Company	Microsoft Corporatio		Date	1/31/2014
Prepared by	POY		Data taken from	BI Stock Data
Where traded	NAS	Industry	Software - Infrastructure	

Capitalization --- Outstanding Amounts		Reference		
Preferred ($M)		0.0	% Insiders	% Institution
Common (M Shares)		8,326.0	8.5	71.9
Debt ($M)	22,976.0	% to Tot Cap	21.3	% Pot Dil	0.8

Stock Selection Guide

Symbol: MSFT

1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2013 QuarterEnding (12/13)	Sales ($M)	Earnings Per Share
Latest Quarter	24,519.0	0.78
Year Ago Quarter	21,456.0	0.76
Percentage Change	14.3%	3.4%

Legend	
Sales	EPS
PTP	Quarter
Trend	Sales Forecast
EPS Forecast	Price Range

77,849
112,180
4.09
2.58

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
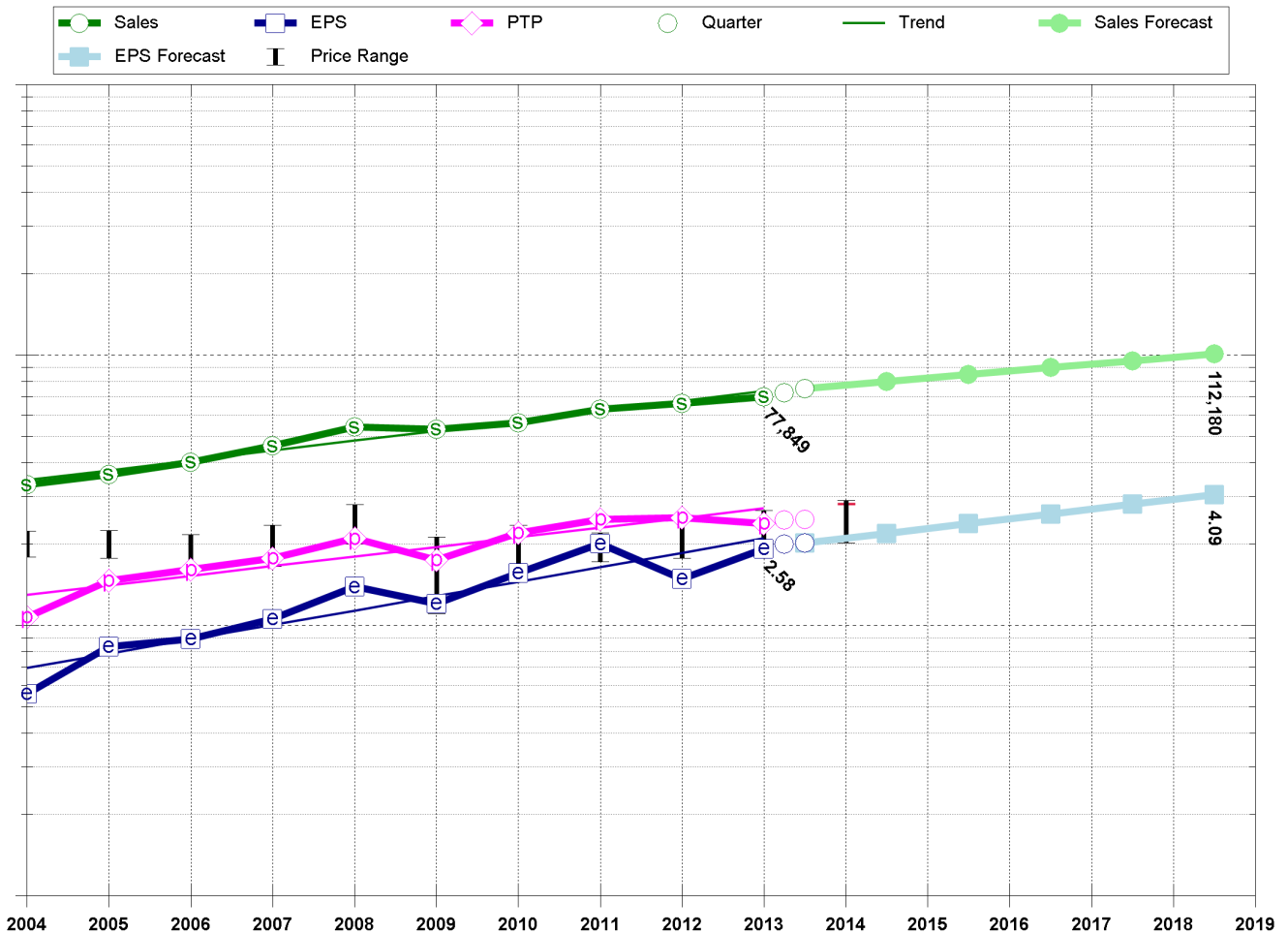
(1) Historical Sales Growth	8.8%	(3) Historical Earnings Per Share Growth	13.0%
(2) Estimated Future Sales Growth	6.1%	(4) Estimated Future Earnings Per Share Growth	8.6%

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Last 5 Year Avg.
Pre-tax Profit on Sales	33.1%	41.8%	41.2%	39.3%	39.4%	33.9%	40.0%	40.1%	38.6%	34.7%	37.5%
% Earned on Equity	10.8%	25.2%	30.4%	42.9%	47.9%	36.5%	39.4%	39.5%	25.2%	27.2%	33.6%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	12.7%	11.4%	17.3%	15.3%	16.5%	14.6%

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.

PRESENT PRICE 37.8   **HIGH THIS YEAR** 38.98   **LOW THIS YEAR** 27.10

		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
1	2009	28.5	14.9	1.62	17.6	9.2	0.50	30.9	3.4
2	2010	31.6	22.0	2.10	15.0	10.5	0.52	24.8	2.4
3	2011	29.5	23.1	2.69	10.9	8.6	0.61	22.6	2.6
4	2012	33.0	23.8	2.00	16.5	11.9	0.76	38.1	3.2
5	2013	35.8	26.3	2.58	13.9	10.2	0.89	34.5	3.4
	AVERAGE		22.0		14.8	10.1		30.2	
	CURRENT/TTM			2.71			1.12	41.4	
	AVERAGE PRICE EARNINGS RATIO 12.4					CURRENT PRICE EARNINGS RATIO 14.0			

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   14.00   X Estimate High Earnings/Share   4.09   =   Forecasted High Price $ 57.3

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E   12.00   X Estimate Low Earnings/Share   2.58   =   Forecasted Low Price $ 31.0

(b) Avg. Low Price of Last 5 Years   22.0

(c) Recent Market Low Price   23.79

(d) Price Dividend Will Support $\dfrac{\text{Present Dividend}}{\text{High Yield}}$ = $\dfrac{1.120}{3.40\%}$ = 32.9

Selected Forecasted Low Price $ 31.0

C ZONING   using 25%-50%-25%

Forecasted High Price   57.3   Minus Forecasted Low Price   31.0   =   26.3   Range.   25% of Range   6.6

Buy Zone	31.0	to	37.6
Hold Zone	37.6	to	50.7
Sell Zone	50.7	to	57.3

Present Market Price of   37.84   is in the   **Hold**   Zone

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

$\dfrac{\text{High Price} \quad 57.3 \quad \text{Minus Present Price} \quad 37.84}{\text{Present Price} \quad 37.84 \quad \text{Minus Low Price} \quad 31.0}$ = $\dfrac{19.42}{6.84}$ = 2.8   To 1

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

$\dfrac{\text{High Price} \quad 57.3}{\text{Present Market Price} \quad 37.84}$ = 1.51   X   100   =   151.32   -   100   =   51.3   % 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 $\dfrac{\text{Present Full Year's Dividend \$} \quad 1.12}{\text{Present Price of Stock} \quad 37.84}$ = 0.03   =   3.0 %   Present Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E   **AVERAGE YIELD - USING FORECAST AVERAGE P/E**

$\dfrac{\text{Avg. \% Payout}}{\text{Forecast High PE}}$ = $\dfrac{30.2\ \%}{14.00}$ = 2.2 % $\dfrac{\text{Avg. \% Payout}}{\text{Forecast Average PE}}$ = $\dfrac{30.2\ \%}{13.00}$ = 2.3 %

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E   **COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E**

Annualized Appreciation	8.6 %	Annualized Appreciation	7.0 %
Average Yield	2.2 %	Average Yield	2.3 %
Annualized Rate of Return	10.8 %	Annualized Rate of Return	9.4 %