

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, 2023

Industry: SERVICES-PREPACKAGED SOFTWARE

Sector:

TECHNOLOGY Exchange: NASDAQ

### Executive Valuation Summary



Previous Close	Distance to Price Target	Price Target
<b>319.97</b>	<b>22.51%</b>	<b>392</b>

Valuation Measures	Model Assumptions	
Market Cap	2.29T	Valuation Date
Trailing P/E Ratio	23.60	WACC
Forward P/E Ratio	24.10	EBITDA Multiple
PEG Ratio	2.87	Assumed Tax Rate
Enterprise Value / EBITDA	18.24	Implied EV / EBITDA
Enterprise Value / Sales	6.16	Implied EV / FWD Sales
Price / Sales Ratio	5.82	Implied Price / FWD Sales

Price Target	Peer Comparison Summary		
	Name	EVToEBITDA	EVToRevenue
392	Microsoft Corpo...	18.55	9.21
	Intuit Inc	37.14	9.20
	Adobe Systems ...	22.68	9.13
	Salesforce.com ...	32.72	4.52
	<b>Average</b>	<b>24.39</b>	<b>7.19</b>

Fiscal Year	2021	2022	2023	2023	2024	2025	2026	2027
Fiscal Period	FY	FY	FY	FY	FY	FY	FY	FY
Revenue	168.1B	198.3B	211.9B	239.5B	270.6B	305.8B	345.5B	390.4B
Revenue Growth using Manual percentage input	NaN	17.96%	6.88%	13.00%	13.00%	13.00%	13.00%	13.00%
Cost of Goods Sold (COGs)	52.2B	62.7B	65.9B	75.6B	86.9B	98.2B	110.9B	125.3B
% of Sales	31.07%	31.60%	31.08%	31.58%	32.10%	32.10%	32.10%	32.10%
Gross Profit	115.9B	135.6B	146.1B	163.8B	183.7B	207.6B	234.6B	265.1B
% of Sales - Derived from Quarterly Model	68.93%	68.40%	68.92%	68.42%	67.90%	67.90%	67.90%	67.90%
Operating Expenses (SG&A)	-45.9B	-52.2B	-57.5B	-65.1B	-73.8B	-83.4B	-94.3B	-106.5B
% of Sales - Derived from Quarterly Model	-27.33%	-26.35%	-27.15%	-27.19%	-27.28%	-27.28%	-27.28%	-27.28%
<b>Operating Income (EBIT)</b>	<b>69.9B</b>	<b>83.4B</b>	<b>88.5B</b>	<b>98.7B</b>	<b>109.9B</b>	<b>124.2B</b>	<b>140.3B</b>	<b>158.6B</b>
Interest Expense	0K	0K	0K	0K	0K	0K	0K	0K
Other Income	1B	333M	788M	0	0	0	0	0
<b>Total Other Income</b>	<b>1B</b>	<b>333M</b>	<b>788M</b>	<b>769M</b>	<b>769M</b>	<b>769M</b>	<b>769M</b>	<b>769M</b>
<b>Pretax Income (EBT)</b>	<b>71.1B</b>	<b>83.7B</b>	<b>89.3B</b>	<b>99.5B</b>	<b>110.7B</b>	<b>125.0B</b>	<b>141.1B</b>	<b>159.4B</b>
Income Tax Expense	10B	11B	17B	20.9B	23.2B	26.2B	29.6B	33.5B
Tax Rate	NaN	NaN	NaN	21.00%	21.00%	21.00%	21.00%	21.00%
<b>Net Income</b>	<b>61.3B</b>	<b>72.7B</b>	<b>72.4B</b>	<b>78.6B</b>	<b>87.4B</b>	<b>98.7B</b>	<b>111.5B</b>	<b>125.9B</b>
Operating Income (EBIT)	69.9B	83.4B	88.5B	98.7B	109.9B	124.2B	140.3B	158.6B
Depreciation & Amortization (D&A)	11.7B	14.5B	13.9B	16.6B	18.7B	21.2B	23.9B	27.0B
% of Sales	6.95%	7.29%	6.54%	6.92%	6.92%	6.92%	6.92%	6.92%
<b>EBITDA</b>	<b>81.6B</b>	<b>97.8B</b>	<b>102.4B</b>	<b>115.3B</b>	<b>128.6B</b>	<b>145.3B</b>	<b>164.2B</b>	<b>185.6B</b>
<b>Diluted EPS</b>	<b>8.13</b>	<b>9.73</b>	<b>9.50</b>	<b>10.32</b>	<b>11.48</b>	<b>12.96</b>	<b>14.64</b>	<b>16.53</b>
Diluted EPS Growth		19.80%	-2.41%	8.61%	11.25%	12.91%	12.92%	12.93%

Discounted Cash Flow Analysis	2023	2024	2025	2026	2027	Normalized
EBITDA	115.3B	128.6B	145.3B	164.2B	185.6B	185.6B
Less: D&A	-16563619.9K	-18716890.5K	-21150086.3K	-23899597.5K	-27006545.2K	-46671952.6K
<b>EBIT</b>	<b>98.7B</b>	<b>109.9B</b>	<b>124.2B</b>	<b>140.3B</b>	<b>158.6B</b>	<b>138.9B</b>
Less: Taxes	-20729468.3K	-23080161.6K	-26080582.6K	-29471058.4K	-33302295.9K	-29172560.4K
<b>NOPAT</b>	<b>78.0B</b>	<b>86.8B</b>	<b>98.1B</b>	<b>110.9B</b>	<b>125.3B</b>	<b>109.7B</b>
Plus: D&A	16.6B	18.7B	21.2B	23.9B	27.0B	46.7B
Less: CapEx	-28624782.6K	-32346004.3K	-36550984.9K	-41302612.9K	-46671952.6K	-46671952.6K
Less: (Increase) / Decrease in NWC	3.9B	5.3B	5.7B	6.4B	7.3B	
<b>Unlevered Free Cash Flow</b>	<b>69.8B</b>	<b>78.5B</b>	<b>88.4B</b>	<b>99.9B</b>	<b>112.9B</b>	<b>109.7B</b>
Discount Period	0.5	1.5	2.5	3.5	4.5	4.5
Discount Factor	0.953	0.864	0.784	0.712	0.646	0.646
<b>PV of Unlevered Free Cash Flow</b>	<b>66.5B</b>	<b>67.9B</b>	<b>69.3B</b>	<b>71.1B</b>	<b>72.9B</b>	

Fiscal Year	2023	2024	2024	2024	2024	2025	2025	2025
Fiscal Period	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Revenue</b>	54.3B	55.2B	56.2B	57.1B	58.1B	59.1B	60.0B	61.0B
Revenue Growth	4.69%	10.23%	6.54%	8.12%	7.00%	6.88%	6.77%	6.66%
<b>Cost of Goods Sold (COGs)</b>	17.3B	17.6B	18.0B	18.4B	18.7B	19.1B	19.5B	19.9B
% of Sales	31.84%	31.95%	32.05%	32.15%	32.26%	32.36%	32.46%	32.57%
<b>Gross Profit</b>	37.0B	37.6B	38.2B	38.8B	39.4B	39.9B	40.5B	41.1B
% of Sales	68.16%	68.05%	67.95%	67.85%	67.74%	67.64%	67.54%	67.43%
<b>Operating Expenses (SG&amp;A)</b>	-14747.7M	-15033.5M	-15319.4M	-15605.2M	-15891.0M	-16176.9M	-16462.7M	-16748.5M
% of Sales	-27.16%	-27.21%	-27.26%	-27.31%	-27.35%	-27.39%	-27.44%	-27.48%
<b>Operating Income (EBIT)</b>	<b>22.3B</b>	<b>22.6B</b>	<b>22.9B</b>	<b>23.2B</b>	<b>23.5B</b>	<b>23.8B</b>	<b>24.1B</b>	<b>24.4B</b>
Interest Expense	0.0K	0.0K	0.0K	0.0K	0.0K	0.0K	0.0K	0.0K
Other Income	67.0M	67.0M	67.0M	67.0M	67.0M	67.0M	67.0M	67.0M
<b>Total Other Income</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>	<b>67.0M</b>
<b>Pretax Income (EBT)</b>	<b>22.3B</b>	<b>22.6B</b>	<b>22.9B</b>	<b>23.2B</b>	<b>23.5B</b>	<b>23.8B</b>	<b>24.1B</b>	<b>24.4B</b>
Income Tax Expense	4.7B	4.8B	4.8B	4.9B	4.9B	5.0B	5.1B	5.1B
Tax Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
<b>Net Income</b>	<b>17.6B</b>	<b>17.9B</b>	<b>18.1B</b>	<b>18.4B</b>	<b>18.6B</b>	<b>18.8B</b>	<b>19.1B</b>	<b>19.3B</b>
Operating Income (EBIT)	22.3B	22.6B	22.9B	23.2B	23.5B	23.8B	24.1B	24.4B
Depreciation & Amortization (D&A)	3.8B	3.8B	3.9B	4.0B	4.0B	4.1B	4.2B	4.2B
% of Sales	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%
<b>EBITDA</b>	<b>26.0B</b>	<b>26.4B</b>	<b>26.8B</b>	<b>27.1B</b>	<b>27.5B</b>	<b>27.9B</b>	<b>28.2B</b>	<b>28.6B</b>
<b>Diluted EPS</b>	<b>2.37</b>	<b>2.41</b>	<b>2.45</b>	<b>2.49</b>	<b>2.53</b>	<b>2.57</b>	<b>2.61</b>	<b>2.65</b>
EPS Growth	6.75%	2.72%	11.41%	1.48%	6.64%	6.53%	6.43%	6.32%

