Mr. Krishna's IBM stock holdings exceed the CEO holding requirement of 10x base salary, aligning CEO compensation with shareholders' interests.

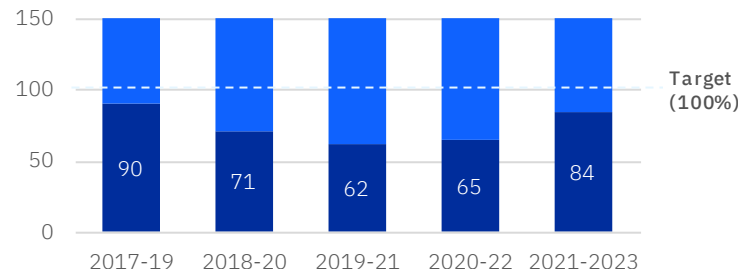
Payouts in both the annual and long-term programs reflect rigorous performance goals

CEO ANNUAL INCENTIVE AWARD AS % OF TARGET*



*2020, 2021, 2022 and 2023 pertain to Mr. Krishna and 2019 pertains to Ms. Rometty.

LONG-TERM PERFORMANCE SHARE UNIT PAYOUTS AS % OF TARGET

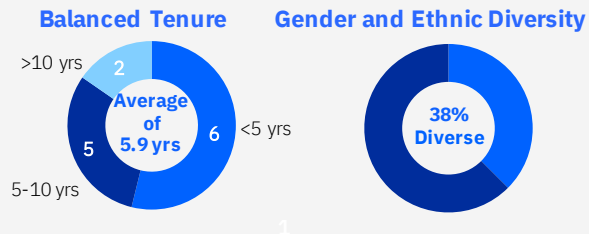


Building the Right Board

Independent and Diverse Board

IBM is committed to Board leadership, independent oversight and strong corporate governance:

- **Active Board refreshment:** Over **60%** of directors elected to the Board within the **past five years**
- **Diverse and independent perspectives:** **3 women** directors and **3 ethnically diverse** directors added in the last five years and **all directors but 1 are independent**



Active Board Refreshment

2019

2020

2021

**TWO NEW
DIRECTORS
ADDED IN 2023**



**Michelle J.
Howard**

Policy expertise and technology experience with a cybersecurity focus



**F. William
McNabb III**

Global business, corporate governance and technology experience



**Martha E.
Pollack**

Research leadership and technology experience, including artificial intelligence



**Thomas
Buberl**

Global business experience and expertise leading digital transformations



**Arvind
Krishna**

Global business and organizational leadership experience and deep technology expertise



**Alfred W.
Zollar**

Deep technology experience in systems and software



**Michael
Miebach**

Global business and technology experience, including digital transformation, cybersecurity and data-driven insights



**Marianne C.
Brown**

Global business and technology experience, including financial services, systems and software

Board of Directors



DIRECTOR	Marianne C. Brown	Thomas Buberl	David N. Farr	Alex Gorsky	Michelle J. Howard	Arvind Krishna	Andrew N. Liveris	F. William McNabb III	Michael Miebach	Martha E. Pollack	Peter R. Voser	Frederick H. Waddell	Alfred W. Zollar
Client Industry Expertise													
Organizational Leadership & Management	○	○	○	○	○	○	○	○	○	○	○	○	○
Global Operations	○	○	○	○	○	○	○	○	○	○	○	○	○
CFO											○		
Specific Risk Oversight/Risk Management Exposure	○	○	○	○	○	○	○	○	○	○	○	○	○
Technology, Cybersecurity or Digital	○	○	○	○	○	○	○	○	○	○	○	○	○
Academia					○					○			
Government/Regulatory, Business Associations or Public Policy	○	○	○	○	○	○	○	○	○	○	○	○	○
Public Board	○	○	○	○		○	○	○	○		○	○	○
Gender Identity	Female	Male	Male	Male	Female	Male	Male	Male	Male	Female	Male	Male	Male
Race and/or Ethnicity	White/Caucasian	White/Caucasian	White/Caucasian	White/Caucasian	Black/African American	Asian/Pacific Islander	White/Caucasian	White/Caucasian	White/Caucasian	White/Caucasian	White/Caucasian	White/Caucasian	Black/African American
Born Outside the U.S.		○				○	○		○		○		

IBM Impact

The IBM approach to creating lasting, positive impact is embodied in the three pillars of our IBM Impact framework. Our latest Impact Report provides information on IBM's environmental, social, and governance progress and performance and is available at <https://www.ibm.com/impact/reports-and-policies>



Ethical Impact

Creating innovations, policies and practices that prioritize ethics, trust, transparency, and above all – accountability. For example:

- Created five pillars of trust to guide responsible adoption of AI technologies: **explainability, fairness, robustness, transparency, and privacy**
- Founding member of the **AI Alliance**, a group of leading organizations focused on **fostering open innovation and open science in AI**



Equitable Impact

Creating spaces and opportunities for everyone by focusing on diversity, equity, and inclusivity within IBM as well as globally. For example:

- Fostering **a culture of conscious inclusion and active allyship** where IBMers can make a positive impact on society and bring authentic selves to work
- In 2023, our annual engagement survey found that **more than 8 out of 10 IBMers reported feeling engaged at work**



Environmental Impact

Creating better pathways to conserve natural resources, reduce pollution, and minimize climate-related risks. For example:

- Leveraging **AI and automation** for scale and speed across functions to accelerate clients' business objectives and sustainability goals and help them meet regulatory requirements
- Continued the work of the **IBM Sustainability Accelerator**, a global pro bono social impact program with a focus on vulnerable populations

We aspire to make a lasting, positive Impact in business ethics, our environment, and the communities in which we work and live.

Voting Item 4: Public Report on Lobbying Activities

The Board recommends a vote **AGAINST**

- Independent third parties **consistently recognize IBM as a leader** in lobbying and political spending disclosure
- IBM **already provides** the disclosure requested by this proposal, including **further enhancing it** in 2023 by identifying those trade associations that are directly engaged in U.S. lobbying through annual payments of \$50,000 or higher
- IBM has **established clear oversight** over such activities and expenditures through numerous written corporate policies, instructions, and guidelines, all of which are available on IBM's public policy website
- IBM **does not** make political contributions of any kind, directly or indirectly, to political parties, candidates or PACs

Voting Item 5: Public Report on Congruency in China Business Operations and ESG Activities

The Board recommends a vote **AGAINST**

- IBM adheres to the law across all countries where we do business, including **government controls on the export and use of certain technologies**
- IBM **complies with all laws** related to human rights and forced labor, including the US Uyghur Forced Labor Prevention Act
- IBM practices the **highest level of social, environmental and ethical responsibility** in our global supply chains
- IBM has **robust processes** in place to ensure that our technology is not used in ways that would conflict with our values, our commitment to uphold basic human rights and freedoms, and our long-standing focus on responsible stewardship of powerful innovations

Voting Item 6: Right to Act by Written Consent

The Board recommends a vote **AGAINST**

- This proposal **inaccurately** describes the number of shares required to call a special meeting of the stockholders of IBM. IBM's corporate governance provisions call for a **threshold of 25%** of stockholders to call a special meeting, not 40% of shares that cast ballots at the annual meeting
- IBM has **long demonstrated its commitment** to sound principles of corporate governance, working to ensure that its practices **protect and further the interests of its stockholders**
- IBM has an **established process** by which stockholders may **communicate directly with IBM's Board or non-management directors** throughout the year on any topics of interest to stockholders

Voting Item 7: Public Report on Climate Lobbying

The Board recommends a vote **AGAINST**

- IBM has **demonstrable leadership and results** and has been recognized with numerous awards for its **climate leadership**
- IBM is **committed to addressing climate change** through the company's energy conservation and climate protection programs
- IBM's **climate change policy and positions are already publicly available** at our website and in our annual Impact Report
- IBM already discloses **robust information** with regards to its lobbying activities and consistently receives **high ratings from independent analysts** of corporate practices on lobbying and political spending

Voting Item 8: Adoption of Greenhouse Gas Emissions Targets

The Board recommends a vote **AGAINST**

- IBM's climate goals have always been **transparent, authentic, and, most importantly, factually based on science**
- IBM has **goals and targets** for **greenhouse gas (GHG) emissions and net zero**
- IBM's results for its GHG-related targets are **independently verified** by a third party
- IBM's **climate change goals** already include **our value chain**
- IBM has **demonstrable leadership and results** addressing environmental matters

We Request Your Support at the 2024 Annual Meeting of Stockholders

The Board asks that you vote:

- ✓ **FOR** Election of all Thirteen Director Nominees
- ✓ **FOR** Ratification of PricewaterhouseCoopers LLP as IBM's Independent Registered Public Accounting Firm
- ✓ **FOR** Advisory Vote on Executive Compensation

AND

X AGAINST ALL Stockholder Proposals



Forward-Looking Statements, Non-GAAP and Other 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. 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), these materials contain non-GAAP financial measures on a continuing operations basis, including revenue growth rates adjusted for constant currency and free cash flow. The rationale for management's use of this non-GAAP information is included on pages 6 and 31 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 reconciliation of these non-GAAP financial measures to GAAP and other information, please refer to pages 17 and 31 of the company's 2023 Annual Report.

Note: For the 2021–2023 performance period, ROIC equals consolidated net operating profits after tax (consolidated GAAP net income plus after-tax interest expense) excluding the settlement charge resulting from the U.S. pension risk transfer, divided by the sum of the average debt and average total stockholders' equity over the period, excluding goodwill associated with the Red Hat acquisition in years 2021 and 2022. In September 2022, IBM transferred \$16 billion of its defined benefit pension obligations and related plan assets to two insurers. A non-cash settlement charge of \$4.4 billion net of tax related to this transfer was excluded given its unique and non-recurring nature. Due to the significant nature of the Red Hat acquisition, the Company utilizes a computation of ROIC excluding goodwill associated with the acquisition. The goodwill that was generated is primarily attributable to the assembled workforce of Red Hat and the increased synergies expected to be achieved over time from the integration of Red Hat products into the Company's various integrated solutions.