

4Q 2024 Earnings



Forward-looking statements and non-GAAP information

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM website, or from IBM Investor Relations. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements except as required by law; these charts and the associated remarks and comments are integrally related and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and presentation materials, certain non-GAAP information including operating earnings and other "operating" financial measures, free cash flow, net cash from operating activities excluding IBM Financing receivables,

adjusted EBITDA and adjustments for currency. The rationale for management's use of this non-GAAP information is included as Exhibit 99.2 to the company's Form 8-K submitted to the SEC on January 29, 2025. The reconciliation of non-GAAP information to GAAP is included in the press release within Exhibit 99.1 to the company's Form 8-K submitted to the SEC on January 29, 2025, as well as on the slides entitled "Non-GAAP supplemental materials" in this presentation.

To provide better transparency, the company also discusses management performance metrics including annual recurring revenue, annual bookings, signings, and book-to-bill. The metrics are used to monitor the performance of the business and are viewed as useful decision-making information for management and stakeholders. The rationale for management's use of these performance metrics and their calculation, as well as other information including the definition of book of business, are included in Exhibit 99.2 to the company's Form 8-K submitted to the SEC on January 29, 2025, or in the Management Discussion section of the company's 2023 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 26, 2024. For other related information please visit the Company's investor relations website at:

<https://www.ibm.com/investor/events/earnings-4Q24>



Arvind Krishna

Chairman, President and
Chief Executive Officer



James Kavanaugh

SVP, Finance & Operations
and Chief Financial Officer

CEO perspective

“We closed the year with double-digit revenue growth in Software for the quarter, led by further acceleration in Red Hat. Clients globally continue to turn to IBM to transform with AI. Our generative AI book of business now stands at more than \$5 billion inception-to-date, up nearly \$2 billion quarter over quarter.

Three years ago, we laid out a vision for a faster-growing, more profitable IBM. I’m proud of the work the IBM team has done to meet or exceed our commitments. With our focused strategy, enhanced portfolio, and culture of innovation, we’re well-positioned for 2025 and beyond and expect revenue growth of at least five percent and free cash flow of about \$13.5 billion this year.”

Arvind Krishna

IBM Chairman, President and CEO



4Q24 Performance



Generative AI



Investments, innovation
and clients

Financial highlights

4Q24

\$17.6B

Revenue 2% growth

FY24

\$62.8B

Revenue 3% growth

“With strong performance across our Software portfolio, we continue to drive solid fundamentals within our business.

As a result, we generated \$12.7 billion in free cash flow, far-outpacing our expectation for the year. Continued strength in operating profitability and free cash flow fuels our ability to invest for the future while returning value to shareholders through dividends.”

James Kavanaugh
IBM SVP & CFO

\$12.7B

FY free cash flow

\$1.5B

FY free cash flow yr/yr

130bps

FY gross margin expansion
(operating)

120bps

FY pre-tax margin expansion
(operating)

9%

FY pre-tax income growth
(operating)

7%

FY diluted EPS growth
(operating)

Software

Growth accelerated to 11% including ~8 points of organic contribution

Red Hat revenue growth +17%, OpenShift ARR of \$1.4B, growing ~25%

Solid recurring revenue base; ARR* of \$15.3 billion, +11% yr/yr

Exceeded Rule of 40

4Q24 results; revenue growth rates @CC

*Annual recurring revenue for Hybrid Platform & Solutions, growth rate @CC

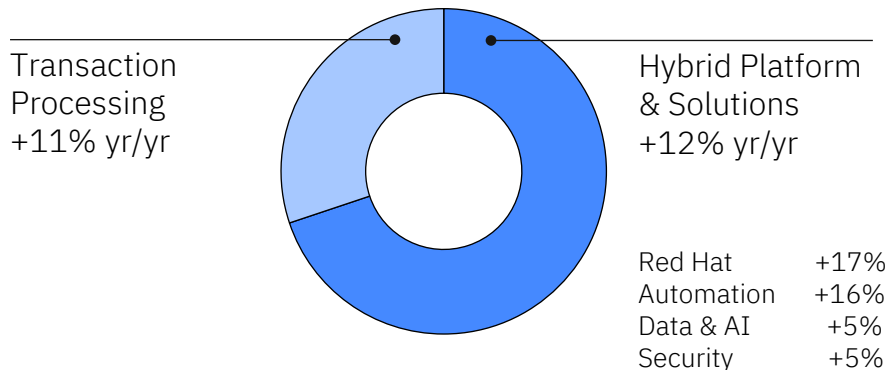
+11%

4Q24 revenue growth
\$7.9B revenue

+9%

FY24 revenue growth
\$27.1B revenue

Revenue categories-4Q24



Consulting

Broad-based signings growth driven by demand for digital transformations

Continued momentum in generative AI bookings, greater than \$4B inception-to-date

Book-to-bill ratio 1.21 for the last year

Client reprioritization and spend constraints impacting revenue yield

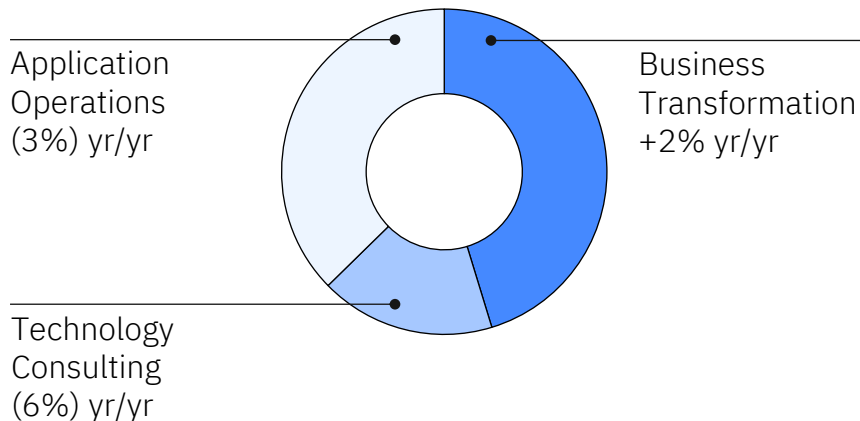
(1%)

4Q24 revenue growth
\$5.2B revenue

+1%

FY24 revenue growth
\$20.7B revenue

Revenue categories-4Q24



Infrastructure

Infrastructure performance reflects product cycle dynamics

z16 our most successful program in history

Distributed Infrastructure reflects double-digit growth in storage

Ongoing investment in innovation

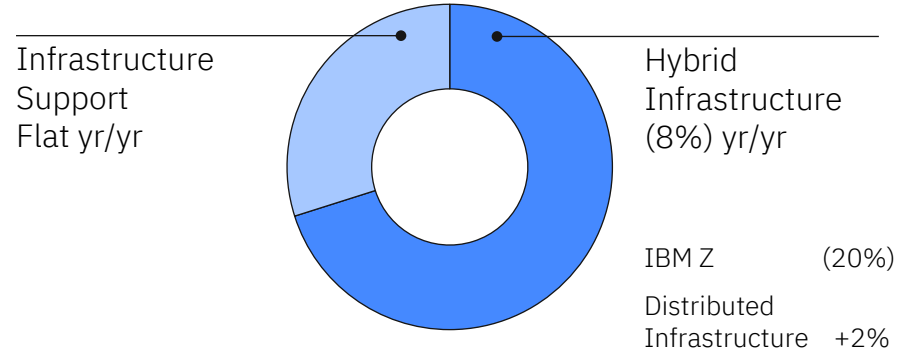
(6%)

4Q24 revenue growth
\$4.3B revenue

(3%)

FY24 revenue growth
\$14.0B revenue

Revenue categories-4Q24



Summary

2024 Summary

Met or exceeded mid-term model target metrics for revenue growth, profitability & free cash flow growth

Software growth accelerated to 9% in 2024, and represents ~45% of our business

Productivity enabling investments in innovation, driving strong organic growth

Generative AI book of business greater than \$5 billion inception-to-date

Free cash flow of \$12.7 billion; highest reported free cash flow margin in history

2025 Expectations

Revenue growth @CC inflecting higher to 5%+

Acceleration in growth across all our segments

Operating pre-tax operating margin to expand by over half a point

Full-year free cash flow ~\$13.5 billion

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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

Cash flow (ASC 230)

Revenue and P&L highlights – FY 2024

Software & Infrastructure segment details – FY 2024

Consulting segment details – FY 2024

Expense summary – FY 2024

Retirement-related summary

Software segment categories

Consulting segment categories

Infrastructure segment categories

Non-GAAP supplemental materials

Revenue and P&L highlights

Revenue highlights	4Q24	B/(W) Yr/Yr
Revenue	\$17.6	2%
Americas	\$8.5	(3%)
Europe/ME/Africa	\$5.8	10%
Asia Pacific	\$3.2	3%

Operating P&L highlights \$	4Q24	B/(W) Yr/Yr
Gross profit	\$10.6	2%
Expense	\$6.4	(1%)
Pre-tax income	\$4.3	2%
Net income	\$3.7	3%
Earnings per share	\$3.92	1%

Adjusted EBITDA	\$5.6	2%
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Operating P&L highlights %	4Q24	B/(W) Yr/Yr
Gross profit margin	60.6%	0.5 pts
Expense E/R	36.2%	(0.1 pts)
Pre-tax income margin	24.3%	0.4 pts
Net income margin	21.0%	0.4 pts
Tax rate	13.6%	0.3 pts

Adjusted EBITDA performance

	4Q24	Yr/Yr	FY24	Yr/Yr
Operating (non-GAAP) pre-tax income from continuing operations	\$4.3	\$0.1	\$11.2	\$0.9
Net interest expense	\$0.3	\$0.0	\$1.0	\$0.0
Depreciation/Amortization of non-acquired intangible assets	\$0.7	(\$0.0)	\$2.8	\$0.1
Stock-based compensation	\$0.3	\$0.1	\$1.3	\$0.2
Workforce rebalancing charges	(\$0.0)	(\$0.0)	\$0.7	\$0.3
Corporate (gains) and charges*	(\$0.0)	(\$0.0)	(\$0.6)	(\$0.6)
Adjusted EBITDA	\$5.6	\$0.1	\$16.4	\$0.9

\$ in billions

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

Cash flow and balance sheet highlights

Cash flow	FY24	Yr/Yr
Net cash from operations*	\$13.9	\$1.2
Free cash flow**	\$12.7	\$1.5

Select uses of cash	FY24	Yr/Yr
Net capital expenditures	\$1.1	(\$0.4)
Acquisitions	\$3.3	(\$1.8)
Dividends	\$6.1	\$0.1

Balance sheet	Dec 24	Dec 23
Cash & marketable securities	\$14.8	\$13.5
Total debt	\$55.0	\$56.5

Select debt measures	Dec 24	Dec 23
IBM Financing debt	\$12.1	\$11.9
Core (non-IBM Financing) debt	\$42.9	\$44.7

\$ 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 \$	4Q24	Yr/Yr	Spot Assumed	1Q25	2Q25	3Q25	4Q25	FY25
Euro	0.94	(1%)	0.96	(4%)	(3%)	(5%)	(2%)	(4%)
Pound	0.78	3%	0.80	(2%)	(1%)	(5%)	(3%)	(3%)
Yen	153	(3%)	156	(5%)	0%	(4%)	(2%)	(3%)
Revenue impact, future @assumed Spot		(1.2 pts)		(2.5-3 pts)	(1.5-2 pts)	~(3 pts)	(1-1.5 pts)	~(2 pts)
<i>Prior view</i>		~(0.5 pts)		~(1 pts)	~0 pts			(0-1 pts)
	US \$B	Yr/Yr						
Revenue as reported	\$17.6	1%						
Currency impact	(\$0.2)	(1.2 pts)						
Revenue @CC		2%						

Software & Infrastructure segment details

Software segment	4Q24	B/(W) Yr/Yr
Revenue	\$7.9	11%
Hybrid Platform & Solutions	\$5.5	12%
Red Hat		17%
Automation		16%
Data & AI		5%
Security		5%
Transaction Processing	\$2.4	11%
Segment profit	\$3.1	17%
Segment profit margin	39.2%	2.2 pts
Annual recurring revenue*	\$15.3	11%

Infrastructure segment	4Q24	B/(W) Yr/Yr
Revenue	\$4.3	(6%)
Hybrid Infrastructure	\$3.0	(8%)
IBM Z		(20%)
Distributed Infrastructure		2%
Infrastructure Support	\$1.3	Flat
Segment profit	\$1.1	(18%)
Segment profit margin	25.0%	(3.2 pts)

Revenue growth rates @CC, \$ in billions

*Annual recurring revenue for Hybrid Platform & Solutions, growth rate @CC

Consulting segment details

Consulting segment	4Q24	B/(W) Yr/Yr
Revenue	\$5.2	(1%)
Business Transformation	\$2.3	2%
Technology Consulting	\$0.9	(6%)
Application Operations	\$1.9	(3%)
Gross profit margin	28.0%	(0.1 pts)
Segment profit	\$0.6	(7%)
Segment profit margin	11.7%	(0.7 pts)
Signings	\$8.5	23%
Book-to-bill ratio (FY)	1.21	

Expense summary

Expense	4Q24	B/(W) Yr/Yr	Currency	Acq/ Divest*	Base**
Operating expense & other income	\$6.4	(1%)	4 pts	(1 pts)	(4 pts)
SG&A – operating	\$4.6	(1%)	1 pts	(1 pts)	(1 pts)
RD&E	\$2.0	(13%)	0 pts	0 pts	(12 pts)
IP and custom development income	(\$0.3)	24%			
Other (income)/expense - operating	(\$0.3)	83%			
Interest expense	\$0.4	(5%)			

\$ 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

	Dec 24	Dec 23
Cash & marketable securities	\$14.8	\$13.5
Core (non-IBM Financing) assets*	\$108.9	\$107.9
IBM Financing assets	\$13.5	\$13.9
Total assets	\$137.2	\$135.2
Other liabilities	\$54.8	\$56.1
Core (non-IBM Financing) debt*	\$42.9	\$44.7
IBM Financing debt	\$12.1	\$11.9
Total debt	\$55.0	\$56.5
Total liabilities	\$109.8	\$112.6
Equity	\$27.4	\$22.6

\$ in billions

*Includes eliminations of inter-company activity

Free cash flow summary

	4Q24	B/(W) Yr/Yr	FY24	B/(W) Yr/Yr
Net cash from operations	\$4.3	(\$0.1)	\$13.4	(\$0.5)
Less: IBM Financing receivables	(\$2.3)	(\$0.4)	(\$0.4)	(\$1.7)
Net cash from operations (excluding IBM Financing receivables)	\$6.6	\$0.2	\$13.9	\$1.2
Net capital expenditures	(\$0.4)	(\$0.2)	(\$1.1)	\$0.4
Free cash flow (excluding IBM Financing receivables)	\$6.2	\$0.1	\$12.7	\$1.5

Cash flow (ASC230)

	4Q24	4Q23	FY24	FY23
Net income from operations	\$2.9	\$3.3	\$6.0	\$7.5
Pension settlement charges	\$0.4	-	\$3.1	-
Depreciation / amortization of intangibles*	\$1.1	\$1.2	\$4.7	\$4.4
Stock-based compensation	\$0.3	\$0.3	\$1.3	\$1.1
Operating assets and liabilities / other, net**	\$1.8	\$1.6	(\$1.2)	(\$0.3)
IBM Financing A/R	(\$2.3)	(\$1.9)	(\$0.4)	\$1.2
Net cash provided by operating activities	\$4.3	\$4.5	\$13.4	\$13.9
Capital expenditures, net of payments & proceeds***	(\$0.4)	(\$0.3)	(\$1.1)	(\$1.5)
Divestitures, net of cash transferred	(\$0.0)	-	\$0.7	(\$0.0)
Acquisitions, net of cash acquired	(\$0.5)	(\$0.1)	(\$3.3)	(\$5.1)
Marketable securities / other investments, net	(\$0.4)	\$3.2	(\$1.2)	(\$0.5)
Net cash provided by/(used in) investing activities	(\$1.4)	\$2.8	(\$4.9)	(\$7.1)
Debt, net of payments & proceeds	(\$0.1)	(\$0.1)	(\$0.9)	\$4.5
Dividends	(\$1.5)	(\$1.5)	(\$6.1)	(\$6.0)
Financing - other	(\$0.0)	\$0.0	(\$0.1)	(\$0.2)
Net cash provided by/(used in) financing activities	(\$1.7)	(\$1.6)	(\$7.1)	(\$1.8)
Effect of exchange rate changes on cash	(\$0.3)	\$0.1	(\$0.4)	\$0.0
Net change in cash, cash equivalents & restricted cash	\$0.9	\$5.8	\$1.1	\$5.1

\$ in billions

*Includes operating lease right-of-use assets amortization

**FY24 includes a \$0.7B tax effect associated with a one-time, non-cash, U.S. pension settlement charge in 3Q 2024

***FY24 includes proceeds of \$0.4B from the sale of certain QRadar SaaS assets in 3Q 2024

Revenue and P&L highlights – FY2024

Revenue highlights	FY24	B/(W) Yr/Yr
Revenue	\$62.8	3%
Americas	\$31.3	(1%)
Europe/ME/Africa	\$19.4	5%
Asia Pacific	\$12.1	8%

Operating P&L highlights \$	FY24	B/(W) Yr/Yr
Gross profit	\$36.3	4%
Expense	\$25.1	(2%)
Pre-tax income	\$11.2	9%
Net income	\$9.7	9%
Earnings per share	\$10.33	7%

Adjusted EBITDA	\$16.4	6%
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Operating P&L highlights %	FY24	B/(W) Yr/Yr
Gross profit margin	57.8%	1.3 pts
Expense E/R	39.9%	(0.1 pts)
Pre-tax income margin	17.9%	1.2 pts
Net income margin	15.4%	1.1 pts
Tax rate	13.6%	0.4 pts

Software & Infrastructure segment details – FY 2024

Software segment	FY24	B/(W) Yr/Yr
Revenue	\$27.1	9%
Hybrid Platform & Solutions	\$18.8	9%
Red Hat		12%
Automation		15%
Data & AI		2%
Security		1%
Transaction Processing	\$8.3	10%
Segment profit	\$8.7	16%
Segment profit margin	32.1%	2.1 pts

Infrastructure segment	FY24	B/(W) Yr/Yr
Revenue	\$14.0	(3%)
Hybrid Infrastructure	\$8.9	(2%)
IBM Z		(9%)
Distributed Infrastructure		3%
Infrastructure Support	\$5.1	(3%)
Segment profit	\$2.4	(13%)
Segment profit margin	17.5%	(1.9 pts)

Consulting segment details – FY 2024

Consulting segment	FY24	B/(W) Yr/Yr
Revenue	\$20.7	1%
Business Transformation	\$9.3	3%
Technology Consulting	\$3.7	(1%)
Application Operations	\$7.7	(2%)
Gross profit margin	27.0%	0.3 pts
Segment profit	\$2.1	(4%)
Segment profit margin	9.9%	(0.3 pts)
Signings	\$25.1	5%
Book-to-bill ratio	1.21	

Expense summary – FY 2024

Expense	FY24	B/(W) Yr/Yr	Currency	Acq/ Divest**	Base***
Operating expense & other income	\$25.1	(2%)	1 pts	0 pts	(3 pts)
<i>impact of workforce rebalancing</i>	\$0.7	(1 pts)			
SG&A – operating	\$18.5	(3%)	1 pts	(1 pts)	(3 pts)
<i>impact of workforce rebalancing</i>	\$0.7	(1 pts)			
RD&E	\$7.5	(10%)	0 pts	0 pts	(10 pts)
IP and custom development income	(\$1.0)	16%			
Other (income)/expense - operating*	(\$1.7)	91%			
Interest expense	\$1.7	(7%)			

\$ in billions

*Yr/Yr includes a gain of \$0.6B from the sale of certain QRadar SaaS assets (\$0.4B) and Weather (\$0.2B)

**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

Retirement-related summary

Key assumptions and metrics	2023	2024	2025
Funded status at year end*			
US	123%	136%	
WW	111%	116%	
Discount rate at year end			
US	5.0%	5.5%	
WW	4.0%	4.2%	
Expected ROA at prior year end			
US	5.5%	5.0%	5.5%
WW	4.9%	4.9%	5.1%
Actual ROA			
US	4.3%	2.6%	
WW	4.5%	2.0%	

Cost and contributions	2024	Expected 2025
Operating cost	1.0	1.0
Non-operating cost	3.5 **	0.1
Total cost	4.5	1.1
Contributions***	1.3	1.3

\$ in billions

*Qualified defined benefit plans

**2024 results include one-time, non-cash, U.S. and non-U.S pension settlement charges of \$3.1B

*** Includes cash and non-cash contributions; 2024 contributions do not reflect the impact of salary increases related to the 2024 U.S. Retirement Plan changes

Software segment categories

Revenue categories

Hybrid Platform & Solutions

Software, infused with AI, to help clients operate, manage, and optimize their IT resources and business processes within hybrid, multi-cloud environments:

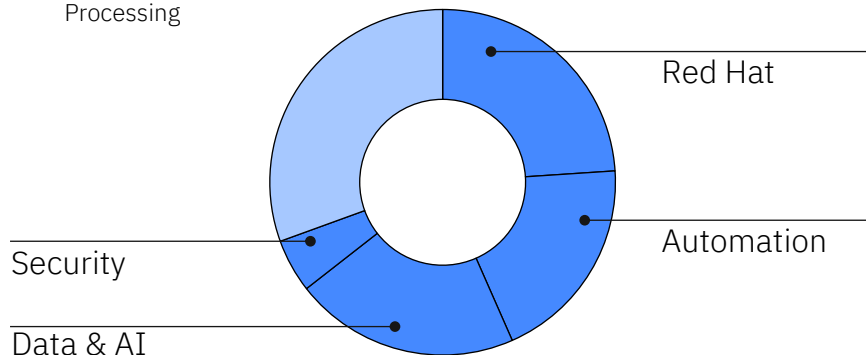
- Red Hat: incl. RHEL, OpenShift, Ansible
- Automation: incl. business automation, AIOps and management, integration, and application servers
- Data & AI: incl. data fabric, customer care, data management, business analytics, dataops & governance, asset & supply chain management, and information exchange
- Security: incl. software for threat, data and identity

Transaction Processing

Software that supports clients' mission-critical on-premise workloads in industries such as banking, airlines and retail incl. transaction processing software such as Customer Information Control System and storage software, and analytics and integration software running on IBM operating systems (e.g., DB2 and WebSphere running on z/OS).

Revenue categories – FY 2024

- Hybrid Platform & Solutions
- Transaction Processing



Consulting segment categories

Revenue categories

Business Transformation

Strategy, process design, system implementation and operations services to improve and transform key business processes.

Deploys AI and automation in business processes to exploit the value of data and includes an ecosystem of partners alongside IBM technology, including strategic partnerships with Adobe, Oracle, Salesforce and SAP, among others.

Technology Consulting

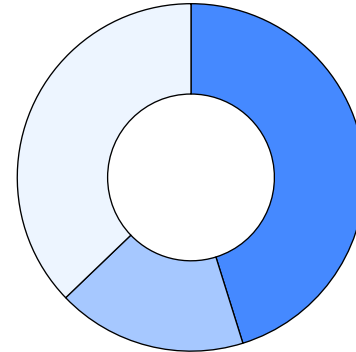
Skills to architect and implement solutions across cloud platforms, including Amazon, Microsoft and IBM, and strategies to transform the enterprise experience and enable innovation, including transformation using AI with watsonx and application modernization for hybrid cloud with Red Hat OpenShift.

Application Operations

Manages, optimizes, orchestrates and secures custom applications and ISV packages for clients. Provides application management, platform engineering, and security services across hybrid cloud environments.

Revenue categories – FY 2024

- Business Transformation
- Technology Consulting
- Application Operations



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:

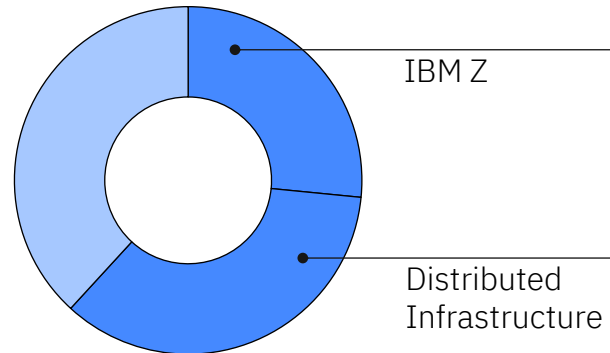
- IBM Z: incl. hardware and operating system
- Distributed Infrastructure: incl. Power hardware and operating system, storage hardware, IBM Cloud IaaS, OEM asset recovery service

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 2024

- Hybrid Infrastructure
- Infrastructure Support



Non-GAAP supplemental materials

Reconciliation of revenue performance – 4Q 2024 & FY 2024

	4Q24 Yr/Yr			FY24 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Total revenue	1%	2%	Total revenue	1%	3%
Americas	(4%)	(3%)	Americas	(1%)	(1%)
Europe/ME/Africa	9%	10%	Europe/ME/Africa	5%	5%
Asia Pacific	1%	3%	Asia Pacific	3%	8%

The above reconciles the non-GAAP financial information contained in the “Financial highlights”, “Revenue and P&L highlights”, “Revenue and P&L highlights – FY 2024” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – 4Q 2024

	4Q24 Yr/Yr			4Q24 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Software	10%	11%	Consulting	(2%)	(1%)
Hybrid Platform & Solutions	11%	12%	Business Transformation	1%	2%
Red Hat	16%	17%	Technology Consulting	(7%)	(6%)
Automation	15%	16%	Application Operations	(4%)	(3%)
Data & AI	4%	5%			
Security	4%	5%	Infrastructure	(8%)	(6%)
Transaction Processing	10%	11%	Hybrid Infrastructure	(10%)	(8%)
			IBM Z	(21%)	(20%)
			Distributed Infrastructure	Flat	2%
			Infrastructure Support	(2%)	Flat

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software & Infrastructure segment details”, “Consulting segment details” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of segment revenue performance – FY 2024

	FY24 Yr/Yr			FY24 Yr/Yr	
	GAAP	@CC		GAAP	@CC
Software	8%	9%	Consulting	(1%)	1%
Hybrid Platform & Solutions	8%	9%	Business Transformation	2%	3%
Red Hat	11%	12%	Technology Consulting	(3%)	(1%)
Automation	14%	15%	Application Operations	(3%)	(2%)
Data & AI	2%	2%			
Security	1%	1%	Infrastructure	(4%)	(3%)
Transaction Processing	9%	10%	Hybrid Infrastructure	(3%)	(2%)
			IBM Z	(10%)	(9%)
			Distributed Infrastructure	2%	3%
			Infrastructure Support	(5%)	(3%)

The above reconciles the non-GAAP financial information contained in the “Software”, “Consulting”, “Infrastructure”, “Software & Infrastructure segment details – FY 2024”, “Consulting segment details – FY 2024” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of expense summary – 4Q 2024 & FY 2024

	4Q24			FY24		
	GAAP	Non-GAAP adjustments	Operating (non-GAAP)	GAAP	Non-GAAP adjustments	Operating (non-GAAP)
SG&A						
Currency	1 pts	0 pts	1 pts	1 pts	0 pts	1 pts
Acquisitions/divestitures	(1 pts)	0 pts	(1 pts)	(1 pts)	0 pts	(1 pts)
Base*	(1 pts)	1 pts	(1 pts)	(3 pts)	1 pts	(3 pts)
RD&E						
Currency	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts
Acquisitions/divestitures	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts
Base*	(12 pts)	0 pts	(12 pts)	(10 pts)	0 pts	(10 pts)
Operating expense & other income						
Currency	4 pts	0 pts	4 pts	1 pts	0 pts	1 pts
Acquisitions/divestitures	(1 pts)	0 pts	(1 pts)	0 pts	0 pts	0 pts
Base*,**	(13 pts)	8 pts	(4 pts)	(17 pts)	14 pts	(3 pts)

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

**2024 results include the impacts of one-time, non-cash, U.S. and non-U.S. pension settlement charges of \$0.4B in 4Q24 and \$3.1B in FY24

The above reconciles the non-GAAP financial information contained in the “Expense summary” and “Expense summary – FY 2024” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures. 33

Non-GAAP supplemental materials

Reconciliation of continuing operations – 4Q 2024

		4Q24			
	GAAP	Acquisition- related adjustments	Retirement- related adjustments*	Tax reform impacts	Operating (non-GAAP)
Gross profit	\$10,439	\$191	—	—	\$10,630
Gross profit margin	59%	1.1 pts	—	—	61%
SG&A	4,866	(305)	—	—	4,561
Other (income) & expense	177	(2)	(467)	—	(291)
Total expense	7,133	(307)	(467)	—	6,359
Pre-tax income	3,306	498	467	—	4,271
Pre-tax income margin	18.8%	2.8 pts	2.7 pts	—	24.3%
Tax rate	11.5%	1.5 pts	0.1 pts	0.5 pts	13.6%
Net income	2,927	375	408	(21)	3,690
Net income margin	16.7%	2.1 pts	2.3 pts	(0.1 pts)	21.0%
Earnings per share	\$3.11	\$0.40	\$0.43	(\$0.02)	\$3.92

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

*2024 results include the impact of a one-time, non-cash, non-U.S. pension settlement charge of \$0.4B

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights”, “Expense summary” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of continuing operations – FY 2024

		FY24			
	GAAP	Acquisition- related adjustments	Retirement- related adjustments*	Tax reform impacts	Operating (non-GAAP)
Gross profit	\$35,551	\$724	—	—	\$36,275
Gross profit margin	56.7%	1.2 pts	—	—	57.8%
SG&A	19,688	(1,159)	—	—	18,529
Other (income) & expense	1,871	(70)	(3,457)	—	(1,656)
Total expense	29,754	(1,229)	(3,457)	—	25,068
Pre-tax income	5,797	1,953	3,457	—	11,207
Pre-tax income margin	9.2%	3.1 pts	5.5 pts	—	17.9%
Tax rate	(3.8%)	5.1 pts	8.2 pts	4.1 pts	13.6%
Net income	6,015	1,456	2,668	(455)	9,684
Net income margin	9.6%	2.3 pts	4.3 pts	(0.7 pts)	15.4%
Earnings per share	\$6.42	\$1.55	\$2.85	(\$0.49)	\$10.33

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

*2024 results include the impacts of one-time, non-cash U.S. and non-U.S pension settlement charges of \$3.1B (\$2.4B net of tax)

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights – FY 2024”, “Expense summary – FY 2024 and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of GAAP net income to adjusted EBITDA

	4Q24	Yr/Yr	FY24	Yr/Yr
Net income as reported (GAAP)*	\$2.9	(\$0.4)	\$6.0	(\$1.5)
Less: income/(loss) from discontinued operations, net of tax	(\$0.0)	(\$0.0)	\$0.0	\$0.0
Income from continuing operations	\$2.9	(\$0.4)	\$6.0	(\$1.5)
Provision for/(Benefit from) income taxes from continuing operations	\$0.4	(\$0.1)	(\$0.2)	(\$1.4)
Pre-tax income from continuing operations (GAAP)	\$3.3	(\$0.5)	\$5.8	(\$2.9)
Non-operating adjustments (before tax)				
Acquisition-related charges**	\$0.5	\$0.1	\$2.0	\$0.3
Non-operating retirement-related costs/(income)*	\$0.5	\$0.5	\$3.5	\$3.5
Operating (non-GAAP) pre-tax income from continuing operations	\$4.3	\$0.1	\$11.2	\$0.9
Net interest expense	\$0.3	\$0.0	\$1.0	\$0.0
Depreciation/Amortization of non-acquired intangible assets	\$0.7	(\$0.0)	\$2.8	\$0.1
Stock-based compensation	\$0.3	\$0.1	\$1.3	\$0.2
Workforce rebalancing charges	(\$0.0)	(\$0.0)	\$0.7	\$0.3
Corporate (gains) and charges***	(\$0.0)	(\$0.0)	(\$0.6)	(\$0.6)
Adjusted EBITDA	\$5.6	\$0.1	\$16.4	\$0.9

\$ in billions

*2024 results include the impacts of one-time, non-cash pension settlement charges in 3Q of \$2.7B (\$2.0B net of tax) in the U.S. and 4Q of \$0.4B in the non-U.S.

**Primarily consists of amortization of acquired intangible assets

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

The above reconciles the non-GAAP financial information contained in the “Revenue and P&L highlights”, “Revenue and P&L highlights – FY 2024”, “Adjusted EBITDA performance” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, 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

	4Q24	4Q23	FY24	FY23
Net cash provided by operating activities	\$4.3	\$4.5	\$13.4	\$13.9
Add:				
Net interest expense	\$0.3	\$0.3	\$1.0	\$0.9
Provision for/(Benefit from) income taxes from continuing operations	\$0.4	\$0.5	(\$0.2)	\$1.2
Less change in:				
Financing receivables	(\$2.3)	(\$1.9)	(\$0.4)	\$1.2
Other assets and liabilities/other, net*	\$1.7	\$1.6	(\$1.8)	(\$0.7)
Adjusted EBITDA	\$5.6	\$5.5	\$16.4	\$15.5

\$ in billions

*Other assets and liabilities/other, net mainly consists of operating assets and liabilities/other, net in the “Cash flow (ASC230)” discussion, workforce rebalancing charges, non-operating impacts and corporate (gains) and charges

The above reconciles the non-GAAP financial information contained in the “Prepared remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of Pre-tax income margin – 1Q 2025 & FY 2025 expectations

Pre-tax income margin Yr/Yr expectations	GAAP B/(W)	Operating (non-GAAP) B/(W)
1Q 2025	~(1 pt)	~ 0.5 pts*
FY 2025	>5 pts	>0.5 pts

*Excludes the effects of The Weather Company gain on sale of ~(2 pts) in 1Q24

The above reconciles the non-GAAP financial information contained in the “Summary” and “Prepared remarks” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the company’s Form 8-K dated January 29, 2025, for additional information on the use of these non-GAAP financial measures.

Non-GAAP supplemental materials

Reconciliation of Mid-term model performance – 3-year revenue CAGR

	3-year compound average revenue growth rate 2022-2024	
	GAAP	@CC
Total Revenue	3%	6%
Consulting	low single digit	high single digit

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