

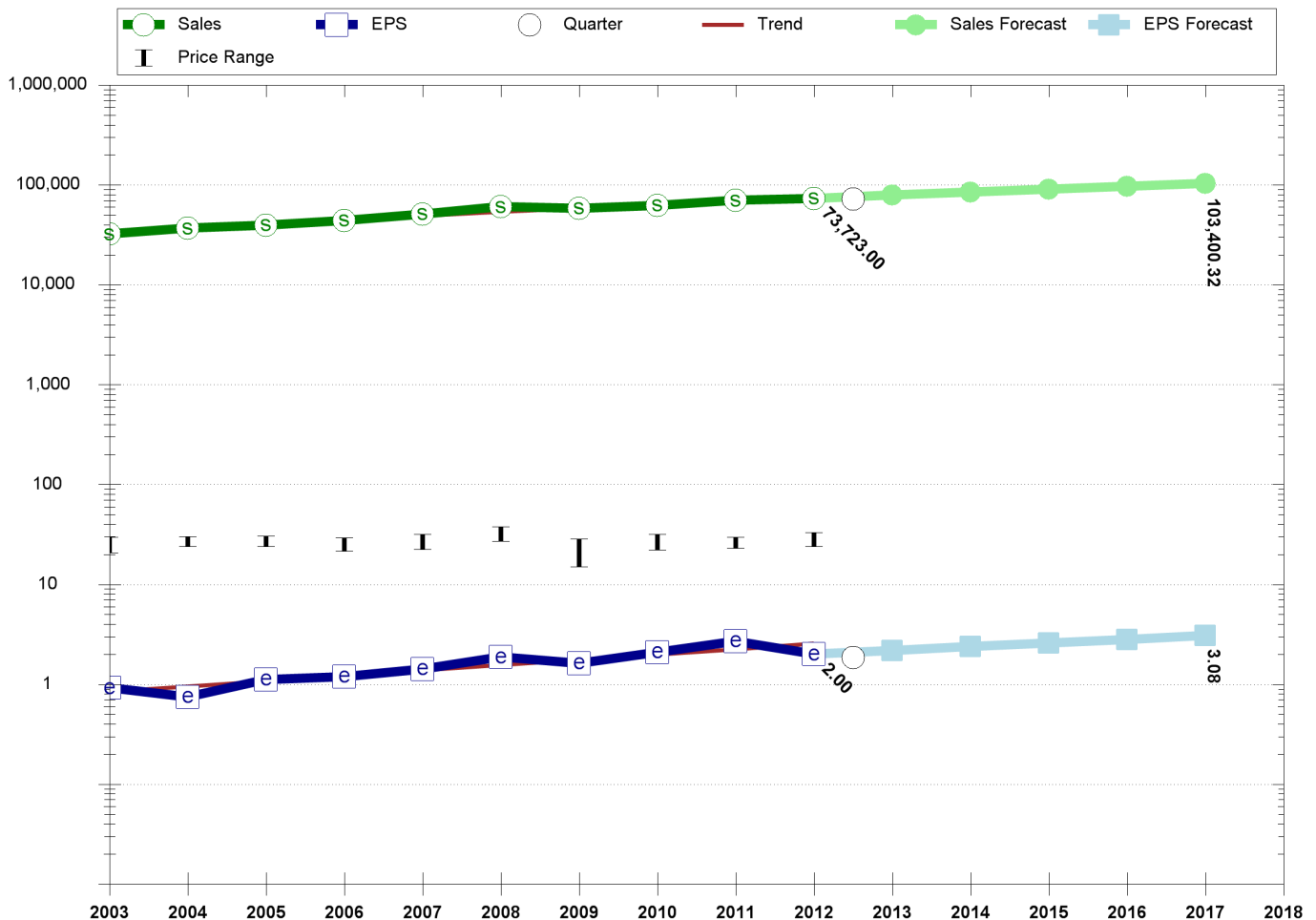
Company	Microsoft Corporatio		Date	11/16/2012	
Prepared by	POY		Data taken from	BI Stock Data	
Where traded	NAS		Industry	Software - Infrastructure	
Capitalization ---	Outstanding Amounts		Reference		
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	8,396.0	9.5	65.4		
Debt (\$M)	11,950.0	% to Tot Cap	14.8	% Pot Dil	1.2

Stock Selection Guide

Symbol: MSFT

1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2012 Quarter Ending (09/12)	Sales (\$M)	Earnings Per Share
Latest Quarter	16,008.0	0.53
Year Ago Quarter	17,372.0	0.68
Percentage Change	-7.85%	-22.06%



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 9.7% | (3) Historical Earnings Per Share Growth | 13.1% |
| (2) Estimated Future Sales Growth | 7.00% | (4) Estimated Future Earnings Per Share Growth | 9.00% |

2 EVALUATING Management

Microsoft Corporatio

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Last 5 Year Avg.
Pre-tax Profit on Sales (Net Before Taxes/Sales)	45.75%	33.11%	41.79%	41.24%	39.32%	39.41%	33.92%	40.03%	40.13%	38.60%	38.42%
% Earned on Equity (E/S / Book Value)	16.19%	10.82%	25.15%	30.52%	43.69%	48.00%	36.48%	39.42%	39.47%	25.32%	37.74%

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 26.5

HIGH THIS YEAR 32.95

LOW THIS YEAR 24.30

	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 2008	37.50	26.87	1.87	20.05	14.37	0.430	22.99	1.60
2 2009	28.50	14.87	1.62	17.59	9.18	0.500	30.86	3.36
3 2010	31.58	22.00	2.10	15.04	10.48	0.520	24.76	2.36
4 2011	29.46	23.05	2.69	10.95	8.57	0.610	22.68	2.65
5 2012	32.95	23.79	2.00	16.48	11.90	0.760	38.00	3.19
6 TOTAL		110.6		80.1	54.5		139.3	
7 AVERAGE		22.1		16.0	10.9		27.9	
8 AVERAGE PRICE EARNINGS RATIO 13.5					9 CURRENT PRICE EARNINGS RATIO 14.3			

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 15.00 X Estimate High Earnings/Share 3.08 = Forecasted High Price \$ 46.20

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 10.90 X Estimate Low Earnings/Share 2.00 = Forecasted Low Price \$ 21.80

(b) Avg. Low Price of Last 5 Years 22.12

(c) Recent Market Low Price 23.05

(d) Price Dividend Will Support $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{0.920}{3.20\%} = 28.75$

Selected Forecasted Low Price 21.80

C ZONING using 33%-33%-33%

Forecasted High Price 46.20 Minus Forecasted Low Price 21.80 = 24.40 Range. 33% of Range 8.13

Buy Zone 21.80 to 29.93

Hold Zone 29.93 to 38.07

Sell Zone 38.07 to 46.20

Present Market Price of 26.52 is in the **Buy** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{46.20 - 26.52}{26.52 - 21.80} = \frac{19.68}{4.72} = 4.17$ To 1

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

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{46.20 - 26.52}{26.52} = 1.74$ X 100 = 174.20 - 100 = 74.20 % 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 $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{0.920}{26.52} = 0.03 = 3.47\%$ Present Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{27.86\%}{15.00} = 1.86\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 11.74 %

Average Yield 1.86 %

Annualized Rate of Return 13.60 %