Equities

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# IT Services Takeaways…..

## …..From CIO Interviews and TPI Commentary

Industry Overview

**Ashwin Shirvaikar, CFA**
+1-212-816-0822
ashwin.shirvaikar@citi.com

**Richard Gardner**
+1-415-951-1669
richard.gardner@citi.com

**Surendra Goyal, CFA**
+91-22-6631-9870
surendra.goyal@citi.com

William Maina
william.maina@citi.com

- **What's New** — This week we hosted a panel of CIOs as a part of our CIO survey and subsequently, we also hosted the 4Q10 Global TPI Index Conference Call. Both were well attended events, with a high level of investor interest. The specific takeaways are below, but we note that the tone indicated a sequentially higher level of optimism as it relates to most categories of IT activity and spending, with large BPO contracts being a notable exception to the underlying positivity.

- **CIO Interview takeaways** — As a part of our CIO Survey process, we have been conducting interviews with a small sub-segment of participating CIOs. Both our broader survey and the live conversation with the CIOs highlighted that the budget process was relatively “normal” this time, in terms of being already completed and suggested a modestly higher level of spend. Our sense is that as the economy improves, a fair number of CIOs are likely to benefit from over-spending their budgets – this is not an indication to say that spending is now easy – but it does show that discretionary project activity is on an up-swing. The clear objective of this incremental discretionary spend seems to be to seek and support revenue growth within the client business – this leads to a positive bias for “Know your customer” systems, relevant analytics and business intelligence tools and consulting related to new product introduction. More specifics are inside.

- **TPI Call takeaways** — TPI’s forte is larger non-government outsourcing deals – so, we do not expect TPI to reflect the strength in consulting / SI that many vendors have noted. 4Q10 contract volumes saw expected seasonal strength but were weak year/year. Contract restructuring (renewals, scope additions) should continue to drive overall volumes in 2011. TPI highlighted multi-sourcing as a key trend in contracting – this diffusion of contractual work continues to be a positive for Indian offshore IT services companies. A major part of the year/year bookings weakness was a lack of large BPO contracts – TPI expects this to continue. Specifics are inside and at http://www.tpi.net/pdf/index/4Q10-TPI-Index.pdf

- **Company-specific Takeaways** — Top IT Services picks in Ashwin Shirvaikar’s coverage are ACN and CTSH – the trends highlighted by our CIO panel and by TPI are generally positive for both companies. Rich Gardner continues to like IBM and HPQ and both show up on the TPI leader-board. Surendra Goyal’s pick is HCLT, and it continues to punch above its weight-class as highlighted by TPI.

- **Future IT Services Events** — We will host ACN’s newly appointed Group Chief Executive for Management Consulting, Sander van’t Noordende for a group meeting in New York City on Feb 2nd. We are also co-hosting a Washington, D.C. Bus Tour with our Defense/Aerospace analyst Jason Gursky – as a part of this, we will meet with several Federal IT Services businesses.

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

# Key Takeaways from IT Events we hosted this week – CIO Interviews and TPI Call

**Among CIOs, there seems to be a sequentially higher level of enthusiasm and optimism about IT spending in 2011. While it is true that the CIOs we spoke with all indicated a relatively normal budget process, the enthusiasm does not stem solely from a modestly higher budget. It is really about the "over / under" for the approved budget. For a few very difficult years now, the tendency among IT buyers has been to under-spend the approved budget. This year, we have a really good shot at over-spending the budget. This could happen with the full blessing of the CIOs operating and business head peers, and is tied together across diverse verticals by a common desire – almost every business out there is struggling to grow its top-line at a respectable rate. So, if discretionary IT projects can help understand the end-client better (customer analytics) and drive the correct business response (data warehousing and business intelligence), such projects are likely to be approved. This has been reflected in the relatively bullish commentary of consultants like Accenture and IBM, as well in some commentary from Cognizant.**

**TPI's forte is outsourcing and it particularly stands out for larger deals. This is a "slow and steady" market and in particular, clients seem unwilling to make incremental investments in large BPO contracts which tend to have longer-cycle returns. So, it makes sense that TPI was less bullish in its commentary. Having said this, even TPI was "cautiously optimistic" in its market outlook. There is a lot of opportunity in smaller outsourcing contracts in the U.S. and Europe; certain verticals such as Financial Services have made a comeback already and there are expectations that Telecom and Manufacturing might also return to strength. Lastly, the Asia-Pac market shows significant promise and could grow strongly, albeit off a strong base. The only real forward-looking concern remains in large-scale BPO. Separately, we note that we have heard similar commentary about large BPO contracts from other industry participants. From a stock perspective, we note that the trend towards smaller contracts as well as the strength in certain verticals like Financial Services is a good thing for most offshore services companies like Cognizant and HCL Technologies. The BPO weakness could be problematic for companies like Genpact.**

## What did the CIOs say?

Our quarterly CIO survey published earlier in the week can be found here: https://www.citigroupgeo.com/pdf/SNA70820.pdf. This survey, which captures the directional opinion of 200 CIOs in the U.S. and in Europe, was jointly published by Walter Pritchard (our software analyst), Rich Gardner (our hardware analyst), Ashwin Shirvaikar (our U.S. services analyst) and John Slack (our IT networking analyst).

In addition to the survey itself, we also had a chance to speak with 4 CIOs across diverse industries – business services; technology distribution; construction / housing supplies and transportation controls. Here are the key takeaways:

1. The CIOs are generally holding the line on the budget or getting a budget increases in the low-to-mid single digits. In one case, the budget was down but that was entirely driven by the end of a large SAP implementation, which resulted in a much smaller budgeted maintenance number as opposed to the prior implementation cost. Excluding the SAP event, the budget would likely have looked more "normal".

2. All four CIOs indicated that the spending environment was easier than before – this did not imply that "IT spending money" comes easy now….projects still need to be justified by a quantifiable business benefit,

including a ROI analysis in most cases. However, its easier because once the project is justified, it tends to attract funding.

3. Projects that tend to get funded fall in two categories (i) Spending that is expected to generate revenue growth, and (ii) Spending money to save money – in other words, consolidation and standardization projects; some outsourcing and offshoring initiatives, etc.

4. Growth projects tend to customer-focused and related to helping top-line growth at the company: Business intelligence and analytics; Global CRM rollout; Data warehousing and mining; Oracle and SAP implementations; Pricing optimization projects; Collaboration / Communication projects; Predictive analytics.

5. Spending money to save money – Cost-focused projects continue, its just that they are no longer the sole focus. Virtualization and server consolidation; Moving applications to the private cloud; Data-center consolidation.

6. Critical applications or production is not moving to the public cloud; Cloud efforts are focused on the private cloud; One of the CIOs did mention that they used the public cloud in test cycles to improve the speed of their global deployment.

7. Pricing - Not much remaining leverage from unit price discounting – there is not much left in terms of squeezing out incremental benefits from pricing. They are doing much more along the lines of consolidation, standardization of apps, virtualization, private cloud projects and offshoring.

## What did TPI say?

The specifics of TPI's commentary can be found at the link on the cover page. Here we focus on the interactive dialog that we had with TPI executives.

1. Fourth quarter completed signings were seasonally strong and helped by contract renewals that IBM completed. In general with contract renewals, there may be some unit price concession, but incumbents are also generally successful in adding scope to the transaction. The incumbent win rate is typically very high (seems like an 80%-90% rate is reasonable).

2. While TPI are hopeful about ITO activity returning, the same cannot be said about large-scale BPO activity. ITO contracts can actually have a relatively quick payback, while BPO contracts need significant initial investment and sometimes carry a transformational risk associated with them.

3. The only bright spot in BPO was a minor resurgence in Human Resources Outsourcing (HRO), with buyers focusing on one or two key pain points such as global payroll, recruitment process outsourcing, or talent management technologies. This is likely a positive for companies like ADP and AonHewitt.

4. Much of the contracting activity continues to take place under the $25 million Total Contract Value (TCV) level. This has historically been a positive for India-model offshore outsourcing companies like Cognizant, Infosys, TCS, Wipro and HCL Technologies. Traditional companies like Accenture seem to have adapted to this, based on our checks and are quite competent at this level now.

5. The trend towards smaller contracts is partly due to multi-sourcing (breaking up contracts into more limited scope contracts) and also because buyers now prefer shorter terms.

6. Forbes Global 2000 companies that spend $50 million or more annually have tended to use multi-sourcing (more than one outsourcer) more frequently than before. In the year 2000, only 30% of the companies sourced in true multi-source environment. By the year 2010 that number had increased to 53%. While the use of multi-sourcing has increased in the U.S., TPI has found that it has really taken off in Europe – this may partly be due to the later adoption of outsourcing (Europe seems not to have participated in the earlier, primarily U.S. "big bang" outsourcing – these larger deals are being renewed now and resulting in a delayed U.S. multi-sourcing pick-up); Europe is also more heterogeneous by nature; lastly when European companies expand overseas, their traditional local outsourcers tend not to be able to support them.

7. Multi-sourcing can co-exist with vendor consolidation – essentially these buyers are moving to a smaller group of strategic vendors. Interestingly, both trends provide buyers with an incremental cost advantage. The idea is to maintain leverage in pricing of services (and) some competition across vendors. There may be some "program office" cost with multiple vendors, but the notion of integrating the services on behalf of the provider community is something that's now emerging as a (tower) in itself.

## Recent Related Notes

Ashwin Shirvaikar recently published a 2011 Services playbook, which is available at https://www.citigroupgeo.com/pdf/SNA70320.pdf - the CIO survey, CIO panel and the industry experts from TPI generally agreed with the IT Services expectations contained in that research note.

## Accenture Ltd

**(ACN.N; US$51.04; 1H)**

### Valuation

Our current $55 (rounded) one-year target price is based on the implied value derived from our price-to-earnings (P/E) valuation model plus the approximate $6.00 in cash per share currently on the company's balance sheet. Our P/E model yields an implied value of $49 (rounded) by applying a 14x-15x multiple to our $3.24 calendar year 2011 GAAP EPS estimate. We believe our target multiple range of 14x-15x is appropriate as 1) it is relatively in line with Accenture's historical 5-year forward P/E multiple of 15.7x (based on Factset); 2) the company has traded in the 15x-16x calendar year 2010 earnings range over the past couple of months.

## Risks

We rate Accenture shares High Risk based on the following reasons: (1) A key component of ACN's growth strategy involves the continued growth of its outsourcing unit - the eventual margins on outsourcing contracts are uncertain and ACN has suffered from several missteps in this area. (2) Currency fluctuations can cause the top- and bottom-line results to fluctuate significantly as almost half of Accenture's revenues are generated outside the U.S. (3) More than half of Accenture's revenue base is susceptible to the changes in the discretionary spending environment. (4) Accenture might use its significant cash balance to grow via acquisitions, which could create integration risk. (5) Accenture's specific response to the threat from offshore outsourcing is fraught with risks, such as the possible cannibalization of revenues and margin risk, if it does not execute well. If the impact on the company from any of these factors proves to be greater than we anticipate, it may prevent the stock from achieving our target price. Conversely, if the impact on the company from any of these factors proves to be significantly less than we anticipate, the stock may exceed our target price.

In addition, we note there is potential upside risk to our estimates if Accenture's operating margins improve more than expected or the company maintains revenue growth at current levels despite lower new contract bookings.

# Cognizant Technology Solutions Corp

**(CTSH.O; US$73.05; 1M)**

## Valuation

Our $76 target price is based on our price-to-earnings (P/E) valuation model plus the ~$6 of net cash and investments per share on the company's balance sheet. Our P/E-based model yields an implied $70 (rounded) valuation based on our 25x-26x target multiple range applied to our 2011 GAAP EPS estimate of $2.71. CTSH recently traded at a 2010 P/E of slightly over 27x based on our 2010 estimate $2.36, so we believe a 25x-26x 2011 multiple range is appropriate. As further support, CTSH should grow pre-tax income by an average of 27% over the next two years, so a slight discount to the expected growth rate is a reasonable approximation of where the cash-adjusted trading multiple should be. We utilized pre-tax income growth when analyzing our target multiple given the current uncertainty around Indian corporate tax rates beyond 2010.

## Risks

We rate Cognizant Technology Solutions Medium Risk based on the expectation for continued growth at a faster clip than the rest of the industry and the stock's dependence on the Indian stock market (because all its pure-play comps trade there).

Risks to the achievement of our target price include the following:

1. Normal IT services vendor risks such as timing and magnitude of budgets; Contract ramps; Pricing pressure are par for the course.

2. Normal offshore services risks including exchange rate volatility; the threat of political backlash against offshore outsourcing; wage inflation in India; supply-side constraints, including visa limits and infrastructure development in India should be considered.

3. Senior management's compensation is heavily impacted by stock option grants. Based on the recent performance of the stock price, senior management has and may exercise significant amounts of options.

4. Though Cognizant does not trade on the Indian market, all of its comparables do, and the company does respond to moves in the Indian market, both up and down.

# International Business Machines Corp

**(IBM.N; US$155.50; 1M)**

## Valuation

We have derived our IBM target price of $175 using a P/E multiple based valuation together discounted cash flow analysis.

During the past 30 years, we find that IBM shares have traded at a mean multiple of 14X F12 EPS, but this includes periods of significantly-higher interest rates during the 1970s and periods of significant financial distress for IBM in the late 1980s and early 1990s. Since 1997, the shares have traded in a core range of 16-20X F12 EPS, excluding unusual periods during the Internet bubble and subsequent economic downturn. On a relative basis, IBM shares have traded at 60-120% of the S&P 500 multiple during the past decade.

Given medium to long-term potential for mid single-digit revenue growth and double-digit EPS growth, tempered by the reality that share repurchase provides and acquisition drive a substantial amount of IBM's EPS growth, we believe that IBM shares should trade at a discount to the broader market. Based on historical metrics and our medium- to long-term growth outlook, we are using a 12x multiple (vs. the S&P at ~14x). The multiple reflects a deceleration of earnings growth stemming from various macro headwinds including slower global GDP growth and general multiple compression across the tech universe. Applying 12x our EPS estimate of $14.40 for the four quarters beginning 1Q12E suggests a 12-month target price of $173.

Our DCF analysis assumes decelerating FCF growth through 2021, 0.5% terminal free cash flow growth, a 0.98 beta, an 5.65% market risk premium average market return, and a risk-free rate of 3.47%, which produces a WACC of 8.22% and a 12-month target price of $178.

Given these inputs, we establish a 12-month target price of $175.

## Risks

We rate IBM shares Medium Risk because more than half of the company's pretax income is derived from annuity-like sources such as IT outsourcing, maintenance, software, and financing, contributing to a high degree of EPS predictability. Market cap, liquidity, and a solid balance sheet also support a Medium Risk rating.

The ongoing migration of some services labor offshore could place pressure on consulting and systems integration bill rates and therefore gross profit dollars. Within the Microelectronics division, IBM's strategy of always maintaining leading-edge process technology and working with a limited number of “strategic” customers could cause operating results to fluctuate considerably from quarter to quarter and year to year. Within the Enterprise Systems division, the company derives the majority of revenue from proprietary platforms such as minicomputer, mainframe, mainframe storage, and tape, areas that have not grown consistently in recent years. We view the Unix market as a declining one in which IBM's success is due primarily to market share gains. Within software, a significant portion is tied to the mainframe which has seen more and more competition from x86 platforms. The company is also defending itself against a high-profile pension-benefit discrimination case (*Cooper et al. v. IBM*).

If the negative impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price.

## Hewlett-Packard Co

**(HPQ.N; US$47.22; 1M)**

### Valuation

HPQ shares have traded in a core historical range of 11-20X F12 GAAP EPS (with a five-year median of 16.9X). Our target multiple of 12X (toward the low-end of the historical range) reflects a target multiple similar to others in the IT hardware universe and is approximately inline with our estimated 13% EPS CAGR during FY11-12. Applying a 12X multiple to F12 non-GAAP EPS of $5.92 for the four quarters beginning 4FQ11 yields a price target of $71.

Our discounted cash flow analysis assumes 1% terminal growth in free cash flow, a beta of 1.2, and a 9.65% WACC suggests a fair 12-month value of $69.

Based on these analyses, our target price is $70.

### Risks

We rate HPQ shares Medium Risk due to the company's large market cap, it's relatively low debt-to-capital ratio, solid cash generation and >70% recurring profit.

Risks to our target price include the following. HPQ faces a continuing cost disadvantage versus Dell in portions of the PC market. HP has meaningful exposure to several legacy RISC-UNIX server platforms which are likely to decline due to a market shift toward X86 platforms with superior price performance. A significant portion of HP's total operating income comes from maintenance services where contract renegotiations and a mix shift away from proprietary servers within its installed base could lead to significant margin pressure. Inkjet supplies represent a significant portion of total operating income; if consumers increasingly opt for remanufactured/refilled cartridges or simply chose not to print documents or photos, operating income may be significantly negatively impacted. HP's acquisition of EDS could fail to meet investor revenue growth expectations. Should these factors have a greater impact on the company than we are anticipating, the shares could fail to reach our target price.

# HCL Technologies

**(HCLT.BO; Rs499.20; 1L)**

## Valuation

Our target price is Rs510 based on 18x Mar 12E EPS. This is higher than the mid-point of the 5-20x band that the stock has traded in over the past three years. We believe a higher multiple is justified given improving macro and potential benefits arising out of the Axon acquisition. We believe PE remains the most appropriate valuation measure given HCLT's profitable track record.

## Risks

We rate HCLT shares Low Risk which is inline with our quantitative risk-rating system as the company has significant scale, enjoys a good brand name and continues to generate significant FCF. Key downside risks that could impede the stock from reaching our target price include: (1) any significant appreciation of the rupee against the USD/EUR/GBP; (2) a sharp slowdown in the US/Global economy; (3) acquisition-related risks; and (4) the strategy of pursuing large deals could have negative margin implications.

# Appendix A-1

## Analyst Certification

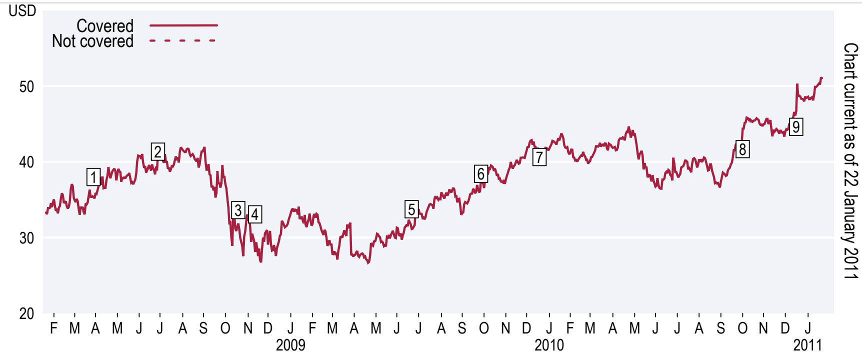
**The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.**

## IMPORTANT DISCLOSURES

### Accenture Ltd (ACN)

**Ratings and Target Price History**
**Fundamental Research**

Analyst: Ashwin Shirvaikar, CFA
Covered since November 19 2008




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 28-Mar-08 | 2H | *43.00 | 35.32 |
| 2 | 27-Jun-08 | 2H | *44.00 | 41.34 |
| 3 | 20-Oct-08 | 2H | *35.00 | 31.86 |
| 4 | 12-Nov-08 | 2H | *33.00 | 28.09 |
| 5 | 22-Jun-09 | 2H | *37.00 | 31.12 |
| 6 | 27-Sep-09 | *1H | *45.00 | 36.12 |
| 7 | 18-Dec-09 | 1H | *50.00 | 41.37 |
| 8 | 1-Oct-10 | 1H | *53.00 | 44.38 |
| 9 | 16-Dec-10 | 1H | *55.00 | 46.67 |

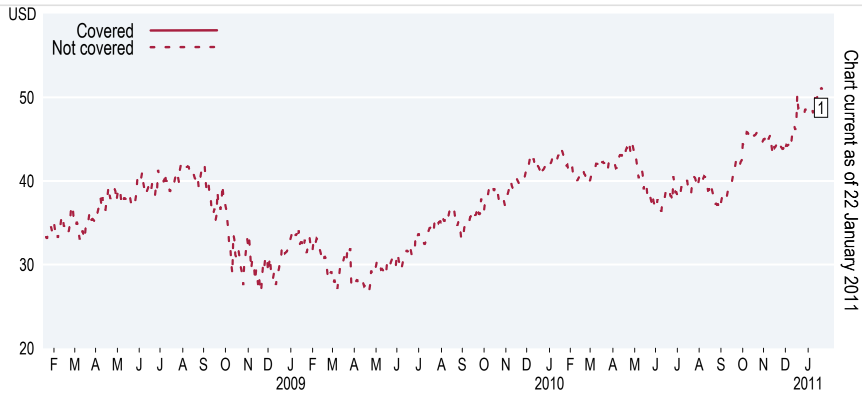
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### Accenture Ltd (ACN)

**Ratings and Target Price History**
**Best Ideas Research**
**Relative Call (3 Month)**

Analyst: Ashwin Shirvaikar, CFA
Covered since November 19 2008




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 20-Jan-11 | *ADD MP | - | 51.14 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Cognizant Technology Solutions Corp (CTSH)

**Ratings and Target Price History**
**Fundamental Research**

Analyst: Ashwin Shirvaikar, CFA


| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 7-May-08 | 1H | *52.00 | 30.21 |
| 2 | 21-Jul-08 | 1H | *42.00 | 28.00 |
| 3 | 1-Aug-08 | 1H | *40.00 | 29.36 |
| 4 | 9-Oct-08 | 1H | *26.00 | 16.15 |
| 5 | 10-Dec-08 | 1H | *24.00 | 18.84 |
| 6 | 16-Feb-09 | 1H | *26.00 | 21.17 |
| 7 | 30-Apr-09 | 1H | *32.00 | 24.79 |
| 8 | 6-Jul-09 | 1H | *34.00 | 26.42 |
| 9 | 4-Aug-09 | 1H | *40.00 | 33.60 |
| 10 | 3-Nov-09 | 1H | *48.00 | 41.97 |
| 11 | 27-Jan-10 | *1M | *55.00 | 46.09 |
| 12 | 9-Feb-10 | 1M | *56.00 | 46.49 |
| 13 | 4-May-10 | 1M | *62.00 | 51.80 |
| 14 | 3-Aug-10 | 1M | *74.00 | 60.62 |
| 15 | 1-Nov-10 | 1M | *76.00 | 65.04 |

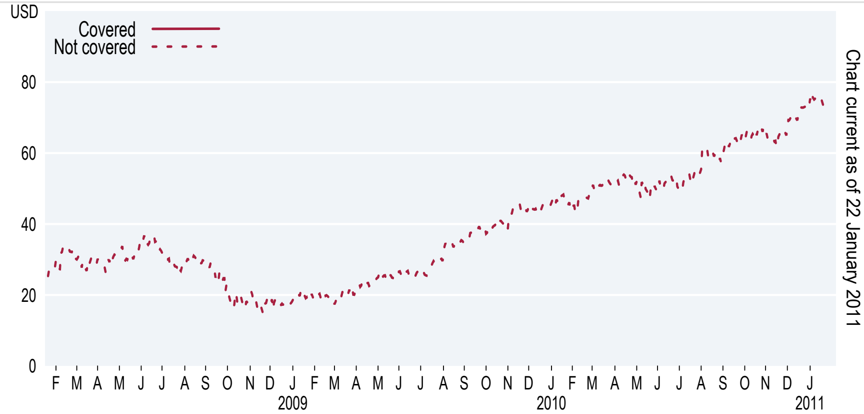
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Cognizant Technology Solutions Corp (CTSH)

**Ratings and Target Price History**
**Best Ideas Research**
**Relative Call (3 Month)**

Analyst: Ashwin Shirvaikar, CFA




* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## HCL Technologies (HCLT.BO)

**Ratings and Target Price History**
**Fundamental Research**

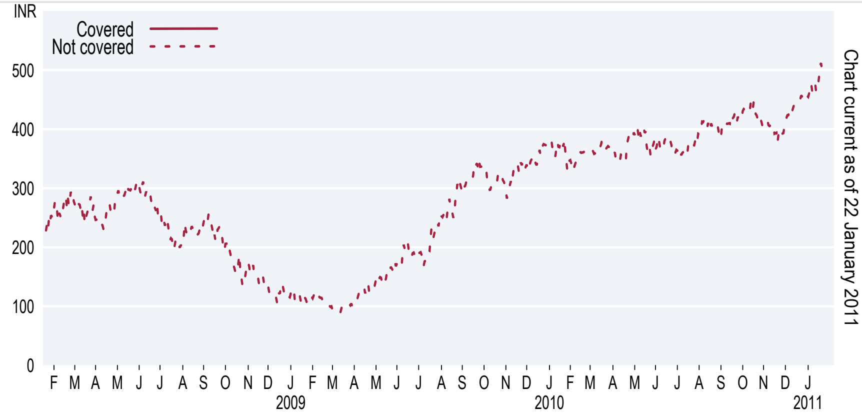
Analyst: Surendra Goyal, CFA


| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 13-Feb-08 | 1M | *340.00 | 251.45 |
| 2 | 26-Jun-08 | 1M | *350.00 | 274.80 |
| 3 | 23-Jul-08 | 1M | *245.00 | 214.95 |
| 4 | 13-Jan-09 | *2H | *120.00 | 108.60 |
| 5 | 17-Mar-09 | 2H | *111.00 | 101.15 |
| 6 | 28-Apr-09 | *2M | *140.00 | 125.85 |
| 7 | 10-Jun-09 | 2M | *215.00 | 204.40 |
| 8 | 26-Aug-09 | 2M | *345.00 | 301.55 |
| 9 | 7-Jan-10 | 2M | *435.00 | 360.50 |
| 10 | 21-Apr-10 | *1M | 435.00 | 374.10 |
| 11 | 24-Aug-10 | *1L | *495.00 | 408.50 |
| 12 | 1-Sep-10 | 1L | *480.00 | 386.55 |
| 13 | 23-Nov-10 | 1L | *510.00 | 394.95 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

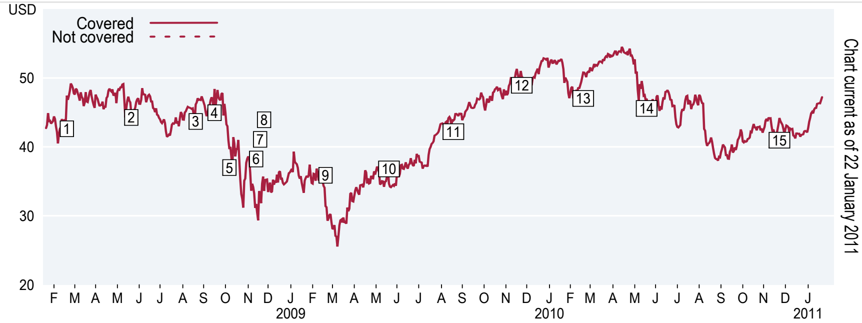
## HCL Technologies (HCLT.BO)
### Ratings and Target Price History
### Best Ideas Research
### Relative Call (3 Month)
Analyst: Surendra Goyal, CFA




* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Hewlett-Packard Co (HPQ)
### Ratings and Target Price History
### Fundamental Research
Analyst: Richard Gardner




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 20-Feb-08 | 1M | *64.00 | 47.44 |
| 2 | 21-May-08 | 1M | *71.00 | 44.80 |
| 3 | 20-Aug-08 | 1M | *72.00 | 46.16 |
| 4 | 16-Sep-08 | 1M | *78.00 | 48.41 |
| 5 | 7-Oct-08 | 1M | *62.00 | 39.68 |

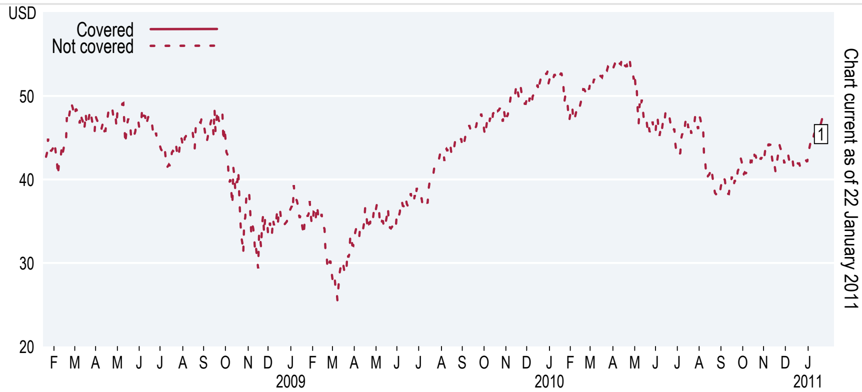
| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 6 | 13-Nov-08 | 1M | *55.00 | 31.71 |
| 7 | 19-Nov-08 | 1M | *56.00 | 33.03 |
| 8 | 25-Nov-08 | 1M | *58.00 | 33.60 |
| 9 | 19-Feb-09 | 1M | *51.00 | 31.39 |
| 10 | 20-May-09 | 1M | *54.00 | 34.67 |

| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 11 | 19-Aug-09 | 1M | *56.00 | 43.83 |
| 12 | 24-Nov-09 | 1M | *60.00 | 50.19 |
| 13 | 18-Feb-10 | 1M | *64.00 | 50.81 |
| 14 | 19-May-10 | 1M | *65.00 | 47.00 |
| 15 | 23-Nov-10 | 1M | *70.00 | 44.19 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Hewlett-Packard Co (HPQ)
### Ratings and Target Price History
### Best Ideas Research
### Relative Call (3 Month)
Analyst: Richard Gardner




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 20-Jan-11 | *ADD MP | - | 46.76 |

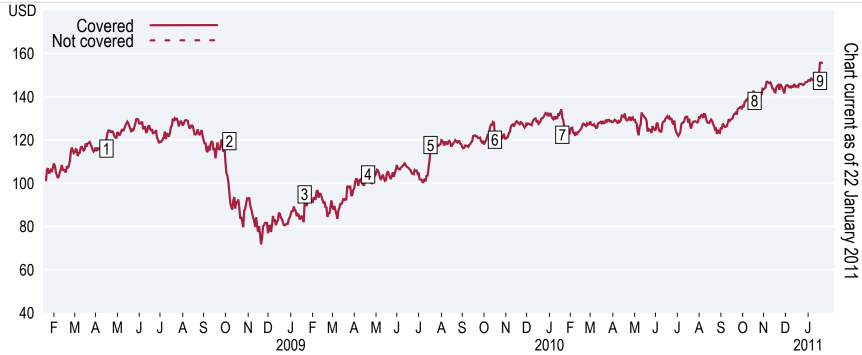
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## International Business Machines Corp (IBM)

### Ratings and Target Price History
### Fundamental Research

Analyst: Richard Gardner




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 16-Apr-08 | 1M | *157.00 | 120.47 |
| 2 | 7-Oct-08 | 1M | *120.00 | 95.65 |
| 3 | 21-Jan-09 | 1M | *122.00 | 91.42 |
| 4 | 21-Apr-09 | 1M | *125.00 | 102.31 |
| 5 | 17-Jul-09 | 1M | *135.00 | 115.42 |
| 6 | 16-Oct-09 | 1M | *141.00 | 121.64 |
| 7 | 20-Jan-10 | 1M | *150.00 | 130.25 |
| 8 | 19-Oct-10 | 1M | *160.00 | 138.03 |
| 9 | 19-Jan-11 | 1M | *175.00 | 155.69 |

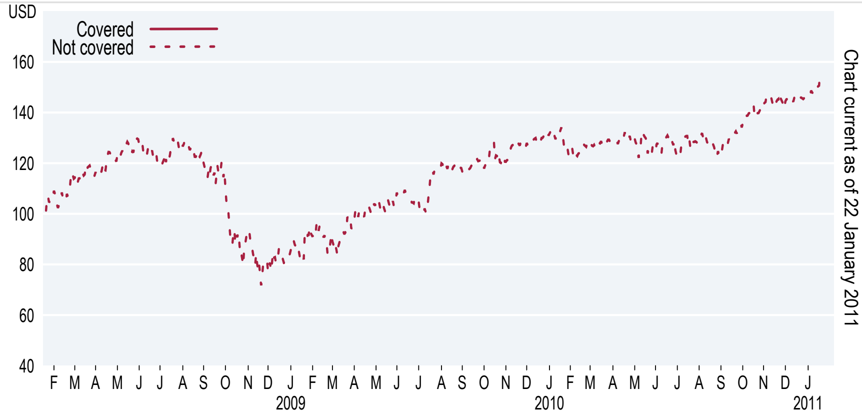
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## International Business Machines Corp (IBM)

### Ratings and Target Price History
### Best Ideas Research
### Relative Call (3 Month)

Analyst: Richard Gardner




* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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|---|---|---|---|---|---|---|
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