

## Cloud, Services Drive IBM 2018

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IBM beats Wall Street expectations with better-than-expected results, even as Q4 2018 revenues drop by -3% Y-o-Y to reach \$21.8 billion, since full-year revenues are up by 1% to \$79.6bn with strong growth from the cloud and services divisions.



"In 2018 we returned to full-year revenue growth, reflecting growing demand for our services and leadership solutions in hybrid cloud, AI, analytics and security," CEO Ginni Rometty says. "Major clients worldwide, such as BNP Paribas, are turning to the IBM Cloud and our unmatched industry expertise to transform their businesses and drive innovation."

The past year has seen Big Blue further transition towards emerging technologies such as the cloud, a move bolstered through the \$34bn acquisition of Red Hat. However it is interesting to point out the company still sees plenty of business from legacy mainframe hardware and government service contracts. After all, Q4 2018 technology services and cloud platform revenues are down by -3% Y-o-Y to \$8.9bn, while global business services revenues total \$4.3bn, a 4% Y-o-Y increase. Systems revenues (including systems hardware and OS software) total \$2.6bn, a -21% Y-o-Y decline, with growth in Power offsetting IBM Z product cycle dynamics.

Looking to the future, IBM expects 2019 will bring free cash flow of around \$12bn, the same range set for 2018, and hopes to build on the profit momentum seen in the last year. Gross profit margin totals 49.1% in 2018, a slight increase from 49% in 2017.

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