

Printing Syst.

IBM DIVISIONS

1995

A Pro-forma Income Statement (w/o restructuring charges)

Previously known as Pennant Systems		<i>BUSINESS: Print/Presentations</i>				
	1993	1994	Change 94/93	1995 (\$ Mill)	% of Sales	Change 95/94
Pennant/IBM Revenue Ratio:						
				3.4%	3.6%	3.5%
Pennant/IBM Gross Profit Ratio:						
				3.9%	4.4%	4.2%
SG&A Ratio:						
				20.0%	20.0%	20.0%
R&D Ratio:						
				5.0%	5.0%	5.0%
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Hardware+Software 1992 Rev: \$2.3 Billion - per IBM*	1993	1994	Change	1995	% of	Change
		(\$ Mill)	94/93	(\$ Mill)	Sales	95/94
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Revenue	\$2,150	\$2,344	9.0%	\$2,532	100.0%	8.0%
Cost of Revenue	\$1,204	\$1,219	1.2%	\$1,266	50.0%	3.8%
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<i>Gross Profit</i>	\$946	\$1,125	18.9%	\$1,266	50.0%	12.5%
<i>" Margin</i>	44%	48%		50%		
SG&A Expenses	\$430	\$469	9.0%	\$506	20.0%	8.0%
RD&E Expenses	\$108	\$117	9.0%	\$127	5.0%	8.0%
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Total Costs	\$1,742	\$1,805	3.6%	\$1,899	75.0%	5.2%
<i>Oper Income</i>	\$409	\$539	32.0%	\$633	25.0%	17.4%
Other Income	\$38	\$50	31.1%	\$33	1.3%	-33.4%
Interest Expense	\$44	\$45	2.1%	\$26	1.0%	-42.8%
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<i>Earnings Before Tax</i>	\$403	\$545	35.1%	\$641	25.3%	
Tax/Rate	\$151	\$204		\$240	37.5%	
<i>Net Earnings (Loss)</i>	\$252	\$340	35.1%	\$400	15.8%	
<i>Earn(Loss)/Share (\$)</i>	0.44	0.59		0.70		

Printing Systems/IBM STOCK VALUE ANALYSIS	Stock Price	Value (\$Bill)	P/E Ratio	% of IBM
Printing Systems	\$7	\$4.0	10	7%
IBM (Avg. '96 price)	\$106	\$60.3	10	100%

Source: Annex Research

*Incl. revenue from 60 countries. Latest estimates are based on 13 major countries