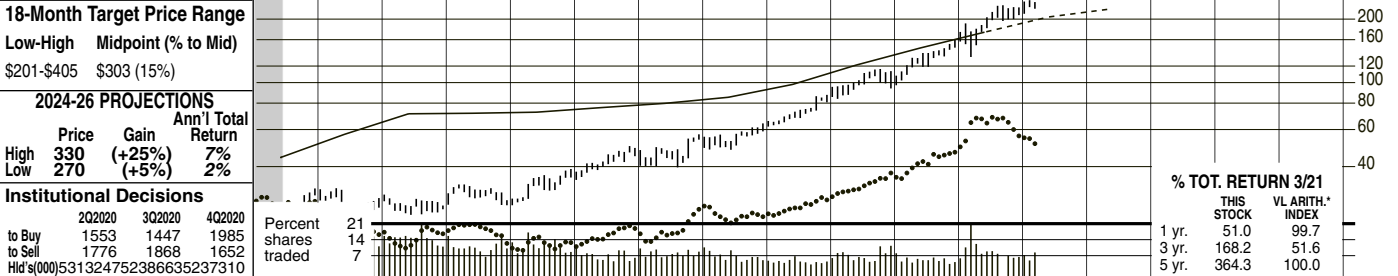


MICROSOFT NDQ-MSFT

RECENT PRICE 261.55 P/E RATIO 33.2 (Trailing: 39.0, Median: 17.0) RELATIVE P/E RATIO 1.49 DIV'D YLD 0.9% VALUE LINE

TIMELINESS 1 Raised 5/7/21 High: 31.6 29.5 32.9 39.0 50.0 56.8 64.1 87.5 116.2 159.5 232.9 262.4 Target Price Range 2024 2025 2026
SAFETY 1 Raised 5/26/06 Low: 22.7 23.7 26.3 26.3 34.6 39.7 48.0 61.9 83.8 97.2 132.5 211.9
TECHNICAL 4 Lowered 4/23/21 LEGENDS 23.0 x "Cash Flow" p sh
BETA .90 (1.00 = Market) Options: Yes Shaded area indicates recession



18-Month Target Price Range Low-High Midpoint (% to Mid) \$201-\$405 \$303 (15%)
2024-26 PROJECTIONS High Price 330 Gain (+25%) 7% Low 270 (+5%) 2%
Institutional Decisions 2020 2020 402020 to Buy 1553 1447 1985 to Sell 1776 1868 1652 Hld's(000) 531324752386635237310 Percent shares traded 21 14 7

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
3.72	4.40	5.45	6.60	6.56	7.21	8.35	8.80	9.34	10.54	11.66	11.78	12.54	14.38	16.47	18.89	22.05	24.75	Revenues per sh ^A	32.75
1.27	1.34	1.65	2.16	1.92	2.47	3.09	3.12	3.15	3.31	3.47	3.71	4.26	5.28	6.35	7.54	9.25	10.00	"Cash Flow" per sh	12.75
1.16	1.20	1.42	1.87	1.62	2.10	2.69	2.72	2.65	2.63	2.65	2.79	3.08	3.88	4.75	5.76	7.70	8.30	Earnings per sh ^B	11.00
.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.84	2.04	2.19	2.36	Div'ds Decl'd per sh ^E	3.10
.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.65	3.00	Cap'l Spending per sh	2.75
4.49	3.99	3.32	3.97	4.44	5.33	6.82	7.92	9.48	10.90	9.98	9.22	9.39	10.77	13.39	15.63	18.60	22.80	Book Value per sh ^D	32.25
10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8027.0	7808.0	7708.0	7677.0	7643.0	7571.0	7525.0	7450.0	Common Shs Outst'g ^C	7300.0
22.9	21.7	19.9	16.3	13.4	13.1	9.6	10.4	11.2	14.0	17.0	18.1	20.2	22.1	23.7	27.4	28.5	29.0	Avg Ann'l P/E Ratio	27.0
1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.26	1.40	1.40	1.40	Relative P/E Ratio	1.50
1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%	3.0%	2.7%	2.9%	2.5%	2.0%	1.6%	1.3%	1.3%	1.3%	Avg Ann'l Div'd Yield	1.0%

CAPITAL STRUCTURE as of 3/31/21 Total Debt \$58058 mill. Due in 5 Yrs \$18307 mill. LT Debt \$50007 mill. LT Interest \$1800 mill. (27% of Cap'l)
Leases, Uncapitalized \$1678 mill.
No Defined Benefit Pension Plan Pfd Stock None
Common Stock 7,531,574,551 shs. as of 4/22/21 MARKET CAP: \$1,970 billion (Large Cap)

69943	73723	77811	86833	93580	91964	96657	110360	125843	143015	165900	184500	Revenues (\$mill) ^A	240000
42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	43.4%	46.0%	47.5%	47.0%	Operating Margin	46.5%
2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11682	12796	11125	12350	Depreciation (\$mill)	15500
23150	23171	22453	22074	21885	22329	24084	30267	36830	44281	58475	62000	Net Profit (\$mill)	81125
17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	15.7%	16.5%	15.0%	16.5%	Income Tax Rate	16.5%
33.1%	31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.4%	29.3%	31.0%	35.2%	33.6%	Net Profit Margin	33.8%
46144	52396	64049	68621	74854	80303	95324	111174	106132	109605	115000	100000	Working Cap'l (\$mill)	125000
11921	10713	12601	20645	27808	40783	76073	72242	66662	59578	50000	47000	Long-Term Debt (\$mill)	40000
57083	66363	78944	89784	80083	71997	72394	82718	102330	118304	140000	170000	Shr. Equity (\$mill) ^D	235000
33.8%	30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	22.6%	25.6%	31.5%	29.0%	Return on Total Cap'l	30.0%
40.6%	34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	36.0%	37.4%	42.0%	36.5%	Return on Shr. Equity	34.5%
31.5%	25.3%	19.0%	14.7%	15.0%	15.7%	16.9%	21.2%	22.5%	24.6%	30.0%	26.0%	Retained to Com Eq	25.0%
22%	28%	33%	40%	45%	49%	49%	42%	37%	34%	28%	29%	All Div'ds to Net Prof	28%

ANNUAL RATES Past Past Est'd '18-'20 of change (per sh) 10 Yrs. 5 Yrs. to '24-'26
Revenues 9.5% 9.5% 11.5%
"Cash Flow" 11.5% 14.0% 12.0%
Earnings 10.0% 12.5% 14.5%
Dividends 14.0% 11.5% 9.0%
Book Value 11.0% 5.5% 15.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2018	24538 28918 26819 30085	110360
2019	29084 32471 30571 33717	125843
2020	33055 36906 35021 38033	143015
2021	37154 43076 41706 43964	165900
2022	42000 47750 46250 48500	184500

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2018	.84 .96 .95 1.13	3.88
2019	1.14 1.10 1.14 1.37	4.75
2020	1.38 1.51 1.40 1.46	5.76
2021	1.82 2.03 1.95 1.90	7.70
2022	2.00 2.20 2.00 2.10	8.30

Cal-endar	QUARTERLY DIVIDENDS PAID ^{EM}	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2017	.39 .39 .42 .42	1.62
2018	.42 .42 .42 .46	1.72
2019	.46 .46 .46 .51	1.89
2020	.51 .51 .51 .56	2.09
2021	.56	

BUSINESS: Microsoft Corp. is the largest independent maker of software. It develops and sells software products for a wide range of computing environments in consumer and enterprise markets. Hardware products include the Xbox video game console and Surface laptops. Revenue sources in fiscal 2020: Productivity & Business Processes, 32%; Intelligent Cloud, 34%; More Personal Com-

puting, 34%. R&D, 13.5% of 2020 revenues. Employed 163,000 at 6/30/20. Stock owners: Offs. & dirs., less than 1%; The Vanguard Group, 8.2%; BlackRock, Inc., 6.8%. (10/20 proxy). Chairman: John W. Thompson. CEO: Satya Nadella. Incorporated: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Telephone: 425-882-8080. Internet: www.microsoft.com.

Microsoft posted good financial results for its fiscal third quarter. (Years end June 30th.) The momentum that was established in the last six quarters held forth in the March period, keeping revenues and earnings on a rapid upward trajectory and benefiting from dynamic performances from the company's commercial business and the move to cloud services. In addition, most of the important performance metrics continued showing improvement in the fiscal third quarter, making the financial report another good read. Meanwhile, revenue growth from the Azure platform remained rapid, advancing 50% and extending the strong performance from the December period. The upward trend in consumption-based services was again a positive factor in this regard, underpinning the demand for Azure and related services and the prospects that the platform will continue expanding at a fast pace. Elsewhere, *Microsoft 365* remained on the advance, as the collaboration features in *Teams* lever off the large base. Finally, the third quarter set the stage for a strong finish to fiscal 2021 and continued growth in fiscal 2022.

Microsoft has agreed to acquire Nuance Communications. Nuance is a leader in voice recognition, language understanding, and machine learning, and has been successful applying its technology in healthcare and cross-industry enterprise AI. For its part, Microsoft sees a large opportunity for the combination in its cloud services aimed at healthcare, allowing it to more fully participate in that industry's efforts to reduce costs and improve outcomes. The all-cash offer, valued at \$19.7 billion, should close by the end of the calendar year (subject to regulatory approvals and customary closing conditions). Nuance is slated to become part of the Intelligent Cloud business segment.

What about Microsoft stock? As we have mentioned previously, the company's prospects have not gone unnoticed, with the shares continuing to be accorded a generous relative valuation since our early-February report. Although a growing dividend and the ongoing stock repurchase program are certainly supportive, new commitments to this high-quality equity are best made carefully.

Charles Clark
May 7, 2021
Company's Financial Strength A++
Stock's Price Stability 100
Price Growth Persistence 95
Earnings Predictability 95