

software. It develops and sells software products for a wide range of computing environments in consumer and enterprise markets. Hardware products include the Xbox video game console and Surface laptops. Revenue sources in fiscal 2019: Productivity & Business Processes, 33%; Intelligent Cloud, 31%; More Personal Com-

Microsoft delivered good financial re-

sults for its fiscal first quarter. (Years

end June 30th.) Revenues and earnings of

\$33.1 billion and \$1.38 a share compared

favorably with our estimates of \$32 billion

and \$1.22. As has been the case for the last year or so, the secular move to the

cloud taking place in the software industry

and Microsoft's success in meeting its customers needs as they embrace the change

underscored the latest results. To wit, the

upward trend in the company's commer-

cial business continued to hold forth in the

September period, with commercial cloud

revenue advancing 35.6%, to \$11.6 billion,

while the gross margin on this business

came in at 66%, up four percentage points

year over year, driven by a material improvement in Azure gross margin. For its

part, revenue from the *Azure* platform grew 59% in the fiscal first quarter, a very good showing in our view. Meanwhile, Of-

fice 365, both commercial and consumer,

was once again an important factor in the

company's latest financial report. Finally,

on the commercial side, Windows 10 supported the results from the More Personal

6/30/19. Stock owners: William H. Gates, 1.34%;, other offs. & dirs. 0.05%; The Vanguard Group, 7.8%; BlackRock, Inc., 6.6%; (10/19 proxy). Chrmn: John W. Thompson. CEO: Satya Nadella. Inc.: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Tel.: 425-882-8080. Internet: www.microsoft.com.

We have made upward adjustments to

our estimates for fiscal 2020. Although

we have maintained our revenue target,

which implies 11%-12% growth, it now ap-

pears we were too conservative on our

earnings call. Accordingly, we have raised

our estimate \$0.15 a share, incorporating

a wider operating margin and indicating an advance of 12%-13%. Notably, the lion's

share of the bottom-line progress we envi-

sion should come from growth in net in-

come, rather than from the company's

What about Microsoft stock? The com-

pany faces stiff competition in the cloud,

particularly from Amazon Web Services.

Still, the recent win of the JEDI contract

from the Department of Defense speaks well for Azure's growing stature and for Microsoft's ability to gain a greater share of the cloud arena. That said, MSFT

shares have received good market support

over the last few years. So, despite the fa-

vorable prospects that we project for the

company, those considering a new commitment to high-quality MSFT shares will

have to be willing to shoulder a premium.

share purchase program.

Charles Clark

ANNUAL RATES Est'd '17-'19 Past Past 10 Yrs. to '22-'24 of change (per sh) 5 Yrs. Revenues "Cash Flow 9.0% 10.5% 8.5% 10.5% 12.0% 13.0% 8.0% 12.5% 3.5% Earnings Dividends Book Value 9.0%

169662

8617

3998

28905 16968

58488

175552

9382 5516

32676 21846

69420

165896

8574 3017

29904

16623

58118

Current Assets

Accts Payable Debt Due

Current Liab

Unearned Revenue Other

Book value		11.0% 3.		5% 12.5%	
Fiscal Year Ends	QUART Sep.30	ERLY REV Dec.31	/ENUES (\$ Mar.31	mill.) A Jun.30	Full Fiscal Year
2016	21660	25506	22156	22642	91964
2017	22334	26066	23557	24700	96657
2018	24538	28918	26819	30085	110360
2019	29084	32471	30571	33717	125843
2020	33055	35650	34175	37470	140350
Fiscal	EARNINGS PER SHARE AB				Full .
Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Fiscal Year
2016	.70	.77	.63	.69	2.79
2017	.76	.83	.73	.75	3.08
2018	.84	.96	.95	1.13	3.88
2019	1.14	1.10	1.14	1.37	4.75
2020	1.38	1.32	1.25	1.40	5.35
Cal-	QUARTERLY DIVIDENDS PAID E■				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	.31	.31	.31	.36	1.29
2016	.36	.36	.39	.39	1.50
2017	.39	.39	.42	.42	1.62
2018	.42	.42	.42	.46	1.72
2019	.46	.46	.46	.51	

(A) Fiscal year ends June 30th.
(B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '03, d5¢; '04, d29¢; '05, d4¢; '12, d72¢; '13, d7¢; '15, d\$1.17;

Computing business segment.

16, d70¢; '17, d37¢; '18, d\$1.75; '19, d33¢. (E) Dividends historically paid in March, June, Next earnings report mid-Jan. (C) In mill. Sept., and Dec. ■Dividend reinvestment plan (D) Includes intangibles. In 2019: \$42.0 billion, available. Special dividend of \$3.00 a share paid December 2, 2004.

Company's Financial Strength Stock's Price Stability A++ 80 Price Growth Persistence **Earnings Predictability** 

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