

International Business Machines Corporation (NYSE: IBM)

Equity Research & Investment Analysis | Prepared 10 August 2026 | Reference price \$237.28 (close, 7 August 2026)

Price (7 Aug close)	Market cap	Forward P/E	Dividend yield	52-week range
\$237.28	\$223.6B	18.5x	2.85%	\$199.19 – \$332.46

Scope and limitations. This is not personalised financial or investment advice, and the author is not a licensed financial adviser. Figures are as of the close on 7 August 2026 unless stated otherwise; IBM's second-quarter results and revised full-year guidance are as reported on 22 July 2026. Technical indicators are computed from a 100-session daily price series, which is too short to produce a 200-day moving average; that line is marked not computed rather than estimated. IBM goes ex-dividend on 10 August 2026, so a roughly \$1.69 mechanical adjustment to the share price is expected on that date and is not a fundamental event. Verify anything decision-critical against a live quote and IBM's own filings before acting.

Executive Summary

The previous report on IBM, published on 15 July, deliberately declined to make a call. It landed on Watchlist with a constructive lean and gave a single, explicit reason: IBM had pre-announced preliminary second-quarter figures eight days early, had not finished closing its books, and would publish complete results and revised full-year guidance on 22 July. The judgement was that waiting eight days for a known, dated catalyst cost little and bought a materially more complete picture.

That catalyst has now passed, and it resolved on the constructive side of the argument. Three of the four conditions the previous report named as moving IBM toward a Buy have been met. The full-year guidance cut was modest rather than severe — constant-currency revenue growth trimmed to 4–5% from more than 5%, with the free-cash-flow growth target of roughly \$1 billion reaffirmed and full-year operating pre-tax margin expansion of about 100 basis points added. Management gave a specific, checkable account of the deals that slipped: roughly a third had already closed by the call, with two-thirds to three-quarters expected to close over six months. Red Hat's 11% acceleration was confirmed in the final numbers rather than proving a one-quarter artifact.

The problem is that the market reached the same conclusion first. IBM bottomed at \$199.19 intraday on 23 July, briefly closing below the \$212.34 level the previous report named as the bear-case invalidation trigger, then reversed and has not revisited it. At \$237.28 the shares sit 19.1% above that low and 12.3% above the price at which the previous report withheld its call. The forward multiple has travelled with them, from roughly 16x at the July trough back to 18.5x. Consensus across 25 analysts now sits at \$244.16, some 2.9% above the current price. The re-rating the previous report identified as the genuine opportunity has largely been taken.

A new item also entered the picture that was not in the last report. Since late July at least four shareholder firms — Bleichmar Fonti & Auld, Portnoy, Pomerantz and Hagens Berman — have opened securities-fraud investigations into whether IBM misrepresented the strength of its deal pipeline and the IBM Z outlook before the 14 July warning. These are law-firm investigations rather than filed complaints or a regulatory action, and they follow essentially every large one-day drop in a widely held stock, so the base rate for them amounting to nothing is high. They nonetheless represent a live overhang that did not exist three weeks ago.

The recommendation therefore stays at **Watchlist**, but the reason for it has changed completely. It is no longer a decision to wait for information; that information arrived and was reassuring. It is now a judgement that the price has already absorbed the reassurance, leaving roughly 3% to consensus, a probability-weighted fair value of \$248.50 that implies 4.7% upside, and a business guided to 4–5% revenue growth. The next genuinely informative moment is the third-quarter report on 21 October, when the remaining two-thirds of the slipped deals either show up in the numbers or do not.

1. The Published Levels, Tested Against Today's Price

The previous report declined to publish a trade plan, on the grounds that a Watchlist call does not warrant one. It did publish indicative levels and, more usefully, four specific conditions that would move the view toward Buy and four that would move it toward Avoid. Those are testable, and testing them is the most honest way to establish whether the prior analysis holds.

Condition named on 15 July (toward Buy)	Status	What actually happened
Guidance trim on 22 July is modest, not severe, and framed as timing rather than demand	Met	Full-year constant-currency growth cut to 4–5% from above 5%. Free-cash-flow growth of about \$1bn reaffirmed and operating pre-tax margin expansion of about 100bps guided. Software full-year growth guided to 6–8%. A trim, not a reset.
Evidence the slipped large deals actually closed	Partly met	Krishna stated about one third of the deals had already closed and guided to two-thirds to three-quarters closing over six months, calling the demand deferred rather than destroyed. Credible and specific, but the bulk is still a forecast.
Red Hat's 11% growth proves durable rather than a one-quarter standout	Met	Confirmed in the final results as an 11% sequential acceleration. Software annual recurring revenue reached \$24.6bn, up 8%.
Technical confirmation: a sustained reclaim of the 50-day moving average	Not met	Price \$237.28 against a 50-day average of \$259.05. That average is still dragged upward by pre-crash prices and will fall mechanically through August, so it is a weak test at present.

Condition named on 15 July (toward Avoid)	Status	What actually happened
A severe full-year cut framed as reflecting demand	Not triggered	The cut was one percentage point at the top of the range and was framed as capital-expenditure reallocation and deal timing.
Continued deal slippage into the third quarter	Not triggered	The opposite was reported. Consulting signings grew 6% and a third of the slipped deals had closed by 22 July.
The vague "cybersecurity distractions" prove material	Not triggered	No further disclosure has emerged. The point was not revisited on the call and remains unexplained rather than adverse.
A decisive close below \$212.34 on elevated volume after the 22 July call	Fired, then failed	IBM closed at \$206.65 on 23 July on 15.3m shares against a 10m average, and traded as low as \$199.19. It regained \$212.34 the next session and has not returned. The trigger fired for one close and did not hold.

Taken together, the prior framework worked. It named the right questions, and the answers came back favourably. The single element it did not anticipate is that the market would price the favourable answer within days, which is what has removed most of the reason to act on it now.

2. Business and Industry Position

Nothing in IBM's structure changed this quarter, so this section is deliberately brief. Software is roughly 40% of revenue and carries the highest margins, spanning Red Hat's hybrid-cloud platform, automation, data and AI including watsonx, and the transaction-processing software bound tightly to the IBM Z mainframe. Consulting is roughly 30% and is the most cyclical piece, competing directly with Accenture and the Indian integrators. Infrastructure is roughly 25%, dominated by IBM Z and distributed systems, and is lumpy by design because mainframe revenue surges around platform launches and normalises afterward. A small captive financing arm supports the rest.

The moat is genuinely wide in two places and merely adequate in the others. Mainframe and transaction processing face no direct competitor at scale, and the banks, insurers and governments that run mission-critical workloads on IBM Z face switching costs high enough that this segment's volatility is about launch timing rather than share loss. The second-quarter data supports that reading: IBM Z program-to-program revenue is running at nearly 130% of the prior platform cycle even in a quarter when the segment fell 7%. Red Hat's OpenShift remains the leading enterprise

Kubernetes platform. Against that, IBM Consulting is several times smaller than Accenture, and in general enterprise software IBM is credible without being the category leader against Microsoft, Salesforce and SAP.

The industry dynamic that caused the quarter has not gone away. Enterprise capital budgets are being pulled toward AI infrastructure — servers, storage and memory — at the expense of software and services that sit further from the buildout. IBM was the first large enterprise franchise to show that effect at scale. Whether the effect is a timing displacement, as management argues, or the beginning of a durable reallocation is the central open question in the investment case and will not be settled before October.

3. Financial Analysis: The Quarter as Finally Reported

The final second-quarter figures published on 22 July matched the preliminary release of 14 July closely enough that the pre-announcement can be judged accurate. Revenue of \$17.2bn grew 1% and missed the roughly \$17.6–17.8bn consensus. GAAP earnings per share came in at \$2.27 and operating earnings per share at \$2.93, against consensus near \$3.02. What the complete release added was segment texture the preliminary version lacked.

Q2 2026 metric	Reported	What it means for the business
Revenue	\$17.2bn, +1% y/y	Essentially flat. The entire shortfall sits in Infrastructure and its attached software, not across the portfolio.
Software revenue	+5%	Below the 6–8% full-year guide, dragged by transaction processing. The rest of the segment held up.
— Transaction Processing	–9%	The specific line that broke. Tied to IBM Z buying decisions that clients deferred. Guided down low-to-mid single digits for the year, and framed as a 2027 growth vector.
— Data	+18%	The strongest line in the company and the clearest evidence that AI-adjacent demand is real for IBM, not only a headwind.
— Automation	+3%	Modest. HashiCorp integration has yet to show up as visible acceleration.
— Red Hat	+11%	Accelerated sequentially. Confirms the single most encouraging datapoint from the preliminary release.
Software ARR	\$24.6bn, +8%	About 80% of software revenue is recurring. This is the base that makes a one-quarter capex air pocket survivable.
Consulting revenue / signings	+1% / +6%	Revenue soft, signings growing. Signings lead revenue, so this is a mildly positive divergence after a year of double-digit signings declines.
Infrastructure revenue	–7%	Expected to decline as the z17 cycle normalised; the magnitude was worse. IBM Z program-to-program still near 130%.
Operating gross margin	–70 bps	Mix effect from the shortfall in high-margin transaction-processing software.
Operating pre-tax margin	+30 bps	Margin still expanded despite flat revenue, which is the productivity story management is leaning on.
Operating EPS growth	+5%	Earnings grew five times faster than revenue. Buybacks and margin, not demand.
First-half free cash flow	\$4.8bn	On track for the reaffirmed full-year target of roughly \$1bn of growth over FY25's \$14.73bn.
Cash / total debt	\$8.2bn / \$62.0bn	Of the \$62bn, about \$13bn supports the financing business and is matched by receivables. Ex-financing leverage is unremarkable for this cash generation.

Q2 2026 metric	Reported	What it means for the business
Dividends paid, first half	\$3.2bn	The 30-plus year increase streak is intact. Quarterly dividend \$1.69; ex-dividend 10 August 2026.

The revised full-year guidance is the more consequential disclosure. Constant-currency revenue growth of 4–5% replaces the previous “more than 5%”. Software is guided to 6–8% with management stating the high end approaches double digits in the second half. Infrastructure is guided to low single digits and Consulting to low-to-mid single digits. Free-cash-flow growth of about \$1bn is unchanged, and operating pre-tax margin is guided to expand about 100 basis points. A company that cuts revenue guidance while holding cash-flow guidance is telling you the shortfall is in mix and timing rather than in the economics of what it sells.

One caution on the cash-flow line. Management described first-half free cash flow as \$5bn in one answer on the call and the disclosed metric is \$4.8bn; the difference is immaterial but worth flagging, and the \$4.8bn figure is used throughout this report. Reaching roughly \$15.7bn for the year requires about \$10.9bn in the second half, which is a heavier back-half skew than usual even for IBM. Kavanaugh attributed the achievability to supply-chain actions taken in the first half that become a tailwind in the second. That is a claim, not yet a result.

4. Competitive Position

Battleground	Principal competitors	IBM's standing, and what changed this quarter
Mainframe and mission-critical transaction processing	No direct competitor at scale	The strongest moat, and it did not weaken. The 7% decline was a purchasing-timing event; program-to-program volumes near 130% indicate the installed base is still upgrading, just later.
Hybrid and private cloud platform	AWS, Microsoft Azure, Google Cloud	IBM competes selectively rather than for public-cloud share. Red Hat OpenShift's 11% acceleration is the clearest sign this chosen niche is still winning.
Enterprise software (data, automation, AI)	Microsoft, Oracle, SAP, Salesforce	Credible, not dominant. Data at +18% is genuinely strong; Automation at +3% is not. The blended picture is a participant rather than a leader.
Consulting and systems integration	Accenture, Infosys, TCS, Capgemini, Wipro	Scale-disadvantaged and will remain so. Notably, IBM sold its majority stake in the UniCredit technology-infrastructure joint venture to Accenture on 31 July while staying in the broader partnership — a sensible narrowing to where IBM's technology depth actually pays.

The UniCredit arrangement announced on 31 July is worth a moment. IBM, Accenture and UniCredit entered a long-term collaboration to build a next-generation European banking platform, and in the same transaction Accenture bought the majority of the infrastructure joint venture from IBM. IBM keeps the technology position and hands the labour-intensive infrastructure operation to the firm with more scale in it. That is the correct trade for a company whose consulting arm is its weakest competitive front, and it is a small piece of evidence that management is allocating toward the moat rather than defending everything.

5. Management, Guidance Accuracy and the Legal Overhang

Guidance accuracy is one of the few genuinely testable measures of a management team, and IBM's record here is now mixed in an instructive way. The company entered 2026 guiding to more than 5% constant-currency growth after a strong first quarter, then missed badly enough in the second to require an eight-day-early pre-announcement. That is a real forecasting failure and the second AI-era narrative whipsaw in roughly five months. Against it, the preliminary figures released on 14 July proved accurate when the books closed on 22 July, and Krishna's decision to disclose early rather than let the market find out on the scheduled date was the harder and more honest choice.

What is new and more useful is that management has now put a falsifiable number on the table. Krishna said roughly a third of the slipped deals had closed by 22 July and that two-thirds to three-quarters should close within six months, explicitly framing the demand as deferred rather than destroyed. He also reiterated “complete conviction” in long-term double-digit software growth, with the roughly 80% annuity base approaching 10%. Those are claims that the October report will either support or contradict, and they convert what was an open-ended credibility question into a dated test. Investors should hold management to it.

The securities-fraud investigations are the genuinely new risk. Bleichmar Fonti & Auld opened an investigation on or before 22 July, with the Portnoy Law Firm, Pomerantz and Hagens Berman following through early August; the common question is whether IBM misrepresented its deal pipeline and IBM Z outlook before the 14 July disclosure. Proportion matters here. These are law-firm investigations soliciting claimants, not filed class actions, not an SEC enforcement action, and not evidence of wrongdoing; they follow almost every large single-day drop in a widely held large-cap. The realistic downside is legal expense and a period of headline noise rather than a solvency or franchise event. But it is a cost and a distraction that did not exist when the previous report was written, and it sits awkwardly beside the unexplained “cybersecurity distractions” Krishna referenced in July and has not since clarified.

Ownership is unchanged and unremarkable: roughly 63% institutional with BlackRock the largest holder, minimal insider ownership at around 0.5%, and no controlling shareholder. Insider activity reporting remained mixed and inconclusive across sources, as it was in July, and is treated here as a non-signal rather than a red flag.

6. Growth Drivers

Driver	Assessment	Likelihood	Impact
Slipped deals closing through H2 2026	The nearest-term and most consequential item. A third closed by 22 July; management guides to two-thirds to three-quarters within six months. First real check is the 21 October report.	Moderate-high	High
Software reaching the high end of 6–8%	Management says the high end approaches double digits in the second half. Requires transaction processing to stop declining, which is guided only for 2027.	Moderate	High
Transaction processing returning to growth in 2027	Explicitly framed by the CFO as a 2027 growth vector. If it happens it repairs the highest-margin software line; if it slips again the 2026 miss starts to look structural.	Moderate	High
Data and AI monetisation	Data revenue at +18% is the strongest growth line in the company. watsonx bookings exceed \$12bn inception-to-date, though the mix remains services-led rather than product-led.	High	Moderate
Next mainframe platform cycle	Mechanical and repeatable. IBM Z program-to-program near 130% suggests the installed base is engaged; the next launch should restore the pattern that drove 21% and 15% infrastructure growth in late 2025 and early 2026.	High	Moderate
Quantum computing	Three quantum-advantage demonstrations published in late July with Algorithmiq, Qedma and the University of Chicago. Krishna now says measurable revenue and earnings impact by 2028 or 2029. Real progress, but outside a two-year horizon.	Low (near-term)	High (long-term)

7. Risk Analysis

Risk	Probability	Severity	Assessment
Remaining deals fail to close	Moderate	High	The central risk. Management's own framing makes this the test of whether the second quarter was timing or demand. A miss here in October would validate the structural bear case in a way the July warning alone did not.
AI capex continues to crowd out enterprise software spend	Moderate	High	The industry dynamic that caused the quarter is unresolved. IBM is now the market's proof case in this debate, so sector news can move the stock independently of IBM's own results.
Valuation risk	Moderate-high	Moderate	At 18.5x forward the discount that existed at the July low is gone. Consensus of \$244.16 implies 2.9% upside. The multiple now assumes the recovery narrative is correct.
Securities litigation	Moderate	Low-moderate	Four firms investigating; none has filed. Realistic exposure is legal cost and headline noise rather than a balance-sheet event, but it is a new overhang and the timeline is open-ended.
Back-half free-cash-flow skew	Low-moderate	Moderate	Roughly \$10.9bn of the ~\$15.7bn full-year target must come in the second half. Management attributes the achievability to first-half supply-chain actions. Unverified until reported.
Consulting cyclicality	Moderate	Moderate	Revenue growth of 1% remains weak and the sector backdrop is soft. Signings growth of 6% is the mitigant.
Management forecasting credibility	Moderate	Moderate	Two sharp negative surprises in five months. Partly offset by the accuracy of the preliminary release and by management now committing to specific, checkable numbers.
Balance sheet	Low	Low	\$8.2bn cash, investment-grade, dividend covered comfortably on both operating-earnings and free-cash-flow bases. This is not a leverage story.

8. Valuation

Method	Reading at \$237.28	Interpretation
Forward P/E	18.5x	Against roughly 16x at the July trough and about 22x before the warning. Most of the mechanical re-rating has been given back. Implied forward EPS of about \$12.80.
Trailing P/E	21.1x	On trailing EPS of \$11.27. Above IBM's longer-run average, which is a demanding place to sit while guiding to 4–5% revenue growth.
EV / FY26E free cash flow	16.8x	Author's calculation: market cap \$223.6bn plus ex-financing debt of about \$49bn less \$8.2bn cash, over a guided FY26 free cash flow of about \$15.7bn (FY25 \$14.73bn plus the reaffirmed ~\$1bn). Including all \$62bn of debt gives 17.6x.
Free-cash-flow yield	7.0%	On market capitalisation. This is the strongest single number in the valuation case and the main reason the stock is not expensive outright.
Dividend yield	2.85%	Down from about 3.1% at the July low purely because the price recovered. Covered, but the five-year dividend growth rate near 0.6% a year means this is an income holding, not an income grower.
Consensus price target	\$244.16 (+2.9%)	Twenty-five analysts, consensus rating Buy. The dispersion is unusually wide: Wedbush at \$350 against HSBC at \$191, with the low end of published ranges near \$160–174.

The honest reading is that IBM is fairly valued rather than cheap or expensive. The free-cash-flow yield of 7% supports the price and the dividend; the 18.5x forward multiple against 4–5% guided revenue growth does not leave room for another disappointment. In July the argument was that the multiple had compressed faster than estimates had fallen, creating a genuine gap. That gap has closed. Anyone buying at \$237.28 is no longer buying a dislocation — they are underwriting management's forecast that the deferred deals return.

9. Market Sentiment

The analyst distribution remains bullish-tilted, with a consensus rating of Buy across 25 covering analysts and an average target of \$244.16. What stands out is the dispersion rather than the average: Wedbush's Dan Ives has held a \$350 target through the crash, implying roughly 47% upside from here, while HSBC's \$191 Reduce rating, which predated the warning and rested on valuation rather than the quarter, implies about 19% downside. A spread that wide on a 115-year-old mega-cap is itself information — it says the Street has no settled view on whether the second quarter was timing or trend, which is precisely the question this report cannot answer either until October.

Press coverage since the results has been unusually bifurcated. The substantive news flow has been positive: three quantum-advantage papers in late July, the UniCredit platform partnership, and a CEO willing to date the quantum revenue contribution to 2028–29 on the record. Running alongside it is a steady drip of law-firm investigation notices, which dominate the headline count without carrying much informational weight. A reader scanning headlines would form a more negative impression of IBM than the underlying facts support.

Institutional ownership is unchanged at roughly 63% with BlackRock the largest holder. Volume has normalised: the 20-session average of 14.0m shares is still elevated against the 50-session average of 11.8m, but both are far below the 67.4m traded on 14 July. The repositioning is largely finished.

Note on sources: the moomoo community and capital-flow feeds normally used to cross-check retail sentiment were unreachable when this report was compiled, so the sentiment read above rests on analyst data, ownership records and published news only.

10. Technical Analysis

For timing context only; this section does not override the fundamental picture. All values are computed from a 100-session daily series ending 7 August 2026.

Indicator	Reading	Signal
Close (7 Aug)	\$237.28	Up 19.1% from the 23 July low of \$199.19 and 12.3% above the 15 July close at which the previous report withheld its call.
RSI (14)	49.8	Completely neutral. In July this sat between 12 and 30, among the most oversold readings the stock has produced. The mean reversion has happened.
MACD (12,26,9)	−6.57, signal −10.06, histogram +3.49	Still below zero, so the medium-term trend has not turned. But MACD is above its signal line and the histogram is positive, which is the constructive part: momentum is improving from a deeply negative base.
SMA 20 / EMA 20	\$224.20 / \$233.86	Price is above both. The short-term trend has turned up.
SMA 50 / EMA 50	\$259.05 / \$244.71	Price is below both. This is the previous report's unmet Buy condition, though the simple 50-day is still distorted by pre-crash prices and will decline sharply through August.
SMA 100	\$248.59	Price is below. Reclaiming roughly \$248 would be the first technically meaningful confirmation and, usefully, sits close to the \$248.50 probability-weighted fair value derived independently below.
SMA 200	<i>Not computed</i>	The available series is 100 sessions, which cannot produce a 200-day average. Not estimated.

Indicator	Reading	Signal
ATR (14)	\$10.25 (4.3% of price)	Volatility remains roughly double a normal IBM regime. Position sizing should assume wide daily ranges for some weeks yet.
Volume, 20d vs 50d average	14.0m vs 11.8m	Elevated but normalising, against 67.4m on the crash day. Institutional repositioning is largely complete.
Structure	Support \$199–212; resistance \$248–259	The July low is the line that matters on the downside; the 100-day and 50-day averages define the overhead.

11. Investment Scorecard

Scored 1–10 where higher is better, except Risk, which is scored 1–10 where 10 is the highest risk and therefore enters the composite inverted. Weights are shown and sum to 100. To make the comparison meaningful, the previous report's factor scores have been re-weighted using this same scheme, so the two composites are directly comparable.

Factor	Wt	Score		vs Jul	Rationale
Business Quality	14		7/10	—	Unchanged. Two wide moats, two adequate ones. The quarter tested the strongest moat's timing, not its durability.
Financial Strength	14		8/10	—	Unchanged. \$8.2bn cash, dividend covered, free-cash-flow target reaffirmed despite the revenue cut.
Competitive Advantage	14		7/10	—	Unchanged. IBM Z program-to-program near 130% and Red Hat at +11% argue no share was lost.
Management	10		6/10	—	Unchanged on net. The preliminary release proved accurate and management gave a checkable forecast; the securities investigations offset the improvement.
Growth Potential	14		6/10	—	Unchanged. Data at +18% and software ARR at +8% against a revenue guide cut to 4–5%.
Valuation	18		6/10	8 → 6	Lowered. 18.5x forward against roughly 16x in July, with consensus upside of 2.9%. The re-rating opportunity has closed.
Risk (10 = highest)	10		6/10	—	Unchanged on net. Guidance uncertainty resolved favourably; securities investigations added in its place.
Technical Setup	6		6/10	5 → 6	Raised. RSI normalised to 49.8, price above the 20-day and 20-day EMA, MACD histogram positive.

Overall Investment Score: 64 / 100, against 67 / 100 for the July report re-scored on the same weights. The three-point decline is entirely attributable to valuation falling from 8 to 6, partially offset by technicals improving from 5 to 6. That is the whole story of this refresh in one line: the business got modestly better and the price got materially worse.

12. Recommendation: Watchlist

The rating is unchanged. The reasoning behind it is not. On 15 July the call was to wait for a dated catalyst eight days away. That catalyst arrived, resolved favourably, and the reason to wait disappeared with it. What replaces it is a valuation judgement: at \$237.28 the shares have recovered 19.1% from the post-results low, the forward multiple has re-expanded from roughly 16x to 18.5x, consensus sees 2.9% upside, and the probability-weighted fair value derived below is \$248.50, or 4.7% above the current price. That is not enough compensation for a business guided to 4–5% revenue growth with an unresolved question about whether its largest deals return.

Why this is not an upgrade to Buy. The quality of the news does not by itself make a good entry. Three of the four conditions the previous report set have been met, but the reward for that was collected between 23 July and 7 August by anyone already holding or willing to buy the panic. A Buy call published at \$237.28 would have to place its cut-loss

somewhere near the \$199–212 support band and its first target near the \$248–259 overhead, which is roughly a one-to-one risk-reward before the securities-investigation overhang is counted. That is not a trade worth publishing.

Why this is not a downgrade either. Nothing in the final results damaged the franchise. The moat held, Red Hat accelerated, software annual recurring revenue grew 8%, margins expanded despite flat revenue, and the free-cash-flow target survived the revenue cut. The balance sheet is unremarkable in the good sense. An Avoid rating would require believing the deferral story is false, and the available evidence — a third of the deals already closed, consulting signings up 6% — points the other way.

What would move this to Buy	What would move this to Hold or Avoid
A pullback into the \$210–220 band with the thesis intact. The same business at a 16x forward multiple is a materially different proposition from the same business at 18.5x.	The 21 October report showing the remaining two-thirds of deferred deals did not close. This is the single cleanest disconfirmation available and management has invited the test.
The 21 October report confirming the deal closures and software tracking to the high end of 6–8%, with the second half approaching double digits as guided.	A second cut to software guidance, which would convert the timing story into a demand story and make the July warning look like the first data point rather than the whole event.
Transaction processing showing sequential improvement, which is the specific line that broke and the one the CFO has staked 2027 growth on.	Free cash flow materially undershooting the back-half skew required to reach roughly \$15.7bn, which would undermine the one guidance element management did not cut.
A sustained reclaim of the 100-day average near \$248 on above-average volume, confirming the market has moved from relief to conviction.	A securities investigation converting into a filed class action with specific, credible allegations that guidance was knowingly misstated, or a decisive break back below \$199.19.

No entry, stop or target levels are published, because this is not a Buy call and publishing a trade plan alongside a Watchlist rating invites readers to act on it. The levels that matter for monitoring are the \$199–212 support band and the \$248–259 overhead identified in Section 10.

13. Scenario Analysis

Case	Assumptions	Revenue and earnings outlook	Fair value	Prob.
Bull	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 in 2027; the multiple re-rates toward 21x forward.	FY26 revenue +5% cc, free cash flow at or above ~\$15.7bn; FY27 revenue growth returns to 6–7%.	\$290	30%
Base	Guidance is delivered roughly as given. Deals close on the slower end of the range, software lands mid-range, consulting stays soft, and the forward multiple holds near 18–19x.	FY26 revenue +4–5% cc, free cash flow ~\$15.7bn, operating pre-tax margin +100bps.	\$245	50%
Bear	The remaining deals do not return; the AI capex reallocation proves durable rather than a timing effect; software guidance is cut again in October; litigation escalates; the multiple compresses toward 15x.	FY26 revenue growth below 4% cc, free cash flow misses the back-half skew, FY27 estimates reset lower.	\$195	20%

Probabilities sum to 100%. The probability-weighted fair value is **\$248.50**, computed as $0.30 \times \$290 + 0.50 \times \$245 + 0.20 \times \$195$, which implies **4.7%** upside from \$237.28. Two observations follow. The weighted value sits within a dollar of the consensus target of \$244.16 and within ten dollars of the 100-day moving average at \$248.59, three independent methods converging on roughly the same place. And the distribution is close to symmetric: about 22% upside in the bull case against about 18% downside in the bear. A symmetric distribution with a 4.7% weighted expected return is the arithmetic definition of a name to watch rather than buy.

Fair values are illustrative estimates derived from the scenario assumptions, not precise price targets. Treat them as directional.

14. Final Verdict

Would an investor put fresh money into IBM at \$237.28 today? On this analysis, no — but the reason is unusual and worth stating precisely, because it is not a criticism of the company.

The July report was right to wait, and the wait was rewarded with good news. IBM's books closed where the pre-announcement said they would, the guidance cut was one percentage point rather than a reset, cash-flow guidance survived intact, margins expanded on flat revenue, and Red Hat and the data business are growing at rates that make the AI-loser framing look overstated. Management then did the thing that most improves an investor's ability to hold them to account: it put a specific, dated, falsifiable number on the recovery. If a company is going to disappoint, this is roughly the best way to follow it up.

The difficulty is arithmetic. The market processed all of that in eleven trading sessions and moved the stock 19.1% off its low. Buying now means paying 18.5x forward earnings for 4–5% revenue growth, with 2.9% of upside to consensus, while the load-bearing claim in the thesis — that the deferred deals come back — remains a forecast until 21 October. The dislocation that made this interesting in July was a gap between a compressed multiple and unchanged estimates. That gap is gone. What remains is a decent business at a fair price with an unresolved question attached.

The single biggest concern is not the securities investigations, which are near-routine after a drop of this size, nor the quarter itself. It is that transaction processing fell 9% and management's own guidance does not have it growing again until 2027. That is the highest-margin software line, tethered to the widest moat IBM owns, and it is the mechanism by which a timing story would become a structural one. Watch that line above all others in October.

For an existing holder the calculus differs from a fresh-money decision and turns on cost basis, concentration and conviction in management's forecasting after two whipsaws in five months. A 7% free-cash-flow yield and a covered, 30-year-unbroken dividend are reasonable things to keep holding through an uncertain autumn. That is a different question from whether to start.

Sources

Price and volume series: Alpha Vantage daily adjusted series for IBM through 7 August 2026 (all technical indicators computed from that series, not read from third-party summaries). Company results and guidance: IBM second-quarter 2026 earnings release and Form 8-K, 22 July 2026, and the preliminary results release and letter to investors of 14 July 2026. Earnings call: IBM Q2 2026 earnings conference call, 22 July 2026, accessed via GuruFocus transcript coverage including the metric summary and analyst Q&A; corroborated against Investing.com and Benzinga transcript listings. Market data and consensus: StockAnalysis.com (price, market capitalisation, trailing and forward P/E, dividend, 52-week range, beta, 25-analyst consensus target of \$244.16), checked 8 August 2026. News and events: CNBC (Q2 results coverage 22 July; Krishna quantum remarks 30 July), Business Wire and TheFly (UniCredit / Accenture / IBM collaboration and joint-venture sale, 31 July), PR Newswire and Business Wire (quantum-advantage announcements with Algorithmiq, Qedma and the University of Chicago, 29–30 July), StockTitan (8-K summary and guidance detail). Legal matters: GlobeNewswire and PR Newswire investigation notices from Bleichmar Fonti & Auld (22 July onward), the Portnoy Law Firm (22 July), Hagens Berman (6 August) and Pomerantz LLP. Prior coverage: the 15 July 2026 Beating The Bull report on IBM, read in full and used as the comparison baseline throughout.

Transcript availability: obtained. The 22 July call was sourced through GuruFocus's transcript coverage, which carried both the full metric summary and the analyst Q&A quoted in Sections 3 and 5. MarketBeat's page for this report date remained an unpopulated shell at the time of writing and was not used. The moomoo community and capital-flow feeds were unreachable and did not contribute to the sentiment section.

This report reflects publicly available information as of 10 August 2026 and uses closing prices from 7 August 2026. It is informational only and is not financial advice, not a recommendation to buy or sell any security, and not a substitute for advice from a licensed adviser who knows your full financial position.