

<b>Company: Microsoft Corp</b>	<b>Ticker: MSFT</b>	<b>Current Price: \$ 424.96</b>	<b>Industry: Software Publishing Industry</b>
Target Price: \$ 451.72	TTM P/E: 34.70	Beta: 1.00	Market Cap: \$3.16T
Stop Loss: \$340	Forward P/E: 31.85	Credit Rating: AAA (S&P)	Avg Vol (12 M): 21.36T
52 Week High/ Low: \$468.35 / \$360.36	EPS: \$11.86	Rating Outlook: Positive	Dividend Yield: 0.78%

**Company Background:**

Microsoft was founded in 1975 by Bill Gates and Paul Allen, and is headquartered in Redmond, Washington. They are one of the world's leading technology companies, known for their wide range of software, hardware, and services. It began as a software company focused on personal computing and quickly gained worldwide recognition with its Windows operating system. Over the years, Microsoft has expanded into various technology sectors, including cloud computing, gaming, and artificial intelligence. Today, its primary business segments include Productivity and Business Processes (featuring products like Microsoft Office, LinkedIn, and Dynamics), Intelligent Cloud (Azure, its cloud platform, is a leader in cloud computing), and More Personal Computing (which includes Windows, Surface devices, and Xbox).

**Industry Outlook:**

The software publishing industry is positioned for steady growth, with a forecasted CAGR of 6.0% through 2024 and a longer-term CAGR of 2.8% by 2029, highlighting sustained demand and expansion opportunities. Microsoft, a key player in this sector, stands to benefit from these trends due to its focus on cloud-based solutions, such as Azure, which aligns with the industry's shift toward seamless cross-device access and subscription-based revenue models. Additionally, advancements in AI are enhancing software usability and cost-effectiveness, creating new pathways for innovation that Microsoft is leveraging with tools like Microsoft 365 Copilot.

**Investment Thesis:**

Microsoft is a strong investment opportunity based on its industry-leading position, robust growth in cloud computing, and increasing revenue from subscription services. Microsoft's continued innovation in AI and cybersecurity supports its competitive edge and aligns with key industry trends. Microsoft is a stable, growth-oriented investment in a rapidly evolving technology landscape.

**Investment Risks:**

- Rise in cyber threats
- Stricter regulatory compliance
- Intense competition in the industry

**3-5 take aways from last quarter investor call transcript:**

- Microsoft Azure continues to drive significant growth, with strong demand for cloud and AI-driven solutions
- They are working on further developing AI Integration, particularly through products like Microsoft 365 Copilot
- Microsoft is seeing growth in their gaming sector as a result of acquiring Activision

**Financial Performance:**

	2017 Y	2018 Y	2019 Y	2020 Y	2021 Y	2022 Y	2023 Y	2024 Y	Current/LTM	2025 Y Est	2026 Y Est
Revenue	96,571.0	110,360.0	125,843.0	143,015.0	168,088.0	198,270.0	211,915.0	245,122.0	254,190.0	278,831.4	319,633.3
EBIT	29,025.0	35,058.0	42,959.0	52,959.0	69,916.0	83,383.0	88,523.0	109,433.0	113,090.0	123,275.3	141,491.1
Net Income/Net Profit (Losses)	25,489.0	16,571.0	39,240.0	44,281.0	61,271.0	72,738.0	72,361.0	88,136.0	90,512.0	98,324.0	113,410.1
Revenue Growth Year over Year	5.94	14.28	14.03	13.05	17.53	17.96	6.88	15.67	16.04	13.75	14.03
EBITDA Margin	40.61	42.50	44.78	47.41	49.81	50.59	49.67	55.19	56.17	-	-
Profit Margin	26.39	15.02	31.18	30.96	36.45	36.69	34.15	35.96	35.61	35.26	35.49
Total Debt to Total Equity	108.91	105.79	84.49	69.41	57.95	47.08	38.52	36.45	33.66	-	-
Basic Earnings per Share	3.29	2.15	5.11	5.82	8.12	9.70	9.72	11.86	12.17	13.09	15.10
Price Earnings Ratio (P/E)	22.52	26.90	28.60	35.09	34.20	28.02	34.82	37.84	34.75	32.40	28.06
Current Ratio	2.92	2.90	2.53	2.52	2.08	1.78	1.77	1.27	1.30	-	-
Return on Common Equity	29.85	19.45	42.41	40.14	47.08	47.15	38.82	37.13	35.60	31.64	29.56
Return on Assets	11.25	6.51	14.39	15.06	19.30	20.82	18.63	19.07	18.69	15.67	14.71
Dividends per Share	1.56	1.68	1.84	2.04	2.24	2.48	2.72	3.00	3.00	3.20	3.44
Free Cash Flow	31,378.0	32,252.0	38,260.0	45,234.0	56,118.0	65,149.0	59,475.0	74,071.0	72,662.0	68,868.1	90,884.4

**Discounted Cash Flow**

**Analyst Opinion**

Buy:62	Hold: 6	Sell:0
	Rating	Target
CITI	Buy	\$497
Bernstein	Outperform	\$511
RBC Capital	Outperform	\$500

**Relative Valuation**

MSFT	Day Close Price Latest	Shares Outstanding Latest	Market Capitalization Latest	Total Enterprise Value	LTM Total Revenue	LTM EBITDA	LTM EBIT	TEVEBITDA LTM	NTM Forward P/E	LTM EPS	LTM EBITDA Margin %	LTM Net Income Margin %	LTM Total Revenues 1 Yr Growth %	LTM Total Debt/EBITDA
Alphabet Inc. (NASDAQ: GOOGL)	\$166.99	12322.0	2044824.7	1971900.7	328284	122112	97937	16.1x	21.60x	7.08	37.4%	27.10%	13.40%	0.2x
Amazon (NASDAQ: AMZN)	\$187.83	10490.0	1971382.3	2032867.3	604334	115229	54376	17.6x	39.74x	4.28	19.2%	7.50%	12.30%	1.3x
Apple Inc. (NASDAQ:AAPL)	\$231.41	15222.3	3518389.3	3466652.3	385603	131781	120594	28.3x	34.53x	6.57	34.2%	26.40%	0.40%	0.8x
IBM Common Stock (NYSE: IBM)	\$214.67	921.1	197742.9	244248.9	62582	13213	8507	18.5x	21.06x	9.33	23.0%	13.80%	2.31%	4.6x
Oracle Corp (NYSE: ORCL)	\$173.52	2771.0	480834.9	554891.9	53815	22141	16049	25.1x	27.70x	4.05	42.4%	21.30%	5.60%	3.8x
Microsoft Corp (NASDAQ: MSFT)	\$428.15	7434.0	3183053.9	3205362.9	245122	135276	109433	23.7x	32.50x	11.84	55.2%	36.00%	15.70%	0.7x

**Total Return**

	stock	Information Tech Sector	S&P 500
YTD	14.97%	34.15%	24.3%
Last 3 Years	27.9%	15.84%	8.07%
Last 5 Years	191.89%	25.04%	14.02%

**CSR Characteristics**

Company	ESG Score	ESG Risk	ESG Rating	ESG Trend	ESG Controversies	ESG Issues	ESG Strengths	ESG Weaknesses	ESG Opportunities	ESG Threats
Microsoft	80.30	Low	A-	Stable	1	1	1	1	1	1
Oracle	79.40	Low	A-	Stable	1	1	1	1	1	1
IBM	78.50	Low	A-	Stable	1	1	1	1	1	1
Salesforce	77.60	Low	A-	Stable	1	1	1	1	1	1
Workday	76.70	Low	A-	Stable	1	1	1	1	1	1

