1Q 2026 Earnings

April 22, 2026
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IBM

Forward-looking statements and non-GAAP information

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In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and presentation materials, certain non-GAAP information including operating earnings and other "operating" financial measures, free cash flow, net cash from operating activities excluding IBM Financing receivables, adjusted EBITDA, adjusted EBITDA margin and adjustments for currency. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K submitted to the SEC on April 22, 2026. The reconciliation of non-GAAP information to GAAP is included in the press release within Exhibit 99.1 to the company's Form 8-K submitted to the SEC on April 22, 2026, and in this presentation on the slides entitled "Non-GAAP supplemental materials".

To provide better transparency, from time to time the company may discuss management performance metrics including annual recurring revenue, Red Hat annual bookings, GenAI book of business, Consulting signings, book-to-bill and backlog. The metrics are used to monitor the performance of the business and are viewed as useful decision-making information for management and stakeholders. The rationale for management's use of these performance metrics and their calculation, are included in Exhibit 99.2 to the company's Form 8-K submitted to the SEC on April 22, 2026, or in the Management Discussion section of the company's 2025 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 24, 2026. For other related information please visit the Company's investor relations website at:

https://www.ibm.com/investor/events/earnings-1q26

Arvind Krishna
Chairman, President and
Chief Executive Officer

James Kavanaugh
SVP, Finance & Operations
and Chief Financial Officer

CEO perspective

"The first quarter was a strong start to the year with broad-based revenue growth across our segments. These results reflect the integrated value of our portfolio and the trust clients put in us to improve their operations. As clients scale use cases, AI continues to be a tailwind for our global business. IBM products and services are helping clients orchestrate, deploy and govern AI across hybrid environments.

Given this strong start, we continue to expect more than 5 percent constant currency revenue growth and an increase of about $1 billion in year-over-year free cash flow in 2026."

Arvind Krishna
IBM Chairman, President and CEO

Financial highlights

1Q26

$15.9B
Revenue

$2.2B
Free cash flow

"Our solid revenue growth, portfolio mix and productivity initiatives drove double-digit profit and free cash flow growth in the quarter.

The durability of our portfolio combined with our disciplined execution continues to give us the financial flexibility needed to both invest in our business and return value to shareholders through our dividend."

James Kavanaugh
IBM SVP & CFO

6%
Revenue growth yr/yr

13%
Free cash flow growth

~170bps
Adjusted EBITDA margin expansion

17%
Adjusted EBITDA growth

140bps
Pre-tax margin expansion (operating)

19%
Diluted EPS growth (operating)

Revenue growth rates @CC

Software

Solid recurring base; ARR of $24.6B, +10% yr/yr

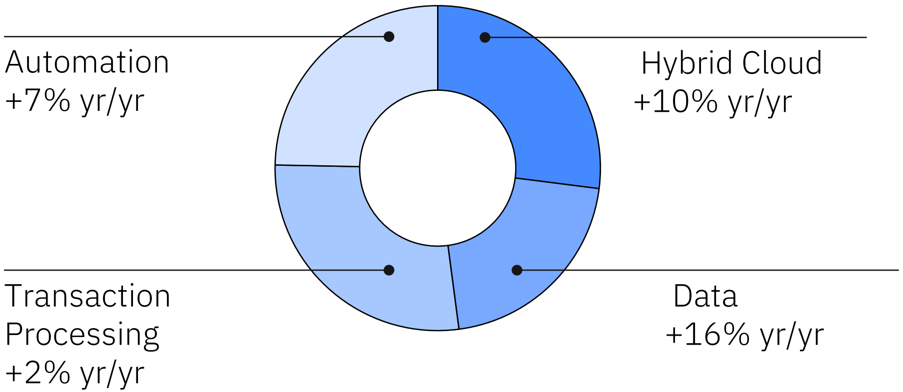
Data growth of 16% driven by organic strength; early closing of Confluent

Red Hat growth accelerated to 10% yr/yr; OpenShift ARR now $2B

Segment profit margin expansion of over 60bps

$7.1B	+8%
Revenue	Revenue growth

Revenue categories-1Q26



1Q26 results; revenue & ARR growth rates @CC, ARR includes annualized March 2026 Confluent revenue

Infrastructure

Broad-based Hybrid Infrastructure growth driven by AI-enabled platform demand

Record first quarter revenue for IBM Z as z17 continues to outperform prior cycles

Distributed Infrastructure performance reflects strength in both Power and storage

Significant gross and segment profit margin expansion

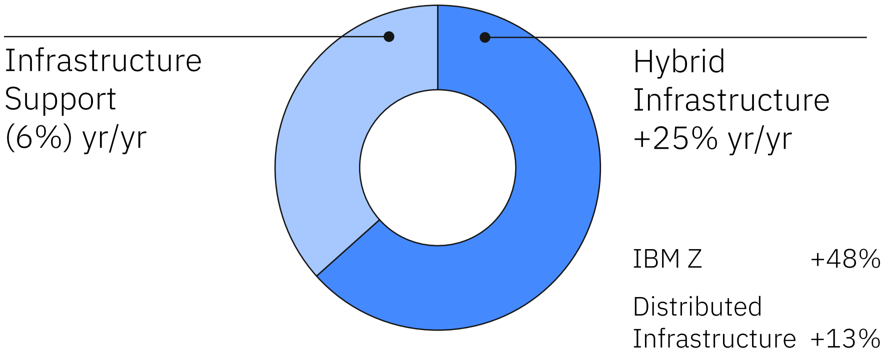
$3.3B

Revenue

+12%

Revenue growth

Revenue categories-1Q26



1Q26 results; revenue growth rates @CC

Consulting

Revenue momentum continues, driven by enterprise demand for AI and modernization

Signings returned to growth with strength across large transformational offerings

Generative AI embedded across engagements, representing about 30% of our backlog

Asset-led delivery model supporting productivity and margin discipline

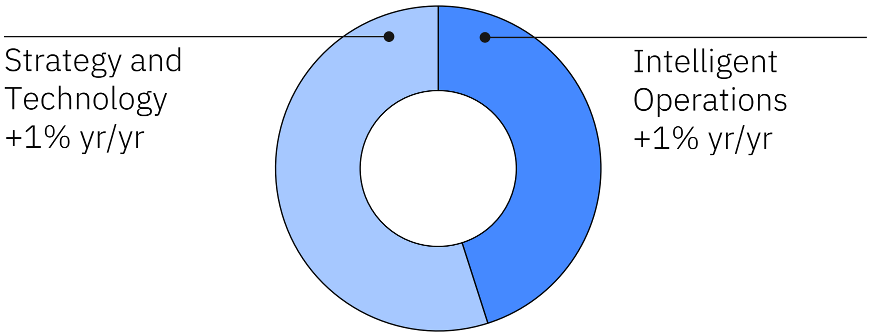
$5.3B

Revenue

+1%

Revenue growth

Revenue categories-1Q26



1Q26 results; revenue growth rates @CC

Summary

1Q26 Summary

Strong start to the year with durable revenue growth and accelerating pre-tax* margin expansion ahead of expectations

Productivity, revenue scale, and mix drove 17% adjusted EBITDA and 19% diluted EPS* growth

Generated $2.2 billion of free cash flow, the highest first quarter free cash flow margin in reported history

Productivity initiatives enabling accelerating investment in innovation across AI and Quantum

Strong liquidity position and solid investment grade balance sheet; committed to disciplined capital allocation

2026 Expectations

Maintaining full year guidance of sustained 5%+ revenue growth

Software revenue now expected to grow 10% plus

Operating PTI margin to expand by about a point, despite early closing of Confluent

On track to achieve $5.5 billion of productivity run rate savings exiting 2026, a key enabler of our margin expansion

Continue to expect free cash flow up about $1 billion year over year, growing high single digits

*Pre-tax margin & diluted EPS – operating
Revenue growth rates @CC

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Supplemental material

Revenue and P&L highlights

Adjusted EBITDA performance

Cash flow and balance sheet highlights

Currency impact on revenue growth

Software & Infrastructure segment details

Consulting segment details

Expense summary

Balance sheet summary

Free cash flow summary

Statement of cash flows

Software segment categories

Consulting segment categories

Infrastructure segment categories

Non-GAAP supplemental materials

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

Revenue and P&L highlights

Revenue highlights	1Q26	B/(W) Yr/Yr
Revenue	$15.9	6%
Americas	$7.9	8%
Europe/ME/Africa	$5.2	5%
Asia Pacific	$2.8	2%

Operating P&L highlights $	1Q26	B/(W) Yr/Yr
Gross profit	$9.2	12%
Expense	$7.1	(9%)
Pre-tax income	$2.1	23%
Net income	$1.8	20%
Earnings per share	$1.91	19%
Adjusted EBITDA	$4.0	17%

Operating P&L highlights %	1Q26	B/(W) Yr/Yr
Gross profit margin	57.7%	1.1 pts
Expense E/R	44.3%	0.3 pts
Pre-tax income margin	13.4%	1.4 pts
Net income margin	11.4%	1.0 pts
Tax rate	14.5%	(1.7 pts)

Revenue growth rates @CC, $ in billions

Adjusted EBITDA performance

	1Q26	Yr/Yr
Operating (non-GAAP) pre-tax income from continuing operations	$2.1	$0.4
Net interest expense	$0.3	$0.1
Depreciation/amortization of non-acquired intangible assets	$0.7	$0.0
Stock-based compensation	$0.5	$0.1
Workforce rebalancing charges	$0.3	$0.0
Corporate (gains) and charges*	$0.0	$0.0
Adjusted EBITDA	$4.0	$0.6

$ in billions
*Mainly consists of unique corporate actions such as gains on divestitures and asset sales

Cash flow and balance sheet highlights

Cash flow	1Q26	Yr/Yr
Net cash from operations*	$2.6	$0.3
Free cash flow**	$2.2	$0.3

Select uses of cash	1Q26	Yr/Yr
Net capital expenditures	$0.4	$0.1
Acquisitions	$10.5	$3.4
Dividends	$1.6	$0.0

Balance sheet	Mar 26	Dec 25	Mar 25
Cash & marketable securities	$11.8	$14.5	$17.6
Total debt	$66.4	$61.3	$63.3

Select debt measures	Mar 26	Dec 25	Mar 25
IBM Financing debt	$12.8	$15.1	$10.0
Core (non-IBM Financing) debt	$53.5	$46.2	$53.3

$ in billions
*Non-GAAP financial measure; excludes Financing receivables
**Non-GAAP financial measure; adjusts for Financing receivables and net capital expenditures

Currency impact on revenue growth

Quarterly averages per US $	1Q26	Yr/Yr	Spot Assumed*	2Q26	3Q26	4Q26	FY26
Euro	0.85	10%	0.85	3%	1%	1%	4%
Pound	0.74	7%	0.74	1%	0%	2%	2%
Yen	156.81	(3%)	159.32	(10%)	(8%)	(3%)	(6%)
Revenue impact, future @assumed spot*				0-0.5 pts	~(0 pts)	~0.5 pts	0.5-1 pts
Prior view		~3 pts		~0 pts	~(1 pts)	~0 pts	~0.5 pts

	US $B	Yr/Yr
Revenue as reported	$15.9	9%
Currency impact	$0.5	3. 4 pts
Revenue @CC		6%

*Spot Rates as of April 21, 2026

Software & Infrastructure segment details

Software segment	1Q26	B/(W) Yr/Yr
Revenue	$7.1	8%
Hybrid Cloud	$1.9	10%
Automation	$1.7	7%
Data	$1.5	16%
Transaction Processing	$1.9	2%
Segment profit	$2.1	14%
Segment profit margin	29.8%	0.6 pts
Annual recurring revenue	$24.6	10%

Infrastructure segment	1Q26	B/(W) Yr/Yr
Revenue	$3.3	12%
Hybrid Infrastructure	$2.1	25%
IBM Z		48%
Distributed Infrastructure		13%
Infrastructure Support	$1.2	(6%)
Segment profit	$0.5	112%
Segment profit margin	15.8%	7.2 pts

$ in billions
Revenue & ARR growth rates @CC, ARR includes annualized March 2026 Confluent revenue

Consulting segment details

Consulting segment	1Q26	B/(W) Yr/Yr
Revenue	$5.3	1%
Strategy and Technology	$2.9	1%
Intelligent Operations	$2.4	1%
Gross profit margin	27.5%	0.2 pts
Segment profit	$0.6	(0.1%)
Segment profit margin	10.6%	(0.4 pts)
Signings	$5.4	6%
Book-to-bill ratio (TTM)	1.04	

Revenue & signings growth rates @CC, $ in billions

Expense summary

Expense	1Q26	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
Operating expense & other income	$7.1	(9%)	(4 pts)	(4 pts)	(1 pts)
SG&A – operating	$4.7	(3%)	(3 pts)	(3 pts)	2 pts
R&D – operating	$2.2	(12%)	(1 pts)	(5 pts)	(5 pts)
IP and custom development income	($0.2)	(32%)			
Other (income)/expense - operating	($0.1)	(48%)			
Interest expense	$0.5	(4%)			

$ in billions
*Includes acquisitions in the last twelve months net of non-operating acquisition-related charges and includes impact of closed divested businesses
**Represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures

Balance sheet summary

	Mar 26	Dec 25	Mar 25
Cash & marketable securities	$11.8	$14.5	$17.6
Core (non-IBM Financing) assets*	$130.2	$120.4	$116.8
IBM Financing assets	$14.2	$17.0	$11.3
Total assets	$156.2	$151.9	$145.7
Other liabilities	$56.8	$57.9	$55.4
Core (non-IBM Financing) debt*	$53.5	$46.2	$53.3
IBM Financing debt	$12.8	$15.1	$10.0
Total debt	$66.4	$61.3	$63.3
Total liabilities	$123.2	$119.1	$118.7
Equity	$33.1	$32.7	$27.0

$ in billions
*Includes eliminations of inter-company activity

Free cash flow summary

	QTD 1Q26	B/(W) Yr/Yr
Net cash from operations	$5.2	$0.8
Less: IBM Financing receivables	$2.6	$0.5
Net cash from operations (excluding IBM Financing receivables)	$2.6	$0.3
Net capital expenditures	($0.4)	($0.1)
Free cash flow (excluding IBM Financing receivables)	$2.2	$0.3

$ in billions

Statement of cash flows

	1Q26	1Q25
Net income	$1.2	$1.1
Depreciation*	$0.6	$0.5
Amortization of capitalized software and acquired intangible assets	$0.7	$0.6
Stock-based compensation	$0.5	$0.4
Net (gain)/loss on divestitures, asset sales and other	($0.0)	($0.0)
Changes in operating assets and liabilities, net of acquisitions/divestitures	$2.2	$1.8
Net cash provided by Operating Activities	$5.2	$4.4
Payments for property, plant and equipment	($0.2)	($0.2)
Proceeds from disposition of property, plant and equipment/other	$0.0	$0.1
Investment in software	($0.2)	($0.2)
Purchases of marketable securities and other investments	($1.6)	($6.5)
Proceeds from disposition of marketable securities and other investments	$2.0	$0.9
Acquisition of businesses, net of cash acquired	($10.5)	($7.1)
Divestiture of businesses, net of cash transferred	$0.0	($0.0)
Net cash provided by/(used in) investing activities	($10.5)	($13.0)
Proceeds from new debt	$7.4	$8.4
Payments to settle debt	($2.9)	($1.3)
Short-term borrowings/(repayments) less than 90 days — net	($0.0)	($0.0)
Common stock repurchases for tax withholdings	($0.3)	($0.3)
Proceeds from issuance of shares	$0.2	$0.2
Financing — other	($0.0)	($0.0)
Cash dividends paid	($1.6)	($1.5)
Net cash provided by/(used in) financing activities	$2.7	$5.4
Effect of exchange rate changes on cash, cash equivalents and restricted cash	($0.2)	$0.2
Net change in cash, cash equivalents & restricted cash	($2.8)	($3.0)

Aligned with the Consolidated Statement of Cash Flows in the 10-Q

$ in billions

*Includes operating lease right-of-use assets amortization

Software segment categories

Revenue categories

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

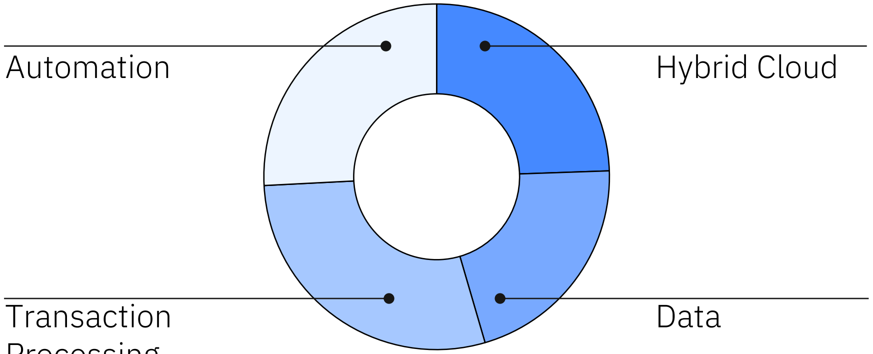
Hybrid Cloud
incl. RHEL, OpenShift, Ansible, Red Hat AI

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

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

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

Revenue categories – FY 2025



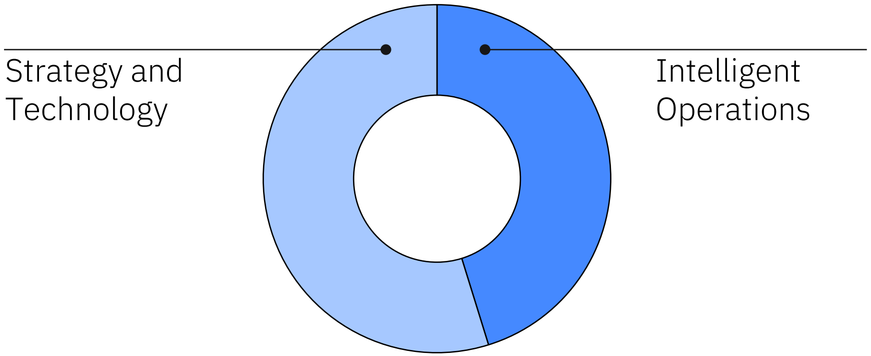
Consulting segment categories

Revenue categories

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

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

Revenue categories – FY 2025



Infrastructure segment categories

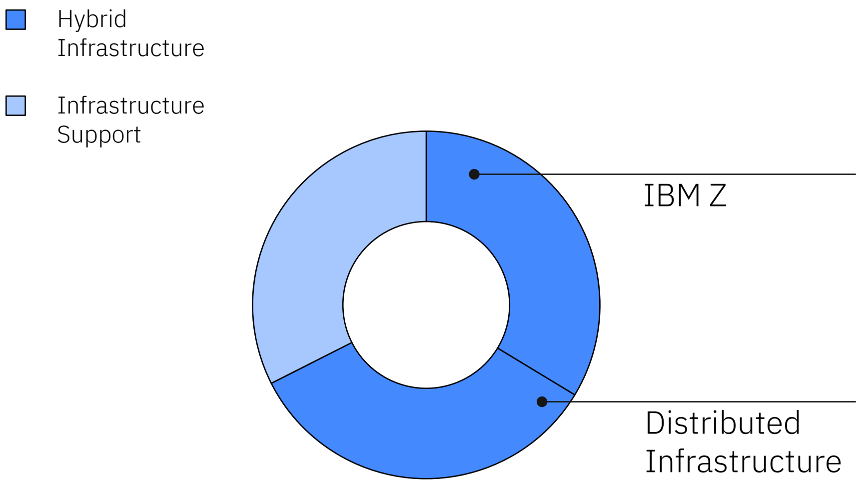
Revenue categories

Hybrid Infrastructure
Innovative infrastructure platforms to help meet the new requirements of hybrid multi-cloud and enterprise AI workloads leveraging flexible and as-a-service consumption models:

- IBM Z: incl. hardware and operating system
- Distributed Infrastructure: incl. Power hardware and operating system, storage hardware, IBM Cloud IaaS, OEM asset recovery service

Infrastructure Support
Comprehensive, proactive and AI enabled services to maintain and improve the availability and value of clients' IT infrastructure (hardware and software) both on-premises and in the cloud incl. maintenance for IBM products and other technology platforms

Revenue categories – FY 2025



Non-GAAP supplemental materials

Reconciliation of revenue performance – 1Q 2026

	1Q26 Yr/Yr	
	GAAP	@CC
Total revenue	9%	6%
Americas	9%	8%
Europe/ME/Africa	15%	5%
Asia Pacific	1%	2%

The above reconciles the non-GAAP financial information contained in the “Financial highlights”, “Revenue and P&L highlights”, and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – 1Q 2026

	1Q26 Yr/Yr	
	GAAP	@CC
Software	11%	8%
Hybrid Cloud	13%	10%
Automation	10%	7%
Data	19%	16%
Transaction Processing	6%	2%
ARR	13%	10%

	1Q26 Yr/Yr	
	GAAP	@CC
Consulting	4%	1%
Strategy and Technology	4%	1%
Intelligent Operations	4%	1%
Infrastructure	15%	12%
Hybrid Infrastructure	28%	25%
IBM Z	51%	48%
Distributed Infrastructure	17%	13%
Infrastructure Support	(2%)	(6%)

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software & Infrastructure segment details – 1Q 2026”, “Consulting segment details – 1Q 2026” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary – 1Q 2026

	1Q26		
	GAAP	Non-GAAP adjustments	Operating (non-GAAP)
SG&A			
Currency	(3 pts)	0 pts	(3 pts)
Acquisitions/divestitures	(2 pts)	0 pts	(3 pts)
Base*	1 pts	1 pts	2 pts
R&D			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions/divestitures	(5 pts)	0 pts	(5 pts)
Base*	(5 pts)	0 pts	(5 pts)
Operating expense & other income			
Currency	(4 pts)	0 pts	(4 pts)
Acquisitions/divestitures	(3 pts)	0 pts	(4 pts)
Base*	(3 pts)	2 pts	(1 pts)

*Represents the percentage change after excluding the impact of currency translation & hedges, acquisitions and divestitures

The above reconciles the non-GAAP financial information contained in the “Expense summary” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations – 1Q 2026

	1Q26				
	GAAP	Acquisition-related adjustments	Retirement-related adjustments	Tax reform impacts	Operating (non-GAAP)
Gross profit	$8,950	$237	—	—	$9,187
Gross profit margin	56.2%	1.5 pts	—	—	57.7%
SG&A	5,089	(408)	—	—	4,682
Other (income) & expense	(1)	—	(96)	—	(98)
Total expense & other (income)	7,562	(409)	(96)	—	7,057
Pre-tax income	1,387	646	96	—	2,129
Pre-tax income margin	8.7%	4.1 pts	0.6 pts	—	13.4%
Effective tax rate	12.4%	2.7 pts	(0.4 pts)	(0.2 pts)	14.5%
Income from cont. ops.	1,216	508	94	4	1,821
Income margin from cont. ops.	7.6%	3.2 pts	0.6 pts	0.0 pts	11.4%
Diluted earnings per share	$1.28	$0.53	$0.10	$0.00	$1.91

$ in millions (except EPS which is in whole dollars)

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights”, “Expense summary” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of GAAP net income to adjusted EBITDA

	1Q26	Yr/Yr
Net income as reported (GAAP)	$1.2	$0.2
Less: income/(loss) from discontinued operations, net of tax	$0.0	$0.0
Income from continuing operations	$1.2	$0.2
Provision for/(benefit from) income taxes from continuing operations	$0.2	$0.1
Pre-tax income from continuing operations (GAAP)	$1.4	$0.2
Non-operating adjustments (before tax)		
Acquisition-related charges*	$0.6	$0.1
Non-operating retirement-related costs/(income)	$0.1	$0.1
Operating (non-GAAP) pre-tax income from continuing operations	$2.1	$0.4
Net interest expense	$0.3	$0.1
Depreciation/amortization of non-acquired intangible assets	$0.7	$0.0
Stock-based compensation	$0.5	$0.1
Workforce rebalancing charges	$0.3	$0.0
Corporate (gains) and charges**	$0.0	$0.0
Adjusted EBITDA	$4.0	$0.6
Revenue	$15.9	9%
GAAP net income margin	8%	0.4 pts
Adjusted EBITDA margin	25%	1.7 pts

$ in billions

*Primarily consists of amortization of acquired intangible assets

**Primarily consists of unique corporate actions such as gains on divestitures and asset sales

The above reconciles the non-GAAP financial information contained in the “Summary”, “Financial highlights”, “Revenue and P&L highlights", “Adjusted EBITDA performance” and "Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of net cash from operations to adjusted EBITDA

	1Q26	1Q25
Net cash provided by operating activities	$5.2	$4.4
Add:		
Net interest expense	$0.3	$0.3
Provision for/(benefit from) income taxes from continuing operations	$0.2	$0.1
Less change in:		
Financing receivables	$2.6	$2.1
Net (gain)/loss on divestitures, asset sales and other*	$0.0	$0.0
Other assets and liabilities/other, net*,**	($0.9)	($0.7)
Adjusted EBITDA	$4.0	$3.4
Revenue	$15.9	$14.5
Net cash provided by operating activities margin	32%	30%
Adjusted EBITDA margin	25%	23%

$ in billions
*Aligned with the Consolidated Statement of Cash Flows in the 10-Q
**Mainly consists of Changes in operating assets and liabilities, net of acquisitions/divestitures in the “Statement of Cash Flows” discussion, workforce rebalancing charges, non-operating impacts and corporate (gains) and charges, less Financing receivables

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of pre-tax income margin – 2Q 2026 expectations

Pre-tax income margin	GAAP B/(W)	Operating (non-GAAP) B/(W)
Pre-tax income margin Yr/Yr	~(1 pt)	~0.5 pt

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation.
See Exhibit 99.2 included in the company’s Form 8-K dated April 22, 2026, for additional information on the use of this non-GAAP financial measure. The reconciliation of IBM’s FY operating pre-tax income guidance to GAAP is included in the company’s 4Q 2025 earnings charts posted at https://www.ibm.com/investor/financial-reporting.

ibm.com/investor