

# IBM 4Q 2021 Earnings

January 24, 2022  
[ibm.com/investor](https://ibm.com/investor)

# 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. 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.

Unless otherwise specified, results are presented on a continuing operation basis.

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, consolidated free cash flow, including post-separation baseline free cash flow, net cash from operating activities excluding IBM Financing receivables, 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 January 24, 2022. The reconciliation of non-GAAP information to GAAP is included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation, as well as in Exhibit 99.1 to the company's Form 8-K submitted to the SEC on January 24, 2022.

To provide better transparency, the company also discusses management performance metrics including hybrid cloud revenue, annual recurring revenue, 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 furnished with the SEC on January 24, 2022. For other related information please visit the Company's investor relations website at:

<https://www.ibm.com/investor/events/earnings-4q21>

**Arvind Krishna**  
Chairman and Chief Executive Officer



**James Kavanaugh**  
SVP, Finance & Operations,  
Chief Financial Officer



# CEO Perspective

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“We increased revenue in the fourth quarter with hybrid cloud adoption driving growth in software and consulting.

Our fourth-quarter results give us confidence in our ability to deliver our objectives of sustained mid-single digit revenue growth and strong free cash flow in 2022.”

- *Arvind Krishna, IBM Chairman and CEO*



4Q21 Performance



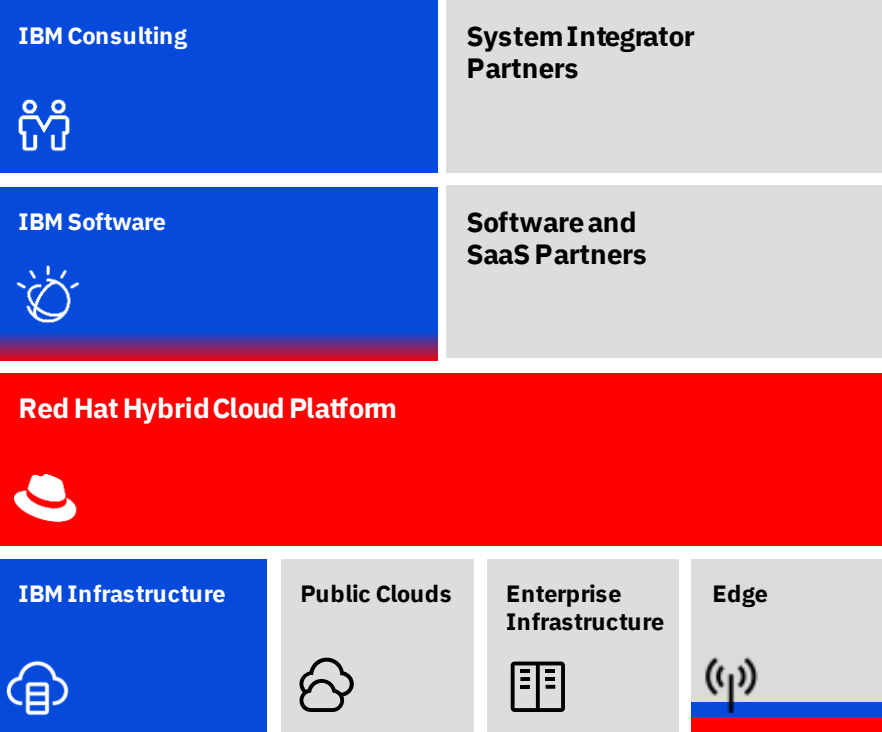
Hybrid Cloud and AI Progress




Clients, Ecosystems and Innovation


# Hybrid Cloud & AI Progress

## Our Platform Approach



 Accelerating client adoption of hybrid cloud & AI

 Leveraging partner ecosystem

 Delivering innovation and enhancing portfolio

# Financial Highlights

4Q21 .....

**\$16.7B**

Revenue

**\$3.5B**

Pre-tax income  
(Operating)

“In 2021 we continued to invest for the future by increasing R&D spending, expanding our ecosystem and acquiring 15 companies to strengthen our hybrid cloud and AI capabilities.

With the separation of Kyndryl we now have taken the next step in the evolution of our strategy, creating value through focus and strengthening our financial profile.”

– James Kavanaugh, IBM SVP & CFO

**9%**

revenue growth  
incl. ~3.5pts from incremental sales to Kyndryl

**>70%**

revenue mix in software and consulting

**\$20B**

hybrid cloud revenue (TTM), +19% yr/yr

**\$7.9B**

2021 post-separation baseline  
free cash flow

**\$7.6B**

cash on hand, \$10B debt reduction (TTM)

# Software

Hybrid Platform & Solutions led by Red Hat, Automation and Data & AI

Over 3,800 clients using hybrid cloud platform

Annual Recurring Revenue\* over \$13B, +8% yr/yr

## Revenue

**\$7.3B**

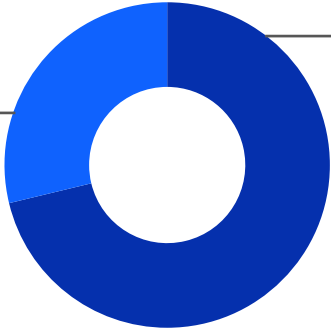
## Revenue Growth

**+10%**

includes ~5 pts from incremental sales to Kyndryl

## Revenue Categories

Transaction Processing  
**+14% yr/yr**  
~16 pts incremental Kyndryl



Hybrid Platform & Solutions  
**+9% yr/yr**  
~1 pts incremental Kyndryl

Red Hat 21%  
Automation 15%  
Data & AI 3%  
Security (1%)

4Q21 Results; Revenue growth rates @CC  
\*Annual Recurring Revenue for Hybrid Platform & Solutions

# Consulting

Hybrid cloud revenue +34% yr/yr  
driven by digital transformations

Book-to-bill ratio of 1.2x

Continued Red Hat momentum,  
with 150 new client engagements

Competitive labor environment

Revenue

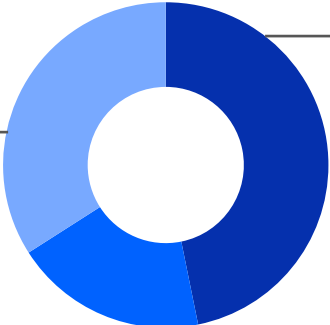
**\$4.7B**

Revenue Growth

**+16%**

Revenue Categories

Application  
Operations  
**+8% yr/yr**



Business  
Transformation  
**+20% yr/yr**

Technology  
Consulting  
**+19% yr/yr**



# Infrastructure

IBM Z good performance in tenth quarter of z15 availability

Distributed Infrastructure growth driven by storage

New segment structure improves hardware platform lifecycle management

## Revenue

**\$4.4B**

## Revenue Growth

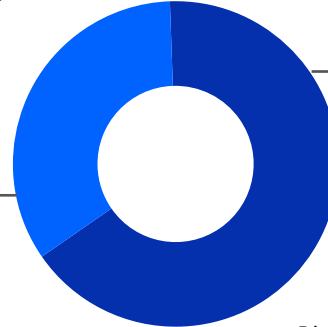
**+2%**

includes ~5 pts  
from incremental sales to Kyndryl

## Revenue Categories

Infrastructure Support  
**+1% yr/yr**

~6 pts  
incremental Kyndryl



Hybrid Infrastructure  
**+2% yr/yr**

~4 pts  
incremental Kyndryl

IBM Z (4%)  
Distributed Infrastructure 7%

# Executing on a Hybrid Cloud and AI Strategy

## 2021 Actions Position IBM for Long-Term

- Optimizing portfolio, including Kyndryl separation
- Increasing investments in skills, innovation, ecosystem
- Increasing focus and agility to better serve our clients

## 2022 Expectations

- Revenue growth and free cash flow in line with mid-term model
- Mid-single digit revenue growth @cc plus ~3 pts from incremental sales to Kyndryl
- Free cash flow of \$10 - \$10.5 billion

Improving Growth Profile \* Higher Operating Margin \* Strong Free Cash Flow \* Higher ROIC



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# Supplemental Materials

- Revenue and P&L Highlights
- 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)
- Retirement-Related Summary
- IBM New Segment Structure
- Software Segment Revenue Categories
- Consulting Segment Revenue Categories
- Infrastructure Segment Revenue Categories
- Performance Metrics
- IBM Historical Financials – adjusted for Segment changes
- Non-GAAP Supplemental Materials

Unless otherwise specified, results are presented on a continuing operations basis.  
Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

# Revenue and P&L Highlights

<b>Revenue Highlights</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>	<b>incr. KD benefit</b>
Revenue	\$16.7	9%	~3.5 pts
Hybrid Cloud	\$6.2	18%	~1 pts

<b>Geography Revenue</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>	<b>incr. KD benefit</b>
Americas	\$8.1	7%	~2 pts
Europe/ME/Africa	\$5.3	7%	~4 pts
Asia Pacific	\$3.3	16%	~6 pts

<b>Operating P&amp;L Highlights \$</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>
Gross Profit	\$9.7	3%
Expense	\$6.1	20%*
Pre-Tax Income	\$3.5	102%*
Net Income	\$3.0	80%*
Earnings Per Share	\$3.35	78%*

<b>Operating P&amp;L Highlights %</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>
Gross Profit Margin	58.0%	(2.0 pts)
Expense E/R	36.8%	12.1 pts*
Pre-Tax Income Margin	21.2%	10.0 pts*
Net Income Margin	18.2%	7.4 pts*
Tax Rate	14.2%	(10.4 pts)

Revenue growth rates @CC, \$ in billions

\*Yr/Yr reflects (\$1.5B) pre-tax charge for structural actions in 4Q20

Supplemental Materials



# Cash Flow and Balance Sheet Highlights

<b>Cash Flow</b>	<b>4Q21</b>	<b>Yr/Yr</b>	<b>FY21</b>	<b>Balance Sheet</b>	<b>Dec 21</b>	<b>Dec 20</b>
Consolidated Net Cash from Operations*	\$3.9	(\$3.0)	\$8.9	Cash & Marketable Securities	\$7.6	\$14.3
Consolidated Free Cash Flow**	\$3.3	(\$2.7)	\$6.5	Total Debt	\$51.7	\$61.5
Post-separation baseline Free Cash Flow***			\$7.9			
<b>Selected Uses of Cash</b>				<b>Selected Debt Measures</b>		
Net Capital Expenditures	\$0.5		\$2.4	IBM Financing Debt	\$13.9	\$21.1
Acquisitions	\$0.3		\$3.3	Core (non-IBM Financing) Debt	\$37.8	\$40.4
Dividends	\$1.5		\$5.9			

\$ in billions

\*Non-GAAP financial measure; excludes Financing receivables

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

\*\*\*Non-GAAP financial measure; adjusts for Kyndryl charges and pre-separation activity

# Currency – Impact on Revenue Growth

Quarterly Averages per US \$	4Q21	Yr/Yr	1/21/2022	1Q22	2Q22	3Q22	4Q22	FY22
			Spot					
Euro	0.87	(4%)	0.88	(6%)	(6%)	(4%)	(1%)	(4%)
Pound	0.74	2%	0.74	(2%)	(3%)	(2%)	1%	(1%)
Yen	114	(9%)	114	(8%)	(4%)	(3%)	0%	(4%)
Revenue Impact, Future @ 1/21/22 Spot		(2 pts)		~(3 pts)	~(3 pts)	~(2 pts)	~0 pts	~(2 pts)
<i>Prior View @ 10/19/21 Spot</i>		<i>(2-1 pts)</i>		<i>~(2 pts)</i>	<i>~(2 pts)</i>			
	US\$B	Yr/Yr						
Revenue As Reported	\$16.7	6.5%						
Currency Impact	(\$0.3)	(2 pts)						
Revenue @CC		8.6%						

# Software & Infrastructure Segment Details

*Includes incremental sales to Kyndryl*

<b>Software Segment</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>	<b>Infrastructure Segment</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>
Revenue	\$7.3	10%	Revenue	\$4.4	2%
Hybrid Platform & Solutions	\$5.1	9%	Hybrid Infrastructure	\$2.9	2%
Transaction Processing	\$2.1	14%	Infrastructure Support	\$1.5	1%
Pre-Tax Income	\$2.1	83%	Pre-Tax Income	\$1.0	65%
<i>impact of structural actions</i>	\$0.0	66 pts	<i>impact of structural actions</i>	\$0.0	65 pts
Pre-Tax Income Margin	29.0%	11.9 pts	Pre-Tax Income Margin	23.5%	9.2 pts
<i>impact of structural actions</i>	0 pts	10 pts	<i>impact of structural actions</i>	0 pts	9 pts
Hybrid Cloud Revenue	\$2.7	24%	Hybrid Cloud Revenue	\$1.3	(11%)

Revenue growth rates @CC, \$ in billions

Supplemental Materials





# Consulting Segment Details

Consulting Segment	4Q21	B/(W)
		Yr/Yr
Revenue	\$4.7	16%
Business Transformation	\$2.2	20%
Technology Consulting	\$0.9	19%
Application Operations	\$1.6	8%
Gross Profit Margin (External)	27.0%	(2.7 pts)
Pre-Tax Income	\$0.4	605%
<i>impact of structural actions</i>	\$0.0	609 pts
Pre-Tax Income Margin	9.2%	7.7 pts
<i>impact of structural actions</i>	0 pts	9 pts
Hybrid Cloud Revenue	\$2.2	34%
Signings	\$5.7	6%

Revenue & Signings growth rates @CC, \$ in billions  
Supplemental Materials



# Expense Summary

<b>Expense</b>	<b>4Q21</b>	<b>B/(W) Yr/Yr</b>	<b>Currency</b>	<b>Acq/ Divest**</b>	<b>Base***</b>
SG&A – Operating	\$4.6	23%	1 pts	(2 pts)	23 pts
<i>impact of structural actions*</i>	\$0.0	26 pts			26 pts
RD&E	\$1.6	(2%)	0 pts	(2 pts)	0 pts
IP and Custom Development Income	(\$0.2)	6%			
Other (Income)/Expense - Operating	(\$0.2)	NM			
Interest Expense	\$0.3	4%			
<b>Operating Expense &amp; Other Income</b>	<b>\$6.1</b>	<b>20%</b>	<b>3 pts</b>	<b>(1 pts)</b>	<b>18 pts</b>
<i>impact of structural actions*</i>	\$0.0	19 pts			19 pts

\$ in billions

\*Yr/Yr reflects impact of (\$1.5B) charge for structural actions in 4Q20

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

\*\*\*represents the percentage change after excluding the impact of currency, acquisitions and divestitures

# Balance Sheet Summary

## Consolidated

	<b>Dec 21</b>	<b>Dec 20</b>
Cash & Marketable Securities	\$7.6	\$14.3
Core (non-IBM Financing) Assets*	\$108.9	\$118.6
IBM Financing Assets	\$15.5	\$23.1
Total Assets	\$132.0	\$156.0
Other Liabilities	\$61.3	\$73.7
Core (non-IBM Financing) Debt*	\$37.8	\$40.4
IBM Financing Debt	\$13.9	\$21.1
Total Debt	\$51.7	\$61.5
Total Liabilities	\$113.0	\$135.2
Equity	\$19.0	\$20.7

\$ in billions

\*includes eliminations of inter-company activity

Supplemental Materials



# Cash Flow Summary

Consolidated

	4Q21	B/(W) Yr/Yr	FY21	B/(W) Yr/Yr
<b>Net Cash from Operations</b>	<b>\$2.5</b>	<b>(\$3.3)</b>	\$12.8	(\$5.4)
Less: IBM Financing Receivables	(\$1.3)	(\$0.4)	\$3.9	(\$0.4)
<b>Net Cash from Operations (excluding IBM Financing Receivables)</b>	<b>\$3.9</b>	<b>(\$3.0)</b>	<b>\$8.9</b>	<b>(\$5.0)</b>
Net Capital Expenditures	(\$0.5)	\$0.3	(\$2.4)	\$0.7
<b>Free Cash Flow (excluding IBM Financing Receivables)</b>	<b>\$3.3</b>	<b>(\$2.7)</b>	<b>\$6.5</b>	<b>(\$4.3)</b>
Acquisitions	(\$0.3)	\$0.0	(\$3.3)	(\$3.0)
Divestitures	\$0.1	\$0.1	\$0.1	(\$0.4)
Dividends	(\$1.5)	(\$0.0)	(\$5.9)	(\$0.1)
Non-IBM Financing Debt	(\$0.0)	\$4.8	(\$1.2)	(\$1.4)
Other (includes IBM Financing Net A/R & IBM Financing Debt)*	(\$2.5)	(\$1.6)	(\$3.0)	(\$2.9)
<b>Change in Cash &amp; Marketable Securities</b>	<b>(\$0.8)</b>	<b>\$0.6</b>	<b>(\$6.7)</b>	<b>(\$12.0)</b>

\$ in billions

\*4Q21 and FY21 include distribution from Kyndryl of \$0.9B

Supplemental Materials



# Cash Flow (ASC 230)

Consolidated

	4Q21	4Q20	FY21	FY20
<b>Net Income from Operations</b>	<b>\$2.3</b>	<b>\$1.4</b>	<b>\$5.7</b>	<b>\$5.6</b>
Depreciation / Amortization of Intangibles	\$1.4	\$1.7	\$6.4	\$6.7
Stock-based Compensation	\$0.3	\$0.3	\$1.0	\$0.9
Working Capital / Other	(\$0.1)	\$3.5	(\$4.3)	\$0.6
IBM Financing A/R	(\$1.3)	(\$1.0)	\$3.9	\$4.3
<b>Net Cash provided by Operating Activities</b>	<b>\$2.5</b>	<b>\$5.9</b>	<b>\$12.8</b>	<b>\$18.2</b>
Capital Expenditures, net of payments & proceeds	(\$0.5)	(\$0.8)	(\$2.4)	(\$3.0)
Divestitures, net of cash transferred	\$0.1	(\$0.0)	\$0.1	\$0.5
Acquisitions, net of cash acquired	(\$0.3)	(\$0.3)	(\$3.3)	(\$0.3)
Marketable Securities / Other Investments, net	\$0.0	\$0.5	(\$0.4)	(\$0.2)
<b>Net Cash provided by/(used in) Investing Activities</b>	<b>(\$0.7)</b>	<b>(\$0.6)</b>	<b>(\$6.0)</b>	<b>(\$3.0)</b>
Debt, net of payments & proceeds	(\$2.0)	(\$4.8)	(\$8.1)	(\$3.7)
Dividends	(\$1.5)	(\$1.5)	(\$5.9)	(\$5.8)
Common Stock Repurchases	-	-	-	-
Financing - Other*	\$0.8	(\$0.1)	\$0.6	(\$0.2)
<b>Net Cash provided by/(used in) Financing Activities</b>	<b>(\$2.7)</b>	<b>(\$6.3)</b>	<b>(\$13.4)</b>	<b>(\$9.7)</b>
Effect of Exchange Rate changes on Cash	(\$0.0)	\$0.1	(\$0.2)	(\$0.1)
<b>Net Change in Cash, Cash Equivalents &amp; Restricted Cash</b>	<b>(\$0.8)</b>	<b>(\$0.9)</b>	<b>(\$6.7)</b>	<b>\$5.4</b>

\$ in billions

\*4Q21 and FY21 include distribution from Kyndryl of \$0.9B

Supplemental Materials



# Retirement-Related Summary

Key Assumptions and Metrics	2020	2021	2022	Cost and Contributions	Expected	
					2021	2022
<b>Funded Status at Year end*</b>				Operating Cost	1.3	1.2
US	108%	112%		Non-operating Cost	1.3	0.9
WW	103%	107%		Total Cost	2.6	2.1
<b>Discount Rate at Year end</b>				Contributions***	2.1	2.1
US	2.2%	2.6%				
WW	1.5%	2.0%				
<b>Expected ROA at Prior Year end</b>						
US	4.5%	3.8%	4.0%			
WW	4.0%	3.4%	3.6%			
<b>Actual ROA**</b>						
US	12.2%	2.0%				
WW	9.6%	3.0%				

\$ in billions

\*Qualified defined benefit plans

\*\* Actual ROA not restated for Kyndryl spin-off

\*\*\* includes cash and non-cash contributions

Supplemental Materials



# IBM New Segment Structure

Previous Segments	Changes*	New Segments
Global Business Services	<ul style="list-style-type: none"><li>• Revenue categories</li></ul>	Consulting
Cloud & Cognitive Software	<ul style="list-style-type: none"><li>• Revenue categories</li></ul>	Software
Global Technology Services	<ul style="list-style-type: none"><li>- Separate managed infrastructure services</li><li>- Technology Support Services</li><li>- IBM Cloud IaaS</li></ul>	N/A
Systems	<ul style="list-style-type: none"><li>• Revenue categories</li><li>+ Technology Support Services</li><li>+ IBM Cloud IaaS</li><li>+ OEM asset recovery service</li></ul>	Infrastructure
Global Financing	<ul style="list-style-type: none"><li>- OEM asset recovery service</li></ul>	Financing

\*Does not include minor mission moves

# Software Segment Revenue 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, information exchange and weather

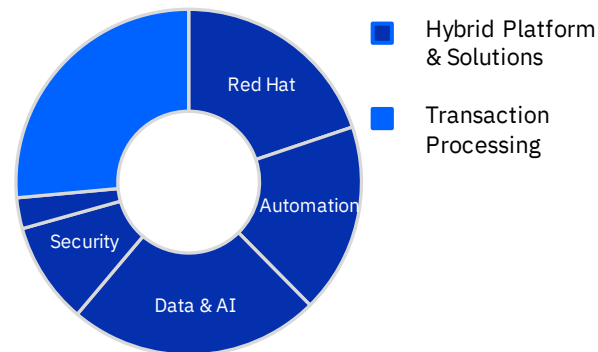
Security: incl. software and services for threat, data and identity

### 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 2021





# Consulting Segment Revenue Categories

## Revenue Categories

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### Business Transformation

Services that enable clients to apply technologies at scale to transform key workflows, processes and domains end-to-end

incl. finance & supply chain, talent, strategy, business process design and operations, data and analytics, and system integration

These services deploy AI in business processes to exploit the value of data

incl. a full ecosystem of partners: SAP, Adobe, Salesforce and Oracle, among others

### Technology Consulting

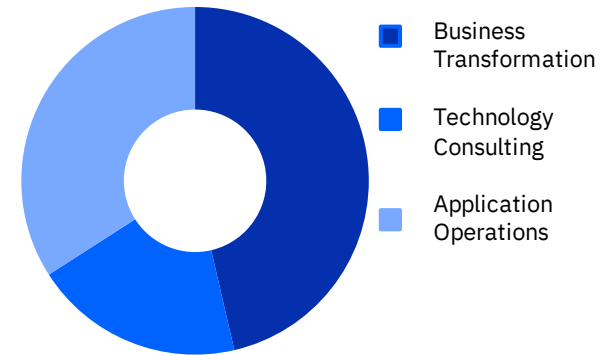
The skills to architect and implement cloud platforms and strategies to transform enterprise experience and enable innovation, including application modernization on the hybrid cloud with Red Hat OpenShift

### Application Operations

Application and cloud platform services required to operationalize and run cloud platforms

Manage, optimize, and orchestrate application and data workloads across environments through both custom applications and ISV/ERP packages

## Revenue Categories – FY 2021



# Infrastructure Segment Revenue Categories

## Revenue Categories

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### 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

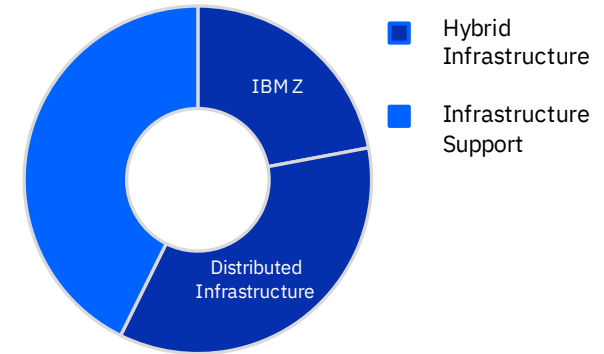
Distributed Infrastructure: incl. Power hardware and operating system, storage hardware, IBM Cloud IaaS, OEM asset recovery service

### 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 2021



# Performance Metrics

## **Annual Recurring Revenue (ARR)**

ARR represents the annualized recurring, committed value for certain types of active contracts within the following consumption models: (1) software subscription agreements, including committed term licenses, (2) as-a-service arrangements (SaaS and PaaS), (3) maintenance and support contracts, (4) and security managed services contracts.

## **Book-to-bill**

Represents the ratio of IBM Consulting signings to its revenue over the same period.

## **Signings**

Signings represent the initial estimated value of a client's commitment under a services contract within IBM Consulting.

## **Hybrid Cloud Revenue**

IBM defines and measures end-to-end cloud capabilities within hybrid cloud environments, which includes technology (software and hardware), services and solutions to enable clients to implement cloud solutions across public, private and multi-clouds. The definition of hybrid cloud revenue is consistent with the prior methodology for cloud revenue historically presented.

For additional details, see Exhibit 99.2 included in the company's Form 8-K dated January 24, 2022.

# IBM Historical Financials – adjusted for Segment changes

## IBM Segment Revenue, Pre-Tax Income & PTI Margins Adjusted for Segment Changes

*This information complements historical data included in the company's 8-K furnished with the SEC on December 27, 2021.*

Unaudited, (\$ = M)

	1Q'20	2Q'20	3Q'20	4Q'20	FY'20	1Q'21	2Q'21	3Q'21	4Q'21	FY'21
<b>SOFTWARE SEGMENT</b>										
Revenue	5,128	5,640	5,440	6,719	22,927	5,316	5,973	5,578	7,273	24,141
Segment Pre-Tax Income	167	1,009	1,014	1,151	3,341	641	1,019	952	2,109	4,722
Pre-Tax Income Margin %	3.2%	17.9%	18.6%	17.1%	14.6%	12.1%	17.1%	17.1%	29.0%	19.6%
<b>CONSULTING SEGMENT</b>										
Revenue	4,158	3,908	3,995	4,196	16,257	4,262	4,378	4,457	4,746	17,844
Segment Pre-Tax Income	186	287	500	62	1,034	277	270	466	436	1,449
Pre-Tax Income Margin %	4.5%	7.3%	12.5%	1.5%	6.4%	6.5%	6.2%	10.5%	9.2%	8.1%
<b>INFRASTRUCTURE SEGMENT</b>										
Revenue	3,276	3,704	3,128	4,425	14,533	3,293	3,560	2,921	4,414	14,188
Segment Pre-Tax Income	62	600	363	629	1,654	292	489	209	1,036	2,025
Pre-Tax Income Margin %	1.9%	16.2%	11.6%	14.2%	11.4%	8.9%	13.7%	7.1%	23.5%	14.3%
<b>FINANCING SEGMENT</b>										
Revenue	260	231	240	244	975	208	209	184	172	774
Segment Pre-Tax Income	131	102	106	110	449	98	131	132	79	441
Pre-Tax Income Margin %	50.4%	44.3%	44.0%	45.1%	46.1%	47.0%	63.0%	71.7%	46.0%	57.0%

Historical Continuing Operations results do not represent IBM's go-forward Continuing Operations profile.

Supplemental Materials



# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance - 4Q 2021

	4Q21 Yr/Yr	
	GAAP	@CC
<b>Software</b>	<b>8%</b>	<b>10%</b>
Hybrid Platform & Solutions	7%	9%
Red Hat	19%	21%
Automation	13%	15%
Data & AI	1%	3%
Security	(2%)	(1%)
Transaction Processing	11%	14%
Hybrid Cloud	22%	24%

	4Q21 Yr/Yr	
	GAAP	@CC
<b>Consulting</b>	<b>13%</b>	<b>16%</b>
Business Transformation	18%	20%
Technology Consulting	14%	19%
Application Operations	6%	8%
Hybrid Cloud	31%	34%
<b>Infrastructure</b>	<b>Flat</b>	<b>2%</b>
Hybrid Infrastructure	Flat	2%
IBM Z	(6%)	(4%)
Distributed Infrastructure	5%	7%
Infrastructure Support	(1%)	1%
Hybrid Cloud	(12%)	(11%)

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 January 24, 2022, for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Revenue Performance – 4Q 2021

	4Q21 Yr/Yr	
	GAAP	@CC
Total Revenue	6%	9%
Americas	7%	7%
Europe/ME/Africa	4%	7%
Asia Pacific	11%	16%
Total Hybrid Cloud	16%	18%

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 January 24, 2022, for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Expense Summary - 4Q 2021

	4Q21		
	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
<b>SG&amp;A</b>			
Currency	1 pts	0 pts	1 pts
Acquisitions/Divestitures	(2 pts)	0 pts	(2 pts)
Base*	22 pts	1 pts	23 pts
<b>RD&amp;E</b>			
Currency	(0 pts)	0 pts	0 pts
Acquisitions/Divestitures	(2 pts)	0 pts	(2 pts)
Base*	0 pts	0 pts	0 pts
<b>Operating Expense &amp; Other Income</b>			
Currency	3 pts	0 pts	3 pts
Acquisitions/Divestitures	(1 pts)	(0 pts)	(1 pts)
Base*	18 pts	0 pts	18 pts

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 January 24, 2022, for additional information on the use of these Non-GAAP financial measures.

\*Represents the percentage change after excluding the impact of currency, acquisitions and divestitures.

# Non-GAAP Supplemental Materials

## Reconciliation of Continuing Operations - 4Q 2021

	4Q21					
	GAAP	Acquisition- Related Adjustments	Retirement- Related Adjustments	Tax Reform Impacts	Kyndryl- Related Impact	Operating (Non-GAAP)
Gross Profit	\$9,500	\$182	—	—	\$0	\$9,682
Gross Profit Margin	56.9%	1.1 pts	—	—	0.0 pts	58.0%
SG&A	4,903	(290)	—	—	(8)	4,605
Other (Income) & Expense	(18)	(1)	(315)	—	126	(208)
Total Expense	6,632	(290)	(315)	—	118	6,145
Pre-tax Income	2,869	472	315	—	(118)	3,537
Pre-tax Income Margin	17.2%	2.8 pts	1.9 pts	—	(0.7 pts)	21.2%
Tax Rate	14.2%	1.4 pts	1.8 pts	(2.7 pts)	(0.6 pts)	14.2%
Net Income	2,462	355	206	94	(81)	3,035
Net Income Margin	14.7%	2.1 pts	1.2 pts	0.6 pts	(0.5 pts)	18.2%
Earnings Per Share	\$2.72	\$0.39	\$0.23	\$0.10	-\$0.09	\$3.35

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

The above reconciles the Non-GAAP financial information contained in the “Financial Highlights”, “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 January 24, 2022, for additional information on the use of these Non-GAAP financial measures.



# Non-GAAP Supplemental Materials

## Reconciliation of IBM post-separation baseline Free Cash Flow – FY 2021

	<b>12 Months Ended Dec 2021</b>
<b>Consolidated Net Cash from Operations per GAAP</b>	<b>\$12.8</b>
Less: change in Financing receivables	\$3.9
Capital Expenditures, net	(\$2.4)
<b>Consolidated Free Cash Flow</b>	<b>\$6.5</b>
Less: Kyndryl charges and pre-separation activity*	(\$1.4)
<b>IBM post-separation baseline Free Cash Flow</b>	<b>\$7.9</b>

\$ in billions

\*includes Kyndryl cash impacts incurred in the period related to structural actions initiated in 4Q20 and all separation related costs. Kyndryl's estimated free cash flow was deemed immaterial.

The above reconciles the Non-GAAP financial information contained in the “Financial Highlights”, “Cash Flow and Balance Sheet Highlights” and “Prepared Remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 24, 2022, for additional information on the use of these Non-GAAP financial measures.

# Non-GAAP Supplemental Materials

## Reconciliation of Operating Pre-tax Income Margin – 2022 Expectations

<b>Pre-tax Income Margin Yr/Yr Expectation</b>	<b>Operating</b>	
	<b>GAAP (Non-GAAP)</b>	<b>GAAP (Non-GAAP)</b>
	<b>B/(W)</b>	<b>B/(W)</b>
1Q 2022	4 to 5 pts	2 to 3 pts
Full Year 2022	~5 pts	~4 pts

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 January 24, 2022, for additional information on the use of this Non-GAAP financial measure.



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