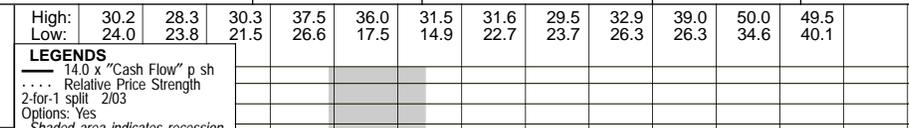


# MICROSOFT NDQ-MSFT

RECENT PRICE **47.60** P/E RATIO **18.7** (Trailing: 19.8; Median: 14.0) RELATIVE P/E RATIO **0.97** DIV'D YLD **2.6%**

**VALUE LINE**

**TIMELINESS** 2 Raised 5/8/15  
**SAFETY** 1 Raised 5/26/06  
**TECHNICAL** 4 Lowered 5/8/15  
**BETA** .95 (1.00 = Market)



Target Price Range	2018	2019	2020
	120	100	80
	64	64	64
	48	48	48
	32	32	32
	24	24	24
	20	20	20
	16	16	16
	12	12	12
	8	8	8

**2018-20 PROJECTIONS**

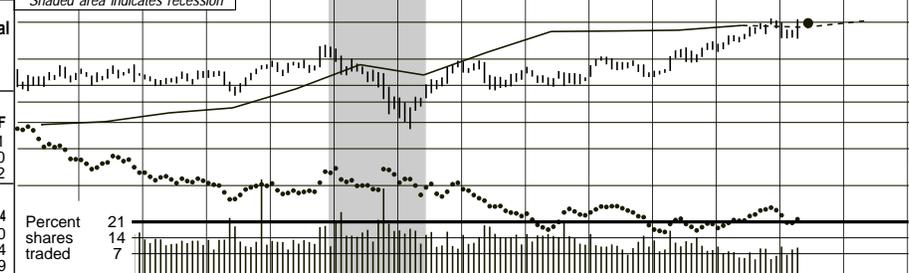
Price	Gain	Ann'l Total Return
High 70	(+45%)	12%
Low 55	(+15%)	6%

**Insider Decisions**

	J	J	A	S	O	N	D	J	F
to Buy	0	0	1	0	0	0	0	1	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	4	0	2	4	0	1	1	2

**Institutional Decisions**

	202014	302014	402014
to Buy	868	820	990
to Sell	960	1021	964
Hlds*	500579652758628645893999		



**% TOT. RETURN 4/15**

	THIS STOCK	VLARITH. INDEX
1 yr.	23.6	9.1
3 yr.	65.4	58.8
5 yr.	82.1	84.6

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
1.93	2.25	2.39	2.65	3.00	3.39	3.72	4.40	5.45	6.60	6.56	7.21	8.35	8.80	9.34	10.54	11.55	12.30	Revenues per sh <sup>A</sup>	15.30
.84	.99	1.09	1.07	1.12	1.15	1.27	1.34	1.65	2.16	1.92	2.47	3.09	3.12	3.15	3.31	3.25	3.31	"Cash Flow" per sh	4.40
.70	.85	.90	.94	.97	1.04	1.16	1.20	1.42	1.87	1.62	2.10	2.69	2.72	2.65	2.63	2.45	2.68	Earnings per sh <sup>B</sup>	3.60
--	--	--	--	.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.36	Div'ds Decl'd per sh <sup>E</sup>	1.72
.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.70	.70	Cap'l Spending per sh	.75
2.69	4.05	4.48	4.87	5.69	6.89	4.49	3.99	3.32	3.97	4.44	5.33	6.82	7.92	9.48	10.90	11.40	11.25	Book Value per sh <sup>D</sup>	12.65
10218	10218	10566	10718	10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8100	7800	Common Shs Outst'g <sup>C</sup>	7200
49.8	NMF	35.3	32.4	26.1	25.8	22.9	21.7	19.9	16.3	13.4	13.1	9.6	10.4	11.2	14.0			Avg Ann'l P/E Ratio	17.5
2.84	NMF	1.81	1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.73			Relative P/E Ratio	1.10
--	--	--	--	.3%	.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%	3.0%			Avg Ann'l Div'd Yield	2.8%

**CAPITAL STRUCTURE as of 3/31/15**  
 Total Debt \$31868 mill. Due in 5 Yrs \$9025 mill.  
 LT Debt \$27644 mill. LT Interest \$800 mill.  
 (24% of Cap'l)

**Leases, Uncapitalized** \$572.0 mill.

**No defined benefit pension plan**  
**Pfd Stock** None

**Common Stock** 8,089,575,277 shs. as of 4/16/2015

**MARKET CAP: \$385 billion (Large Cap)**

**CURRENT POSITION (SMILL.)**

	2013	2014	3/31/15
Cash Assets	77022	85709	95438
Receivables	17486	19544	12427
Inventory (Avg Cst)	1938	2660	2469
Other	5020	6333	8064
Current Assets	101466	114246	118398
Accts Payable	4828	7432	6690
Debt Due	2999	2000	4224
Unearned Revenue	20639	23150	18232
Other	8951	13043	11602
Current Liab.	37417	45625	40748

39788	44282	51122	60420	58437	62484	69943	73723	77811	86833	93360	96000	Revenues (\$mill) <sup>A</sup>	110000
44.0%	39.2%	39.1%	40.6%	39.2%	42.9%	42.8%	41.9%	40.3%	38.0%	35.0%	34.5%	Operating Margin	35.0%
855.0	903.0	1440.0	2056.0	2562.0	2673.0	2766.0	2967.0	3755.0	5212.0	6000	6000	Depreciation (\$mill)	6000
12715	12599	14065	17681	14569	18760	23150	23171	22453	22074	20200	21330	Net Profit (\$mill)	25675
32.0%	31.0%	30.0%	25.8%	26.5%	25.0%	17.5%	18.6%	19.6%	20.7%	23.8%	21.0%	Income Tax Rate	21.0%
32.0%	28.5%	27.5%	29.3%	24.9%	30.0%	33.1%	31.4%	28.9%	25.4%	21.6%	22.2%	Net Profit Margin	23.3%
31860	26568	16414	13356	22246	29529	46144	52396	64049	68621	75000	75000	Working Cap'l (\$mill)	85000
--	--	--	--	3746.0	4939.0	11921	10713	12601	20645	27600	26500	Long-Term Debt (\$mill)	25000
48115	40104	31097	36286	39558	46175	57083	66363	78944	89784	92275	87800	Shr. Equity (\$mill) <sup>D</sup>	91000
26.4%	31.4%	45.2%	48.7%	33.6%	36.8%	33.8%	30.3%	24.7%	20.3%	17.0%	19.0%	Return on Total Cap'l	22.5%
26.4%	31.4%	45.2%	48.7%	36.8%	40.6%	40.6%	34.9%	28.4%	24.6%	22.0%	24.5%	Return on Shr. Equity	28.0%
19.2%	22.6%	33.0%	37.7%	25.5%	30.7%	31.5%	25.3%	19.0%	14.7%	11.0%	12.0%	Retained to Com Eq	14.0%
27%	28%	27%	23%	31%	24%	22%	28%	33%	40%	52%	51%	All Div'ds to Net Prof	49%

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14
of change (per sh)			
Revenues	12.0%	9.0%	8.0%
"Cash Flow"	11.0%	11.0%	5.5%
Earnings	10.5%	10.5%	5.0%
Dividends	28.0%	15.5%	10.5%
Book Value	5.0%	19.5%	5.0%

**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 Nokia mobile phones, the Xbox video game console, and Surface tablet. Revenue sources in fiscal 2014: Devices and Consumer, 43.4%; Commercial, 57.1%; Corporate

and Other, -0.5%. R&D, 13.1% of 2014 revenues. Employed 99,000 at 6/30/13. Stock owners: William H. Gates, 3.6%; other offs. & dirs., 1%; BlackRock, Inc., 5.3%; Steven A. Ballmer, 4.0% (10/14 proxy). Chairman: John W. Thompson. CEO: Satya Nadella. Inc.: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Tele.: 425-882-8080. Internet: www.microsoft.com.

**QUARTERLY REVENUES (\$ mill.)<sup>A</sup>**

Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2012	17372	20885	17407	18059	73723
2013	16008	21456	20489	19858	77811
2014	18529	24519	20403	23382	86833
2015	23201	26470	21729	21960	93360
2016	23000	26850	22650	23500	96000

**EARNINGS PER SHARE<sup>AB</sup>**

Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2012	.68	.78	.60	.67	2.72
2013	.53	.76	.72	.66	2.65
2014	.62	.78	.68	.55	2.63
2015	.54	.71	.61	.58	2.45
2016	.65	.77	.61	.65	2.68

**Microsoft's fiscal third-quarter earnings report met with most investors' approval.** (Years end June 30th.) Although the financial results were better than many had envisioned, the real story was the progress the software giant is making in its transition to a productivity and platform company that fully embraces the secular move to cloud architecture. The trio of Azure, Office 365, and Dynamic CRM continue providing the momentum for its cloud services in the enterprise arena. On point, the percentage of Commercial's revenues related to annuity streams has been rising and reached 82% at the end of the March quarter. Meanwhile, the triad of Xbox Live, Office 365, and search (Bing) is working to provide a similar lift to the Devices & Consumer group. True, the Windows operating system is a factor here, and business activity in this regard has generally dropped back to that experienced prior to end of support for Windows XP. That said, Windows 10 is now on deck, and this version of the operating system will encompass a much broader vision that in the past, in keeping with Microsoft's transition.

**We have made some adjustments to our estimates for Microsoft's final quarter.** Although our revenue target for the year is essentially unchanged, our call for the June period has been reduced nearly \$1.0 billion, largely due to the ill effects of the dollar's strength. That said, the software vendor has demonstrated its usual facility at managing operating costs so far in fiscal 2015, so our current share-earnings estimate of \$0.58 for the fourth quarter brings the tally for the year to \$2.45, \$0.07 higher than we had earlier envisioned. We offer our first look at fiscal 2016 with this review. Currency translation will be a factor limiting revenue advancement. Nonetheless, good growth from the Commercial segment is forecast, as Microsoft's transition to the cloud makes progress. Meanwhile, Windows 10 looks promising, with the company making strong efforts to gain attention from application developers, suggesting the potential for better times for licensing at the Devices & Consumer group. These high-quality, timely shares are candidates for most conservative portfolios, in our view.

*Charles Clark*  
 May 15, 2015

**QUARTERLY DIVIDENDS PAID<sup>E</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.16	.16	.16	.20	.68
2012	.20	.20	.20	.23	.83
2013	.23	.23	.23	.28	.97
2014	.28	.28	.31	.31	1.18
2015	.31				

(A) Fiscal year ends June 30th. (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '99, 1c; '01, d26c; '02, d23c; '03, d5c; '04, d29c; '05, d4c; '12, d72c; '13, d7c. Next earnings report, late July. (C) In millions, adjusted for stock split. (D) Includes intangibles. In 2014: \$20.1 billion, \$2.44 a share. (E) Dividends historically paid in March, June, Sept., and Dec. Dividend reinvestment plan available. Special dividend of \$3.00 a share paid December 2, 2004.