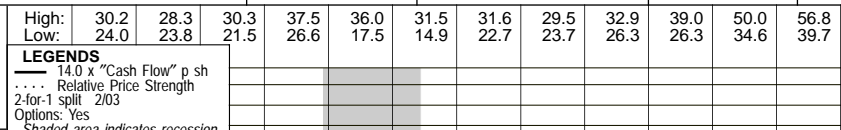


MICROSOFT NDQ-MSFT

RECENT PRICE **53.00** P/E RATIO **19.3** (Trailing: 19.7, Median: 14.0) RELATIVE P/E RATIO **1.14** DIV'D YLD **2.7%**

VALUE LINE

TIMELINESS 2 Raised 12/25/15
SAFETY 1 Raised 5/26/06
TECHNICAL 2 Raised 1/29/16
BETA 1.00 (1.00 = Market)



2018-20 PROJECTIONS

Price	75	Gain	(+40%)	Ann'l Total Return	11%
High	75	Low	65	Gain	(+25%)
Low	65	Gain	(+25%)	Return	8%

Insider Decisions

	A	M	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0
Options	0	0	0	0	14	0	0	6
to Sell	1	3	0	2	0	0	4	0

Institutional Decisions

	10/2015	2/2015	3/2015
to Buy	1003	813	975
to Sell	1019	1102	929
Hlds*	583331757889845769550		

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	11.66	11.80	Revenues per sh ^A	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	3.47	3.60	"Cash Flow" per sh	4.85
.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	2.65	2.75	Earnings per sh ^B	3.85
--	--	--	--	.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.39	Div'ds Decl'd per sh ^E	1.95
.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	.75	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	9.98	9.75	Book Value per sh ^D	12.50
10218	10218	10566	10718	10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8027.0	7800	Common Shs Outst'g ^C	7200
49.8	53.1	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	17.0		Avg Ann'l P/E Ratio	18.0
2.84	3.45	1.81	1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86		Relative P/E Ratio	1.12
--	--	--	--	.3%	.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%	3.0%	2.7%		Avg Ann'l Div'd Yield	2.8%

CAPITAL STRUCTURE as of 12/31/15
 Total Debt \$44429 mill. Due in 5 Yrs \$13550 mill.
 LT Debt \$40679 mill. LT Interest \$1100 mill.
 (35% of Cap'l)
 Leases, Uncapitalized \$572.0 mill.
 No defined benefit pension plan
 Pfd Stock None
 Common Stock 7,909,302,774 shs. as of 1/22/16.
 MARKET CAP: \$419 billion (Large Cap)

39788	44282	51122	60420	58437	62484	69943	73723	77811	86833	93580	92000	Revenues (\$mill) ^A	110000
44.0%	39.2%	39.1%	40.6%	39.2%	42.9%	42.8%	41.9%	40.3%	38.0%	36.5%	37.5%	Operating Margin	38.0%
855.0	903.0	1440.0	2056.0	2562.0	2673.0	2766.0	2967.0	3755.0	5212.0	5957.0	6100	Depreciation (\$mill)	6500
12715	12599	14065	17681	14569	18760	23150	23171	22453	22074	21885	22000	Net Profit (\$mill)	28250
32.0%	31.0%	30.0%	25.8%	26.5%	25.0%	17.5%	18.6%	19.6%	20.7%	23.3%	20.0%	Income Tax Rate	20.0%
32.0%	28.5%	27.5%	29.3%	24.9%	30.0%	33.1%	31.4%	28.9%	25.4%	23.4%	23.9%	Net Profit Margin	25.7%
31860	26568	16414	13356	22246	29529	46144	52396	64049	68621	74854	75000	Working Cap'l (\$mill)	85000
--	--	--	--	3746.0	4939.0	11921	10713	12601	20645	27808	40000	Long-Term Debt (\$mill)	48000
48115	40104	31097	36286	39558	46175	57083	66363	78944	89784	80083	76000	Shr. Equity (\$mill) ^D	90000
26.4%	31.4%	45.2%	48.7%	33.6%	36.8%	33.8%	30.3%	24.7%	20.3%	20.6%	19.5%	Return on Total Cap'l	21.0%
26.4%	31.4%	45.2%	48.7%	36.8%	40.6%	40.6%	34.9%	28.4%	24.6%	27.3%	29.0%	Return on Shr. Equity	31.5%
19.2%	22.6%	33.0%	37.7%	25.5%	30.7%	31.5%	25.3%	19.0%	14.7%	15.0%	14.5%	Retained to Com Eq	15.5%
27%	28%	27%	23%	31%	24%	22%	28%	33%	40%	45%	50%	All Div'ds to Net Prof	50%

CURRENT POSITION (SMILL.)

	2014	2015	12/31/15
Cash Assets	85709	96526	102640
Receivables	19544	17908	14507
Inventory (Avg Cst)	2660	2902	2702
Other	6333	7376	7963
Current Assets	114246	124772	127812
Accts Payable	7432	6591	6936
Debt Due	2000	7484	3750
Unearned Revenue	23150	23223	20929
Other	13043	12560	11028
Current Liab.	45625	49858	42643

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 2015: Devices and Consumer, 44.3%; Commercial, 55.4%; Corporate

and Other, 0.2%. R&D, 12.9% of 2015 revenues. Employed 117,350 at 6/30/15. Stock owners: William H. Gates, 2.8%; other offs. & dirs., 1%; BlackRock, Inc., 5.8%; The Vanguard Group, 5.2% (10/15 proxy). Chrmn: John Thompson. CEO: Satya Nadella. Inc.: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Tel.: 425-882-8080. Internet: www.microsoft.com.

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '18-'20
Revenues	12.0%	9.0%	8.0%
"Cash Flow"	11.0%	8.5%	8.0%
Earnings	9.5%	7.0%	8.0%
Dividends	19.0%	17.0%	12.5%
Book Value	6.0%	17.0%	4.5%

Microsoft Corp. is making its presence known in the cloud arena. The software giant continued benefiting from the rapid adoption of cloud architecture and cloud computing in the December period. On point, after a good showing in this regard in the September quarter, the company's efforts were once again rewarded, as customers continued taking active interest in its cloud offerings, with the uptake spanning SaaS, PaaS, IaaS, and hybrid cloud at scale, that, in turn, was reflected in the continued success of the Azure platform, Office 365, and the Dynamics enterprise applications. The strength of customer interest is such that Microsoft will need to keep investing in cloud infrastructure (a good thing). We expect that the company's efforts in the cloud arena should breed success for the foreseeable future.

not only benefiting from the holiday season, but from a general interest in the new operating system. The company's strategy of building and fortifying an ecosystem around Windows 10 seems to be having the desired effect, as Microsoft brings more value and innovation, services, and new devices into the realm. Separately, we note that Bing search once again picked up market share, rising to 21%, and continues to make money, as earlier promised by the executive management team.

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends	Q3	Q4	Q1	Q2	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	22180	93580
2016	21660	25693	22000	22647	92000

Meanwhile, Microsoft's latest financial results showed that it also had a good holiday season. Sales of Xbox and Surface Pro advanced nicely, and its games business produced a strong performance, as well. Moreover, Windows 10 continued to show tremendous promise,

We have made some adjustments to our estimates for fiscal 2016. (Years end June 30th.) The strength of the U.S. dollar will likely limit reported revenue growth in the second half, though probably less in the June quarter; challenging business conditions in Brazil, China, and Russia may also be factor in this regard. That said, we now estimate revenue and earnings of \$92 billion and \$2.75 a share for fiscal 2016. Finally, our sense is new commitments to timely MSFT shares should be made carefully, given the recent market support. Those already holding the stock would likely do well to continue doing so.

EARNINGS PER SHARE^{AB}

Fiscal Year Ends	Q3	Q4	Q1	Q2	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	.65	.77	.62	.62	2.65
2016	.67	.78	.63	.67	2.75

QUARTERLY DIVIDENDS PAID^E

Calendar	Q1	Q2	Q3	Q4	Full Year
2012	.20	.20	.20	.23	.83
2013	.23	.23	.23	.28	.97
2014	.28	.28	.31	.31	1.18
2015	.31	.31	.31	.36	1.29
2016					

(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; '15, d\$1.17. Next earnings report, late April. (C) In millions, adjusted for stock split. (D) Includes intangibles. In 2015: \$16.9 billion, \$2.11 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.

Company's Financial Strength	A++
Stock's Price Stability	75
Price Growth Persistence	65
Earnings Predictability	85

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