

NDR EQUITY REPORT DEFINITIONS



The NDR Equity report provides information regarding a stock's NDR rating, share information, classifications, earnings estimates, fundamentals, and technicals.

(1) Market Capitalization

The price of a stock multiplied by the number of shares outstanding.

(2) Dividend Yield

The annual indicated dividend divided by the price.

(3) Price-to-earnings (P/E) Ratio

The price of the stock divided by earnings (ttm). Also known as Price Multiple.

(4) ttm

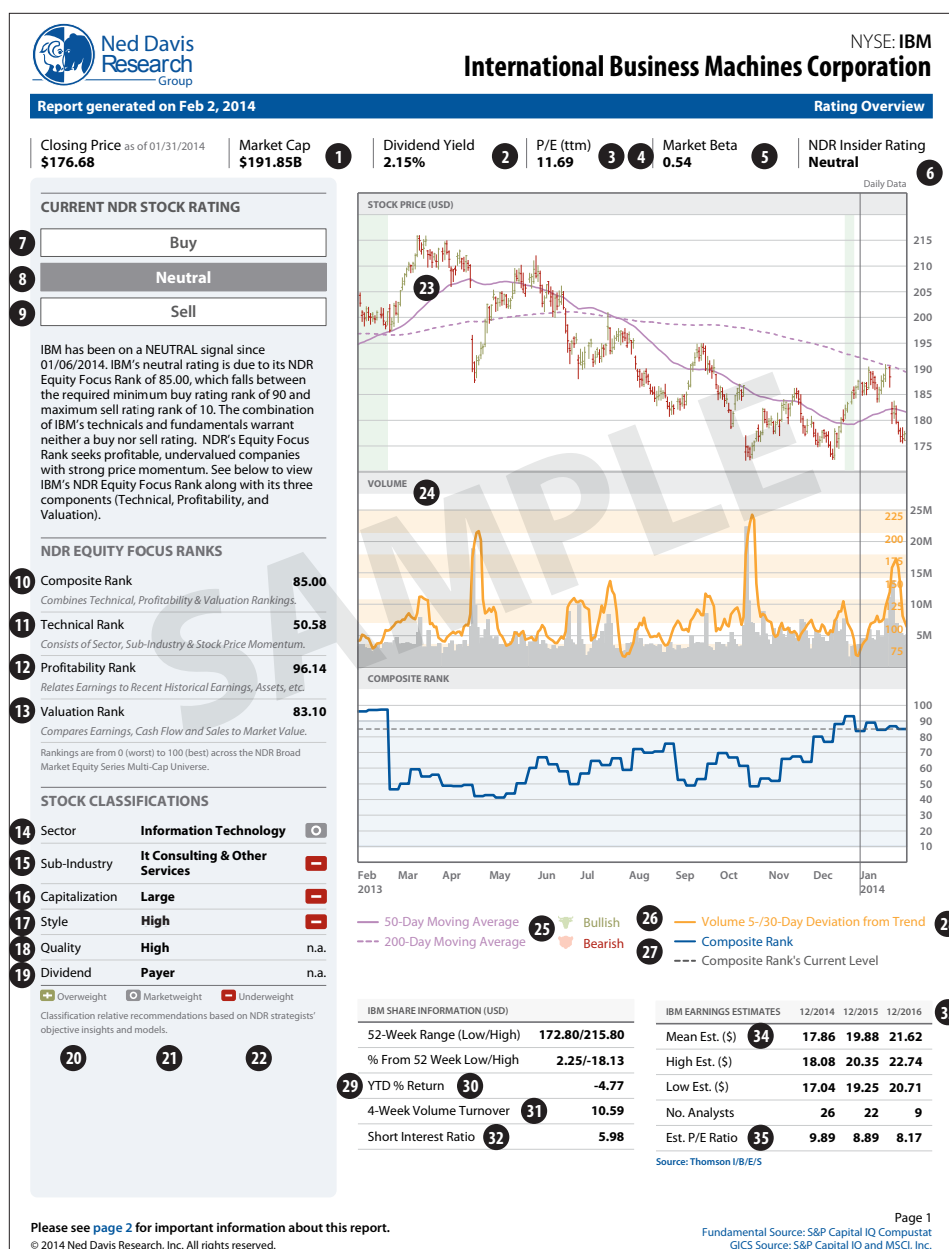
An accumulation over the trailing twelve months.

(5) Market Beta

The relative measure of an asset's risk against the market portfolio. A beta greater than one means the asset is riskier than the market, a beta of one means equally risky, and a beta less than one means less risky than the market.

(6) NDR Insider Rating

Stock classification of corporate insider activity. The NDR Insider Rating consists of the following categories: Heavy Selling, Light Selling, Neutral, Light Buying, and Heavy Buying.



(7) Buy Rating

A recommendation to buy a stock due to an NDR Equity Focus Rank greater than 90. Stocks on a buy rating are expected to rise over the life of the signal.

(8) Neutral Rating

Neither a positive or negative outlook. No expectation regarding a stock's price trend.

(9) Sell Rating

A recommendation to sell a stock due to an NDR Equity Focus Rank less than 10. Stocks on a sell rating are expected to decline over the life of the signal.

(10) Equity Focus Rank (EFR)

A 0-100 score constructed using static (constant) weights on the EFR Technical, Profitability, and Valuation ranks. A higher rank is better.

(11) EFR Technical Rank

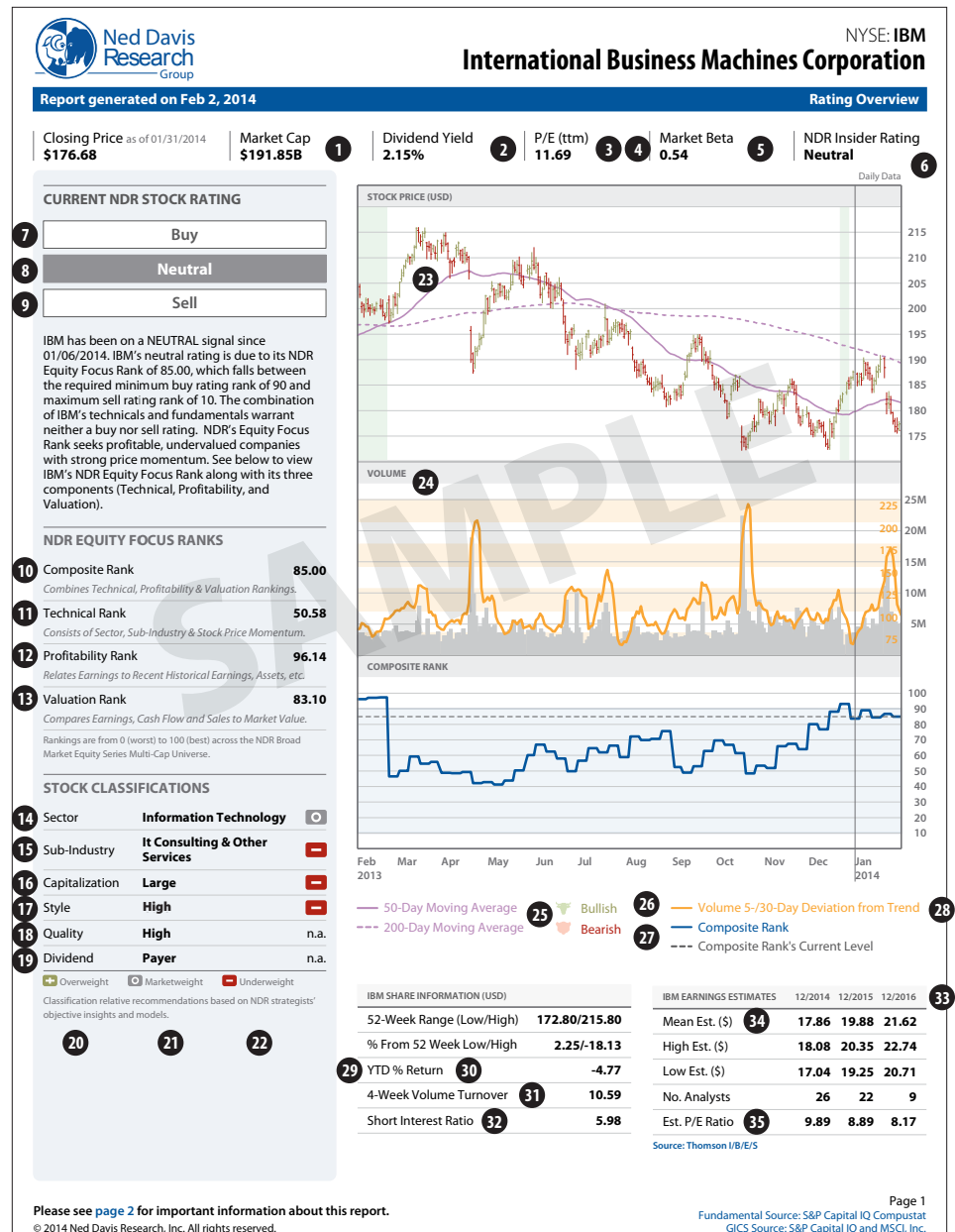
A component of the NDR Equity Focus Rank that consists of sector, sub-industry, and firm-specific statically (constant) weighted variables. This 0-100 rank typically favors a trend-following approach, but inverts when mean reversion outpaces momentum. A higher rank is better.

(12) EFR Profitability Rank

A component of the NDR Equity Focus Rank that combines return on assets, asset turnover, ebit/assets, retained earnings/assets, and standardized unexpected earnings. This 0-100 rank uses a static (constant) weighting scheme on the individual profitability metrics. A higher rank is better.

(13) EFR Valuation Rank

A component of the NDR Equity Focus Rank that compares earnings, sales, free cash flow, and operating cash flow to market value. This 0-100 rank uses a static (constant) weighting scheme on the individual valuation metrics. A higher rank is better.



(14) NDR Sector

Assignment similar to the S&P/MSCI Global Industry Classification Standard (GICS).

(15) NDR Sub-Industry

Assignment similar to those found in the S&P/MSCI Global Industry Classification Standard (GICS).

(16) Capitalization Classification

NDR size classification (Large-, Mid-, Small-Cap) where the top 80% of capitalization falls in the Large-Cap universe and the bottom 10% of capitalization resides in the Small-Cap universe.

(17) Style Classification

NDR Growth, Value, or Core classification determined by a unique process using widely accepted valuation measures with four distinct factors (each for value and growth).

(18) Quality Classification

A stock's inclusion in the NDR High Quality Index requires an S&P Quality Rating of B+ and above, while inclusion in the NDR Low Quality Index requires an S&P Quality Rating of B and below.

(19) Dividend Classification

NDR classification based on whether the company pays a dividend.

(20) Overweight

Hold more than the benchmark weight allocation for the asset.

(21) Marketweight

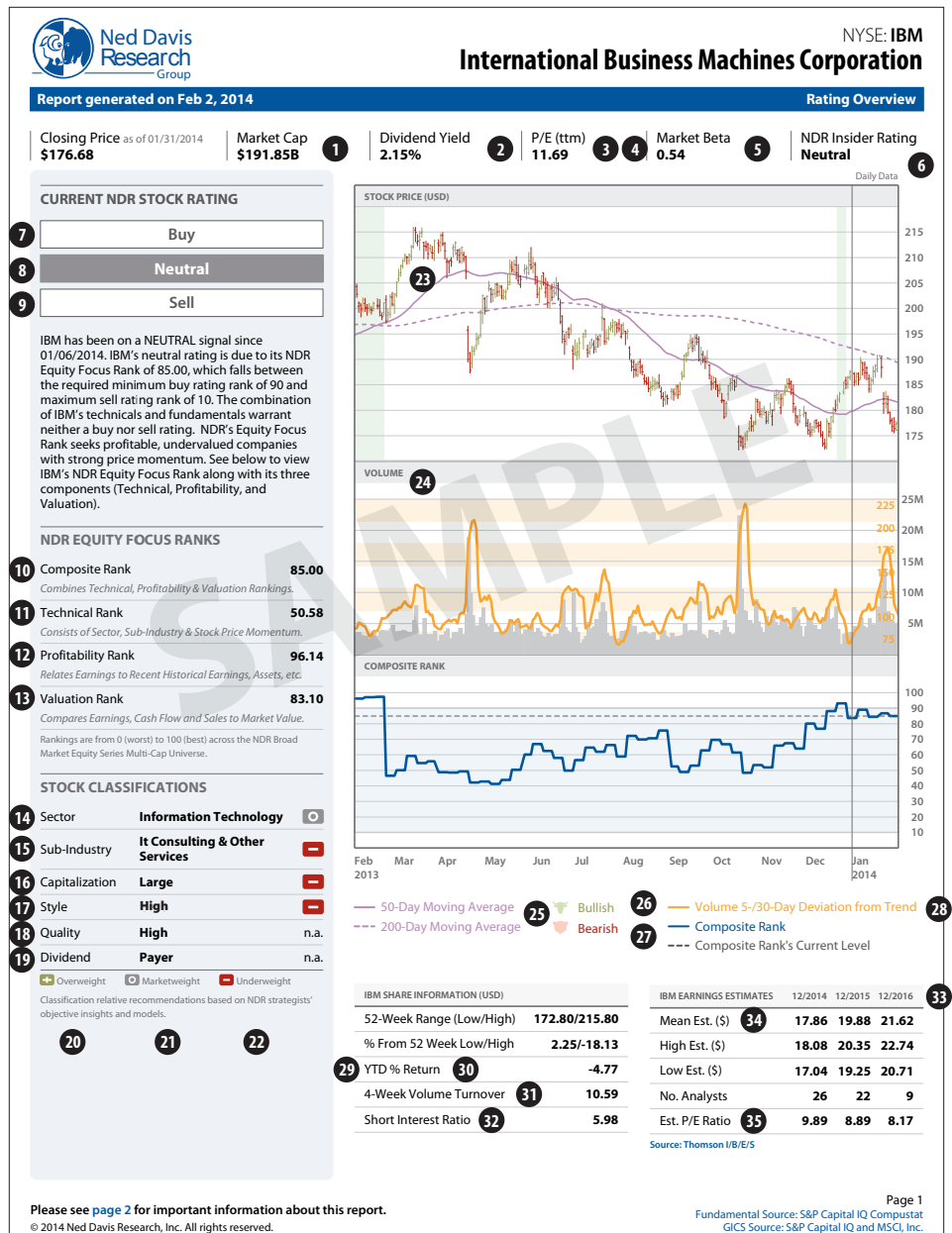
Maintain the benchmark weight allocation for the asset.

(22) Underweight

Hold less than the benchmark weight allocation for the asset.

(23) Candlestick Chart

A time series plot of a stock's open, high, low, and close prices. For a period where the stock's close is greater (smaller) than its open, the bar shows green (red). The chart's light green and red background shading corresponds to NDR Buy and Sell ratings.



(24) Volume

The number of shares traded in a period. Higher volume during a price change indicates more significant movement than lower volume.

(25) Moving Average

The average price of a security over a period of time. Moving averages are used to smooth out price and volume fluctuations (noise) in order to view trends.

(26) Bullish

A positive outlook or an expected upward price trend.

(27) Bearish

A negative outlook or an expected downward price trend.

(28) Deviation From Trend

A ratio comparing a shorter-term moving average to a longer-term moving average. The ratio shows potential divergences from longer-term trends.

(29) YTD

Year-to-date. A calculation from the beginning of the year to the current date.

(30) Percent Return

A value represented as the percentage of an earlier value.

(31) Volume Turnover

Total volume divided by common shares outstanding.

(32) Short Interest Ratio


Short interest divided by average daily volume. Short Interest is the number of shares borrowed from brokerage firms and sold (which the sellers expect to buy back at lower prices). The ratio indicates the number of days, on average, for short sellers to cover their positions.

(33) Earnings Estimates Table

The current fiscal years' and the next two fiscal year's average, high, low, and number of analyst earnings estimates.

(34) Mean

Average. Sum of the values in the data set divided by the number of values in the data set.



Ned Davis Research Group

NYSE: **IBM**

International Business Machines Corporation

Report generated on Feb 2, 2014 Rating Overview

Closing Price as of 01/31/2014
\$176.68

Market Cap **\$191.85B**

Dividend Yield **2.15%**

P/E (ttm) **11.69**

Market Beta **0.54**

NDR Insider Rating **Neutral**

CURRENT NDR STOCK RATING

7 Buy

8 **Neutral**

9 Sell

IBM has been on a NEUTRAL signal since 01/06/2014. IBM's neutral rating is due to its NDR Equity Focus Rank of 85.00, which falls between the required minimum buy rating rank of 90 and maximum sell rating rank of 10. The combination of IBM's technicals and fundamentals warrant neither a buy nor sell rating. NDR's Equity Focus Rank seeks profitable, undervalued companies with strong price momentum. See below to view IBM's NDR Equity Focus Rank along with its three components (Technical, Profitability, and Valuation).

NDR EQUITY FOCUS RANKS

10 Composite Rank **85.00**
Combines Technical, Profitability & Valuation Rankings.

11 Technical Rank **50.58**
Consists of Sector, Sub-Industry & Stock Price Momentum.

12 Profitability Rank **96.14**
Relates Earnings to Recent Historical Earnings, Assets, etc.

13 Valuation Rank **83.10**
Compares Earnings, Cash Flow and Sales to Market Value.

Rankings are from 0 (worst) to 100 (best) across the NDR Broad Market Equity Series Multi-Cap Universe.

STOCK CLASSIFICATIONS

14 Sector **Information Technology**

15 Sub-Industry **It Consulting & Other Services**

16 Capitalization **Large**


17 Style **High**

18 Quality **High**

19 Dividend **Payer**

Classification relative recommendations based on NDR strategists' objective insights and models.

STOCK PRICE (USD)



23

24

25 50-Day Moving Average

26 Bullish

27 Bearish

28 Volume 5-/30-Day Deviation from Trend

29 YTD % Return

30 -4.77

31 4-Week Volume Turnover

32 10.59

33 Short Interest Ratio

34 5.98

IBM SHARE INFORMATION (USD)

52-Week Range (Low/High)	172.80/215.80
% From 52 Week Low/High	2.25/-18.13
YTD % Return	-4.77
4-Week Volume Turnover	10.59
Short Interest Ratio	5.98

IBM EARNINGS ESTIMATES

	12/2014	12/2015	12/2016
Mean Est. (\$)	34	17.86	19.88
High Est. (\$)	18.08	20.35	22.74
Low Est. (\$)	17.04	19.25	20.71
No. Analysts	26	22	9
Est. P/E Ratio	9.89	8.89	8.17

Source: Thomson I/B/E/S

Please see page 2 for important information about this report.
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Fundamental Source: S&P Capital IQ Compustat
GISCS Source: S&P Capital IQ and MSCI, Inc.

(35) Forward Price/Earnings

Price divided by the perpetual 12-month forward mean earnings estimate. The perpetual 12-month forward calculation uses both the FY1 and FY2 estimates, blended together with a weight applied to each based upon the number of weeks remaining until FY1.

(36) Historical Growth Rates Of Per Share Values (%) Chart

Shows the full history, five-year, 12-month, and previous quarter per share growth rates for earnings, sales, book value, cash flow, and dividends.

(37) Seasonal Cycle Chart

Shows the current year's price (rescaled to start at 100), the historical cycle pattern (scaled to start at 100), the percentage of time for each month in which the stock outperformed the S&P 500 Index, and the average magnitude of the excess gain.



NYSE: IBM International Business Machines Corporation

Report generated on Feb 2, 2014

Supplemental Information

HISTORICAL GROWTH RATES OF PER SHARE VALUES (%)

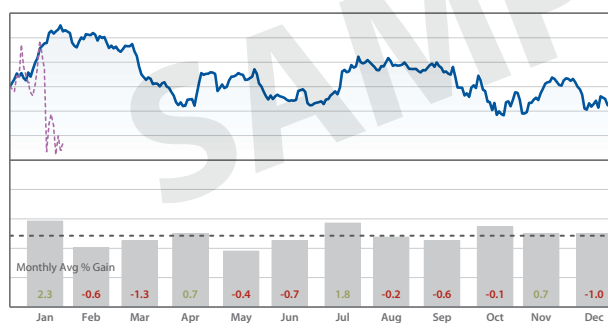
	EARNINGS	SALES	BOOK VALUE	CASH FLOW	DIVIDEND
36					
Full History Growth Rate	6.56	6.27	1.99	8.02	2.30
Last Five Years Growth Rate	11.73	6.51	8.93	3.61	14.87
Change Over Last 12 Months	3.70	0.09	26.73	-6.38	11.76
Last Quarter Non-Annualized Growth	3.99	0.10	16.63	2.79	0.00

Growth rates capped at +100%

FUNDAMENTAL COMMENTARY

- IBM's per share growth rates show neither a positive nor negative outlook.
- IBM appears overvalued based on its Price/Book of 8.31, which is greater than the Information Technology sector's top quintile value of 1.53.
- IBM appears undervalued based on its Price/Earnings (TTM) of 11.69, which is less than the Information Technology sector's bottom quintile value of 16.61.

SEASONAL CYCLE (vs S&P 500 Index) Daily Data



Historical & Current Cycle Patterns

Current cycle variance has been adjusted: Daily returns have been multiplied by 0.50, and then relinked so that current cycle can be shown. Pattern is more important than level.

Average % of Time in Which IBM Outperformed the S&P 500 Index (1972-2013)

TECHNICAL COMMENTARY

- IBM outperforms the S&P 500 Index 58.54% of the time in February, with an average excess return of 2.31%.
- IBM/S&P 500 Index currently lies 1.04% below its 50-day moving average and 10.99% below its 200-day moving average.
- IBM/Information Technology sector currently lies 2.62% below its 50-day moving average and 14.20% below its 200-day moving average.

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Fundamental Source: S&P Capital IQ Compustat
GICS Source: S&P Capital IQ and MSCI, Inc.

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