



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

Industry: SERVICES-PREPACKAGED SOFTWARE

Sector: TECHNOLOGY

Exchange: NASDAQ

Executive Valuation Summary



Previous Close	Distance to Price Target	Price Target
250.66	13.70%	285.01

Valuation Measures		Model Assumptions	
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 Sales	8.69
Price / Sales Ratio	9.30	Implied Price / FWD Sales	8.92

Z-Score Adjustment	Peer Comparison Summary		
	Name	EV/EBITDA	EV/Sales
-0.95	Microsoft Corporation	17.58	8.89
	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	

