

Industry: SERVICES-PREPACKAGED SOFTWARE

Microsoft Corporation

Ticker: MSFT (1) ▼ Peers:...

Microsoft Corporation is an American multinational technology company which produces computer software, consumer electronics, personal computers, and related services. Its best known software products are the Microsoft Windows line of operating systems, the Microsoft Office suite, and the Internet Explorer and Edge web browsers. Its flagship hardware products are the Xbox video game consoles and the Microsoft Surface lineup of touchscreen personal computers. Microsoft ranked No. 21 in the 2020 Fortune 500 rankings of the largest United States corporations by total revenue; it was the world's largest software maker by revenue as of 2016. It is considered one of the Big Five companies in the U.S. information technology industry, along with Google, Apple, Amazon, and Facebook.

Address: ONE MICROSOFT WAY, REDMOND, WA, US

Financials Date: Jun 30, 2022

Price Target

Price Target

250
200

Price Target

Previous Close Distance to Price Target 13.70%

Sector: TECHNOLOGY

285.01

Price Target

Exchange: NASDAQ

Valuation Measures		Model Assump	tions			
Market Cap	1.84T	Valuation Date				
Trailing P/E Ratio	25.62	WACC	9.46%			
Forward P/E Ratio	24.10	EBITDA Multiple	17.5			
PEG Ratio	1.80	Assumed Tax Rate	21.00%			
Enterprise Value / EBITDA	17.58	Implied EV / EBITDA	23.10			
Enterprise Value / Sales	8.89	Implied EV / FWD S	8.69			
Price / Sales Ratio	9.30	Implied Price / FWD	8.92			
Z-Score Adjustment		Peer Comparison Summary				
,		Name EV/EBITE		EV/Sales		
0.95		Microsoft Corporation	17.58	8.89		
Trading Channel Adjustme	nt					

Mon 33'5" 12'5" 10'5" 30'5" 55'5" 15'5" 450 53'5" 18'5" 10'5" 55'5	2,2,20,3,2,8,2,0,0	2.,2,2.,2,2.,4,2	1					
Mon you War you not you way you way you way you way	Oct Mon Jan War N	May Jun Aug,				Average	17.58	8.89
Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027
Fiscal Period	FY	FY	FY	FY	FY	FY	FY	FY
Revenue	143.0B	168.1B	198.3B	210.7B	241.0B	275.7B	315.4B	360.8B
Revenue Growth derived from Quarterly Model	NaN	17.53%	17.96%	6.25%	14.40%	14.40%	14.40%	14.40%
Cost of Goods Sold (COGs)	46.1B	52.2B	62.7B	67.4B	78.2B	89.5B	102.4B	117.2B
% of Sales	32.22%	31.07%	31.60%	32.00%	32.47%	32.47%	32.47%	32.47%
Gross Profit	96.9B	115.9B	135.6B	143.3B	162.8B	186.2B	213.0B	243.7B
% of Sales - Derived from Quarterly Model	67.78%	68.93%	68.40%	68.00%	67.53%	67.53%	67.53%	67.53%
Operating Expenses (SG&A)	-44.0B	-45.9B	-52.2B	-67.6B	-76.3B	-87.3B	-99.8B	-114.2B
% of Sales - Derived from Quarterly Model	-30.75%	-27.33%	-26.35%	-32.11%	-31.65%	-31.65%	-31.65%	-31.65%
Operating Income (EBIT)	53.0B	69.9B	83.4B	75.6B	86.5B	98.9B	113.2B	129.5B
Interest Expense	0K	0K	0K	0K	0K	0K	0K	0K
Other Income	77M	1B	333M	0	0	0	0	0
Total Other Income	77M	1B	333M	532M	532M	532M	532M	532M
Pretax Income (EBT)	53.0B	71.1B	83.7B	76.1B	87.0B	99.5B	113.7B	130.0B
Income Tax Expense	9B	10B	11B	16.0B	18.3B	20.9B	23.9B	27.3B
Tax Rate	NaN	NaN	NaN	21.00%	21.00%	21.00%	21.00%	21.00%
Net Income	44.3B	61.3B	72.7B	60.2B	68.7B	78.6B	89.8B	102.7B
Operating Income (EBIT)	53.0B	69.9B	83.4B	75.6B	86.5B	98.9B	113.2B	129.5B
Depreciation & Amortization (D&A)	12.8B	11.7B	14.5B	15.0B	17.2B	19.6B	22.5B	25.7B
% of Sales	8.95%	6.95%	7.29%	7.12%	7.12%	7.12%	7.12%	7.12%
EBITDA	65.8B	81.6B	97.8B	90.6B	103.6B	118.6B	135.6B	155.2B
Diluted EPS	5.76	8.04	9.65	12.02	13.75	15.72	17.99	20.58
Diluted EPS Growth		39.57%	19.93%	24.58%	14.37%	14.40%	14.40%	14.40%

Discounted Cash Flow Analysis	2023	2024	2025	2026	2027	Normalized
EBITDA	90.6B	103.6B	118.6B	135.6B	155.2B	155.2B
Less: D&A	-15004930.7K	-17165901.8K	-19638090.4K	-22466317.2K	-25701857.8K	-43871070.7K
EBIT	75.6B	86.5B	98.9B	113.2B	129.5B	111.3B
Less: Taxes	-15878832.0K	-18159066.6K	-20774288.3K	-23766147.3K	-27188886.1K	-23373351.4K
NOPAT	59.7B	68.3B	78.2B	89.4B	102.3B	87.9B
Plus: D&A	15.0B	17.2B	19.6B	22.5B	25.7B	43.9B
Less: CapEx	-25612248.7K	-29300858.2K	-33520691.7K	-38348254.7K	-43871070.7K	-43871070.7K
Less: (Increase) / Decrease in NWC	7.6B	6.1B	6.3B	7.2B	8.3B	
Unlevered Free Cash Flow	56.7B	62.2B	70.6B	80.7B	92.4B	87.9B
Discount Period	0.5	1.5	2.5	3.5	4.5	4.5
Discount Factor	0.956	0.873	0.798	0.729	0.666	0.666
PV of Unlevered Free Cash Flow	54.2B	54.3B	56.3B	58.8B	61.5B	



-5000000.0K

-15000000.0K

-20000000.0K

Jan 1, 2021

Jan 1, 2022

Jan 1, 2023

Fiscal Year	2023	2023	2023	2023	2024	2024	2024	2024
Fiscal Period	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	50.1B	51.6B	53.5B	55.4B	57.4B	59.3B	61.2B	63.1B
Revenue Growth	10.61%	-0.27%	8.41%	6.89%	14.44%	14.93%	14.39%	13.89%
Cost of Goods Sold (COGs)	50.1B	51.6B	53.5B	55.4B	57.4B	59.3B	61.2B	63.1B
% of Sales	10.61%	-0.27%	8.41%	6.89%	14.44%	14.93%	14.39%	13.89%
Gross Profit	34.2B	35.1B	36.4B	37.6B	38.8B	40.1B	41.3B	42.5B
% of Sales	68.18%	68.06%	67.94%	67.82%	67.71%	67.59%	67.47%	67.36%
Operating Expenses (SG&A)	-16098.5M	-16638.4M	-17178.2M	-17718.0M	-18257.8M	-18797.7M	-19337.5M	-19877.3M
% of Sales	-32.12%	-32.25%	-32.10%	-31.96%	-31.83%	-31.71%	-31.59%	-31.48%
Operating Income (EBIT)	18.1B	18.5B	19.2B	19.9B	20.6B	21.3B	22.0B	22.6B
Interest Expense	0.0K							
Other Income	83.3M							
Total Other Income	83.3M							
Pretax Income (EBT)	18.2B	18.6B	19.3B	20.0B	20.7B	21.4B	22.0B	22.7B
Income Tax Expense	3.8B	3.9B	4.0B	4.2B	4.3B	4.5B	4.6B	4.8B
Tax Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
Net Income	14.3B	14.7B	15.2B	15.8B	16.3B	16.9B	17.4B	18.0B
Operating Income (EBIT)	18.1B	18.5B	19.2B	19.9B	20.6B	21.3B	22.0B	22.6B
Depreciation & Amortization (D&A)	3.6B	3.7B	3.8B	3.9B	4.1B	4.2B	4.4B	4.5B
% of Sales	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
EBITDA	21.6B	22.1B	23.0B	23.8B	24.7B	25.5B	26.3B	27.1B
Diluted EPS	1.91	1.95	2.03	2.11	2.19	2.26	2.34	2.42
EPS Growth	-29.74%	-21.40%	-8.29%	-5.03%	14.65%	15.96%	15.31%	14.70%



Jan 1, 2024

150.0B

100.0B

50.0B

Jan 1, 2021

Jan 1, 2022

Jan 1, 2023

Jan 1, 2024