4Q 2025 Earnings



January 28, 2026
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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.

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 January 28, 2026. 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 January 28, 2026, 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, GenAI book of business, 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 January 28, 2026, or in the Management Discussion section of the company's 2024 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 25, 2025. For other related information please visit the Company's investor relations website at:

https://www.ibm.com/investor/events/earnings-4q25



Arvind Krishna
Chairman, President and
Chief Executive Officer



James Kavanaugh
SVP, Finance & Operations
and Chief Financial Officer

CEO perspective

“In the fourth quarter, we delivered strong revenue growth, with double-digit Software performance. Additionally, Infrastructure continued its double-digit revenue growth with the robust adoption of the next generation of our mainframe platform. Our generative AI book of business now stands at more than $12.5 billion. This capped a strong 2025 for IBM where we exceeded expectations for revenue, profit and free cash flow.

We enter 2026 with momentum and in a position of strength, giving us confidence in our full-year expectations of more than 5 percent constant currency revenue growth and an increase of about $1 billion in year-over-year free cash flow.”

Arvind Krishna
IBM Chairman, President and CEO

Financial highlights

4Q25

$19.7B

Revenue 9% growth

FY25

$67.5B

Revenue 6% growth

"2025 put IBM's durability, resilience and differentiation on display. Our portfolio mix, integrated value and rapid innovation drove higher revenue growth and double-digit profit and free cash flow growth.

We are excited about our prospects for 2026 as our disciplined execution and unwavering focus on productivity will continue to enable us to invest in the future while returning value to shareholders."

James Kavanaugh
IBM SVP & CFO

$14.7B
FY free cash flow

16%
FY free cash flow growth

~230bps
FY adjusted EBITDA margin expansion

17%
FY adjusted EBITDA growth

$4.5B
Productivity savings (2025 exit run rate)

12%
FY diluted EPS growth (operating)

Revenue growth rates @CC

Software

Growth accelerated to 11% with over 7pts of organic growth

Solid ARR of $23.6B, up more than $2B from the end of 2024

Strong performance across AI offerings, with GenAI book of business north of $2B ITD

Exceeded Rule of 40

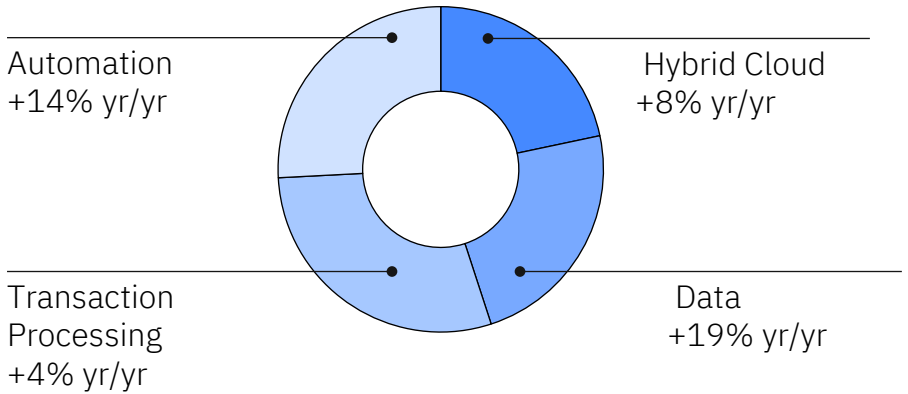
+11%

4Q25 revenue growth
$9.0B revenue

+9%

FY25 revenue growth
$30.0B revenue

Revenue categories-4Q25



4Q25 results; revenue growth rates @CC

Consulting

Revenue returned to growth in the second half of 2025

Delivered the largest GenAI bookings quarter to date, exceeding $2B, now more than $10.5B ITD

$32B backlog, up 2% at actual rates

Continued segment profit margin expansion, with FY margins at a 3-year high

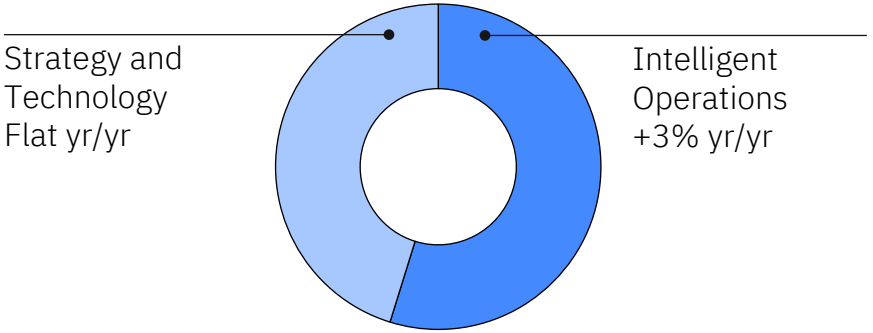
+1%

4Q25 revenue growth
$5.3B revenue

+0.4%

FY25 revenue growth
$21.1B revenue

Revenue categories-4Q25



4Q25 results; revenue growth rates @CC

Infrastructure

Record revenue quarter for IBM Z, reflecting strong demand for z17's AI-led innovation

IBM Z remains a key contributor to IBM's profit and free cash flow

Distributed Infrastructure stable, with new Power adoption offset by storage product-cycle dynamics

FY segment profit margin expansion of 450bps

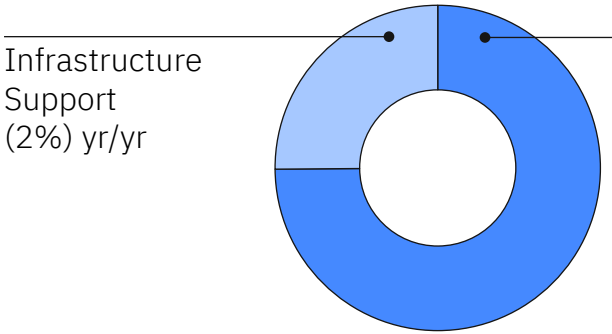
+17%

4Q25 revenue growth
$5.1B revenue

+10%

FY25 revenue growth
$15.7B revenue

Revenue categories-4Q25



4Q25 results; revenue growth rates @CC

Summary

2025 Summary

Exceeded expectations across revenue, profitability, and free cash flow

Highest revenue growth in many years, with the highest annual Software growth in history*

Portfolio mix and productivity drove 17% adjusted EBITDA growth

Generated $14.7 billion of free cash flow, the highest level in over a decade

Significant momentum in GenAI book of business at over $12.5 billion inception-to-date

2026 Expectations

Revenue growth @CC sustaining 5% plus

Software revenue growth accelerating to 10%, led by organic growth

Operating PTI margin to expand by about a point

Free cash flow up about $1 billion year over year, growing high single digits

*Revenue growth @CC, comparison includes Software growth excluding Kyndryl contribution of ~6pts,~8pts,~7pts,~8pts in FY 22, 1Q 22, 2Q 22 and 3Q 22, respectively

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Supplemental material

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Revenue and P&L highlights – FY 2025
Adjusted EBITDA performance
Cash flow and balance sheet highlights
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Infrastructure segment details – 4Q & FY 2025
Consulting segment details – 4Q & FY 2025
Expense summary

Expense summary – FY 2025
Balance sheet summary
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Cash flow (ASC 230)
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Software segment categories
Consulting segment categories
Infrastructure segment categories
Non-GAAP supplemental materials

Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

Revenue and P&L highlights

Revenue highlights	4Q25	B/(W) Yr/Yr
Revenue	$19.7	9%
Americas	$9.5	11%
Europe/ME/Africa	$7.0	11%
Asia Pacific	$3.2	Flat

Operating P&L highlights $	4Q25	B/(W) Yr/Yr
Gross profit	$12.2	14%
Expense	$7.4	(17%)
Pre-tax income	$4.7	11%
Net income	$4.3	17%
Earnings per share	$4.52	15%
Adjusted EBITDA	$6.5	17%

Operating P&L highlights %	4Q25	B/(W) Yr/Yr
Gross profit margin	61.8%	1.2 pts
Expense E/R	37.7%	(1.4 pts)
Pre-tax income margin	24.1%	(0.2 pts)
Net income margin	21.9%	0.9 pts
Tax rate	9.2%	4.4 pts

Revenue growth rates @CC, $ in billions

Revenue and P&L highlights – FY 2025

Revenue highlights	FY25	B/(W) Yr/Yr
Revenue	$67.5	6%
Americas	$33.3	7%
Europe/ME/Africa	$22.2	9%
Asia Pacific	$12.0	(1%)

Operating P&L highlights $	FY25	B/(W) Yr/Yr
Gross profit	$40.2	11%
Expense	$27.5	(10%)
Pre-tax income	$12.7	13%
Net income	$11.0	14%
Earnings per share	$11.59	12%
Adjusted EBITDA	$19.2	17%

Operating P&L highlights %	FY25	B/(W) Yr/Yr
Gross profit margin	59.5%	1.7 pts
Expense E/R	40.7%	(0.7 pts)
Pre-tax income margin	18.8%	1.0 pts
Net income margin	16.3%	0.8 pts
Tax rate	13.5%	0.1 pts

Revenue growth rates @CC, $ in billions

Adjusted EBITDA performance

	4Q25	Yr/Yr	FY25	Yr/Yr
Operating (non-GAAP) pre-tax income from continuing operations	$4.7	$0.5	$12.7	$1.5
Net interest expense	$0.3	$0.1	$1.3	$0.3
Depreciation/Amortization of non-acquired intangible assets	$0.7	$0.0	$2.9	$0.0
Stock-based compensation	$0.4	$0.1	$1.7	$0.4
Workforce rebalancing charges	$0.3	$0.3	$0.7	$0.0
Corporate (gains) and charges*	$0.0	$0.0	$0.0	$0.6
Adjusted EBITDA	$6.5	$1.0	$19.2	$2.8

$ in billions

*Corporate (gains) and charges primarily consists of unique corporate actions such as gains on divestitures and asset sales (e.g., certain QRadar SaaS assets in 2024)

Cash flow and balance sheet highlights

Cash flow	FY25	Yr/Yr
Net cash from operations*	$16.4	$2.5
Free cash flow**	$14.7	$2.0

Select uses of cash	FY25	Yr/Yr
Net capital expenditures	$1.6	$0.5
Acquisitions	$8.3	$5.0
Dividends	$6.3	$0.1

Balance sheet	Dec 25	Dec 24
Cash & marketable securities	$14.5	$14.8
Total debt	$61.3	$55.0

Select debt measures	Dec 25	Dec 24
IBM Financing debt	$15.1	$12.1
Core (non-IBM Financing) debt	$46.2	$42.9

$ 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 $	4Q25	Yr/Yr	Spot Assumed*	1Q26	2Q26	3Q26	4Q26	FY26
Euro	0.86	8%	0.85	10%	3%	0%	1%	4%
Pound	0.75	4%	0.74	6%	1%	(0%)	1%	2%
Yen	154	(1%)	158.19	(4%)	(9%)	(7%)	(3%)	(6%)
Revenue impact, future @assumed spot*		3. 2 pts		~3 pts	~0 pts	~(1 pts)	~0 pts	~0.5 pts
Prior view		~3 pts		~3 pts	~0 pts			~0.5 pts

	US $B	Yr/Yr
Revenue as reported	$19.7	12%
Currency impact	$0.6	3. 2 pts
Revenue @CC		9%

*Spot Rates as of January 21, 2026

Software segment details – 4Q & FY 2025

Software segment	4Q25	B/(W) Yr/Yr	FY25	B/(W) Yr/Yr
Revenue	$9.0	11%	$30.0	9%
Hybrid Cloud	$2.0	8%	$7.3	12%
Automation	$2.3	14%	$7.7	16%
Data	$2.1	19%	$6.3	11%
Transaction Processing	$2.6	4%	$8.6	Flat
Segment profit	$3.4	10%	$9.9	14%
Segment profit margin	37.7%	(1.5 pts)	33.1%	1.0 pts
Annual recurring revenue	$23.6			

$ in billions
Revenue growth rates @CC

Consulting segment details – 4Q & FY 2025

Consulting segment	4Q25	B/(W) Yr/Yr	FY25	B/(W) Yr/Yr
Revenue	$5.3	1%	$21.1	Flat
Strategy and Technology	$2.9	Flat	$11.5	(1%)
Intelligent Operations	$2.4	3%	$9.5	2%
Gross profit margin	28.4%	0.4 pts	28.1%	1.1 pts
Segment profit	$0.7	8%	$2.5	20%
Segment profit margin	12.3%	0.6 pts	11.7%	1.8 pts
Signings	$6.8	(22%)	$21.8	(15%)
Book-to-bill ratio (FY)			1.03	

Revenue & signings growth rates @CC, $ in billions

Infrastructure segment details – 4Q & FY 2025

Infrastructure segment	4Q25	B/(W) Yr/Yr	FY25	B/(W) Yr/Yr
Revenue	$5.1	17%	$15.7	10%
Hybrid Infrastructure	$3.8	24%	$10.6	17%
IBM Z		61%		48%
Distributed Infrastructure		Flat		(3%)
Infrastructure Support	$1.3	(2%)	$5.1	(1%)
Segment profit	$1.6	51%	$3.5	41%
Segment profit margin	31.2%	6.2 pts	22.0%	4.5 pts

$ in billions
Revenue growth rates @CC

Expense summary

Expense	4Q25	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
Operating expense & other income	$7.4	(17%)	(5 pts)	(4 pts)	(7 pts)
impact of workforce rebalancing	*$0.3*	*(5 pts)*			
SG&A – operating	$5.1	(12%)	(2 pts)	(3 pts)	(6 pts)
impact of workforce rebalancing	*$0.3*	*(6 pts)*			
R&D	$2.2	(11%)	(1 pts)	(6 pts)	(5 pts)
IP and custom development income	($0.3)	(8%)			
Other (income)/expense - operating	($0.1)	(74%)			
Interest expense	$0.5	(13%)			

$ 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

Expense summary – FY 2025

Expense	FY25	B/(W) Yr/Yr	Currency	Acq/ Divest**	Base***
Operating expense & other income	$27.5	(10%)	(2 pts)	(5 pts)	(2 pts)
SG&A – operating	$18.7	(1%)	(1 pts)	(4 pts)	4 pts
R&D	$8.3	(11%)	0 pts	(5 pts)	(6 pts)
IP and custom development income	($1.0)	(3%)			
Other (income)/expense - operating*	($0.5)	(69%)			
Interest expense	$1.9	(13%)			

$ in billions
*2024 includes a gain from the sale of certain QRadar SaaS assets and Weather divestiture dynamics
**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

	Dec 25	Dec 24
Cash & marketable securities	$14.5	$14.8
Core (non-IBM Financing) assets*	$120.4	$108.9
IBM Financing assets	$17.0	$13.5
Total assets	$151.9	$137.2
Other liabilities	$57.9	$54.8
Core (non-IBM Financing) debt*	$46.2	$42.9
IBM Financing debt	$15.1	$12.1
Total debt	$61.3	$55.0
Total liabilities	$119.1	$109.8
Equity	$32.7	$27.4

$ in billions
*Includes eliminations of inter-company activity

Free cash flow summary

	4Q25	B/(W) Yr/Yr	FY25	B/(W) Yr/Yr
Net cash from operations	$4.0	($0.3)	$13.2	($0.3)
Less: IBM Financing receivables	($4.1)	($1.8)	($3.2)	($2.7)
Net cash from operations (excluding IBM Financing receivables)	$8.1	$1.5	$16.4	$2.5
Net capital expenditures	($0.6)	($0.1)	($1.6)	($0.5)
Free cash flow (excluding IBM Financing receivables)	$7.6	$1.4	$14.7	$2.0

$ in billions

Cash flow (ASC230)

	4Q25	4Q24	FY25	FY24
Net income from operations	$5.6	$2.9	$10.6	$6.0
Pension settlement charges	—	$0.4	—	$3.1
Depreciation / amortization of intangibles*	$1.3	$1.1	$5.0	$4.7
Stock-based compensation	$0.4	$0.3	$1.7	$1.3
Operating assets and liabilities / other, net**	$0.8	$1.8	($1.0)	($1.2)
IBM Financing A/R	($4.1)	($2.3)	($3.2)	($0.4)
Net cash provided by operating activities	$4.0	$4.3	$13.2	$13.4
Capital expenditures, net of payments & proceeds	($0.6)	($0.4)	($1.6)	($1.1)
Divestitures, net of cash transferred	—	($0.0)	($0.0)	$0.7
Acquisitions, net of cash acquired	($0.4)	($0.5)	($8.3)	($3.3)
Marketable securities / other investments, net	$2.4	($0.4)	($0.4)	($1.2)
Net cash provided by/(used in) investing activities	$1.4	($1.4)	($10.3)	($4.9)
Debt, net of payments & proceeds	($1.8)	($0.1)	$2.9	($0.9)
Dividends	($1.6)	($1.5)	($6.3)	($6.1)
Financing - other	($0.0)	($0.0)	($0.4)	($0.1)
Net cash provided by/(used in) financing activities	($3.4)	($1.7)	($3.8)	($7.1)
Effect of exchange rate changes on cash	($0.0)	($0.3)	$0.4	($0.4)
Net change in cash, cash equivalents & restricted cash	$2.0	$0.9	($0.5)	$1.1

$ in billions
*Includes operating lease right-of-use assets amortization
**2025 includes a benefit from income taxes primarily driven by the resolution of certain tax audit matters; FY 24 includes the impact of a pension settlement charge

Retirement-related summary

Key assumptions and metrics	2024	2025	2026
Funded status at year end*			
US	136%	137%	
WW	116%	116%	
Discount rate at year end			
US	5.5%	5.2%	
WW	4.2%	4.4%	
Expected ROA at prior year end			
US	5.1%	5.5%	5.8%
WW	4.9%	5.1%	5.3%
Actual ROA			
US	2.6%	8.8%	
WW	2.0%	5.4%	

Cost and contributions	2025	Expected 2026
Operating cost	1.0	1.0
Non-operating cost	0.1	0.5
Total cost	1.1	1.5
Contributions**	1.3	1.4

$ in billions
*Qualified defined benefit plans
**Includes cash and non-cash contributions

Software segment categories

Revenue categories

The Software portfolio delivers end-to-end enterprise capabilities for Hybrid Cloud and AI:

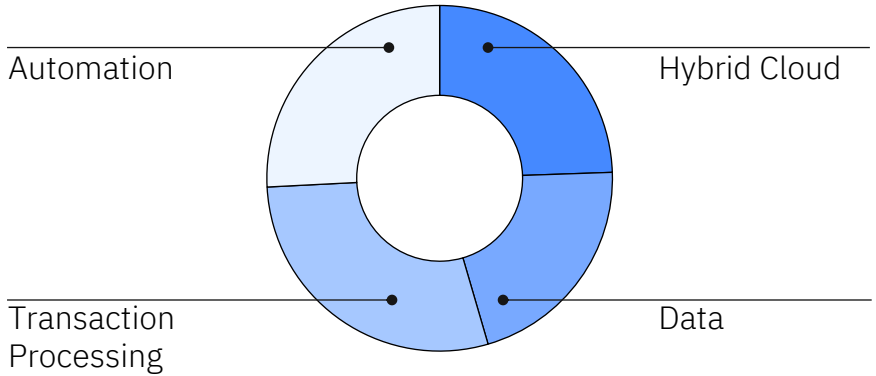
Hybrid Cloud
incl. RHEL, OpenShift, Ansible, Red Hat AI

Automation
incl. application development & integration, infrastructure lifecycle management incl. HashiCorp, network management, security software for identity access management and threat management, observability, FinOps, IT financial management, asset lifecycle management

Data
incl. AI assistants and agents, AI tools and governance, databases, data intelligence, data integration, data security

Transaction Processing
incl. Customer Information Control System and storage software, analytics and integration software on IBM operating systems, AI assistants for Z, security software for Z

Revenue categories – FY 2025



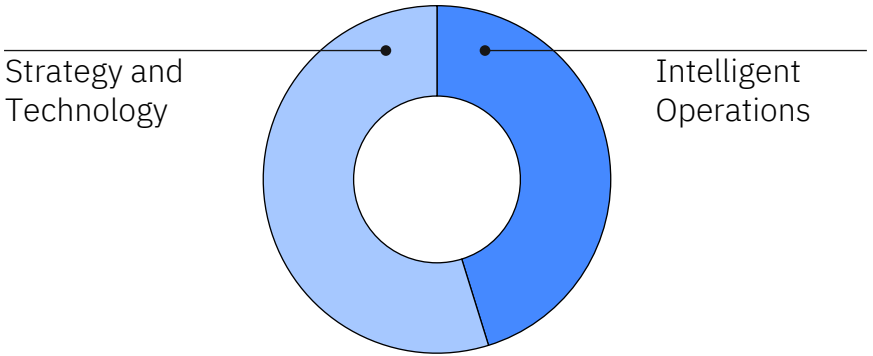
Consulting segment categories

Revenue categories

Strategy and Technology
Provides advice on strategy, process design, system implementation, cloud architecture and implementation services for complex end-to-end business transformations with hybrid cloud and AI, and modernize applications, data and technology. By leveraging IBM technology - including Red Hat – and an ecosystem of partners - including Adobe, AWS, Microsoft, Oracle, Palo Alto Networks, Salesforce and SAP, among others - we enable clients to drive innovation and achieve business outcomes

Intelligent Operations
Operates application workflows and business processes, manage application data, AI, and hybrid cloud workflows, and integrate security solutions to de-risk and prevent threats. By leveraging AI-powered solutions, we deliver faster, more efficient outcomes that help clients scale and innovate securely

Revenue categories – FY 2025



Infrastructure segment categories

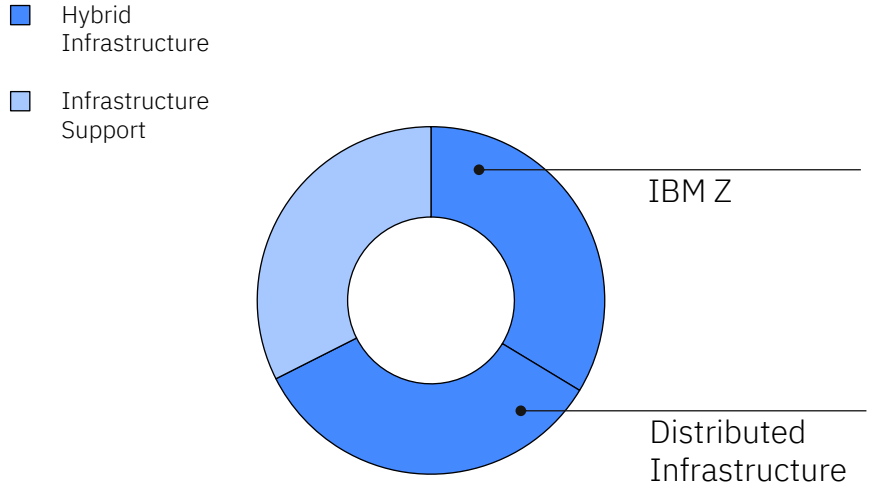
Revenue categories

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 2025



Non-GAAP supplemental materials

Reconciliation of revenue performance – 4Q 2025, 4Q 2024 & FY 2025

	4Q25 Yr/Yr	
	GAAP	@CC
Total revenue	12%	9%
Americas	12%	11%
Europe/ME/Africa	20%	11%
Asia Pacific	(1%)	Flat

	4Q24 Yr/Yr	
	GAAP	@CC
Software	10.4%	11.5%

	FY25 Yr/Yr	
	GAAP	@CC
Total revenue	8%	6%
Americas	7%	7%
Europe/ME/Africa	14%	9%
Asia Pacific	Flat	(1%)

The above reconciles the non-GAAP financial information contained in the “Financial highlights”, “Revenue and P&L highlights”, “Revenue and P&L highlights – FY 2025”, and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – 4Q 2025

	4Q25 Yr/Yr	
	GAAP	@CC
Software	14%	11%
Hybrid Cloud	10%	8%
Automation	18%	14%
Data	22%	19%
Transaction Processing	8%	4%

	4Q25 Yr/Yr	
	GAAP	@CC
Consulting	3%	1%
Strategy and Technology	2%	Flat
Intelligent Operations	5%	3%
Infrastructure	21%	17%
Hybrid Infrastructure	29%	24%
IBM Z	67%	61%
Distributed Infrastructure	3%	Flat
Infrastructure Support	1%	(2%)

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software segment details – 4Q & FY 2025”, “Infrastructure segment details – 4Q & FY 2025”, “Consulting segment details – 4Q & FY 2025” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – FY 2025

	FY25 Yr/Yr	
	GAAP	@CC
Software	11%	9%
Hybrid Cloud	13%	12%
Automation	18%	16%
Data	12%	11%
Transaction Processing	2%	Flat

	FY25 Yr/Yr	
	GAAP	@CC
Consulting	2%	Flat
Strategy and Technology	Flat	(1%)
Intelligent Operations	3%	2%
Infrastructure	12%	10%
Hybrid Infrastructure	19%	17%
IBM Z	52%	48%
Distributed Infrastructure	(2%)	(3%)
Infrastructure Support	Flat	(1%)

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software segment details – 4Q & FY 2025”, “Infrastructure segment details – 4Q & FY 2025”, “Consulting segment details – 4Q & FY 2025” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary – 4Q 2025

	GAAP	4Q25 Non-GAAP adjustments	Operating (non-GAAP)
SG&A			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions/divestitures	(3 pts)	0 pts	(3 pts)
Base*	(7 pts)	1 pts	(6 pts)
R&D			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions/divestitures	(6 pts)	0 pts	(6 pts)
Base*	(5 pts)	0 pts	(5 pts)
Operating expense & other income			
Currency	(4 pts)	(1 pts)	(5 pts)
Acquisitions/divestitures	(4 pts)	0 pts	(4 pts)
Base*,**	(1 pts)	(6 pts)	(7 pts)

*Represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures
**2024 includes the impact related to a pension settlement charge

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 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary – FY 2025

	GAAP	FY25 Non-GAAP adjustments	Operating (Non-GAAP)
SG&A			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions/divestitures	(4 pts)	0 pts	(4 pts)
Base*	2 pts	1 pts	4 pts
R&D			
Currency	0 pts	0 pts	0 pts
Acquisitions/divestitures	(5 pts)	0 pts	(5 pts)
Base*	(6 pts)	0 pts	(6 pts)
Operating expense & other income			
Currency	(2 pts)	(1 pts)	(2 pts)
Acquisitions/divestitures	(5 pts)	(1 pts)	(5 pts)
Base*,**	9 pts	(11 pts)	(2 pts)

*Represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures
**2024 includes the impact related to the pension settlement charges

The above reconciles the non-GAAP financial information contained in the “Expense summary – FY 2025” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations – 4Q 2025

		4Q25			
	GAAP	Acquisition-related adjustments	Retirement-related adjustments	Tax reform impacts*	Operating (non-GAAP)
Gross profit	$11,928	$231	—	—	$12,159
Gross profit margin	60.6%	1.2 pts	—	—	61.8%
SG&A	5,462	(362)	—	—	5,100
Other (income) & expense	(66)	(5)	(4)	—	(74)
Total expense & other (income)	7,784	(366)	(4)	—	7,414
Pre-tax income	4,144	597	4	—	4,745
Pre-tax income margin	21.0%	3.0 pts	0.0 pts	—	24.1%
Effective tax rate	(34.6%)	12.6 pts	0.4 pts	30.9 pts	9.2%
Income from cont. ops.	5,579	208	(11)	(1,468)	4,307
Income margin from cont. ops.	28.3%	1.1 pts	(0.1 pts)	(7.5 pts)	21.9%
Diluted earnings per share	$5.86	$0.22	($0.01)	($1.54)	$4.52

$ in millions (except EPS which is in whole dollars)
*2025 includes a benefit from income taxes primarily driven by the resolution of certain tax audit matters

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 January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations – FY 2025

	GAAP	Acquisition-related adjustments	FY25 Retirement-related adjustments	Tax reform impacts*	Operating (non-GAAP)
Gross profit	$39,297	$888	—	—	$40,184
Gross profit margin	58.2%	1.3 pts	—	—	59.5%
SG&A	20,123	(1,417)	—	—	18,706
Other (income) & expense	(442)	(11)	(65)	—	(518)
Total expense & other (income)	28,968	(1,432)	(65)	—	27,472
Pre-tax income	10,328	2,320	65	—	12,713
Pre-tax income margin	15.3%	3.4 pts	0.1 pts	—	18.8%
Effective tax rate	(2.3%)	6.6 pts	0.1 pts	9.1 pts	13.5%
Income from cont. ops.	10,571	1,534	49	(1,161)	10,993
Income margin from cont. ops.	15.7%	2.3 pts	0.1 pts	(1.7 pts)	16.3%
Diluted earnings per share	$11.14	$1.62	$0.05	($1.22)	$11.59

$ in millions (except EPS which is in whole dollars)
*2025 includes a benefit from income taxes primarily driven by the resolution of certain tax audit matters

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights – FY 2025”, “Expense summary – FY 2025” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of GAAP net income to adjusted EBITDA

	4Q25	Yr/Yr	FY25	Yr/Yr
Net income as reported (GAAP)*	$5.6	$2.7	$10.6	$4.6
Less: income/(loss) from discontinued operations, net of tax	$0.0	$0.0	$0.0	$0.0
Income from continuing operations	$5.6	$2.7	$10.6	$4.6
Provision for/(Benefit from) income taxes from continuing operations*	($1.4)	($1.8)	($0.2)	$0.0
Pre-tax income from continuing operations (GAAP)	$4.1	$0.8	$10.3	$4.5
Non-operating adjustments (before tax)				
Acquisition-related charges**	$0.6	$0.1	$2.3	$0.4
Non-operating retirement-related costs/(income)	$0.0	($0.5)	$0.1	($3.4)
Operating (non-GAAP) pre-tax income from continuing operations	$4.7	$0.5	$12.7	$1.5
Net interest expense	$0.3	$0.1	$1.3	$0.3
Depreciation/Amortization of non-acquired intangible assets	$0.7	$0.0	$2.9	$0.0
Stock-based compensation	$0.4	$0.1	$1.7	$0.4
Workforce rebalancing charges	$0.3	$0.3	$0.7	$0.0
Corporate (gains) and charges***	$0.0	$0.0	$0.0	$0.6
Adjusted EBITDA	$6.5	$1.0	$19.2	$2.8

$ in billions

*2025 includes a benefit from income taxes primarily driven by the resolution of certain tax audit matters

**Primarily consists of amortization of acquired intangible assets

***Corporate (gains) and charges primarily consists of unique corporate actions such as gains on divestitures and asset sales (e.g., certain QRadar SaaS assets in 2024)

Adjusted EBITDA margin utilized in the “Financial highlights” discussion in the company’s earnings presentation is calculated by dividing Adjusted EBITDA by total revenue

The above reconciles the non-GAAP financial information contained in the “Summary”, “Financial highlights”, “Revenue and P&L highlights", “Revenue and P&L highlights – FY 2025”, “Adjusted EBITDA performance” and "Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 28, 2026, 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

	4Q25	4Q24	FY25	FY24
Net cash provided by operating activities	$4.0	$4.3	$13.2	$13.4
Add:				
Net interest expense	$0.3	$0.3	$1.3	$1.0
Provision for/(Benefit from) income taxes from continuing operations*	($1.4)	$0.4	($0.2)	($0.2)
Less change in:				
Financing receivables	($4.1)	($2.3)	($3.2)	($0.4)
Other assets and liabilities/other, net**	$0.5	$1.7	($1.8)	($1.8)
Adjusted EBITDA	$6.5	$5.6	$19.2	$16.4

$ in billions

*2025 includes a benefit from income taxes primarily driven by the resolution of certain tax audit matters

**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 January 28, 2026, for additional information on the use of this non-GAAP financial measure.

Non-GAAP supplemental materials

Reconciliation of pre-tax income margin – FY 2025

Pre-tax margin yr/yr	B/(W)
GAAP	6.1 Pts
Non-operating adjustments*	5.1 Pts
Operating (non-GAAP)	1.0 Pts
Adjustment for 4Q25 workforce rebalancing	0.4 Pts
Operating (non-GAAP) excl. impacts of workforce rebalancing	1.4 Pts

*Excludes the effects of certain acquisition-related charges, non-operating retirement related (income)/expense and tax reform impact. For details on these adjustments, see slide entitled “Reconciliation of continuing operations – FY 2025” in this presentation

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 28, 2026, for additional information on the use of this non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of pre-tax income margin – FY 2026 expectations

Pre-tax income margin	GAAP B/(W)	Operating (non-GAAP) B/(W)
Pre-tax income margin Yr/Yr	Flat	~1 Pt

The above reconciles the non-GAAP financial information contained in the “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 28, 2026, for additional information on the use of this non-GAAP financial measure. The reconciliation of IBM’s historical operating pre-tax income guidance to GAAP is included in the company's 8-K furnished on April 24. 2025.

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