

# MICROSOFT NDQ-MSFT

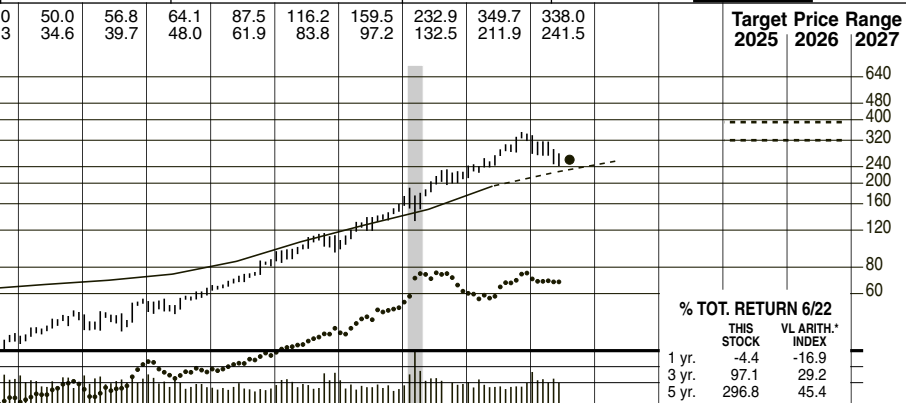
RECENT PRICE **258.83** P/E RATIO **27.1** (Trailing: 28.3 Median: 19.0) RELATIVE P/E RATIO **1.69** DIV'D YLD **1.0%**

## VALUE LINE

**TIMELINESS 1** Raised 5/7/21  
**SAFETY 1** Raised 5/26/06  
**TECHNICAL 3** Raised 8/5/22  
**BETA .90** (1.00 = Market)

High: 29.5 32.9 39.0 50.0 56.8 64.1 87.5 116.2 159.5  
 Low: 23.7 26.3 26.3 34.6 39.7 48.0 61.9 83.8 97.2

**LEGENDS**  
 — 20.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession



**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$240-\$458 \$349 (35%)

**2025-27 PROJECTIONS**  
 High Price Gain Ann'l Total  
 Low 390 (+50%) 12%  
 320 (+25%) 7%

**Institutional Decisions**  
 3Q2021 4Q2021 1Q2022  
 to Buy 1714 2106 2210  
 to Sell 1888 1953 1927  
 Hlds(000)524582552268105196430

Percent shares traded  
 21  
 14  
 7

**% TOT. RETURN 6/22**  
 THIS STOCK VL ARITH. INDEX  
 1 yr. -4.4 -16.9  
 3 yr. 97.1 29.2  
 5 yr. 296.8 45.4

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
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	22.36	26.56	30.15	Revenues per sh <sup>A</sup>	45.75
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	9.70	11.24	12.10	"Cash Flow" per sh	18.35
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	8.05	9.21	10.50	Earnings per sh <sup>B</sup>	15.50
.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.84	2.04	2.24	2.42	2.60	Div'ds Decl'd per sh <sup>E</sup>	3.84
.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.74	3.20	3.00	Cap'l Spending per sh	2.80
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	18.88	22.31	27.05	Book Value per sh <sup>D</sup>	40.85
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	7519.0	7464.0	7400.0	Common Shs Outst'g <sup>C</sup>	7100.0
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	28.3	32.2		Avg Ann'l P/E Ratio	23.0
1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.26	1.41	1.54	1.74		Relative P/E Ratio	1.30
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%	1.0%	.8%		Avg Ann'l Div'd Yield	1.1%

**CAPITAL STRUCTURE as of 3/31/22**  
 Total Debt \$49926 mill. Due in 5 Yrs \$16500 mill.  
 LT Debt \$48177 mill. LT Interest \$1735 mill.  
 (23% of Cap'l)

73723	77811	86833	93580	91964	96657	110360	125843	143015	168088	198270	223000							Revenues (Smill) <sup>A</sup>	325000
41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	43.4%	46.0%	48.5%	49.3%	49.0%							Operating Margin	48.5%
2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11682	12796	11686	14460	11000							Depreciation (Smill)	18750
23171	22453	22074	21885	22329	24084	30267	36830	44281	61271	69447	78700							Net Profit (Smill)	111700
18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	15.7%	16.5%	13.8%	17.0%	17.0%							Income Tax Rate	17.0%
31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.4%	29.3%	31.0%	36.5%	35.0%	35.3%							Net Profit Margin	34.5%

Leases, Uncap'l \$2125 mill.  
 No Defined Benefit Pension Plan  
 Pfd Stock None  
 Common Stock 7,479,033,135 shs.  
 as of 4/21/22  
 MARKET CAP: \$1,900 billion (Large Cap)

52396	64049	68621	74854	80303	95324	111174	106132	109605	95749	74602	82000							Working Cap'l (Smill)	110000
10713	12601	20645	27808	40783	76073	72242	66662	59578	50074	47032	45000							Long-Term Debt (Smill)	40000
66363	78944	89784	80083	71997	72394	82718	102330	118304	141988	166542	200000							Shr. Equity (Smill) <sup>D</sup>	290000
30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	22.6%	25.6%	32.5%	33.0%	32.5%							Return on Total Cap'l	34.0%
34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	36.0%	37.4%	43.2%	41.7%	39.5%							Return on Shr. Equity	40.0%

CURRENT POSITION	2020	2021	3/31/22	
Cash Assets	136576	130334	104693	
Receivables	32011	38043	32613	
Inventory (Avg Cst)	1895	2636	3296	
Other	11433	13393	13320	
Current Assets	181915	184406	153922	
Accts Payable	12530	15163	16085	
Debt Due	3749	8072	1749	
Unearned Revenue	36000	41525	34027	
Other	20031	23897	25578	
Current Liab.	72310	88657	77439	

**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 2021: Productivity & Business Processes, 32%; Intelligent Cloud, 36%; More Personal Computing, 32%. R&D, 12.3% of 2021 revenues. Employed 181,000 at 6/30/21. Stock owners: Ofcs. & dirs., less than 1%; The Vanguard Group, 8.1%; BlackRock, Inc., 6.8%. (10/21 proxy). Chairman & CEO: Satya Nadella. Incorporated: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Telephone: 425-882-8080. Internet: www.microsoft.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21	
of change (per sh)				
Revenues	10.0%	11.0%	15.5%	
"Cash Flow"	12.0%	17.5%	15.0%	
Earnings	11.0%	18.0%	16.5%	
Dividends	14.0%	10.0%	11.0%	
Book Value	11.0%	9.5%	17.0%	

**Microsoft shares were not spared in the recent tech sector rout.** Like other big tech names, MSFT has slipped in recent months, on fears of persistent inflation and interest rate hikes. The stock is down some 25% from its all-time high reached in late 2022, pretty much in line with the drop in the NASDAQ.

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2019	29084	32471	30571	33717	125843
2020	33055	36906	35021	38033	143015
2021	37154	43076	41706	46152	168088
2022	45317	51728	49360	51865	198270
2023	49800	58200	55500	59500	223000

**That said, despite a disappointing finish to last year, the software giant should thrive in fiscal 2023 onward, with its cloud services a key driver.** Revenues and EPS in the fiscal fourth quarter ended June 30th fell short of our and consensus expectations. Less-robust growth in its Intelligent Cloud segment, including the Azure platform, as well as unforeseen events, such as unfavorable foreign-exchange effects, production shut-downs in China, the ongoing Russia-Ukraine war, and lower ad spending, were to blame for the miss. Microsoft is nonetheless upbeat about fiscal 2023. Though macroeconomic challenges and foreign-exchange rate pressure ought to persist near term, it expects its core commercial business and cloud services to drive much of this year's growth, even amid a tough

Fiscal Year Ends	EARNINGS PER SHARE <sup>AB</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2019	1.14	1.10	1.14	1.37	4.75
2020	1.38	1.51	1.40	1.46	5.76
2021	1.82	2.03	2.03	2.17	8.05
2022	2.27	2.48	2.22	2.23	9.21
2023	2.40	2.70	2.60	2.80	10.50

macroeconomic backdrop. It also noted recent big wins for Azure. All told, we see top- and bottom-line growth of 10%-15% out to mid-decade, as high-demand cloud services gain more traction.

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>E</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2018	.42	.42	.42	.46	1.72
2019	.46	.46	.46	.51	1.89
2020	.51	.51	.51	.56	2.09
2021	.56	.56	.56	.62	2.30
2022	.62	.62			

**The acquisition of game publisher Activision Blizzard remains on pace.** The all-cash deal of \$68.7 billion is the company's largest to date. The transaction, which is pending regulatory/antitrust and customary shareholder approvals, would greatly enhance Microsoft's position in the gaming market, and allow it to go head-to-head with such competitors as Sony and Tencent. If all goes well, the deal should close in fiscal 2023, with Activision to join Microsoft's gaming unit.

**We still like this blue chip name.** The stock remains ranked 1 (Highest) for Timeliness, and has decent risk-adjusted upside potential for the 18-month and 3- to 5-year terms at this price. (MSFT boasts top-notch scores for Safety and other risk indicators). While the company's healthy cash flow and solid balance sheet should help support growth, share buybacks, and dividend hikes, the yield is just modest.

*J. Susan Ferrara*  
 August 5, 2022

(A) Fiscal year ends June 30th.  
 (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '05, d4c; '12, d72c; '13, d7c; '15, d\$1.17; '16, d70c; '17, d37c;  
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'18, d\$1.75; '19, d33c; '22, 44c. Next earnings report late Oct. (C) In mill.  
 (D) Includes intangibles. In fiscal 2021: \$49.7 billion, \$6.28 a share.

(E) Dividends historically paid in March, June, Sept., and Dec. ■Dividend reinvestment plan available.

Company's Financial Strength		A++
Stock's Price Stability		95
Price Growth Persistence		100
Earnings Predictability		100

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