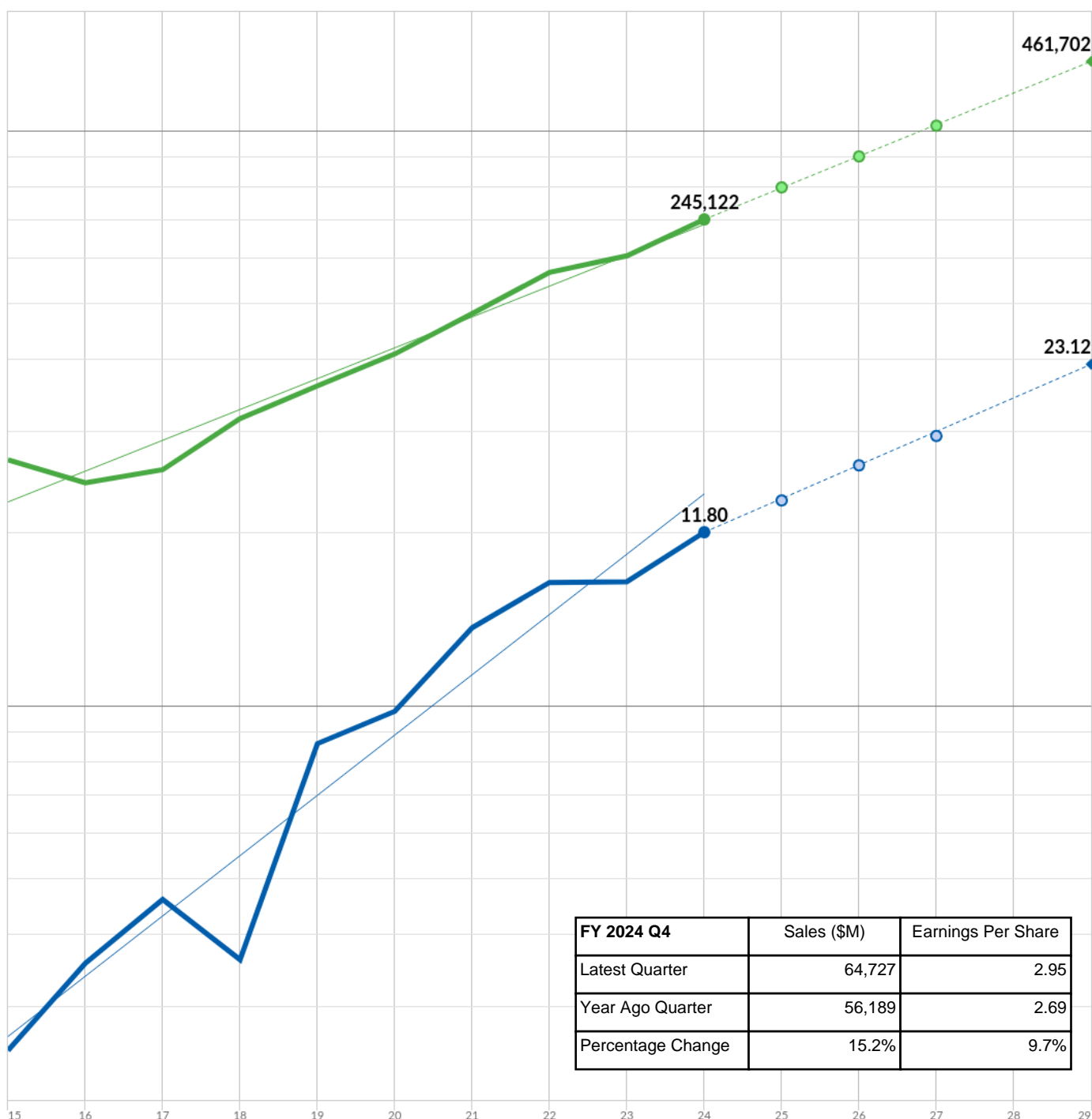


Stock Selection Guide

Company	Microsoft		Date	08/01/24	
Prepared by	LEWIS		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Software - Infrastructure		
Capitalization ---	Outstanding Amounts	Reference			
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	7,475.0	6.2	50.5		
Debt (\$M)	67,127.0	% to Tot Cap	20.0	% Pot Dil	0.6

Symbol: MSFT

1 VISUAL ANALYSIS of Sales, Earnings, and Price



(1) Historical Sales Growth	13.1%	(3) Historical Earnings Per Share Growth	27.3%
(2) Estimated Future Sales Growth	13.5%	(4) Estimated Future Earnings Per Share Growth	14.4%

2 EVALUATING Management

Microsoft

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Last 5 Year Avg.
% Pre-tax Profit on Sales	19.8%	23.1%	25.7%	33.1%	34.7%	37.1%	42.3%	42.2%	42.1%	44.0%	41.5%
% Earned on Equity	13.2%	21.9%	30.0%	20.6%	40.8%	38.1%	45.0%	44.2%	37.0%	34.6%	39.8%
% Debt To Capital	30.6%	42.7%	54.4%	49.7%	43.4%	37.5%	32.3%	26.9%	22.5%	20.0%	27.8%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CURRENT PRICE 417.12 (08/01/24)

52-WEEK HIGH 468.35

52-WEEK LOW 309.45

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2020	204.4	130.8	5.76	35.5	22.7	1.99	34.5	1.5
2021	271.7	196.3	8.05	33.7	24.4	2.19	27.2	1.1
2022	349.7	241.5	9.65	36.2	25.0	2.42	25.1	1.0
2023	351.5	213.4	9.68	36.3	22.0	2.66	27.5	1.2
2024	456.2	309.5	11.80	38.7	26.2	2.93	24.8	0.9
AVERAGE		218.3		36.1	24.1		27.8	
CURRENT/TTM			11.81	39.7	26.2	3.00	25.4	
AVERAGE PRICE EARNINGS RATIO: 30.1					CURRENT PRICE EARNINGS RATIO: 35.3			

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 33.8 X Estimate High Earnings/Share 23.12 = Forecasted High Price \$ 781.5

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 22.8 X Estimate Low Earnings/Share 11.81 = Forecasted Low Price \$ 269.3

(b) Avg. Low Price of Last 5 Years 218.3

(c) Recent Market Low Price 213.4

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{3.00}{1.52\%} = 197.2$

Selected Forecasted Low Price \$ 269.3

C ZONING using 25%-50%-25%

Forecasted High Price 781.5 Minus Forecasted Low Price 269.3 = 512.2 Range. 25% of Range 128.0

Buy Zone 269.3 to 397.3

Hold Zone 397.3 to 653.4

Sell Zone 653.4 to 781.5

Present Market Price of 417.12 is in the **HOLD** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Current Price}}{\text{Current Price} - \text{Low Price}} = \frac{781.5 - 417.12}{417.12 - 269.3} = \frac{364.38}{147.82} = 2.5$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price}}{\text{Current Price}} = \frac{781.5}{417.12} = 1.8736$ X 100 = 187.36 - 100 = 87.4 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Current Price}} = \frac{3.00}{417.12} = 0.0072 = 0.7\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{30.6\%}{33.80} = 0.9\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{30.6\%}{28.30} = 1.1\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

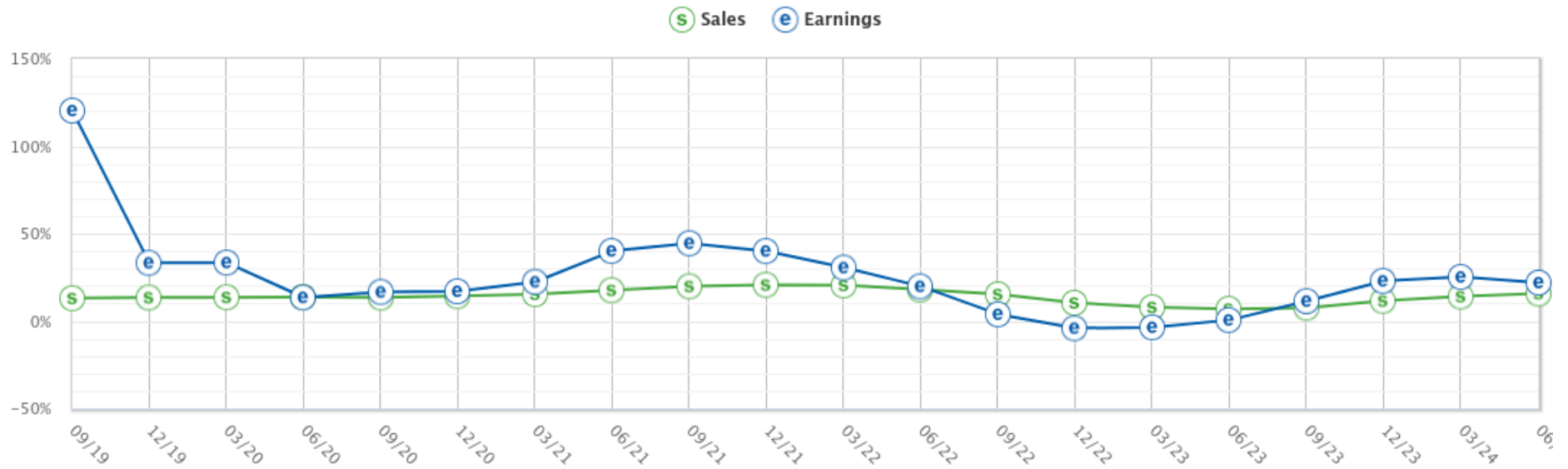
Annualized Appreciation 13.4 %
Average Yield 0.9 %
Annualized Rate of Return 14.3 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 9.4 %
Average Yield 1.1 %
Annualized Rate of Return 10.5 %

Quarterly Growth Trend Data

Graph: Trailing 4 Quarters, Last 5 Years of Data



Quarterly Data									Last 12 Months Data								
Period	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS	Pre-Tax Profit		Sales	Income Tax		%Change		
	\$	%Change	\$ Mil	%Sales	%Change	\$ Mil	%Change	\$		\$ Mil	%Sales	\$ Mil	%Rate	EPS	Pre-Tax Profit	Sales	
06/24	2.95	9.7	27,250.0	42.1	10.2	64,727.0	15.2	19.1	11.81	107,787.0	44.0	245,122.0	19,641.5	18.2	21.9	20.7	15.7
03/24	2.94	20.0	26,727.0	43.2	17.9	61,858.0	17.0	17.9	11.55	105,264.0	44.5	236,584.0	19,092.3	18.1	25.1	23.7	14.0
12/23	2.93	33.2	26,526.0	42.8	30.4	62,020.0	17.6	17.6	11.06	101,210.0	44.5	227,583.0	18,706.1	18.5	22.9	22.5	11.5
09/23	2.99	27.2	27,284.0	48.3	26.5	56,517.0	12.8	18.3	10.33	95,023.0	43.5	218,310.0	17,964.1	18.9	11.3	12.1	7.5
06/23	2.69	20.6	24,727.0	44.0	20.7	56,189.0	8.3	18.8	9.69	89,311.0	42.1	211,915.0	16,955.7	19.0	0.5	6.7	6.9
03/23	2.45	10.4	22,673.0	42.9	12.3	52,857.0	7.1	19.3	9.23	85,071.0	41.0	207,591.0	16,044.4	18.9	-3.7	2.9	7.8
12/22	2.20	-11.3	20,339.0	38.6	-9.7	52,747.0	2.0	19.2	9.00	82,588.0	40.5	204,094.0	15,134.3	18.3	-4.2	3.6	10.4

Quarterly Growth Trend Data

Graph: Trailing 4 Quarters, Last 5 Years of Data

Quarterly Data									Last 12 Months Data									
Period	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS	Pre-Tax Profit			Sales	Income Tax		%Change		
	\$	%Change	\$ Mil	%Sales	%Change	\$ Mil	%Change			\$	\$ Mil	%Sales		\$ Mil	%Rate	EPS	Pre-Tax Profit	Sales
09/22	2.35	-13.3	21,572.0	43.0	5.1	50,122.0	10.6	18.6	9.28	84,764.0	41.7	203,075.0	14,986.3	17.7	3.8	12.3	15.2	
06/22	2.23	2.8	20,487.0	39.5	5.6	51,865.0	12.4	18.3	9.64	83,716.0	42.2	198,270.0	10,922.8	13.0	19.8	17.7	18.0	
03/22	2.22	9.4	20,190.0	40.9	17.1	49,360.0	18.4	17.2	9.58	82,634.0	42.9	192,557.0	10,141.3	12.3	30.5	26.9	20.4	
12/21	2.48	22.2	22,515.0	43.5	22.8	51,728.0	20.1	16.7	9.39	79,680.0	43.1	184,903.0	8,418.2	10.6	39.9	31.2	20.6	
09/21	2.71	48.9	20,524.0	45.3	27.3	45,317.0	22.0	0.1	8.94	75,502.0	42.8	176,251.0	7,789.9	10.3	44.4	33.7	19.8	
06/21	2.17	48.6	19,405.0	42.0	44.6	46,152.0	21.3	15.2	8.05	71,102.0	42.3	168,088.0	9,780.1	13.8	40.0	34.1	17.5	
03/21	2.03	45.0	17,236.0	41.3	34.2	41,706.0	19.1	10.3	7.34	65,119.0	40.7	159,969.0	9,176.9	14.1	22.3	24.7	15.3	
12/20	2.03	34.4	18,337.0	42.6	30.2	43,076.0	16.7	15.7	6.71	60,726.0	39.6	153,284.0	9,462.6	15.6	16.9	21.8	14.2	
09/20	1.82	31.9	16,124.0	43.4	27.1	37,154.0	12.4	13.8	6.19	56,474.0	38.4	147,114.0	9,028.8	16.0	16.6	22.4	13.3	
06/20	1.46	-14.6	13,422.0	35.3	6.6	38,033.0	12.8	16.5	5.75	53,036.0	37.1	143,015.0	8,743.0	16.5	13.4	21.4	13.6	
03/20	1.40	22.8	12,843.0	36.7	22.5	35,021.0	14.6	16.3	6.00	52,210.0	37.6	138,699.0	5,835.8	11.2	33.3	25.0	13.5	
12/19	1.51	39.8	14,085.0	38.2	35.6	36,906.0	13.7	17.3	5.74	49,853.0	37.1	134,249.0	5,536.2	11.1	33.2	24.9	13.3	
09/19	1.38	21.1	12,686.0	38.4	24.1	33,055.0	13.7	15.8	5.31	46,153.0	35.6	129,814.0	5,313.4	11.5	120.3	19.2	13.0	
06/19	1.71	50.0	12,596.0	37.4	17.9	33,717.0	12.1	-4.7	5.07	43,688.0	34.7	125,843.0	4,793.7	11.0	140.3	19.8	14.0	
03/19	1.14	20.0	10,486.0	34.3	21.4	30,571.0	14.0	16.0	4.50	41,772.0	34.2	122,211.0	6,840.2	16.4	150.0	33.3	18.0	
12/18	1.08	231.7	10,385.0	32.0	13.3	32,471.0	12.3	18.9	4.31	39,927.0	33.7	118,459.0	6,347.4	15.9	195.2	39.5	19.8	
09/18	1.14	35.7	10,221.0	35.1	28.0	29,084.0	18.5	13.7	2.41	38,711.0	33.7	114,906.0	20,652.3	53.4	-18.0	50.0	22.2	
06/18	1.14	37.3	10,680.0	35.5	92.6	30,085.0	29.0	16.9	2.11	36,474.0	33.1	110,360.0	19,820.9	54.3	-21.9	57.6	22.7	
03/18	0.95	55.7	8,641.0	32.2	46.1	26,819.0	21.4	14.1	1.80	31,339.0	30.3	103,592.0	14,336.8	45.7	-20.4	49.6	18.7	
12/17	-0.82	-224.2	9,169.0	31.7	44.1	28,918.0	20.0	168.7	1.46	28,614.0	28.9	98,863.0	13,431.4	46.9	-31.1	42.6	15.4	
09/17	0.84	40.0	7,984.0	32.5	49.9	24,538.0	20.0	17.6	2.94	25,808.0	27.4	94,035.0	2,407.2	9.3	41.3	31.9	10.1	
06/17	0.83	112.8	5,545.0	23.8	65.7	23,317.0	13.1	-17.5	2.70	23,149.0	25.7	89,950.0	1,828.2	7.9	31.7	17.2	5.4	
03/17	0.61	29.8	5,916.0	26.8	17.5	22,090.0	7.6	18.9	2.26	20,951.0	24.0	87,247.0	2,921.1	13.9	79.4	43.0	0.4	
12/16	0.66	6.5	6,363.0	26.4	8.7	24,090.0	1.2	18.3	2.12	20,071.0	23.4	85,688.0	3,128.1	15.6	51.4	24.4	-2.7	
09/16	0.60	5.3	5,325.0	26.0	-3.4	20,453.0	0.4	11.9	2.08	19,563.0	22.9	85,394.0	2,870.9	14.7	39.6	7.9	-5.9	
06/16	0.39	197.5	3,347.0	16.2	290.6	20,614.0	-7.1	6.7	2.05	19,751.0	23.1	85,320.0	3,109.8	15.7	40.4	6.7	-8.8	
03/16	0.47	-23.0	5,036.0	24.5	-22.7	20,531.0	-5.5	25.4	1.26	14,648.0	16.9	86,886.0	-940.8	-6.4				
12/15	0.62	-12.7	5,855.0	24.6	-25.4	23,796.0	-10.1	14.6	1.40	16,129.0	18.3	88,084.0	-1,112.9	-6.9				
09/15	0.57	5.6	5,513.0	27.1	-6.5	20,379.0	-12.2	16.2	1.49	18,124.0	20.0	90,758.0	-767.1	-4.2				
06/15	-0.40		-1,756.0	-7.9		22,180.0		-82.0										
03/15	0.61		6,517.0	30.0		21,729.0		23.5										

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Period	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS	Pre-Tax Profit			Sales	Income Tax		%Change		
	\$	%Change	\$ Mil	%Sales	%Change	\$ Mil	%Change			\$	\$ Mil	%Sales		\$ Mil	%Rate	EPS	Pre-Tax Profit	Sales
12/14	0.71		7,850.0	29.7		26,470.0		25.3										
09/14	0.54		5,896.0	25.4		23,201.0		23.0										