

# MICROSOFT NDQ-MSFT

RECENT PRICE **308.13** P/E RATIO **34.5** (Trailing: 38.3) (Median: 19.0) RELATIVE P/E RATIO **1.84** DIV'D YLD **0.8%**

**VALUE LINE**

**TIMELINESS 1** Raised 5/7/21  
**SAFETY 1** Raised 5/26/06  
**TECHNICAL 3** Raised 10/8/21  
**BETA .85** (1.00 = Market)

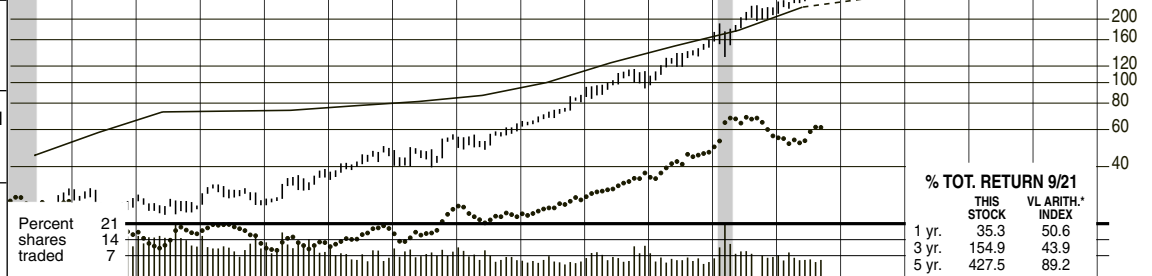
High: 31.6 29.5 32.9 39.0 50.0 56.8 64.1 87.5 116.2 159.5 232.9 311.1  
 Low: 22.7 23.7 26.3 26.3 34.6 39.7 48.0 61.9 83.8 97.2 132.5 211.9

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

**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$N/A-\$N/A \$N/A (N/A%)

**2024-26 PROJECTIONS**  
 High Price 370 Gain (+20%) Ann'l Total Return 6%  
 Low Price 305 (Nil) 1%

**Institutional Decisions**  
 4Q2020 1Q2021 2Q2021  
 to Buy 1985 1904 1864  
 to Sell 1652 1773 1766  
 Hlds(000) 52373 1052502575248399



2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
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	22.36	26.70	Revenues per sh <sup>A</sup>	40.25
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	9.70	10.95	"Cash Flow" per sh	16.25
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	8.05	9.05	Earnings per sh <sup>B</sup>	13.75
.32	.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	Div'ds Decl'd per sh <sup>E</sup>	3.75
.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.74	3.25	Cap'l Spending per sh	2.75
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	18.88	22.25	Book Value per sh <sup>D</sup>	34.75
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	7519.0	7425.0	Common Shs Outst'g <sup>C</sup>	7200.0
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	28.3		Avg Ann'l P/E Ratio	25.0
1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.26	1.40	1.45		Relative P/E Ratio	1.40
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%	1.0%		Avg Ann'l Div'd Yield	1.1%

**CAPITAL STRUCTURE as of 9/30/21**  
 Total Debt \$53288 mill. Due in 5 Yrs \$16500 mill.  
 LT Debt \$50039 mill. LT Interest \$1800 mill.  
 (25% of Cap'l)

Leases, Uncap'l \$2125 mill.

No Defined Benefit Pension Plan  
 Pfd Stock None

Common Stock 7,507,980,444 shs.  
 as of 10/21/21  
**MARKET CAP: \$2,317 billion (Large Cap)**

**CURRENT POSITION** 2019 2020 9/30/21  
 (SMILL.)

69943	73723	77811	86833	93580	91964	96657	110360	125843	143015	168088	198225	Revenues (Smill) <sup>A</sup>	290000
42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	43.4%	46.0%	48.5%	47.5%	Operating Margin	48.0%
2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11682	12796	11686	13250	Depreciation (Smill)	17450
23150	23171	22453	22074	21885	22329	24084	30267	36830	44281	61271	68000	Net Profit (Smill)	100000
17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	15.7%	16.5%	13.8%	16.5%	Income Tax Rate	16.5%
33.1%	31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.4%	29.3%	31.0%	36.5%	34.3%	Net Profit Margin	34.5%
46144	52396	64049	68621	74854	80303	95324	111174	106132	109605	95749	100000	Working Cap'l (Smill)	125000
11921	10713	12601	20645	27808	40783	76073	72242	66662	59578	50074	47000	Long-Term Debt (Smill)	40000
57083	66363	78944	89784	80083	71997	72394	82718	102330	118304	141988	165225	Shr. Equity (Smill) <sup>D</sup>	250000
33.8%	30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	22.6%	25.6%	32.5%	32.5%	Return on Total Cap'l	34.0%
40.6%	34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	36.0%	37.4%	43.2%	41.0%	Return on Shr. Equity	40.0%
31.5%	25.3%	19.0%	14.7%	15.0%	15.7%	16.9%	21.2%	22.5%	24.6%	31.5%	30.0%	Retained to Com Eq	29.0%
22%	28%	33%	40%	45%	49%	49%	42%	37%	34%	27%	27%	All Div'ds to Net Prof	27%

**ANNUAL RATES** Past Past Est'd '19-'21  
 of change (per sh) 10 Yrs. 5 Yrs. to '24-'26

Revenues 10.0% 11.0% 13.5%  
 "Cash Flow" 12.0% 17.5% 14.0%  
 Earnings 11.0% 18.0% 15.0%  
 Dividends 14.0% 10.0% 10.5%  
 Book Value 11.0% 9.5% 14.5%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2018	24538	28918	26819	30085	110360
2019	29084	32471	30571	33717	125843
2020	33055	36906	35021	38033	143015
2021	37154	43076	41706	46152	168088
2022	45317	50650	49000	53258	198225

Fiscal Year Ends	EARNINGS PER SHARE <sup>AB</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2018	.84	.96	.95	1.13	3.88
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	2.27	2.21	2.30	9.05

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>E</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2017	.39	.39	.39	.42	1.62
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	

**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 Com-

**Microsoft delivered strong financial results for its fiscal first quarter.** (Years end June 30th.) The momentum that was established at the beginning of fiscal 2020 held forth as the curtain rose on fiscal 2022, keeping revenues and earnings on a rapid upward trajectory and benefiting from dynamic performances 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 September period. Meanwhile, revenue growth from the Azure platform remained rapid, extending the strong performances from the previous four quarters. The upward trend in consumption-based services is again seen as being a positive factor in this regard, underpinning the demand for Azure and the prospects that the platform will continue expanding at a fast pace. Elsewhere, revenue from Office 365 and cloud services progressed nicely in both the commercial and consumer arenas. Finally, Dynamics 365 continued to make headway in the enterprise application business, while LinkedIn benefited from the active employment market.

puting, 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.

**We look for the rapid growth to continue through this year and beyond.** Although the rush to distributed work environments caused by the COVID-19 pandemic helped to accelerate the adoption of cloud architecture, Microsoft was already experiencing strong demand for its Azure cloud platform and associated consumption-based services. Our sense is this trend will likely remain in place for some time yet, playing a continuing role in the company's progress. Office 365, Dynamics 365, gaming, and the Windows ecosystem should also support growth.

**What about Microsoft stock?** As we have mentioned in previous reviews, the company's prospects have not gone unnoticed, with the shares continuing to be accorded a generous relative valuation since our early-August report. Although a growing dividend and the ongoing stock repurchase program are certainly supportive, new commitments to this high-quality equity are best made carefully, in our view. If the shares are already held in a long-term portfolio, we would continue to hold the position.

Charles Clark November 5, 2021

(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; '18, d\$1.75; '19, d33c; '22, 43c. Next earnings report late Jan. (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** 100  
**Price Growth Persistence** 90  
**Earnings Predictability** 95