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ASSESSMENT 1

INTERNATIONAL FINANCIAL MANAGEMENT



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Introduction

Is a fact that in today's financial market, investors desire to place their investment funds in those securities that provide the highest return.

This essay is offering an in-depth analysis of the International Business Machine Corporation (IBM), at the financial level.

Like numerous different organizations in the tech business, IBM is in a time of progress from a heritage business in the innovation area to adjusting its item contributions for an evolving industry. It is recovering ground from underputting resources into cloud administrations and applications by buying and investing resources into creative objectives in the field and pulling together its innovative work costs on new and arising products and advances (Alsop, 2022).

The multinational company has more than 350,000 employees serving customers in more than 170 counties, one of those is Spain for example.

International Business Machines Corporation (IBM)

The acronym IMB is the shortcut of the International Business Machine Corporation which is the worldwide largest technology and consulting company.

Founded in 1911, the company is headquartered in New York, more exactly in Armonk, with over 350,000 employees worldwide (Appendix, Fig.2).

In 2020, the corporation generate a revenue of nearly \$73 billion, and 50 percent was generated in the American state (Appendix, Fig.1,9).

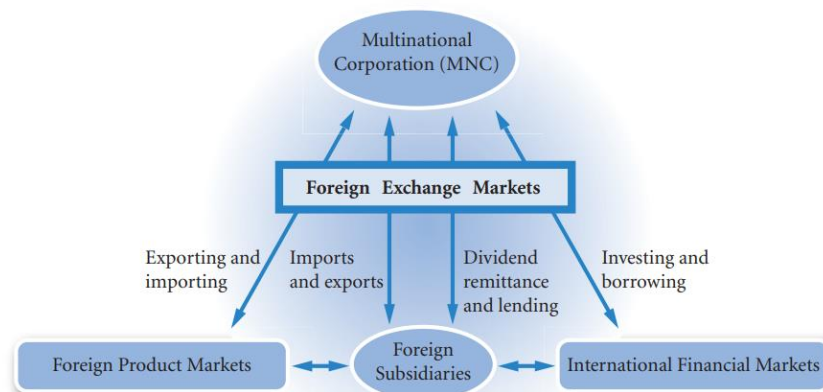
IBM is constantly innovating, and they keep the focus on artificial intelligence (AI) and hybrid cloud technologies where the research and expenditures were about 6,33 billion U.S dollars in 2020.

In comparison with 2020, there is an increase in 2021, where IBM's product section created \$24.14 billion of the organization's income, which for 2021 remained at around \$57.35 billion (Appendix, Fig.11).

In the final quarter of 2021, the organization changed its segment report once more, to adjust it better with the organization's foundation-driven way to deal with hybrid cloud and AI.

Multinational Corporations (MNCs) keep on extending their activities internationally. They should not exclusively be as expected figured out how to apply for their relative benefits in outside nations yet should likewise deal with their openness to many forms and sources of risk (Madura and Fox, 2011).

The common objective of a firm is to augment its worth and in this manner amplify investor wealth. This objective applies not exclusively to firms that attention to domestic business yet additionally to firms that emphasize global business.



(Source: Madura and Fox, 2011).

On the side of this, IBM's Cloud and Cognitive Software fragment unite the organization's product stages and arrangements, empowering them to assist clients with anticipating, computerizing, securing, and modernizing on a solid half-breed cloud. Involving three business regions - Cognitive Applications, Cloud and Data Platforms, and Transaction Processing Platforms - the portion incorporates Red Hat, the AI open-source programming organization that IBM obtained for 34 billion U.S. dollars. Red Hat OpenShift is the main half-breed cloud programming stage and, accordingly, positions IBM as the main crossover cloud supplier.

The company is in a constant process of innovation and leading owner of the machine learning and AI patents and is responsible for some innovations in the industry, namely the automated teller machine (ATM), the hard disk drive (HDD), the Universal Product Code (UPC), and dynamic random-access memory (DRAM).

IBM is forcefully venturing into distributed computing and information examination; however, it faces solid rivalry with cloud suppliers Alphabet and Amazon.

IBM is a commitment to ecological authority, tending to environmental change, energy effectiveness, item plan, and the utilization of materials (IBM, 2022).

Literature research present that in 2020 IBM had 9,130 patents assigned, ranking the corporation on the first position in patent grants, albeit eminent organizations including Samsung Electronics, Canon, and Microsoft have additionally been highlighted profoundly.

A patent grant could be explained in a few words as the right to innovation, processes, and products that is an answer for a particular innovative issue. They should be visible as a sign of advancement, to follow paces of mechanical change or progress, or screen the well-being of research and development.

The company has spent 2021 \$6,49 billion on research, development, and engineering. Also, IBM invested 1,41 billion U.S dollars in 2021 into worldwide advertising and promotions.

The organization is specialized in business-to-business marketing campaigns, one example is the long-time relationship with the U.S Open Tennis Grand Slam tournaments and Golf tournaments, using sports sponsorship for gaining brand awareness and promoting the technology, data analytics, and cognitive computing competencies (Alsop, 2022).

For financial backers endeavoring worldwide to offer the diversification, five normal methods are accessible:

- Direct acquisition of foreign shares
- Investment in MNC shares
- American depositary receipts (ADRs)
- Exchange-traded funds (ETFs)
- International mutual funds (IMFs).

From Madura and Fox's (2011) point of view, any method for expanding worldwide business that requires an immediate interest in unfamiliar tasks typically is alluded to as a foreign direct investment (FDI). Global exchange and permitting for the most part are not viewed as FDI because they don't include direct interest in unfamiliar tasks. Diversifying and joint ventures will generally require some interest in foreign activities, however partially. Foreign

acquisitions and the foundation of new unfamiliar auxiliaries require a significant interest in foreign activities and address the biggest part of FDI.

The majority of MNCs utilize a blend of techniques to increment worldwide business. Motorola and IBM, for instance, have significant direct foreign ventures yet additionally infer a portion of their foreign income from different permitting arrangements, which require less FDI to generate income.

IBM East Europe/Asia Ltd., which addresses IBM in Russia, acquired over 11.6 billion Russian rubles in 2020, expanding its income by 7.5 percent from the earlier year. Over the notice period, the most remarkable income of the organization in Russia was recorded at around 13.6 billion Russian rubles in 2015.

Thus, many firms have developed into worldwide organizations (MNCs), which are characterized as firms that take part in some type of global business. Their managers conduct international financial administration, which includes worldwide investing and management judgments that are planned to upgrade the value of the MNC (Madura and Fox, 2011).

From another perspective, Sava (2022) argues that the IBM in Spain, the business worth of the organization added up to more than 800 million euros, that being the most noteworthy worth enlisted all through the period.

Therefore, those MNCs that are generally equipped for answering changes in the global monetary climate will be compensated (Madura and Fox, 2011).

Assuming monetary administrators is to amplify the abundance of their MNC's investors, they should execute arrangements that expand the worth of the by and large MNC instead of the worth of their particular affiliates. Therefore, they are confronted with different limitations that can be delegated to ecological, administrative, or moral requirements in nature.

The international financial chiefs are in charge of the evaluation of the country's risks. These risks include move and convertibility risk (i.e., the gamble an administration forces capital or trade controls that keep a substance from changing over local currency into foreign money as well as moving assets to loan creditors situated external the nation, for example, war, confiscation, revolution, common unsettling influence, floods, quakes (OECD, 2022) (Appendix, Fig.12).

An MNC's monetary choices incorporate how much business to lead in every nation and how much funding to acquire in every money. Its monetary choices decide its openness to the worldwide climate.

The worldwide venture involves higher risks; however more significant yields. Viable worldwide monetary administration limits the gamble for the normal return net of interest charges (Madura and Fox, 2011).

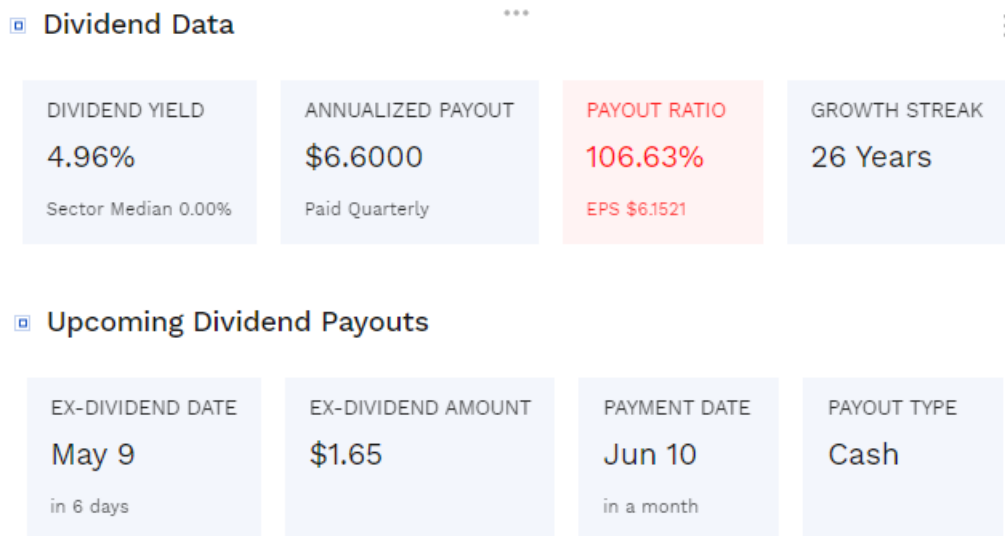
A few monetary administrators may initially survey the macroeconomic states, everything being equal, to screen out those nations that are supposed to encounter unfortunate circumstances later on. Then, they utilize different strategies, for example, the profit rebate model or the cost-income technique to esteem explicit firms inside the nations that are engaging.

Organizations regularly make appropriations to investors by delivering cash dividends. Profits address a return by a business to its investors. This is typically paid in real money, although it very well may be paid with resources other than cash. There are legitimate cut-off points on the sum that can be appropriated as profit installments to investors (Atrill, 2011).

$$\text{Dividend cover} = \frac{\text{Earnings for the year available for dividends}}{\text{Dividends announced for the year}}$$

(Source: Atrill, 2011).

Forwards, there is a visual presentation of the IBM Dividend payout for the year 2022 below:



(Source: Finbox, 2022).

IBM, known as big blue, has a fantastic record of delivering expanded dividends to investors, the dividend cover is around 4.7 (DividendMax, 2022).

IBM's profits are regularly paid on the tenth of March, June, September, and December. The profit record date ordinarily goes before the profit installment date by around one month (Appendix, Fig.7, 13,14).

As an enrolled investor, you are qualified to get any money profits paid by IBM on the offers you hang on a record date. Current dividends, as well as future installments, are determined by the Board of Directors (Downey, 2021).

Market efficiency alludes to how well costs mirror all available data. The efficient market hypothesis (EMH) contends that markets are effective, leaving no space to create profits through effective financial planning since everything is now reasonably and precisely estimated (Downey, 2021).

Madura and Fox (2011) emphasize the subsidiary dividend payment might be supposed to send dividend payments and different fees to the parent intermittently. Thus, at the point when dividend payments and charges are known ahead of time and named in the foreign money, gauging incomes is more straightforward for the subsidiary. The degree of dividend paid by subsidiaries to the parent is subject to the liquidity needs of every subsidiary, possible purposes of assets in different subsidiary areas, anticipated developments in the monetary standards of the subsidiaries, and guidelines of the host country government.

Conclusion

In summary, the financial manager and their duties are detrimental in any MNC business. They evaluate the country's risks and take decisions wisely. The decision that is favorable to the abundance of the company and the shareholders.

Therefore, MNCs are challenged by international conditions, by taking risks and taking advantage of all the opportunities that arise in their global operations.

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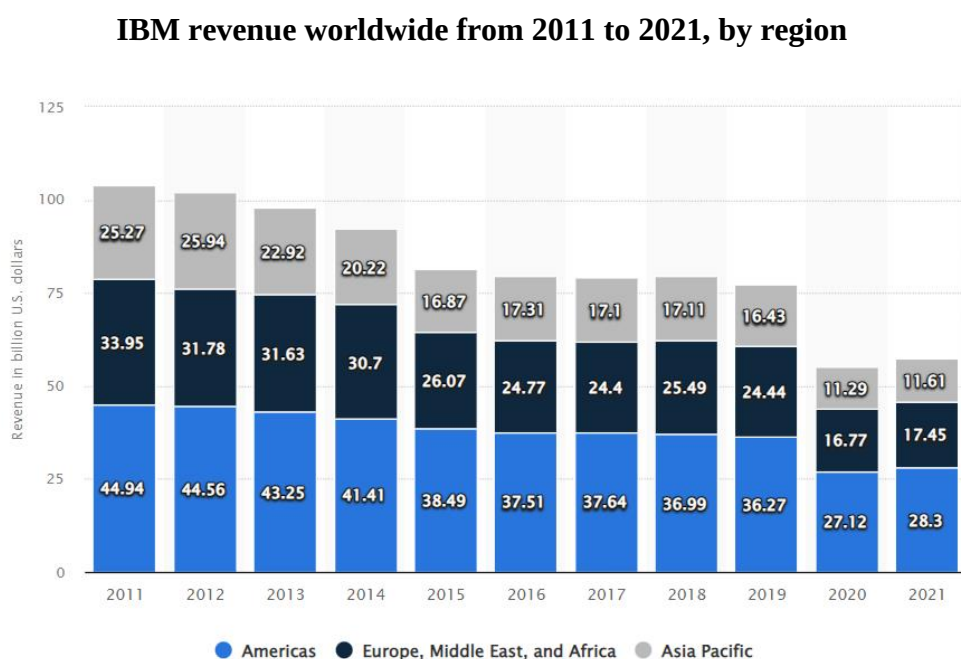
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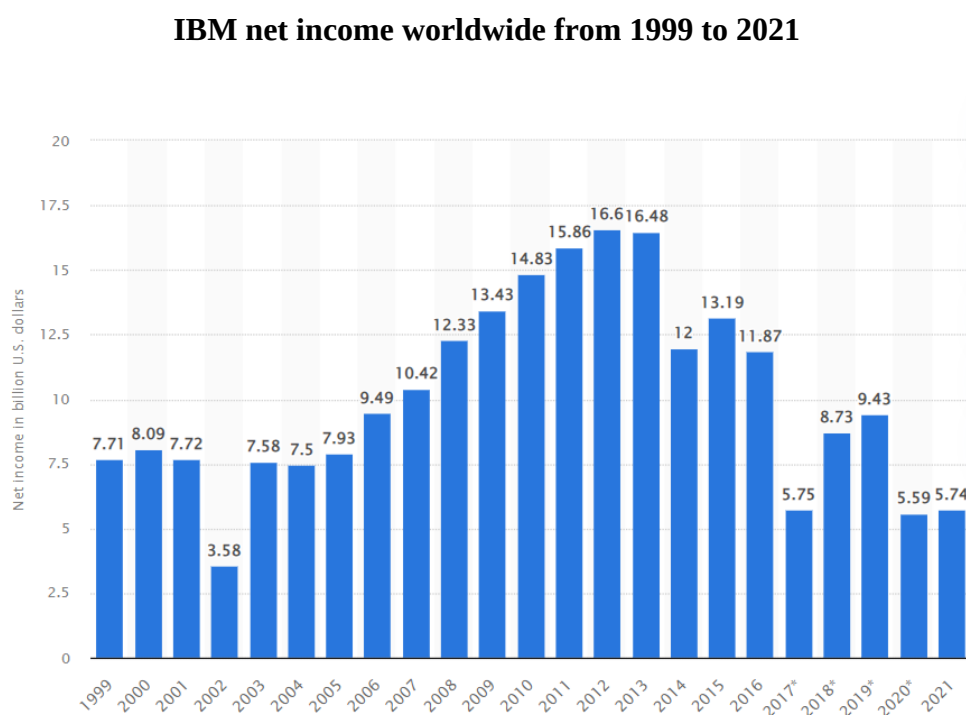
Appendix

Figure 1



(Source: Statista, 2022).

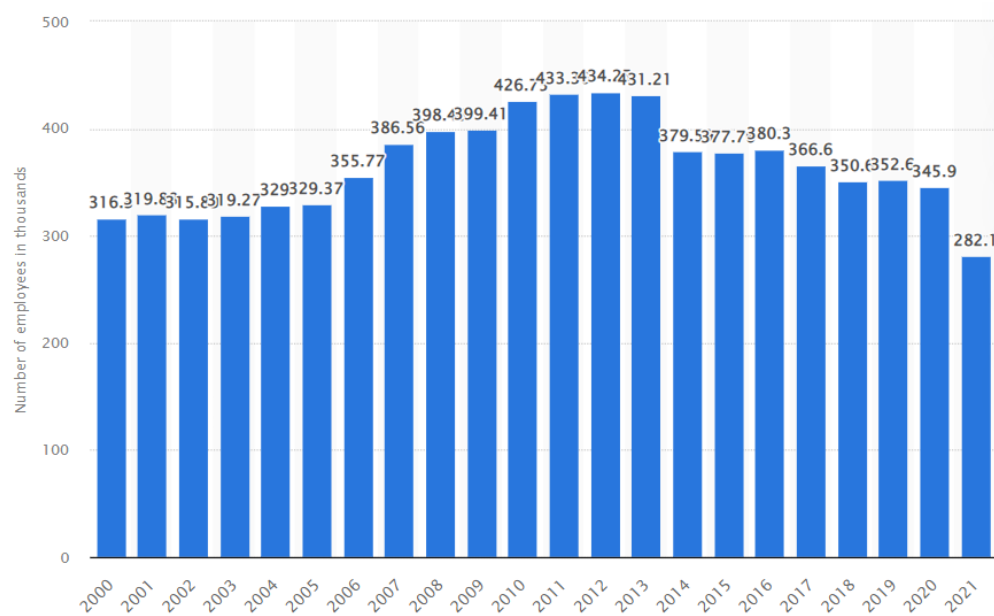
Figure 2



(Source: Statista, 2022).

Figure 3

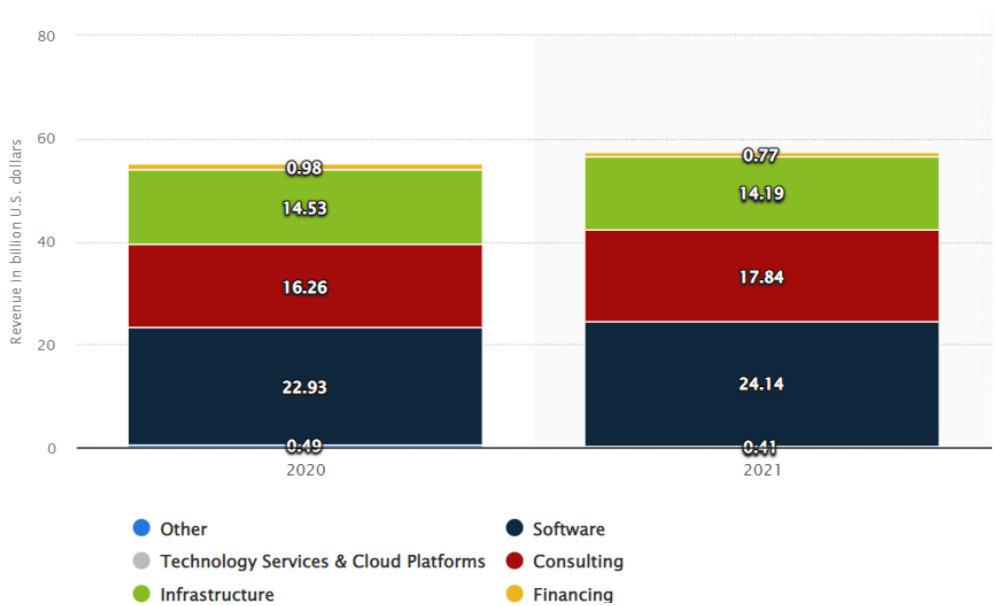
IBM number of employees worldwide from 2000 to 2021



(Source: Statista, 2022).

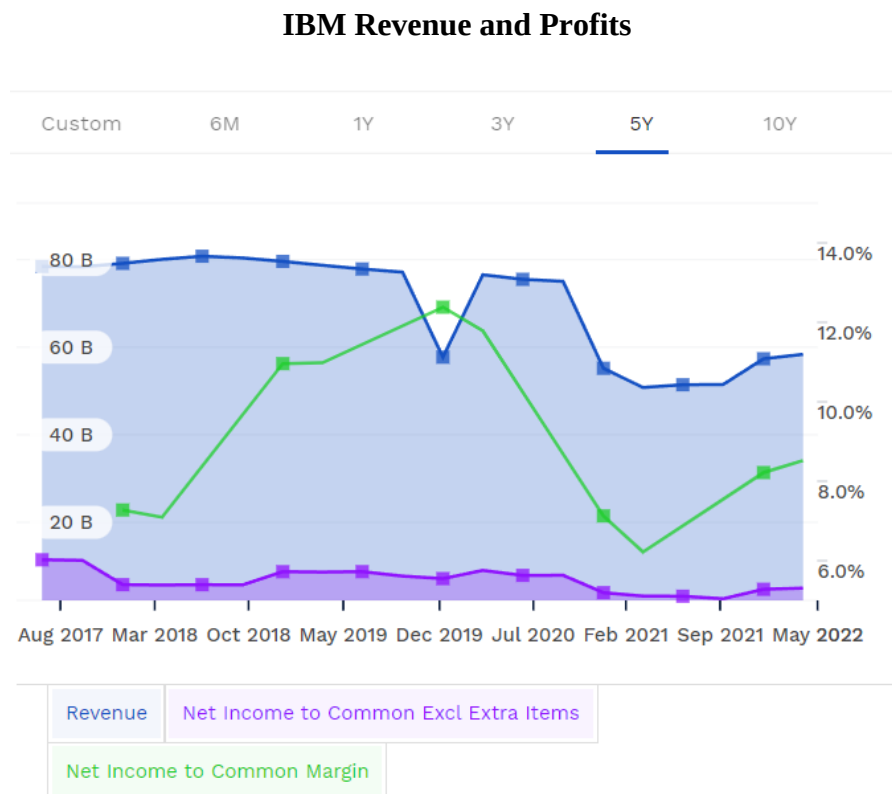
Figure 4

IBM revenue worldwide from 2010 to 2021, by segment



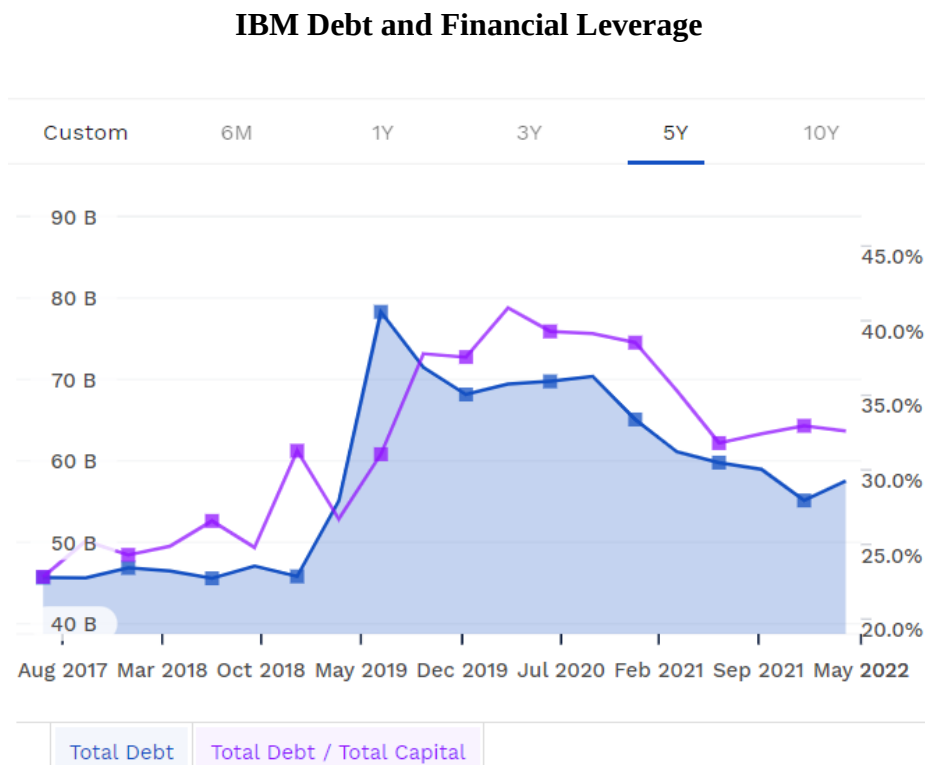
(Source: Statista, 2022).

Figure 5



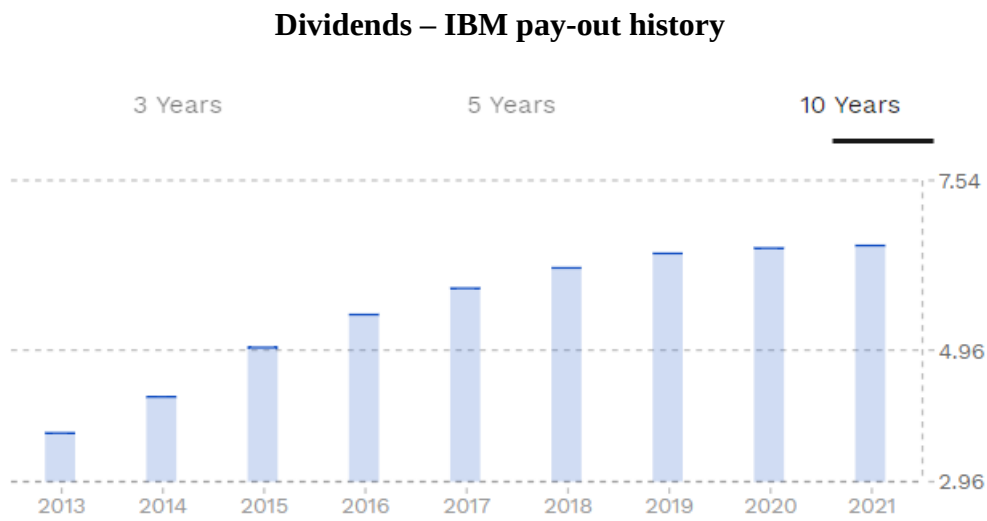
(Source: Finbox, 2022).

Figure 6



(Source: Finbox, 2022).

Figure 7



(Source: Finbox, 2022).

Figure 8

IBM Dividend history details

Declare Date	Ex-Div Date	Record Date	Pay Date	Amount
0.00	0.00	0.00	0.00	0.00
2021-10-26	2021-11-09	2021-11-10	2021-12-10	\$1.6400
2021-10-13	2021-11-04	2021-10-25	2021-11-03	\$0
2021-07-27	2021-08-09	2021-08-10	2021-09-10	\$1.6400
2021-04-27	2021-05-07	2021-05-10	2021-06-10	\$1.6400
2021-01-26	2021-02-09	2021-02-10	2021-03-10	\$1.6300
2020-10-27	2020-11-09	2020-11-10	2020-12-10	\$1.6300
2020-07-28	2020-08-07	2020-08-10	2020-09-10	\$1.6300
2020-04-28	2020-05-07	2020-05-08	2020-06-10	\$1.6300
2020-01-28	2020-02-07	2020-02-10	2020-03-10	\$1.6200

(Source: Finbox, 2022).

Figure 9

Market view and Performances

MARKET VIEW	RISK	EFFICIENCY	PROJECTIONS	HEALTH
Name	Price, Current	Fair Value (Finbox)	Fair Value Label (Finbox)	Financial Health Label
Search Values	> #	> #	abc	abc
ACN Accenture plc	\$304.60 1.4% ↑	\$336.59 10.5% Upside	Fair	Good
CSCO Cisco Systems, Inc.	\$49.86 1.8% ↑	\$65.55 31.5% Upside	Undervalued	Good
HPQ HP Inc.	\$37.06 1.2% ↑	\$53.69 44.9% Upside	Undervalued	Great
IBM International Business Machine...	\$133.04 0.6% ↑	\$171.82 29.2% Upside	Undervalued	Fair
INTC Intel Corporation	\$44.96 3.1% ↑	\$49.79 10.7% Upside	Fair	Fair
ORCL Oracle Corporation	\$74 0.8% ↑	\$89.79 21.3% Upside	Fair	Good

Dividend Per Share	Dividend Yield
> #	> #
\$3.8800	1.3%
\$1.5200	3.0%
\$1	2.7%
\$6.6000	5.0%
\$1.4600	3.2%
\$1.2800	1.7%

(Source: Finbox, 2022).

Figure 10

IBM - Statement of cash flow**Statement of Cashflows**

<i>(in millions)</i>	<i>Fiscal Year Ending</i>						<i>Year-to-date Ending</i>	
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	LTM	Mar-21	Mar-22
Net Income / (Loss)	5,753	8,728	9,431	5,590	5,743	5,521	955	733
Depreciation & Amortization	4,541	4,480	6,059	6,695	6,417	6,001	1,672	1,256
Change in Accounts Receivable	1,297	1,006	502	5,297	1,372	1,372	0	0
Change In Inventories	18	(127)	67	(209)	138	138	0	0
Change in Other Net Operating Assets	5,451	(451)	1,159	3,023	367	(623)	2,066	1,076
Other Changes	(336)	1,611	(2,448)	(2,199)	(1,241)	(1,279)	221	183
Cash from Operations	16,724	15,247	14,770	18,197	12,796	11,130	4,914	3,248
Capital expenditures	(3,229)	(3,395)	(2,286)	(2,618)	(2,062)	(1,849)	(494)	(281)
Acquisitions of businesses	(496)	(139)	(32,630)	(336)	(3,293)	(2,871)	(1,120)	(698)
Other Changes	(3,356)	(1,379)	7,980	(74)	(620)	(613)	(386)	(379)
Cash from Investing	(7,081)	(4,913)	(26,936)	(3,028)	(5,975)	(5,333)	(2,000)	(1,358)
Total Dividends Paid	(5,506)	(5,666)	(5,707)	(5,797)	(5,869)	(5,887)	(1,457)	(1,475)
Long-Term Debt Issued	9,643	6,891	31,825	10,504	522	0	51	4,084
Long-Term Debt Repaid	(6,816)	(8,533)	(12,944)	(13,365)	(8,597)	0	(4,261)	(1,129)
Repurchase of Common Stock	(4,533)	(4,614)	(1,633)	(302)	(319)	(358)	(41)	(80)
Other Changes	794	1,453	(2,499)	(761)	909	51	(75)	(23)
Cash from Financing	(6,418)	(10,469)	9,042	(9,721)	(13,354)	(6,194)	(5,783)	1,377
Beginning Cash	8,073	12,234	11,604	8,314	13,675	0	13,675	0
FX Adjustments	937	(495)	(167)	(87)	(185)	(56)	(134)	(5)
Additions / Reductions	3,224	(135)	(3,123)	5,448	(6,533)	56	(2,868)	5
Ending Cash	12,234	11,604	8,314	13,675	6,957	0	10,673	0

(Source: Finbox, 2022).

Figure 11

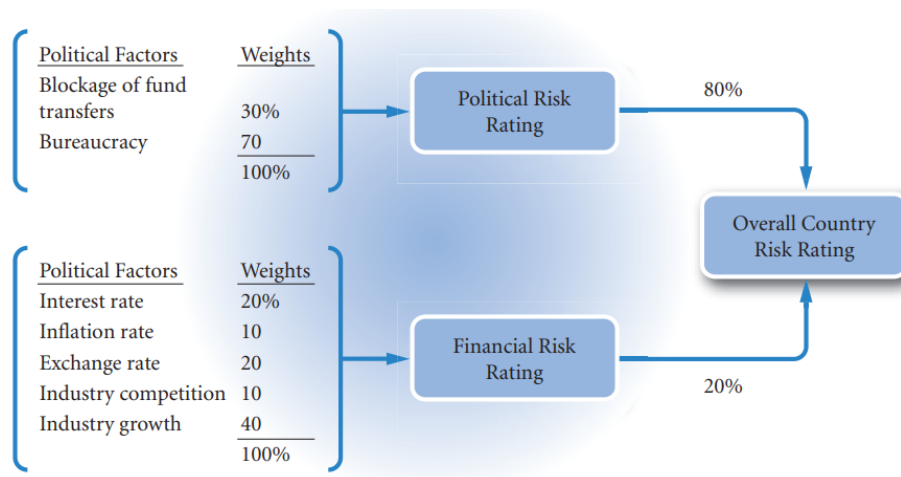
5 Years Historical Financial Statements

	Fiscal Year Ending					Latest	Year-to-date Ending	
(in millions)	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	12 Months	Mar-21	Mar-22
Revenue	79,139.00	79,591.00	57,714.00	55,179.00	57,351.00	58,361.00	13,187.00	14,197.00
% Growth		0.01	(0.27)	(0.04)	0.04			0.08
Adjusted EBITDA	16,223.00	17,698.00	13,598.00	12,291.00	12,189.00	12,120.00	2,313.00	2,244.00
% Margin	0.20	0.22	0.24	0.22	0.21	0.21	0.18	0.16
Adjusted EBIT	11,682.00	13,218.00	7,539.00	5,596.00	5,772.00	6,119.00	641.00	988.00
% Margin	0.15	0.17	0.13	0.10	0.10	0.10	0.05	0.07
Adjusted Net Income	5,753.00	8,728.00	8,867.12	7,063.34	5,800.72	5,658.64	1,043.80	901.72
% Margin	0.07	0.11	0.15	0.13	0.10	0.10	0.08	0.06
Adjusted Basic EPS	6.17	9.57	9.99	7.93	6.47	6.28	1.17	1.00

(Source: Finbox, 2022).

Figure 12

Determining the overall country risk rating



(Source: Madura and Fox, 2011).

Figure 13

IBM latest Dividends 2022

LATEST DIVIDENDS

Summary	Previous dividend	Next dividend
Status	Paid	Declared
Type	Quarterly	Quarterly
Per share	164c	165c
Declaration date	01 Feb 2022 (Tue)	26 Apr 2022 (Tue)
Ex-div date	10 Feb 2022 (Thu)	09 May 2022 (Mon)
Pay date	10 Mar 2022 (Thu)	10 Jun 2022 (Fri)

(Source: DividendMax, 2022).

Figure 14

IBM Cash Dividend 2020 – 2022

Dividend Number	Actual amount per share	Payable date	Record date
429	\$1.65	06/10/22	05/10/22
428	\$1.64	03/10/22	02/11/22
427	\$1.64	12/10/21	11/10/21
426	\$1.64	09/10/21	08/10/21
425	\$1.64	06/10/21	05/10/21
424	\$1.63	03/10/21	02/10/21
423	\$1.63	12/10/20	11/10/20
422	\$1.63	09/10/20	08/10/20
421	\$1.63	06/10/20	05/08/20
420	\$1.62	03/10/20	02/10/20

(Source: IBM, 2022).