INTERNATIONAL BUSINESS MACHINES CORP

One of the world's leading IT providers, IBM participates in the hardware, software and services markets. Acquisitions have increasingly diversified the company's offerings beyond hardware and into software and services. At present, pure hardware sales represent approximately 15% of revenue. During 2009, IBM generated revenue of $95.8 billion (down from $103.6 billion in 2008) and net income of $13.4 billion (up from $12.3 billion in 2008); 2009 net margin was 14.0%. In 2010, IBM posted revenue of $99.9 billion.

Analyst's Notes

Analysis by Jim Kelleher, CFA, June 16, 2011

ARGUS RATING: BUY

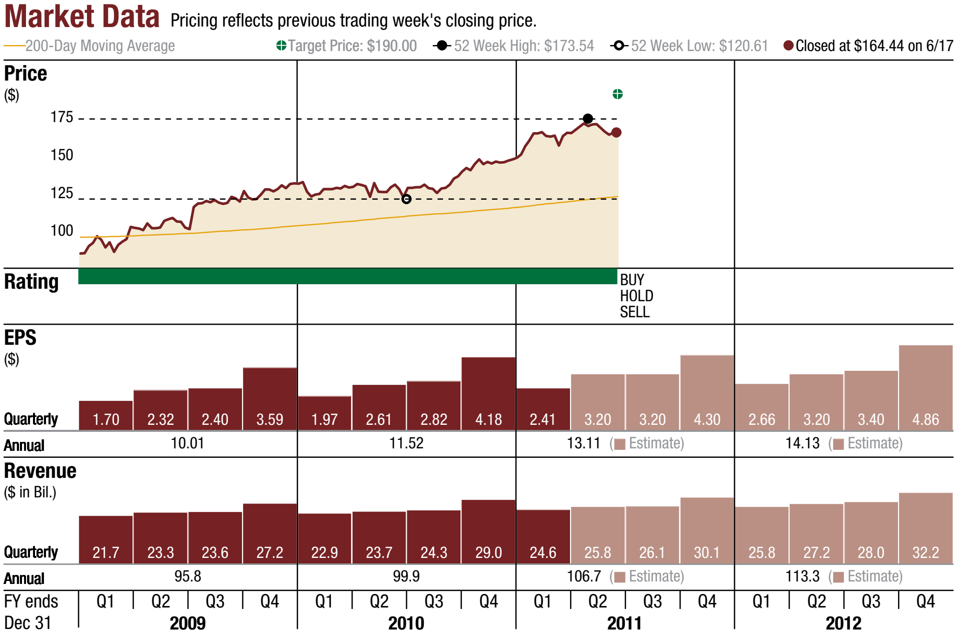
- Big Blue turns 100
- International Business Machines turns 100 years old on June 16, 2011, and in our view the company has never been in better shape.
- IBM successfully transitioned away from a hardware-only model beginning about 20 years ago into a more solutions-based company. That has enabled it to thrive amid accelerating software and solutions intensity.
- We expect the IT outsourcing business to transition rapidly to a cloud-based model, while exiting commodity-like parts of the business.
- The hardware business should remain a key enabler of IBM's global business services and its analytics- and middleware-based software solutions.

INVESTMENT THESIS

BUY-rated International Business Machines Corp. (NYSE: IBM) turns 100 years old on June 16, 2011, and in our view the company has never been in better shape. The company successfully transitioned away from excessive reliance on hardware beginning about 20 years ago. That has enabled it to thrive amid accelerating software and solutions intensity, at a time when nearby giants with hardware overreliance (Cisco, H-P) are having to rethink and rapidly transition their models. Looking forward, we expect IBM to increasingly focus on solving customer challenges with broad-based solutions that span its competencies. We expect the IT outsourcing business to transition rapidly to a cloud-based model, while exiting commodity-like parts of the business. We see a growing role for the GTS business amid the need for global best practices in the business process outsourcing realm. We look for more organic growth in software, as customers seek to tame the data 'fire-hose' and keep all devices in communication across the network. And we look for the hardware business to remain a key enabler of IBM's services and software solutions. IBM is looking pretty spry at 100, and stands to give some of the whippersnappers a run for their money. We reiterate our BUY rating on the IBM shares, to a 12-month target price of

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

	SELL	HOLD	BUY
Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 51% Buy, 45% Hold, 4% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	**$166.22**
Target Price	**$190.00**
52 Week Price Range	**$120.61 to $173.54**
Shares Outstanding	**1.21 Billion**
Dividend	**$3.00**

Sector Overview

Sector	**Technology**
Sector Rating	**OVER WEIGHT**
Total % of S&P 500 Market Cap.	**19.00%**

Financial Strength

Financial Strength Rating	**MEDIUM-HIGH**
Debt/Capital Ratio	**55.3%**
Return on Equity	**70.0%**
Net Margin	**14.9%**
Payout Ratio	**0.21**
Current Ratio	**1.19**
Revenue	**$101.62 Billion**
After-Tax Income	**$15.10 Billion**

Valuation

Current FY P/E	**12.68**
Prior FY P/E	**14.43**
Price/Sales	**1.98**
Price/Book	**8.88**
Book Value/Share	**$18.72**
Market Capitalization	**$201.33 Billion**

Forecasted Growth

1 Year EPS Growth Forecast
13.80%

5 Year EPS Growth Forecast
9.00%

1 Year Dividend Growth Forecast
16.67%

Risk

Beta	**0.89**
Institutional Ownership	**58.70%**

Please see important information about this report on page 6

Analyst's Notes...Continued

$190.

RECENT DEVELOPMENTS

IBM shares are up 11% year-to-date as of midday on 6/15/11, about 1000 basis points ahead of the S&P 500. The company has preserved value better than most technology shares amid the May-June selling. IBM rose 12% in 2010, better than the average 8% advance for a basket of eight Argus-covered computing & IT names. In 2009, IBM rose an impressive 57%, while lagging smaller and faster-growing technology stocks.

On June 16, 1911, several predecessor companies - including The Tabulating Machine Company, The International Time Recording Company, and the Computing Scale Company - merged to become the Computing-Tabulating-Recording Company. Three years later, Thomas J. Watson took over, and 13 years after combination the entity was renamed the International Business Machines Company.

When a person blows out 100 candles, it is usually a time for looking back. When a major company turns 100, particularly a Dow Jones Industrial Average component, it had better be a time for looking forward. Many former DJIA components, including General Motors, Citibank and Eastman Kodak, have fallen out of the index because they did not successfully adapt to changing circumstances. Sometimes intense business-cycle events catch a sleeping giant unprepared; more often, fast-moving competitors bring forward new solutions that obviate what had worked so well in the past.

IBM is an older company navigating among young giants like Apple and Google as well as still-forming threats such as Facebook. Nonetheless, we do not see a need for a major reworking of IBM's model. That's partly because IBM tore apart the old blueprint beginning about 20 years ago. After operating primarily as a hardware company for its first 80 years, IBM transitioned its model to a solutions-based business in which hardware represented about 18% of 2010 revenue. New competencies such as services (56% of 2010 revenue) and software (23% of revenue) became important parts of a combined solution.

Although we do not anticipate a major reworking of the asset portfolio for IBM's second century, we do expect some tweaks and even the potential re-working of certain key businesses. Transformative technologies and trends such as virtualization, cloud computing, mobile internet, and emerging market 'technology catch-up' are altering the environment much more rapidly than many industry watchers would have predicted a few years ago. On that basis, we believe many of these tweaks and adjustments are not future events, but are underway already. The most significant will be in the services organization, but really no part of the business will be unaffected.

(1) IBM will not mimic Apple and become a consumer company. But its enterprise mission will change somewhat. In line with its ability to delivery broad-based solutions to complex problems, IBM will focus more on one-of-a-kind and

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2006	2007	2008	2009	2010
Revenue	91,424	98,786	103,630	95,758	99,871
COGS	53,129	57,057	57,969	51,973	53,857
Gross Profit	38,295	41,729	45,661	43,785	46,014
SG&A	20,259	22,060	23,386	20,952	21,837
R&D	6,107	6,153	6,337	5,820	6,026
Operating Income	11,936	13,516	15,938	17,013	18,151
Interest Expense	-258	611	673	402	368
Pretax Income	13,317	14,489	16,715	18,138	19,723
Income Taxes	3,901	4,071	4,381	4,713	4,890
Tax Rate (%)	29	28	26	26	25
Net Income	9,492	10,418	12,334	13,425	14,833
Diluted Shares Outstanding	1,554	1,451	1,388	1,341	1,287
EPS	6.11	7.18	8.89	10.01	11.52
Dividend	—	—	0.50		1.95

GROWTH RATES (%)

	2006	2007	2008	2009	2010
Revenue	0.3	8.1	4.9	-7.6	4.3
Operating Income	30.5	13.2	17.9	6.7	6.7
Net Income	19.6	9.8	18.4	8.8	10.5
EPS	23.4	18.5	23.8	12.6	15.1
Dividend	—	—	—	—	—
Sustainable Growth Rate	—	—	55.5	74.4	54.0

VALUATION ANALYSIS

	2006	2007	2008	2009	2010
Price: High	$4,970.00	$5,932.00	$11,404.50	$131.34	$147.45
Price: Low	$3,962.00	$4,686.00	$72.50	$83.70	$121.00
Price/Sales: High-Low	84.5 - 67.3	87.1 - 68.8	152.7 - 1.0	1.8 - 1.2	1.9 - 1.6
P/E: High-Low	813.4 - 648.4	826.2 - 652.6	1,282.8 - 8.2	13.1 - 8.4	12.8 - 10.5
Price/Cash Flow: High-Low	520.5 - 414.9	534.8 - 422.5	837.7 - 5.3	8.5 - 5.4	9.7 - 8.0

Financial & Risk Analysis

FINANCIAL STRENGTH	2008	2009	2010
Cash ($ in Millions)	12,741	12,183	10,661
Working Capital ($ in Millions)	6,569	12,934	7,554
Current Ratio	1.15	1.36	1.19
LT Debt/Equity Ratio (%)	168.5	96.9	94.8
Total Debt/Equity Ratio (%)	251.9	115.3	124.2
RATIOS (%)			
Gross Profit Margin	44.1	45.7	46.1
Operating Margin	15.4	17.8	18.2
Net Margin	11.9	14.0	14.9
Return On Assets	10.7	12.3	13.3
Return On Equity	58.8	74.4	64.9
RISK ANALYSIS			
Cash Cycle (days)	12.7	13.2	8.7
Cash Flow/Cap Ex	4.5	—	—
Oper. Income/Int. Exp. (ratio)	25.8	46.1	54.6
Payout Ratio	5.6	5.6	

Please see important information about this report on page 6

Analyst's Notes...Continued

comprehensive solutions for non-corporate enterprise clients such as cities and regional governments. Key enterprise verticals such as financial services will remain important; and they too will benefit from solutions that go well beyond data management and into the realm of broad-based solutions.

(2) IBM will continue to report its results in discrete segments, with the main categories remaining Services, Hardware, and Software. But IBM will become even more of a solutions company using a blend of competencies from analytics and middleware software, global business services, and high-end server implementation to solve complex problems.

-- Such challenges as providing interactive healthcare kiosks in rural emerging economy settings, or optimizing urban planning with smart grid and smart city approaches, require more than turning on a server or hiring a consultant. The ability to solve complex problems spanning multiple competencies should emerge as a business differentiator for IBM, simply because few companies have the depth or breadth to construct comparable solutions.

-- 'Watson' is an example of the successful cross-pollination across IBM's hardware, software and services competencies. Watson uses massively parallel computing and a probabilistic analytics engine to engage with humans like a native speaker. So far, Watson has been a bit of a circus act, beating human champions at Jeopardy! and being sent to MIT, Stamford, et al, to lure away bright graduates who might otherwise sign on at Google or Facebook. But soon Watson will be at work. Watson, in our view, will be highly disruptive to the conventional calling center model, ranging from handling routine transactions to managing complex medical queries from remote doctors.

SERVICES. On a segment basis the most profound changes will be in the services organizations, in our view. IBM has two service arms. Global Technology Services (GTS), which accounted for $38 billion of 2010 revenue of $99.9 billion, is a traditional IT outsourcing operation. Global Business Services (GBS) had 2010 revenue of $18 billion.

The series of investments that became GTS represents IBM's first significant move away from the pure hardware model. In the early days, Global Technology Outlook (GTO) existed to make sure that system integrators were installing IBM servers and PCs on corporate campuses.

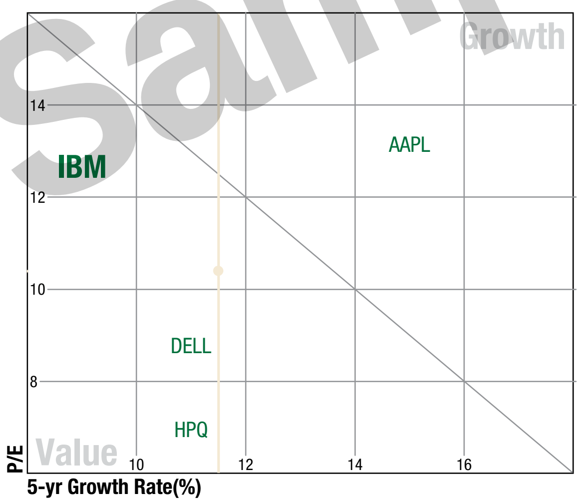
But the IT outsourcing business, in its legacy form of arranging boxes in a data center, is becoming a commodity-like business with lots of low-cost competitors. Perhaps more important, the essential promise of the cloud - to get IT infrastructure off-premises and into a shared infrastructure that is more secure and more efficient - spells the eventual end of the IT outsourcing business as it has long operated. We expect IBM GTS to eventually (and actually sooner rather than later) move completely away from commodity on-premises installations and purely into a cloud-based model for IT outsourcing.

The other services business, Global Business Services (GBS), is the more cyclical business; this business engages in business process

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare IBM versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how IBM stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how IBM might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
AAPL	Apple Inc	300,823	15.0	13.2	22.4	14.6	BUY
IBM	**International Business Machine**	**201,326**	**9.0**	**12.7**	**14.9**	**7.8**	**BUY**
HPQ	Hewlett-Packard Co	73,218	11.0	7.0	7.2	7.7	BUY
DELL	Dell Inc	30,817	11.0	8.8	5.3	7.5	BUY
Peer Average		**151,546**	**11.5**	**10.4**	**12.4**	**9.4**	

Analyst's Notes...Continued

outsourcing and other competencies identified with a more consulting-intensive model akin to McKinsey or Accenture. We believe GBS, like Accenture, will increasingly distance itself from smaller players in the space based on its expertise across multiple verticals (meaning industries such as finance, healthcare, chemicals processing, etc) and its unmatched global reach. Perhaps the key differentiator will be IBM's ability to build a 'playbook' of replicable best practices and deploy highly trained teams for tough challenges such as enterprise-wide cloud implementations, the enabling of enterprise mobility, and the like.

The net effect of a smaller and more targeted GTS and an expanding (if still cyclical) GBS may be little change in revenue, beyond normal organic growth. But the mix shift toward a more differentiated offering should result in a higher service margins.

SOFTWARE. IBM's software business generated $23 billion in 2010 revenue and accounted for $9 billion of the company's $21 billion in 2010 operating earnings, making it by far the most important profit engine. Investment in this business has been hugely remunerative, in other words, and we anticipate no change in this trend; the only roadblock may be that IBM has already bought up many of its major targets. The two key software competencies at IBM are analytics, or business intelligence; and middleware, which is an enabler for machine-to-machine interaction.

While reiterating our point that IBM will remain an enterprise company and not become a consumer company, the company's middleware solutions will figure significantly in a world in which mobile devices and fixed devices increasingly communicate with one another. This is essential for agnostic and single-password access across multiple devices spanning work and the home, which is a baseline promise of the cloud. Eventually the number of devices will meaningfully exceed the global population, and middleware companies managing interactions between these proliferating devices will experience significant growth.

Analytics has been perhaps the single most important focus at IBM in the past decade. Having bought many of the major players, IBM can no longer build this business through M&A. Instead, we look for accelerating organic growth as past investments bear fruit. As global data traffic transitions from a flow to what IBM calls the 'fire-hose,' high-end analytics becomes more and more vital in areas such as national security, transaction monitoring, tailored advertising and profiled customer service, and a host of other areas.

HARDWARE. Systems & Technology Group (S&TG) revenues were $18 billion in 2010, in a 'good' year relative to the IT upgrade cycle. We expect hardware to remain between 15% and 20% of the revenue total, depending on time in the cycle. In periods of IT refresh coming out of a down-cycle, such as in 2009, the hardware contribution will be at the top of the range. And in periods of hardware integration after intense rebuilding of the IT infrastructure, such as in 2012, we expect the contribution to be toward the bottom of the range.

Having divested its PC business a few years ago to Lenovo, IBM derived 67% of 2010 S&TG revenue from servers; 17% from storage; and 12% from Microelectronic OEM (semiconductors). We do not see the semiconductor business going away; this business developed the power chips at the heart of IBM's system p servers - which in turn power 'Watson,' the computer that beat Jeopardy! champions at their own game.

In the era of virtualization and cloud, the server and storage businesses are in increasingly tight contact. IBM has three server lines and is really the only mainframe maker (system z). In addition to UNIX-capable servers (system p), IBM plays in volume servers (system x) based on the Intel x86 standard. While we think the service business is already pulling away from rivals, the hardware business may take a bit longer. But given coming technologies such as light-based processors and water-cooled cores, IBM is positioned to differentiate from peers while also offering a 'green' alternative to traditional air-conditioned data centers.

At 100 years, IBM is showing itself to be that rare company that is at least as nimble, and perhaps more so, than its fast-moving younger competitors. IBM's competitive advantage includes its global reach and brand; an entrenched commitment to pure research, and a history of monetizing its R&D investments; and breadth across three areas (services, software, and hardware) that enable complex solutions in a world increasingly facing complex problems. Perhaps, IBM has assembled all these competencies precisely at a time when technology is undergoing perhaps its most profound transformation ever. We salute the first 100 years and expect no less success in the second.

EARNINGS & GROWTH ANALYSIS

For the first quarter of 2011, IBM posted revenue of $24.6 billion, up 8% year-over-year on an as-reported basis (5% at constant currency) and down 15% sequentially from IBM's seasonally strongest quarter. On sequentially reduced volume leverage, gross margins narrowed quarter-over-quarter to 44.1% in 1Q10 from 49.0% in 4Q10; gross margin was 43.6% a year earlier in 1Q10.

Operating income of $3.44 billion improved 24% year-over-year, while falling sharply from a seasonally strong $6.7 billion in 4Q10. On a GAAP basis, IBM earned $2.31 per diluted share in 1Q11, compared with $4.18 per diluted share in 4Q10 and $1.97 per diluted share a year earlier. On an adjusted basis, which excludes $0.10 per share in acquisition-related charges and non-operating post-retirement adjustments, IBM earned $2.41 per diluted share in 1Q11, compared with $4.24 per diluted share in 4Q10 and $1.97 per diluted share a year earlier.

For all of 2010, IBM posted revenue of $99.9 billion, compared with $95.8 billon in 2009. IBM posted 2010 earnings of $11.53 per diluted share, up from $10.01 in 2009.

On a segment basis, Global Technology Services revenue of $9.86 billion (40% of revenue) advanced 6% year-over-year. Global Business Services revenue of $4.7 billion rose 7% year-over-year and (alone among the major segments) was nearly flat sequentially. Software revenues of $5.3 billion (22% of total) rose 6% year-over-year; adjusted for the PLM divestiture, software revenue would have been up 10% year-over-year. Systems & Technologies (server and storage hardware and semiconductors) rose 19% year-over-year; S&T's 36% sequential decline in 1Q11 did not fully reverse its 45% sequential advance in 4Q10.

IBM, which does not provide explicit quarterly EPS guidance or any level of revenue guidance, raised its 2011 GAAP EPS guidance to earnings of at least $12.73 per diluted share (from a prior $12.56), and its non-GAAP EPS guidance to earnings of at least $13.15 (from a prior $13.00).

Our adjusted EPS forecast for 2011 is $13.11 per diluted share. Our 2012 non-GAAP forecast is $14.13 per diluted share. Our GAAP forecasts are $12.71 for 2011 and $13.74 for 2012. Our long-term annualized EPS growth rate forecast for IBM is 9%.

Please see important information about this report on page 6

Analyst's Notes...Continued

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating for IBM is Medium-High. Cash flow from operations was $3.8 billion in 1Q11, down from $4.4 billion in 1Q10 because of higher working capital. Cash flow from operations was $20.3 billion (less GF receivables) for all of 2010. Cash flow from operations was $20.7 billion for all of 2009, but $18.8 billion less GF receivables. In 2008, cash flow from operations was $18.8 billion.

Cash was $13.3 billion at 1Q11. IBM ended 4Q10 with cash of $11.6 billion, compared with midyear 2010 cash of $12.2 billion and $14.0 billion at the end of 1Q10. Cash and securities were $14.0 billion at the end of 2009, compared with $12.9 billion at the end of 2008. Cash declined from 1Q10 to 3Q10 due mainly to share repurchases, which totaled $3.7 billion in 3Q10.

Debt was $30.3 billion at 1Q11. Total debt was $28.6 billion at the end of 4Q10, up from $26.7 billion at midyear 2010 and $26.3 billion at the end of 1Q10. Total debt at year-end 2009 was $26.1 billion, down from $33.9 billion at year-end 2008. Excluding the IBM financing business, non-GF debt of $5.5 billion at the end of 3Q10 was up from $3.7 billion at midyear 2010 and $2.5 billion a year earlier.

Excluding debt from the global financing operation, the debt/cap ratio for non-GF debt was 23% at the end of 1Q11 and 22% at the end of 4Q10, compared with 22% at midyear 2010, and 16% at year-end 2009. The increase from 1Q to 2Q reflected higher Treasury shares for share repurchase, which lowered stockholders' equity. Non-GF debt/cap was 35% a year earlier. IBM's Treasury debt is nearly $100 billion, representing share buybacks.

In April 2011, IBM raised its quarterly dividend by $0.10 to $0.75 per common share. Based on the midyear timing, we believe that IBM will pay an annual dividend of $2.80 for 2011 and $3.00 for 2012.

MANAGEMENT & RISKS

IBM CEO Samuel J. Palmisano has served for close to a decade and is identified with the company's successful shift away from a hardware-centric model to an operating model driven by steadier, higher-margin businesses such as IT services and software. We think the eminence of IBM helps attract highly qualified individuals, assuring a deep and talented management pool at every level of operations. Virginia Rometty, SVP of global sales, is emerging as the number one CEO candidate.

Following the 2Q10 release, IBM announced some organizational changes, including moving Systems & Technology into the Software Group. Steve Mills, the head of software, was named to run both businesses. Rod Atkins, head of S&T, reports to him. The services businesses have also been combined under IT Services head Mike Daniels, with Frank Kern of Global Business Services reporting to him. In the recent reorganization, CFO Mark Loughridge also has taken on new responsibilities. None of these moves have made the Palmisano succession strategy any clearer.

IBM's risks include competition in its hardware, software and services businesses, as well as legal issues and the possibility of further declines in IT spending. These risks are mitigated by the company's unimpeachable reputation and financial strength, which position it for net market share gains coming out of difficult economic periods.

COMPANY DESCRIPTION

One of the world's leading IT providers, IBM participates in the hardware, software and services markets. Acquisitions have increasingly diversified the company's offerings beyond hardware and into software and services. At present, pure hardware sales represent approximately 15% of revenue. During 2009, IBM generated revenue of $95.8 billion (down from $103.6 billion in 2008) and net income of $13.4 billion (up from $12.3 billion in 2008); 2009 net margin was 14.0%. In 2010, IBM posted revenue of $99.9 billion.

INDUSTRY

We have raised our rating on the Technology sector to Over-Weight from Market-Weight. Technology lagged the broad market in 2010. Valuations are now attractive, while the growth remains highly positive.

Positives in the picture for information processing & computing companies include the PC and enterprise IT 'refresh' cycle that is being driven by the Microsoft Windows 7 launch and Intel's Nehalem family of PC (Core i7) and server (Xeon) processors. Server and storage providers stand to benefit from the battle among computing and communications companies for dominance in the enterprise data center, where protocols such as FCoE are facilitating SAN-LAN convergence -- and prompting enormous market-share disruption and M&A activity.

Communications infrastructure players stand to gain from the explosion in network traffic related to the rise of social networking sites, high-bandwidth video on the network, and mobile data. No single trend may be as transformative as the acceleration in mobile broadband, driven by netbooks and smartphones.

For more color on trends in the technology industry, please see our recently published report, 'The Mobile Internet has Arrived,' available on the Argus Website.

VALUATION

IBM shares are trading at 12.4-times our 2011 non-GAAP EPS estimate and at 11.5-times our non-GAAP 2012 forecast, below the five-year average of 12.6. Other multiples, such as price/sales, price/cash flow and relative P/E, also are below their historical average. Our historical comparables model indicates value in the $150s. Our discounted free cash flow model renders a fair value topping $245, leading to a blended average value in the upper $190s. Our 12-month target price for IBM is $190. Given IBM's low beta, our 12-month target price, combined with the current dividend yield of about 1.5%, implies a risk-adjusted total return of 15% from current levels.

On June 16 at midday, BUY-rated IBM traded at $162.65, up $0.32.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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