

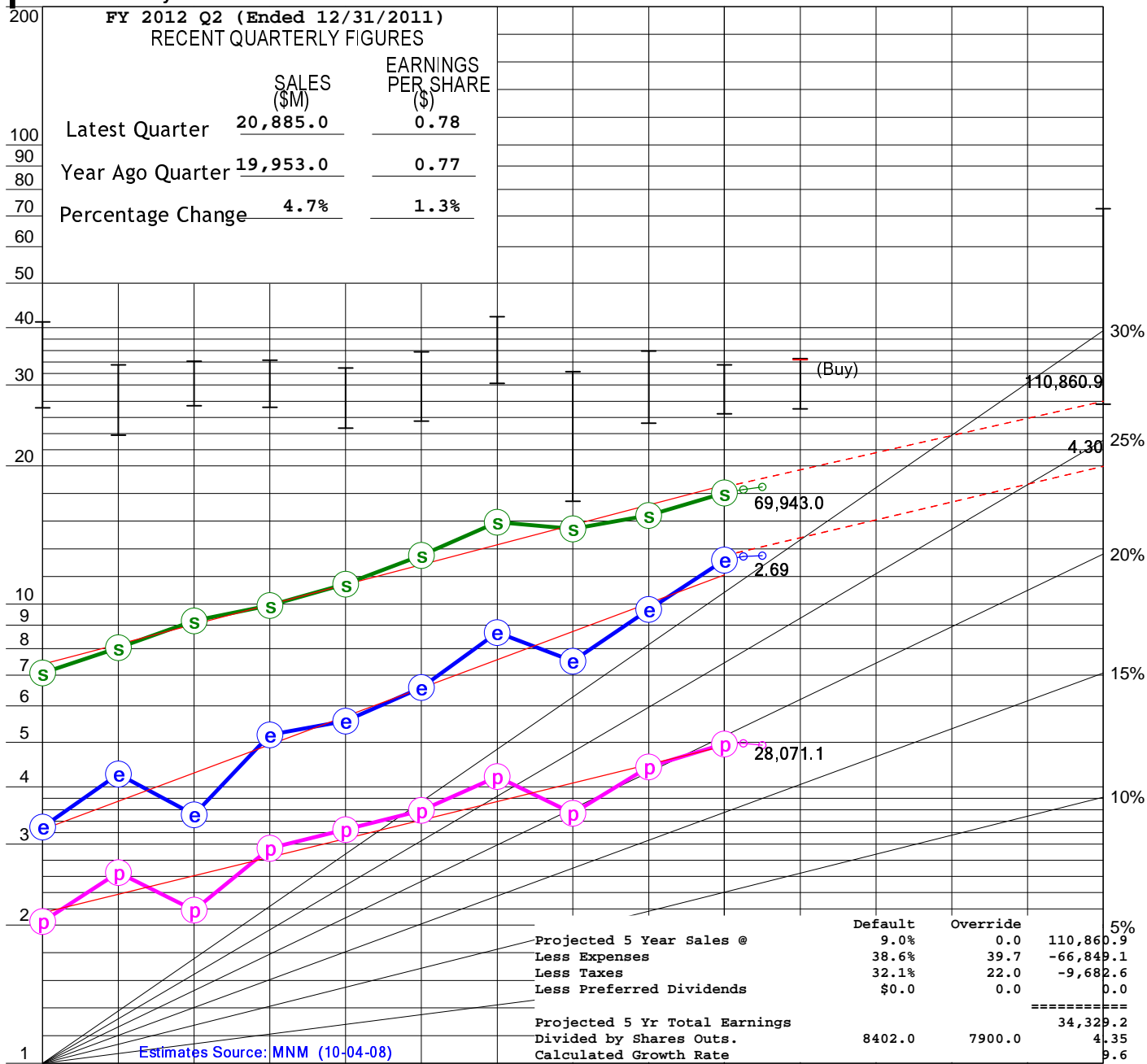


# Stock Study

Company	MICROSOFT CORPORATION	Price Date	02/03/12
Study by	MG	Data Date	02/01/12
Sector	Technology	Data Source	stkCntrl
Industry	Software - Infrastructur	Reference	
Preferred(\$M)	0.0		
Common(M Shares)	8,402.0	% Insiders	10.4
Debt(\$M)	11,932.0	% Institutions	68.4
% Debt to Tot.Cap.	17.2	Quality	3.2 (Take Stock)

## 1 Growth Analysis

NAS: MSFT



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(1) Historical Sales Growth						10.5 %									
(2) Estimated Future Sales Growth						9.0 %									
(5) Sales Growth R						0.97									
(3) Historical Earnings Per Share Growth											15.2 %				
(4) Estimated Future Earnings Per Share Growth											9.4 %				
(6) Earnings Per Share Growth R											0.94				

## 2 QUALITY ANALYSIS

Company **MICROSOFT CORPORATION** (MSFT)

02/03/12

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND UP / DOWN
<b>A</b> % Pre-tax Profit on Sales	40.6	45.8	33.1	41.8	41.2	39.3	39.4	33.9	40.0	40.1	38.6	UP
<b>B</b> % ROE (Beginning Yr)	<del>17.2</del>	19.1	13.2	16.2	26.9	36.1	57.5	41.6	47.3	50.5	46.6	UP
<b>C</b> % Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.4	10.5	20.6	8.1	UP

## 3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) **30.24 (11.0)** 52-WEEK HIGH (P/E) **30.40 (11.1)** 52-WEEK LOW (P/E) **23.65 (8.6)**

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2007	31.5	22.2	1.42	22.2	15.6	0.390	27.5	1.8
2 2008	37.5	26.9	1.87	20.1	14.4	0.430	23.0	1.6
3 2009	28.5	14.9	1.62	17.6	9.2	0.500	30.9	3.4
4 2010	31.6	22.0	2.10	15.0	10.5	0.520	24.8	2.4
5 2011	29.5	23.1	2.69	11.0	8.6	0.610	22.7	2.6
6 AVERAGE		21.8		17.2	11.7		25.8	
AVERAGE P/E RATIO		14.5	PROJECTED P/E RATIO		10.1	TTM EPS		2.75
CURRENT P/E RATIO		11.0	PEG RATIO		1.1	FTM EPS		3.01
RELATIVE VALUE		75.9	PROJ. RELATIVE VALUE		69.3	AVG TTM + FTM EPS		2.88

## 4 EVALUATING REWARD and RISK over the next 5 years

### A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~17.2~~ **15.0** X Estimated High Earnings/Share **4.30** = Forecast High Price \$ **64.5**

### B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~11.7~~ **9.0** X Estimated Low Earnings/Share **2.69** = \$ **24.2**

(b) Average 5-Year Low Price = **21.8**

(c) Recent Severe Low Price = **22.0**

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = **0.800 ÷ 0.034 = 23.8**

Selected Estimated Low Price = \$ **24.2**

### C PRICE RANGES

Forecast High Price **64.5** - Estimated Low Price **24.2** = Range **40.3** 25% of Range = **10.1**

BUY (Lower 25% of Range) = **24.2** to **34.3**

MAYBE (Middle 50% of Range) = **34.3** to **54.4**

SELL (Upper 25% of Range) = **54.4** to **64.5**

Current Price **30.240** is in the **Buy** Range

### D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price **64.5** - Current Price **30.240**) ÷ (Current Price **30.240** - Estimated Low Price **24.2**) = **5.7** To 1

## 5 TOTAL RETURN ANALYSIS

### A CURRENT YIELD

Present Full Year's Dividend \$ **0.800** ÷ Current Price of Stock \$ **30.240** = **2.6 %** Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout **25.8** ÷ Forecast High P/E **15.0** = Avg. Yield **1.7**

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout **25.8** ÷ Forecast Avg P/E **12.0** = Avg. Yield **2.2**

### C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

Average Yield **1.7 %** + Annual Appreciation **16.4 %** = Compound Annual Total Return **18.1 %**

### D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E

Average Yield **2.2 %** + Annual Appreciation **11.3 %** = Projected Average Total Return **13.4 %**

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