

International Business Machines

NYSE: IBM | IT services, software and infrastructure | Coverage update | 2 October 2026

Last close (1 Oct 2026)	\$225.62	Recommendation	WATCHLIST (unchanged)
Previous report (23 Sep)	\$231.38, Watchlist	Investment score	64.8 / 100 (prior 65.4)
Forward P/E	17.7x (prior 18.1x)	Weighted fair value	\$239.84 (prior \$245.60); +6.3%
10-year Treasury	5.24% (prior 4.94%)	Buy zone	\$210-\$220 (16.4x-17.2x forward)
Dividend yield	3.00% (\$6.76 a year)	Buy range, stop, targets	Not published under this rating
52-week low	\$199.19 (23 Jul 2026)	Next results	Q3 2026, 21 October (date marked preliminary by IBM)

The Band Was Touched as Yields Passed Five Percent

IBM spent two sessions inside the zone this coverage named as the point where it becomes a Buy. The shares closed at \$219.99 on 29 September and \$219.93 on 30 September, the top edge of the \$210 to \$220 band, with an intraday low of \$218.60. They left it the next morning: a 4.9% gap higher on 1 October faded to a close of \$225.62, up 2.6% on the day and 2.5% below the price of the previous report. The rating stays at Watchlist, the band stays where it was, and the reasons are worth stating plainly because the test that was set has, on a literal reading, been met.

No company announcement, guidance change or broker downgrade accompanied the slide from \$232.76 on 23 September, and no company-specific cause can be shown for it. What did move over the same days was the ten-year Treasury, which rose from 4.94% to 5.24% over the period, touched about 5.33% intraday on 1 October, its highest since 2002, as strong growth data and hawkish Federal Reserve commentary pushed out the expected path of rates. A mature, low-growth cash flow with a 3.00% yield is exactly the asset that reprices when a risk-free note pays more than five percent. The last report anticipated this case and said what it would mean: no rating change, a lower fair-value range. That is what this report records. The weighted fair value falls from \$245.60 to \$239.84, and because the price fell by a similar amount the implied upside is unchanged at 6.3%.

The rebound came from outside IBM too. Accenture reported fiscal fourth-quarter revenue of \$18.68bn on 1 October, 7% higher in local currency and above its own guidance range, with consulting bookings at a book-to-bill of 1.1 for the year, and its shares rose by about a fifth. IT services stocks rose with it. For IBM, whose bear case rests on enterprise budgets moving away from traditional services and software, a large peer reporting record bookings is mildly supportive. It is a peer data point, not IBM evidence, and it changes no probability in this report. The same day brought a board appointment, a self-hosted version of the Bob development platform and a further law-firm notice about the July share drop. None is material to the rating; each is covered below.

What Changed Since 23 September

Measure	22 Sep 2026	1 Oct 2026	Read
Share price	\$231.38	\$225.62	Down 2.5%. The \$227-\$242 range broke lower on 25 Sep.
Forward P/E	18.1x	17.7x	Cheaper on the same estimates.
Ten-year Treasury	4.94%	5.24%	Up 30 basis points; 5.33% intraday on 1 Oct.
Yield gap to the ten-year	2.02 points	2.24 points	Wider, despite the higher dividend yield.
Weighted fair value	\$245.60	\$239.84	Lower on the discount rate alone.
Consensus target	\$245.35 (25 analysts)	\$240.59 (24 analysts)	Lower mean; no new published revision identified.
50-day average	\$229.90, price above	\$231.55, price below	The September reclaim was lost.
Lowest close	\$231.38	\$219.93 (30 Sep)	Inside the \$210-\$220 band for two sessions.

Prices are closing prices. Ten-year yields are Treasury par-curve closes. The consensus target is the mean of polled analysts on each date.

Company developments

Nothing announced in the period changes what IBM earns in any guided year. The most relevant item is a deployment option for IBM Bob, the agentic software-development platform, rated Medium. The quantum foundry finalised on 16 September remains the period's largest commitment and has had no further disclosure. The 8-K filed on 1 October covers a board election and the by-law change that accompanies it, and nothing else.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
IBM Bob self-hosted deployment	Announced, 1 Oct 2026	Bob can now run on premises, in private and sovereign clouds, air-gapped, or in hybrid set-ups connected to outside models. Aimed at regulated clients keeping code in their own environment.	No pricing, availability date, customer or revenue figure disclosed.	Medium
Anderon quantum wafer foundry	Finalised 16 Sep 2026; no update since	\$1bn CHIPS award plus \$1bn of IBM investment; 300mm foundry in Albany running first quantum wafers.	No revenue, capacity or milestone schedule published. Already in the bull case.	High (no change)
Digital Asset Haven: Swift ledger link and on-premises option	Beta, 24 Sep 2026	Clients can connect to Swift's shared ledger for tokenised deposits using ISO 20022 messages; an on-premises version runs on IBM Z and LinuxONE.	17 institutions are piloting the Swift ledger (Swift's figure); no IBM revenue disclosed.	Low
Logiq Consulting acquisition (UK)	Announced, 24 Sep 2026	Cybersecurity and secure-engineering consultancy serving UK defence, government and critical infrastructure.	Terms and headcount not disclosed.	Low
Frank Baker elected to the board	Effective 1 Oct 2026 (8-K)	Siris Capital co-founder joins the Directors and Corporate Governance Committee; board enlarged to fourteen.	None.	Low
Law-firm investigation notice	1 Oct 2026	A law firm announced an investigation into disclosures before the 14 July warning, citing the 25% one-day fall and the IBM Z shortfall in the second quarter. No complaint filed.	Not a development; a restatement of the July event. Treated under Risks.	Low

Company announcements and the Form 8-K of 1 October 2026; Swift pilot figure as stated in IBM's release. Materiality is this report's assessment.

Bob, self-hosted. Bob is IBM's AI-first development platform, launched in April and extended with multi-agent tools in July. The new option lets clients run it inside their own perimeter, which matters for exactly the customers IBM sells to: banks, insurers and governments whose source code and data cannot leave controlled environments. It sits in Software, which earned \$7.8bn in the second quarter and carries the 6-8% growth expectation the rating depends on. It is rated Medium because it strengthens the case that IBM's AI products fit regulated buyers better than cloud-only rivals, which is the core of the Software thesis. It cannot be sized: IBM has published no price, user count or revenue for Bob, so the base case assumes no incremental contribution and no score moves on it. The shares opened higher on the day, but the move coincided with the Accenture read-across and faded, so no price effect is attributed to it.

Quantum, unchanged. The Anderon foundry was analysed in full in the previous report. Nothing has been disclosed since: no customer, no capacity figure, no spending schedule. The bull case continues to carry its effect on the multiple, and the base case continues to assume it contributes nothing through 2027.

Testing the Conditions the Last Report Set

Condition set on 23 September	Status	Evidence
Toward Buy: a pullback into the \$210-\$220 band with the thesis intact	Touched	Closes of \$219.99 and \$219.93 on 29-30 Sep, low \$218.60, as the ten-year rose above 5%. Left the band on 1 Oct. See Recommendation.
Toward Buy: 21 October confirming deal closures and software at the high end of 6-8%	Pending	Third-quarter results on 21 October (preliminary date).

Condition set on 23 September	Status	Evidence
Toward Buy: transaction processing improving sequentially	Pending	Reports with Q3.
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.
Toward Avoid: an investigation becoming a filed class action, or a break below \$199.19	Not met	A further investigation notice on 1 Oct; no complaint identified. Low since the report \$218.60.
Quantum moving into the base case: named foundry customers or a revenue path	Not met	No disclosure.
A further sustained rise in long yields	Occurred	4.94% to 5.24%. As written: no rating change, a lower fair value.

Status as of 2 October 2026.

Growth Drivers

Driver	Status and date	Likelihood / impact	Fact or forecast
Deferred Q2 deals closing	Pending; Q3 report 21 Oct	Medium / High	Management expected about two-thirds to close within six months (22 Jul call)
Software growth at 6-8%	Guided; Q3 report 21 Oct	Medium / High	Management guidance; second quarter grew 4.6% at constant currency
IBM Z cycle recovery	Pending	Medium / Medium	Fact: Z revenue fell 42% in Q2 after rising 51% in Q1. Recovery is a forecast
Bob and watsonx in regulated accounts	Self-hosted option announced 1 Oct	Medium / Low-Medium	No revenue disclosed
Confluent integration	Closed 17 Mar 2026	High / Medium	Contributes to Software growth; synergy figures are forecasts
Quantum (Anderson, HRL)	Funded; pre-revenue	Low / Low inside two years	No guided revenue

Likelihood and impact are this report's assessments.

Valuation

At \$225.62 IBM trades at 17.7 times forward earnings of about \$12.77 a share, on a market value near \$212.6bn across 942.13 million shares. Consensus expects \$12.31 for 2026 and \$13.15 for 2027, growth of roughly 6-7% a year. Trailing revenue is \$69.10bn and trailing free cash flow \$13.79bn, a 6.5% free-cash-flow yield on the current market value. The trailing caveat carried in earlier reports still holds: reported trailing earnings of \$11.27 a share benefited from a tax credit, and at a 15% tax rate they would be nearer \$9.32, putting the clean trailing multiple near 24 times. That calculation is this report's own.

The macro variable that drives this valuation is the discount rate on a mature, dividend-paying cash flow, and it moved sharply against IBM. The ten-year closed at 5.24% on 1 October, 30 basis points above the last report. The Federal Reserve raised its target to 3.75%-4.00% on 16 September and markets are weighing another increase at the 27-28 October meeting; second-quarter GDP was revised up to a 2.2% annual rate and September manufacturing prices jumped. Against that, IBM's 3.00% dividend yield sits 2.24 points below a risk-free note. Enterprise IT demand is the second variable, and the wider picture stays firm rather than weak: payrolls rose 162,000 in August, jobless claims are near 197,000, and consumer confidence, which fell to its lowest since 2014 in September, bears more on retail spending than on enterprise IT budgets. Nothing in the macro data turns the deferred-deal question into a demand-collapse story; it remains company-specific.

Each scenario multiple is trimmed by about 0.4 of a turn for the higher risk-free rate, and earnings assumptions are unchanged except in the bear case, which now uses \$12.85 for 2027. The result is a weighted fair value of \$239.84, against \$245.60 three weeks ago. The band of \$210 to \$220 is defined as 16.4 to 17.2 times forward earnings; with

forward estimates unchanged at about \$12.77, it maps to 16.4x to 17.2x and stays where it was.

Scenario Analysis

Case	Prob.	2027 EPS	Multiple	Fair value	vs \$225.62	Prior
Bull	30%	\$13.80	20.6x	\$284	+26.0%	\$290
Base	50%	\$13.15	17.8x	\$234	+3.7%	\$240
Bear	20%	\$12.85	14.6x	\$188	-16.8%	\$193
Weighted	100%			\$239.84	+6.3%	\$245.60

Probabilities sum to 100%. Values: $13.80 \times 20.6 = \$284.28$; $13.15 \times 17.8 = \$234.07$; $12.85 \times 14.6 = \$187.61$. Weighted \$239.84, computed in code. EPS and multiples are this report's assumptions; the base EPS equals consensus.

Bull (30%). Two-thirds to three-quarters of the 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 to about 20.6 times. The funded quantum foundry supports the re-rating narrative without revenue. **Base (50%).** Guidance is delivered roughly as given, deals close at the slower end, Software lands mid-range, Consulting stays soft and the multiple holds near 17.8 times. Bob and Anderson contribute nothing measurable. **Bear (20%).** The remaining deals do not return, the reallocation of enterprise budgets toward artificial intelligence proves durable, Software guidance is cut again in October, litigation escalates, and the multiple compresses toward 14.6 times. Probabilities are unchanged: the period produced no IBM evidence that moves them.

Sentiment

The sell side remains quiet and split. The 24-analyst consensus rating is Buy with a mean target of \$240.59, 6.6% above the market, down from \$245.35 across 25 analysts at the last report; no new published target change was identified in the period, so the lower mean reflects the composition of the panel rather than a fresh cut. The individual targets still argue against the Buy label: RBC at \$270 Buy and Citi at \$245 Buy against Bernstein at \$230 and Susquehanna at \$235, both Hold, Daiwa at \$217 Neutral and HSBC at \$191 Reduce, the last set on the day of the July warning. Directors filed Form 4s on 1 October, all deferrals of board fees into promised fee shares at \$219.93; no open-market purchase or sale by an insider was reported. Short interest is about 2.4% of the float, 4.6 days of average volume. The news flow over the period reads neutral to mildly positive: a peer earnings beat and a product announcement against a further law-firm notice that adds nothing new.

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 made 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, and active share of the register rose from 4.5% to 7.1%. The read is Mixed, at moderate confidence. 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 because the renewed investigation notices keep the question of whether large holders are leaving a fair one; the answer as of June was that they were not.

Technicals

Indicator	Value	Reading	At 23 Sep report
Price of record (1 Oct)	\$225.62	Down 2.5% since the previous report; 3.2% above the 30 Sep low	\$231.38
SMA 20 / EMA 20	\$232.80 / \$229.91	Price 3.1% and 1.9% below	SMA \$236.00
SMA 50 / EMA 50	\$231.55 / \$234.98	Price 2.6% and 4.0% below; the September reclaim was lost	SMA \$229.90, price above
SMA 100 / EMA 100	\$246.03 / \$241.62	Price 8.3% and 6.6% below	SMA \$246.40

Indicator	Value	Reading	At 23 Sep report
SMA 200 / EMA 200	\$255.93 / \$253.21	Price 11.8% and 10.9% below	SMA \$258.91
RSI (14)	44.1	Neutral	45.7
MACD (12,26,9)	-3.62, signal -2.14, hist. -1.48	Negative and below signal	-0.24 / 0.43 / -0.67
ATR (14)	\$7.05, 3.1% of price	Range contained	\$7.37, 3.2%
Volume, 20-day vs 50-day	5.8m vs 6.2m	Participation flat; 8.9m on the 1 Oct rebound	5.6m vs 8.9m
Structural levels	\$218.60; \$199-\$212	September low; July support band and \$199.19 52-week low	\$227-\$242 range

Computed in code from 300 completed Twelve Data daily sessions to 1 October 2026; all averages from that one series. Distances against the \$225.62 price of record.

The three-week range that held from early September broke on 25 September, and the shares then lost the 50-day average they had reclaimed. The decline stopped at \$218.60, inside the upper part of the zone the previous report named, and the 1 October rebound came on 8.9 million shares, the heaviest volume since 21 September, though it gave back half of its opening gain. Price is now below all four simple averages, and the 200-day has eased to \$255.93. None of the levels this coverage publishes is anchored to a moving average: the buy zone rests on a forward multiple and the downside marker is the \$199.19 July low, both unchanged. Technicals set timing only here, and they argue for patience rather than urgency.

Risk Register

Risk	Probability	Severity	Assessment
Deferred deal closures still unconfirmed	Medium	High	The 21 October report is the first evidence; nothing has surfaced in between
Discount rate	High	Medium	Ten-year at 5.24%, 2.24 points above the dividend yield; another Fed increase is possible on 28 October
Securities-fraud investigations	Low	Medium	Several law firms are investigating disclosures before the 14 July warning; no complaint filed
Earnings quality	Medium	Medium	Trailing EPS of \$11.27 includes a tax benefit; about \$9.32 at a 15% rate (this report's calculation)
IBM Z and transaction processing	Medium	Medium	Z fell 42% and transaction processing 8% in Q2; recovery is a forecast
Quantum execution	Medium	Low	\$2bn committed with no revenue, capacity or schedule disclosed
Leverage	Low	Low	Total debt about \$65bn, net debt about \$57bn, against \$13.79bn of free cash flow

Probability and severity are this report's assessments. The Risk score of 5/10 below denotes a moderately risky business, consistent with this register.

Scorecard

Criterion	Weight	Score		Prior	Rationale and what moved
Business Quality	14%		7/10	7/10	Unchanged. Two wide moats and two adequate ones; nothing in the period tested them.
Financial Strength	14%		8/10	8/10	Unchanged. \$13.79bn of trailing free cash flow covers the \$6.37bn dividend 2.17 times.
Competitive Advantage	14%		8/10	8/10	Unchanged. Self-hosted Bob and on-premises Digital Asset Haven extend the regulated-client position; neither is sized.
Management	10%		6/10	6/10	Unchanged. No new execution evidence; the 21 October report remains the test.
Growth Potential	14%		6/10	6/10	Unchanged. Guidance is 4-5% constant currency; a firm peer data point supports the timing reading but is not IBM evidence.
Valuation	18%		6/10	6/10	Unchanged. 17.7x forward against 18.1x, but on a ten-year yield 30 basis points higher; implied upside is the same 6.3%.
Risk (10 = lowest risk)	10%		5/10	5/10	Unchanged. A further law-firm notice repeats the July event without a filed complaint; discount-rate risk is higher.
Technical Setup	6%		4/10	5/10	Down from 5. The \$227-\$242 range broke lower, the 50-day was lost and price sits below all four averages.

Scored 1-10, where 10 is always best, including Risk. The 23 September report used the same direction, so no restatement was required.
Weighted total computed in code: 64.8 out of 100, against 65.4.

Overall Investment Score: 64.8 / 100

One score moved: Technical Setup falls from 5 to 4 because the range broke lower and the 50-day average was lost. Valuation stays at 6, since a lower multiple was offset by a higher risk-free rate and the implied upside did not change. No development moved a score: Bob is unsized, and the quantum foundry was already reflected in Competitive Advantage.

Recommendation

Rating: WATCHLIST, unchanged. The previous report said a pullback into \$210 to \$220 with the thesis intact would make IBM a Buy. The shares closed at \$219.93, a few cents inside the band, and the thesis is intact. This report does not upgrade because the band was reached alongside the one condition that report said would not change the rating, a higher discount rate, and the price was back above it within a day. At \$225.62, IBM offers 6.3% to a weighted fair value that has itself fallen, plus a 3.00% dividend, against a risk-free 5.24%. That is a thin premium for an equity with a binary result thirteen trading days away.

The buy zone stays at **\$210 to \$220**, 16.4 to 17.2 times forward earnings, and it is meant for use after 21 October unless the price returns to it first. Before results, entry carries the deferred-deal outcome in full, and a miss could gap the shares through the \$199.19 July low. After results, the zone applies only if the deferred deals are shown to have closed broadly as guided. A clean third quarter that confirms deal closures and Software at the high end of 6-8% would justify a Buy without a lower price, with entry, stop and targets set at that point. No entry, stop or target is published under this rating.

Condition	Direction	Why it changes the view
The 21 October report confirms deferred deals closed and Software tracking to the high end of 6-8%	Toward Buy	The cleanest confirmation available
A return to \$210-\$220 after results with the thesis intact	Toward Buy	16.4-17.2x forward is a different proposition from 17.7x
Transaction processing and IBM Z improving sequentially	Toward Buy	The lines that broke in Q2

Condition	Direction	Why it changes the view
The 21 October report shows the remaining deferred deals did not close	Toward Avoid	The timing story becomes a demand story
A second cut to Software guidance	Toward Avoid	July becomes the first data point, not the whole event
An investigation becomes a filed class action with specific allegations, or a decisive break below \$199.19	Toward Avoid	Escalation of legal or price risk
Anderon names external customers or IBM quantifies a revenue path	Toward Buy (bull case)	Moves quantum into the base case
Long yields keep rising alongside further Fed tightening	Lower fair value	A discount-rate effect, not a business effect
Long yields retreat as the Fed signals a pause	Higher fair value	The compression was mechanical and can reverse

Macro rows are directional. Price levels come from the forward-multiple band and the July low.

Final Verdict

Would an investor put new money into IBM today? Not yet, and for the same narrow reason as three weeks ago. Nothing about the business has deteriorated: free cash flow of \$13.79bn covers the dividend more than twice, guidance has not been touched since July, and the largest peer in IT services has just reported record bookings. The single biggest concern is still whether the deals that slipped out of the second quarter came back, and the answer arrives on 21 October. What has changed is the price of waiting. The band this coverage named was reached during a bond-market sell-off, which shows it is a realistic level rather than a hopeful one, and the higher risk-free rate means the margin of safety it offers is worth more than it was. A Buy is one clean quarter, or one more visit to \$210 to \$220 after results, away. No development decided this answer.

Sources

- Company: IBM Form 8-K filed 1 October 2026 (items 5.02, 5.03, 9.01) and Exhibit 3.2 (sec.gov); second-quarter 2026 results release, 22 July 2026; newsroom releases of 16, 24 and 30 September and 1 October 2026 (newsroom.ibm.com); 3Q 2026 earnings event page (ibm.com/investor)
- Director Form 4 filings of 1 October 2026 (sec.gov)
- Accenture fourth-quarter fiscal 2026 earnings release, 1 October 2026 (investor.accenture.com)
- Hagens Berman investigation notice, 1 October 2026 (PR Newswire); HSBC rating of 14 July 2026 as reported by The Fly
- Price of record: Alpha Vantage global quote, 1 October 2026. Technicals: Twelve Data daily series of 300 completed sessions to 1 October 2026, computed in code
- Consensus, estimates, short interest and statistics: StockAnalysis.com (S&P Global), 2 October 2026. Ratings and notices: moomoo news, notice and research channels, 2 October 2026
- Macro: Beating The Bull economic data posts of 4, 11, 16, 17, 23, 24, 29 and 30 September and 1 October 2026
- Institutional positioning: Q2 2026 13F holdings read, quarter ended 30 June 2026, filings through 19 August 2026
- Earnings call of 22 July 2026: as reviewed for earlier reports; no call has taken place since

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