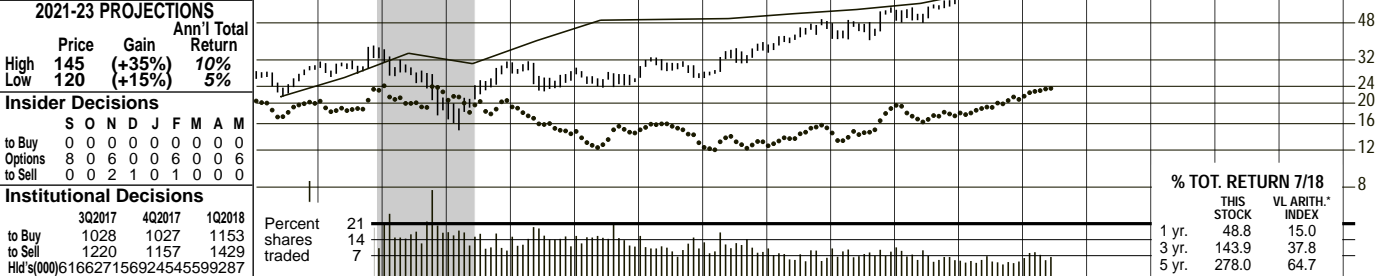


# MICROSOFT NDQ-MSFT

RECENT PRICE **106.08** P/E RATIO **25.9** (Trailing: 27.3; Median: 14.0) RELATIVE P/E RATIO **1.39** DIV'D YLD **1.6%**

**VALUE LINE**

TIMELINESS <b>3</b> Lowered 4/13/18	High: 37.5	36.0	31.5	31.6	29.5	32.9	39.0	50.0	56.8	64.1	87.5	111.1		Target Price Range
SAFETY <b>1</b> Raised 5/26/06	Low: 26.6	17.5	14.9	22.7	23.7	26.3	26.3	34.6	39.7	48.0	61.9	83.8		2021 2022 2023
TECHNICAL <b>3</b> Raised 3/16/18	LEGENDS — 16.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession													
BETA 1.00 (1.00 = Market)														



2021-23 PROJECTIONS		© VALUE LINE PUB. LLC																	21-23			
Price	Gain	Ann'l Total Return	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Revenues per sh <sup>A</sup>	22.25
High	145	(+35%)	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	11.78	12.54	14.38	16.15	"Cash Flow" per sh	8.00
Low	120	(+15%)	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	3.71	4.26	5.28	5.85	Earnings per sh <sup>B</sup>	6.00
Insider Decisions																			Div's Decl'd per sh <sup>E</sup>	2.80		
Institutional Decisions																			Cap'l Spending per sh	1.50		
																			Book Value per sh <sup>D</sup>	15.50		
																			Common Shs Outst'g <sup>C</sup>	7200.0		
																			Avg Ann'l P/E Ratio	22.0		
																			Relative P/E Ratio	1.20		
																			Avg Ann'l Div'd Yield	2.1%		

CAPITAL STRUCTURE as of 6/30/18																			Revenues (\$mill) <sup>A</sup>	160000
Total Debt \$76422 mill. Due in 5 Yrs \$22000 mill.																			Operating Margin	42.0%
LT Debt \$72424 mill. LT Interest \$2275 mill. (47% of Cap'l)																			Depreciation (\$mill)	15000
Leases, Uncapitalized \$572.0 mill. (at 6/30/17)																			Net Profit (\$mill)	43375
No defined benefit pension plan Pfd Stock None																			Income Tax Rate	17.0%
Common Stock 7,677,000,000 shs.																			Net Profit Margin	27.0%
MARKET CAP: \$814 billion (Large Cap)																			Working Cap'l (\$mill)	150000
CURRENT POSITION (\$MILL.)																			Long-Term Debt (\$mill)	75000
Cash Assets																			Shr. Equity (\$mill) <sup>D</sup>	112500
Receivables																			Return on Total Cap'l	23.5%
Inventory (Avg Cst)																			Return on Shr. Equity	38.5%
Other																			Retained to Com Eq	20.5%
Current Assets																			All Div'ds to Net Prof	47%
Accts Payable																				
Debt Due																				
Unearned Revenue																				
Other																				
Current Liab.																				

**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 tablet. Revenue sources in fiscal 2017: Productivity & Business Processes, 32%; Intelligent Cloud, 28%; More Personal Computing, 40%. R&D, 13.5% of 2017 revenues. Employed 124,000 at 6/30/17. Stock owners: William H. Gates, 1.3%; other offs. & dirs., 0.2%; The Vanguard Group, 6.8%; BlackRock, Inc., 6.0%; (10/17 proxy). Chrmn: John W. Thompson. CEO: Satya Nadella. Inc.: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Tel.: 425-882-8080. Internet: www.microsoft.com.

<b>ANNUAL RATES</b>		Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17	<p><b>Microsoft finished fiscal 2018 with a strong performance.</b> (Years end June 30th.) In keeping with the momentum generated in the last 12 to 18 months, revenue and earnings were both nicely ahead of our estimates, reflecting good results across each of the three business segments — Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. From a broader perspective, the performance of the company's commercial cloud business tended to underscore the June-period's financial results. On point, billings advanced 18% in the quarter over the 30% increase recorded last year. Commercial revenues were \$6.9 billion, up 53%, and the associated gross margin continued to expand, ending the year at 58%, versus the 52% logged in the final quarter of fiscal 2017. The Azure platform continued to be quite popular with customers, with revenue up some 89% in the latest quarter. Azure, along with Microsoft's cloud-based services (Office 365, Dynamics 365, etc.) is well placed to continue making progress in the commercial cloud, and is seen as a serious competitor to Amazon Web Services (AWS), in our view.</p>	<p><b>We have made some adjustments to our estimates for fiscal 2019.</b> The positive trends that are influencing Microsoft's business should remain in place, with revenues from the cloud arena remaining on an upward trajectory and profitability continuing to widen (though probably not at the pace set in fiscal 2018). As a result, shareholders can expect the company to continue investing in its cloud strategy. That said, our revenue target remains \$122 billion for this year, though the 10% growth we envision is impressive for a company the size of Microsoft. Meanwhile, the potential for slightly better overall profitability at the operating level has led us to increase our earnings call by \$0.25 a share, to \$4.25. Finally, the company's share-repurchase program and a growing dividend look to remain on the menu this year and beyond.</p>
of change (per sh)		10.0%	8.0%	11.0%		
Revenues		10.5%	5.5%	13.0%		
"Cash Flow"		8.5%	2.5%	13.5%		
Earnings		15.0%	16.5%	12.0%		
Dividends		9.5%	7.5%	8.5%		
Book Value						
Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) <sup>A</sup>				Full Fiscal Year	<p><b>What about Microsoft stock?</b> If the shares are already owned, we advise our subscribers to continue to do so. If not, new commitments should be made carefully, given the support the stock has experienced over the last 12 to 18 months.</p>
	Sep.30	Dec.31	Mar.31	Jun.30		
2015	23201	26470	21729	22180	93580	
2016	21660	25506	22156	22642	91964	
2017	22334	26066	23557	24700	96657	
2018	24538	28918	26819	30085	110360	
2019	27500	32500	30000	32000	122000	
Fiscal Year Ends	EARNINGS PER SHARE <sup>AB</sup>				Full Fiscal Year	<p>Charles Clark August 10, 2018</p>
	Sep.30	Dec.31	Mar.31	Jun.30		
2015	.65	.77	.62	.62	2.65	
2016	.70	.77	.63	.69	2.79	
2017	.76	.83	.73	.75	3.08	
2018	.84	.96	.95	1.13	3.88	
2019	.95	1.06	1.03	1.21	4.25	
Calendar	QUARTERLY DIVIDENDS PAID <sup>E</sup>				Full Year	
	Mar.31	Jun.30	Sep.30	Dec.31		
2014	.28	.28	.31	.31	1.18	
2015	.31	.31	.31	.36	1.29	
2016	.36	.36	.39	.39	1.50	
2017	.39	.39	.42	.42	1.62	
2018	.42	.42				

(A) Fiscal year ends June 30th. (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '02, d23c; '03, d5c; '04, d29c; '05, d4c; '12, d72c; '13, d7c; '15, d\$1.17; '16, d70c; '17, d37c. Next earnings report mid-Oct. (C) In mill., adjusted for stock split. (D) Includes intangibles. In 2018: \$35.7 billion, \$4.65 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.