IBM is on a new BUY signal. IBM’s buy rating is due to its NDR Equity Focus Rank of 94.01, which exceeds the required buy rating rank of 90. On a relative basis, IBM has strong technicals and fundamentals.

NDR’s Equity Focus Rank seeks profitable, undervalued companies with strong price momentum. See below to view IBM’s NDR Equity Focus Rank along with its three components (Technical, Profitability, and Valuation).

**NDR EQUITY FOCUS RANKS**

- **Composite Rank**: 94.01
  
  Combines Technical, Profitability & Valuation Rankings.

- **Technical Rank**: 69.00
  
  Consists of Sector, Sub-Industry & Stock Price Momentum.

- **Profitability Rank**: 96.65
  
  Relates Earnings to Recent Historical Earnings, Assets, etc.

- **Valuation Rank**: 74.70
  
  Compares Earnings, Cash Flow and Sales to Market Value.

**STOCK CLASSIFICATIONS**

- **Sector**: Information Technology

- **Sub-Industry**: It Consulting & Services

- **Capitalization**: Large

- **Style**: Core

- **Quality**: High

- **Dividend**: Payer

Classification relative recommendations based on NDR strategists’ objective insights and models.
Historical Growth Rates of Per Share Values (%)

<table>
<thead>
<tr>
<th></th>
<th>Earnings</th>
<th>Sales</th>
<th>Book Value</th>
<th>Cash Flow</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full History Growth Rate</td>
<td>5.79</td>
<td>6.30</td>
<td>1.97</td>
<td>7.96</td>
<td>0.64</td>
</tr>
<tr>
<td>Last Five Years Growth Rate</td>
<td>18.03</td>
<td>6.45</td>
<td>-4.13</td>
<td>12.36</td>
<td>20.62</td>
</tr>
<tr>
<td>Change Over Last 12 Months</td>
<td>15.92</td>
<td>11.65</td>
<td>9.55</td>
<td>-3.35</td>
<td>18.18</td>
</tr>
<tr>
<td>Last Quarter Non-Annualized Growth</td>
<td>2.89</td>
<td>3.24</td>
<td>-0.19</td>
<td>-1.88</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Growth rates capped at ±100%

Fundamental Commentary

- IBM’s per share growth rates show neither a positive nor negative outlook.
- IBM appears overvalued based on its Price/Book of 8.87, which is greater than the Information Technology sector’s top quintile value of 1.42.
- IBM appears normally valued based on its Price/Earnings (TTM) of 13.60, which is between the Information Technology sector’s top and bottom quintile values of 34.44 and 11.73, respectively.

Seasonal Cycle (vs S&P 500 Index)

<table>
<thead>
<tr>
<th>Monthly Avg % Gain</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.2</td>
<td>-0.4</td>
<td>-1.6</td>
<td>0.9</td>
<td>-0.4</td>
<td>-0.6</td>
<td>1.9</td>
<td>-0.1</td>
<td>-0.9</td>
<td>0.3</td>
<td>0.9</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

Technical Commentary

- IBM’s percentage of time outperforming the S&P 500 Index in June is not definitively positive or negative. The average excess return in June is -0.62%.
- IBM/S&P 500 Index currently lies 2.34% above its 50-day moving average and 6.19% above its 200-day moving average.
- IBM/Information Technology sector currently lies 4.80% above its 50-day moving average and 11.06% above its 200-day moving average.

The data and analysis contained herein are provided as is and without warranty of any kind, either expressed or implied. Ned Davis Research, Inc. (NDR), any NDR affiliates or employees, or any third party data provider, shall not have any liability for any loss sustained by anyone who has relied on the information contained in any NDR publication. All opinions expressed herein are subject to change without notice, and you should always obtain current information and perform due diligence before trading. NDR, accounts that NDR or its affiliated companies manage, or their respective shareholders, directors, officers and/or employees, may have long or short positions in the securities discussed herein and may purchase or sell such securities without notice. NDR uses and has historically used various methods to evaluate investments which may, at times, produce contradictory recommendations with respect to the same securities. When evaluating the results of prior NDR recommendations or NDR performance rankings, one should also consider that NDR may modify the methods it uses to evaluate investment opportunities from time to time, that model results do not impute or show the compounded adverse effect of transaction costs or management fees or reflect actual investment results, that other less successful recommendations made by NDR are not included with these model performance reports, that some model results do not reflect actual historical recommendations, and that investment models are necessarily constructed with the benefit of hindsight. For this and for many other reasons, the performance of NDR’s past recommendations and model results are not a guarantee of future results. The views expressed in NDR research reports accurately reflect the research analyst’s personal views regarding any and all of the subject securities or issuers. No part of any analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in a research report. For data vendor disclaimers refer to www.ndr.com/vendorinfo. Further distribution prohibited without prior permission. Copyright 2011 (c) Ned Davis Research, Inc. All rights reserved.