



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
3.39	3.72	4.40	5.45	6.60	6.56	7.21	8.35	8.80	9.34	10.54	11.66	11.78	12.54	14.38	16.47	18.89	21.25	Revenues per sh <sup>A</sup>	29.00
1.15	1.27	1.34	1.65	2.16	1.92	2.47	3.09	3.12	3.15	3.31	3.47	3.71	4.26	5.28	6.35	7.54	8.20	"Cash Flow" per sh	11.00
1.04	1.16	1.20	1.42	1.87	1.62	2.10	2.69	2.72	2.65	2.63	2.65	2.79	3.08	3.88	4.75	5.76	6.70	Earnings per sh <sup>B</sup>	9.00
.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.80	1.99	2.19	Div'ds Decl'd per sh <sup>E</sup>	3.10
.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.50	Cap'l Spending per sh	2.00
6.89	4.49	3.99	3.32	3.97	4.44	5.33	6.82	7.92	9.48	10.90	9.98	9.22	9.39	10.77	13.39	15.63	18.70	Book Value per sh <sup>D</sup>	27.00
10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8027.0	7808.0	7708.0	7677.0	7643.0	7571.0	7525.0	Common Shs Outst'g <sup>C</sup>	7375.0
25.8	22.9	21.7	19.9	16.3	13.4	13.1	9.6	10.4	11.2	14.0	17.0	18.1	20.2	22.1	23.7	27.4		Avg Ann'l P/E Ratio	27.0
1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.26	1.37		Relative P/E Ratio	1.50
.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%	3.0%	2.7%	2.9%	2.5%	2.0%	1.6%	1.3%		Avg Ann'l Div'd Yield	1.3%

CAPITAL STRUCTURE as of 9/30/20		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Debt \$63552 mill. Due in 5 Yrs \$19720 mill.		62484	69943	73723	77811	86833	93580	91964	96657	110360	125843	143015	160000						
LT Debt \$57055 mill. LT Interest \$2050 mill. (32% of Cap'l)		42.9%	42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	43.4%	46.0%	45.0%						
Leases, Uncapitalized \$1678 mill.		2673.0	2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11682	12796	10750						
No Defined Benefit Pension Plan Pfd Stock None		18760	23150	23171	22453	22074	21885	22329	24084	30267	36830	44281	51000						
Common Stock 7,569,495,969 shs. as of 10/22/20		25.0%	17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	15.7%	16.5%	16.5%						
MARKET CAP: \$1591 billion (Large Cap)		30.0%	31.5%	25.3%	19.0%	14.7%	15.0%	15.7%	16.9%	21.2%	22.5%	24.6%	24.5%						

CURRENT POSITION (SMILL.)	2018	2019	9/30/20
Cash Assets	133768	133819	137977
Receivables	26481	29524	22851
Inventory (Avg Cst)	2662	2063	2705
Other	6751	10146	13544
Current Assets	169662	175552	177077
Accts Payable	8617	9382	12509
Debt Due	3998	5516	6497
Unearned Revenue	28905	32676	33476
Other	16968	21846	17574
Current Liab.	58488	69420	70056

**BUSINESS:** Microsoft Corp. is the largest independent maker of 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 2020: Productivity & Business Processes, 32%; Intelligent Cloud, 34%; More Personal Computing, 34%. R&D, 13.5% of 2020 revenues. Employed 144,000 at 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.

**Microsoft began fiscal 2021 on a strong note.** (Years end June 30th.) The momentum established last year kept revenues and earnings on a rapid upward trajectory in the September period, in line with the recent dynamic performances delivered from the company's commercial business and the move to cloud services. In addition, most of the important performance metrics continued showing improvement in the first quarter, making the latest financial report a good read. In addition, revenue growth from the Azure platform remained rapid, though the pace has naturally slowed some as the scale of the platform has sharply expanded in recent quarters. Nonetheless, the favorable trend in consumption-based services endured in the interim, suggesting that demand for Azure and related services was healthy. Elsewhere, Microsoft 365 continued to find favor in the September period, as the collaboration features found in Teams lever off the large established base for Office and Office 365.

**We like Microsoft's prospects for the year ahead and beyond.** The rapid surge in contracting that was evident as companies rushed to conform with stay-at-home orders and to adopt a remote-work environment in the early stages of the coronavirus pandemic is probably best considered as a singular event. That said, businesses of all sizes have found that productivity was largely sustained as employees worked from home, and in many cases there were operating cost advantages to be had. As the economy reopens, businesses are likely to maintain the flexibility of remote work, benefiting companies such as Microsoft that have a strong position in cloud computing and cloud services. Moreover, the reorganization of corporate operating structures that is now underway should enhance the general adoption of cloud services, underpinning Microsoft's longer-term potential.

**What about Microsoft shares?** As we have mentioned previously, the company's prospects have not gone unnoticed, with the stock generally being accorded a generous relative valuation since our early-August report. Accordingly, new commitments to these high-quality shares are best made carefully.

*Charles Clark* *November 6, 2020*

<b>Company's Financial Strength</b>	A++
<b>Stock's Price Stability</b>	95
<b>Price Growth Persistence</b>	75
<b>Earnings Predictability</b>	90

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