

# INTERNATIONAL BUSINESS MACHINES

Equity Research | NYSE: IBM | IT services, software and infrastructure | 23 September 2026

|                                        |                                                |                                            |
|----------------------------------------|------------------------------------------------|--------------------------------------------|
| <b>WATCHLIST</b><br>RECOMMENDATION     | <b>UNCHANGED</b><br>RATING CHANGE              | <b>65 / 100</b><br>INVESTMENT SCORE        |
| <b>\$231.38</b><br>Close, 22 September | <b>\$245.60</b><br>Weighted fair value (+6.2%) | <b>21 Oct</b><br>Next catalyst, Q3 results |

IBM is 0.1% lower than it was three weeks ago and the question that decides its rating is still four weeks away. What did change is that the quantum programme stopped being a proposal: a \$1 billion federal award was finalised on 16 September, IBM put \$1 billion of its own cash alongside it, and the first quantum wafers are running. It adds nothing to guided earnings and it does not move the rating.

*Valuation is struck on the 22 September 2026 closing price of \$231.38 (Alpha Vantage GLOBAL\_QUOTE, confirmed by StockAnalysis.com). The most recent results are the second quarter reported on 22 July 2026. No trade plan is published, because this is not a Buy call and publishing entry and stop levels beside a Watchlist rating invites readers to act on it. The price at which this name becomes interesting is named in the recommendation. Figures described as this report's calculation are derived rather than company-reported.*

## What has changed

| Measure              | 2 Sep 2026                                      | 22 Sep 2026                                                  | Read                                                                      |
|----------------------|-------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|
| Share price          | \$231.70                                        | \$231.38                                                     | Down 0.1%. Still inside the \$227 to \$242 range.                         |
| Forward P/E          | 18.1x                                           | 18.1x                                                        | Unmoved. The estimate and the price both held.                            |
| Consensus target     | \$245.35 (25 analysts)                          | \$245.35 (25 analysts)                                       | No revision published in the period.                                      |
| Weighted fair value  | \$246.00 (+6.2%)                                | \$245.60 (+6.2%)                                             | Offsetting moves: a funded quantum option against a higher discount rate. |
| Ten-year Treasury    | 4.79%                                           | 4.94%                                                        | Up 15 basis points against a 2.92% dividend yield.                        |
| Federal funds target | 3.50% to 3.75%                                  | 3.75% to 4.00%                                               | The 16 September hike was the first in three years.                       |
| 50-day average       | Price below                                     | \$229.90, price 0.6% above                                   | Reclaimed, but on fading volume.                                          |
| 100-day average      | \$246.95                                        | \$246.40                                                     | Recomputed. The reclaim trigger remains unfired, 6.1% overhead.           |
| Quantum programme    | HRL acquisition completed; CHIPS award proposed | CHIPS award finalised; \$2bn committed; first wafers running | Proposal became commitment. See below.                                    |

## Company developments

| Development                                                | Status and date                                     | What is known                                                                                                                                                                                                                                                                                                                                                                                                | What is forecast (and by whom)                                                                                                                                                                                                                               | Impact |
|------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Anderon quantum wafer foundry: \$1bn CHIPS award finalised | Finalised, 16 September 2026 (proposed 21 May 2026) | Anderon, an IBM company, signed a definitive agreement with the US Department of Commerce for a \$1 billion CHIPS and Science Act R&D award. IBM is investing a further \$1 billion, for \$2 billion in total. The 300mm pure-play quantum wafer foundry sits in the Albany NanoTech Complex and is running its first quantum wafers. It sells manufacturing services to competing quantum hardware vendors. | No revenue, capacity, headcount or milestone schedule has been published by IBM or the Department of Commerce. Trade coverage (Tom's Hardware, 2026) names Rigetti, IQM and SEEQC as plausible customers; that is commentary, not a disclosed customer list. | High   |
| NASA lunar foundation model                                | Announced, 18 September 2026                        | USRA contributed planetary science expertise to a NASA and IBM lunar foundation model.                                                                                                                                                                                                                                                                                                                       | No contract value or commercial path disclosed.                                                                                                                                                                                                              | Low    |
| Dun & Bradstreet on watsonx Orchestrate                    | Announced, 17 September 2026                        | Verified business context delivered into watsonx Orchestrate through the Model Context Protocol.                                                                                                                                                                                                                                                                                                             | No contract value disclosed.                                                                                                                                                                                                                                 | Low    |
| CUBE collaboration on AI regulatory compliance             | Announced, 17 September 2026                        | Joint offering to help enterprises navigate AI regulation and simplify compliance and risk processes.                                                                                                                                                                                                                                                                                                        | No contract value disclosed.                                                                                                                                                                                                                                 | Low    |
| Marist University innovation incubator                     | Announced, 22 September 2026                        | An AI research incubator built on IBM z17, extending a 50-year partnership.                                                                                                                                                                                                                                                                                                                                  | No contract value disclosed.                                                                                                                                                                                                                                 | Low    |

### Anderon: what a funded quantum foundry is and is not worth

**What is known.** On 16 September 2026 Anderon, an IBM company, finalised an agreement with the US Department of Commerce for a \$1 billion award under the CHIPS and Science Act, to accelerate research and development in quantum wafer manufacturing. IBM disclosed a further \$1 billion of its own investment behind Anderon, bringing the committed total to \$2 billion. The foundry is a 300mm pure-play quantum wafer fab headquartered in Albany, New York, inside the Albany NanoTech Complex, and IBM states that first quantum wafers are already running through it. The initial process focus is superconducting quantum processors, including superconducting wiring, through-silicon vias and bump interconnects. The award was first announced as a proposal on 21 May 2026; the 16 September release is the definitive agreement. IBM published no revenue, capacity, headcount or milestone figures alongside it.

**Why it matters here, and why it is rated High.** It is rated High on the competitive-position test rather than on the earnings test, and the distinction is worth stating plainly. It touches none of the segments that carry IBM's revenue: Software, Consulting and Infrastructure together are essentially all of the \$69.10 billion trailing revenue base, and Anderon contributes to none of it in any guided period. On the capital test it is borderline. The \$1 billion of IBM money is about 7% of one year's trailing free cash flow of \$13.79 billion, and IBM has not said over how many years it is spent, so the annual drag is very likely a fraction of that. What earns the High rating is structure: this is the first pure-play quantum wafer foundry in the United States, half of it is paid for by the federal government, it sells capacity to IBM's own quantum competitors, and it converts a research programme into an industrial asset with a balance sheet behind it. That is a different competitive position from the one the previous report described three weeks ago.

**Sizing it.** This report's calculation, from the disclosed inputs. The annual dividend costs about \$6.37 billion, being \$6.76 a share on 942.13 million shares, against trailing free cash flow of \$13.79 billion: a 46% payout of cash flow and 2.17 times cover. Charging the entire \$1 billion IBM commitment to a single year would cut cover to 2.01 times. It does not threaten the dividend, the buyback or the investment-grade balance sheet on any plausible spending schedule. On the revenue side the honest figure is zero. IBM's own 2026 guidance of 4% to 5% constant-currency revenue growth carries no quantum revenue, and management has not guided to any. The base case below therefore assumes Anderon contributes nothing through 2027, exactly as the previous report's base case did.

**What success and failure look like, and when the first data arrives.** Success is observable and slow: named external foundry customers with disclosed volumes, a stated capacity figure, and eventually a revenue line IBM chooses to break out. Failure is equally observable, in the form of a milestone slipping, the award being reduced during administration, or no external customer being named. The nearest scheduled disclosure is third-quarter results on 21 October 2026, at which management may or may not quantify anything. Nothing here is likely to be settled inside the next year. Note also the precedent risk that historical CHIPS awards have been reduced between proposal and disbursement; this one has been finalised, which removes part of that risk but not the execution part.

**What the price already assumes.** IBM trades at 18.1 times forward earnings against 4% to 5% guided revenue growth, which is not a multiple that embeds a quantum option of any size. The market's reaction supports that reading: IBM led the Dow lower on 16 September, the day of the announcement, and fell 3.2% on 18 September. Those sessions coincided with the Federal Open Market Committee raising rates for the first time in three years, and the relative contribution of the two cannot be separated from any primary or established source, so it is not claimed here. What can be said is that the announcement plainly did not re-rate the stock. The item raises the Competitive Advantage score from 7 to 8 and lifts the bull-case fair value from \$285 to \$290. It moves no other score, no other scenario value, and not the rating. Without it the verdict would be the same Watchlist, at a weighted fair value about \$1.50 lower.

**What is still unknown.** The spending schedule, the capacity, whether any external customer signs, and whether superconducting qubits remain the modality that matters. Those settle over years, not quarters.

## Testing the conditions the last report set

| Condition set on 3 September                                                                   | Status   | Evidence                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Toward Buy: 21 October confirming deal closures and software at the high end of 6-8%           | Pending  | Four weeks out. Still the single most informative event available, and nothing before it will settle it.                                                                        |
| Toward Buy: transaction processing improving sequentially                                      | Pending  | Reports with Q3. No interim disclosure.                                                                                                                                         |
| Toward Buy: a pullback into the \$210-\$220 band with the thesis intact                        | Not met  | The low since was \$230.08 on 22 September, 4.6% above the top of the band.                                                                                                     |
| Toward Avoid: the remaining deferred deals failing to close                                    | Pending  | Reports with Q3.                                                                                                                                                                |
| Toward Avoid: a second cut to software guidance                                                | Not met  | No guidance revision since 22 July. Coverage describing a 'trimmed 2026 outlook' in September refers back to that July cut, not to a new one.                                   |
| Toward Avoid: an investigation converting into a filed class action, or a break below \$199.19 | Not met  | No filed complaint identified. The July low has not been retested.                                                                                                              |
| A sustained rise in long yields alongside a hawkish September FOMC                             | Occurred | The ten-year went from 4.79% to 4.94% and the Committee raised 25 basis points on 16 September with more signalled. As stated then: no rating change, a lower fair-value range. |

Three conditions cannot yet be tested, three have not been met, and the one macro condition fired exactly as it was written. A rating that survives its own tests unchanged is a weaker statement than one that passes them, and it is still the accurate one.

## Valuation

At \$231.38 IBM trades at 18.1 times forward earnings, on a market capitalisation of \$217.99 billion across 942.13 million shares. Trailing revenue of \$69.10 billion grew 7.9% and trailing net income was \$10.73 billion. The trailing earnings caveat recorded in the last report still applies and is worth repeating because it does most of the work in this valuation: trailing net income exceeded pretax income because the tax line was a benefit rather than a charge, and normalising to a 15% rate puts trailing earnings per share nearer \$9.32 than the reported \$11.27, with the trailing multiple nearer 24.9

times than the headline. That calculation is this report's own. The cash generation, by contrast, is unambiguous: \$13.79 billion of trailing free cash flow, a 46% payout of it to the dividend, and a return on invested capital of roughly 14% against an estimated cost of capital near 7%.

The macro variable that drives this valuation is the discount rate applied to a mature, dividend-paying, low-growth cash flow, and it moved against IBM in the period. The Federal Open Market Committee raised its target range 25 basis points to 3.75% to 4.00% on 16 September, its first increase in three years and a unanimous vote, with projections carrying at least one more before year-end. The ten-year Treasury closed at 4.94%, up from 4.79% when the last report was written. Against a 2.92% dividend yield that gap is the entire problem with owning IBM for income here: a risk-free instrument pays two full points more. Enterprise IT demand is the second variable, and there the wider picture is firm rather than weak, with August payrolls at 162,000 against a 58,000 forecast and retail sales up 1.2% against 0.8% expected. Nothing in the macro data supports a demand-collapse reading of IBM's deferred deals; that remains a company-specific question.

## Scenario analysis

| Case | Prob. | Fair value     | Outline                                                                                                                                                                                                                                                                                                                                                                                        |
|------|-------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bull | 30%   | \$290 (+25.3%) | Two-thirds to three-quarters of deferred deals close as guided, software reaches the high end of 6-8% with the second half near double digits, transaction processing turns during 2027, and the multiple re-rates toward 21x forward. Raised from \$285: the quantum foundry is now funded and operating, which makes the re-rating narrative more durable even though it carries no revenue. |
| Base | 50%   | \$240 (+3.7%)  | Guidance is delivered roughly as given. Deals close at the slower end, software lands mid-range, consulting stays soft, and the forward multiple holds near 18x. Anderon contributes nothing. Trimmed from \$243 for the higher risk-free rate, per the condition the last report set.                                                                                                         |
| Bear | 20%   | \$193 (-16.6%) | The remaining deals do not return, the reallocation of enterprise budgets toward artificial intelligence proves durable rather than a timing effect, software guidance is cut again in October, litigation escalates, and the multiple compresses toward 15x. Trimmed from \$195 on the same discount-rate effect.                                                                             |

Probabilities sum to 100%. Probability-weighted fair value:  $0.30 \times \$290 + 0.50 \times \$240 + 0.20 \times \$193 = \$245.60$ , computed in code, implying 6.2% upside from \$231.38 against \$246.00 and 6.2% three weeks ago. The near-identical result is the point: a funded quantum option and a higher discount rate very nearly cancelled.

## Sentiment

The sell side has been quiet. No target revision was published in the period; the most recent remains Susquehanna to \$235 from \$225 on 31 August with a Neutral rating. The 25-analyst consensus target is \$245.35, some 6.0% above the market, on a consensus rating of Buy that the individual targets do not really support: RBC at \$270 Buy sits against SIG at \$225 Hold and Daiwa at \$217 Neutral. The Anderon announcement drew no published rating change at all, which is itself a fair measure of how the sell side values pre-revenue optionality.

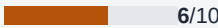
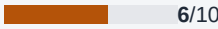
Institutional positioning is mixed and does not bear on the verdict. Reported holdings show a net addition of 0.65% of reported shares over four quarters, with 25 managers adding and 22 cutting; Wellington was the largest net addition at about 1.0% and GQG the largest net reduction at about 0.8%. Quarterly flows alternate, at +1.2%, -0.9% and +0.8% across the last three, which is why the read is mixed rather than directional. Active share of the register rose from 4.5% to 7.1%. Positioning is as of 30 June 2026, filings through 19 August 2026. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. It is included here only because the securities-fraud investigations make the question of whether large holders are leaving a reasonable one to ask; the answer is that they are not.

## Technical setup

| Indicator                     | Reading                                                   | Interpretation                                                |
|-------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|
| Close of record, 22 September | \$231.38                                                  | Flat across three weeks; the range has not broken either way. |
| SMA 20 / 50                   | \$236.00 / \$229.90                                       | Below the 20-day by 2.0%, above the 50-day by 0.6%.           |
| SMA 100 / 200                 | \$246.40 / \$258.91                                       | The 100-day reclaim trigger remains unfired, 6.1% overhead.   |
| RSI 14                        | 45.7                                                      | Neutral. No momentum extreme in either direction.             |
| MACD                          | -0.24; signal 0.43; hist. -0.67                           | Turned negative in the period, mildly.                        |
| ATR 14                        | \$7.37, or 3.2% of price                                  | A contained daily range for a name in a \$15 band.            |
| Volume, 20-day vs 50-day      | 5.6m vs 8.9m, down 37.4%                                  | Participation is fading. Neither side is committing.          |
| Structural levels             | \$199-\$212 support band;<br>\$227-\$242 three-week range | Both intact. \$199.19 is the 52-week low.                     |

Computed from 300 completed, split-adjusted Twelve Data sessions to 22 September 2026. Distances are measured against the \$231.38 price of record. Moving averages are recomputed each report rather than carried forward.

## Scorecard

| Factor                  | Score                                                                                    | Weight | What moved                                                                                                    |
|-------------------------|------------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------------------------------------------------|
| Business Quality        |  7/10   | 14%    | Unchanged. Two wide moats and two adequate ones; nothing in the period tested them.                           |
| Financial Strength      |  8/10  | 14%    | Unchanged. \$13.79bn free cash flow covers the dividend 2.17 times, before and after the \$1bn commitment.    |
| Competitive Advantage   |  8/10 | 14%    | Up from 7. The quantum foundry is funded, operating and selling to rivals, not proposed.                      |
| Management              |  6/10 | 10%    | Unchanged. No new execution evidence. The 21 October report is the test.                                      |
| Growth Potential        |  6/10 | 14%    | Unchanged. Guidance is 4-5% constant currency and quantum still carries no revenue in any guided period.      |
| Valuation               |  6/10 | 18%    | Unchanged. 18.1x forward on a price that has not moved, against tax-assisted trailing earnings.               |
| Risk (10 = lowest risk) |  5/10 | 10%    | Unchanged. Litigation overhang persists without escalating; the \$1bn commitment is matched by federal money. |
| Technical Setup         |  5/10 | 6%     | Unchanged. The 50-day was reclaimed and the 20-day was not, on falling volume.                                |

Scored 1-10, where 10 is always best, including Risk. A Risk score of 5 denotes a moderately risky business, consistent with the discussion above. Weighted score = 65/100, up from 64, computed in code. The previous report already restated its own predecessor's Risk score onto this scale, so the 5 compared against here is like for like and no further restatement was needed. Weights: Valuation 18, Business Quality 14, Financial Strength 14, Competitive Advantage 14, Growth Potential 14, Management 10, Risk 10, Technical Setup 6.

## Recommendation: Watchlist

The rating is unchanged and so, for the second report running, is the reasoning. The shares are 0.1% lower, the weighted fair value implies 6.2% upside against 6.2% three weeks ago, and the question that decides the rating has a date on it four weeks out.

It is not an upgrade because 6.2% of implied upside is not compensation for an unresolved structural question, and because the pullback the last two reports wanted has not arrived. **The price at which this becomes interesting is**

**\$210 to \$220.** That band is 16.4 to 17.2 times the forward earnings implied by the current price and the current multiple, against 18.1 times today. The same business bought two turns cheaper, with the October report confirming that deferred deals closed, would be a straightforward Buy. Bought here, it asks the reader to pay full price for an answer nobody has.

It is not a downgrade because nothing has deteriorated. Free cash flow covers the dividend more than twice over and would still do so if the entire quantum commitment landed in one year, return on invested capital is double the cost of capital, no guidance has been revised since July, and the consensus target has not moved. The September coverage describing a softer 2026 outlook is a restatement of the July cut, not a second one. The quantum foundry is a genuine addition to the long-term option set and deserves no place in a 2027 valuation, which is exactly how it is treated here.

Would an investor put their own money in today? No, and for a narrow reason rather than a broad one. There is nothing wrong with this business that the October report cannot fix, and nothing about it worth paying 18 times forward earnings to find out early, when a risk-free ten-year pays 4.94% and the dividend pays 2.92%. The single biggest concern remains whether the two-thirds of deferred deals management said would close over six months actually closed. That is what to wait for.

### What would change the view

| Condition                                                                                            | Consequence                                                                                                     |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| The 21 October report confirming deferred deals closed and software tracking to the high end of 6-8% | Upgrade to Buy if the price has not already run. The cleanest confirmation available.                           |
| A pullback into the \$210-\$220 band with the thesis intact                                          | Upgrade to Buy. The same business at 16.4x to 17.2x forward is a different proposition from 18.1x.              |
| Transaction processing showing sequential improvement                                                | Upgrade. It is the line that broke and the one management staked 2027 growth on.                                |
| The 21 October report showing the remaining deferred deals did not close                             | Downgrade to Avoid. The timing story becomes a demand story.                                                    |
| A second cut to software guidance                                                                    | Downgrade. It would make the July warning the first data point rather than the whole event.                     |
| An investigation converting into a filed class action with specific credible allegations             | Downgrade, or a decisive break below \$199.19 on volume.                                                        |
| Anderon naming external foundry customers with disclosed volumes, or IBM quantifying a revenue path  | No immediate rating change, but it would move quantum from the bull case into the base case for the first time. |
| A further sustained rise in long yields                                                              | No rating change, but it lowers the fair-value range again. A discount-rate effect is not a business effect.    |

No entry, stop or target levels are published, because this is not a Buy call. The levels that matter for monitoring are the \$199-\$212 support band, the \$227-\$242 range that has now contained six weeks of trading, and the \$246.40 hundred-day average overhead. Dated milestone ahead: third-quarter results on 21 October 2026.

### Sources

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Anderon finalises \$1bn CHIPS award for a pure-play quantum foundry (16 Sep 2026) | <a href="https://newsroom.ibm.com/2026-09-16-anderon,-an-ibm-company,-finalizes-agreement-with-the-u-s-department-of-commerce-for-a-1-billion-chips-award-to-accelerate-r-d-for-u-s-based-pure-play-quantum-foundry">newsroom.ibm.com/2026-09-16-anderon,-an-ibm-company,-finalizes-agreement-with-the-u-s-department-of-commerce-for-a-1-billion-chips-award-to-accelerate-r-d-for-u-s-based-pure-play-quantum-foundry</a> |
| America's first purpose-built quantum foundry, proposed award (21 May 2026)       | <a href="https://newsroom.ibm.com/ibm-and-u-s-department-of-commerce-announce-americas-first-purpose-built-quantum-foundry">newsroom.ibm.com/ibm-and-u-s-department-of-commerce-announce-americas-first-purpose-built-quantum-foundry</a>                                                                                                                                                                                   |

|                                                            |                                                                                                   |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Anderon foundry structure, funding split and process scope | <a href="https://tomshardware.com">tomshardware.com</a> , quantum computing section               |
| Price of record, 22 September close                        | <a href="https://alphavantage.co">alphavantage.co</a> , GLOBAL_QUOTE                              |
| Key statistics, consensus rating and target                | <a href="https://stockanalysis.com/stocks/ibm/">stockanalysis.com/stocks/ibm/</a>                 |
| Daily price history for technical calculations             | <a href="https://twelvedata.com">twelvedata.com</a>                                               |
| Market news, notices and research feed                     | <a href="https://ai-news-search.moomoo.com/news_search">ai-news-search.moomoo.com/news_search</a> |
| Macroeconomic context, 4 to 17 September 2026              | <a href="https://beatingthebull.com/blog/">beatingthebull.com/blog/</a>                           |

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