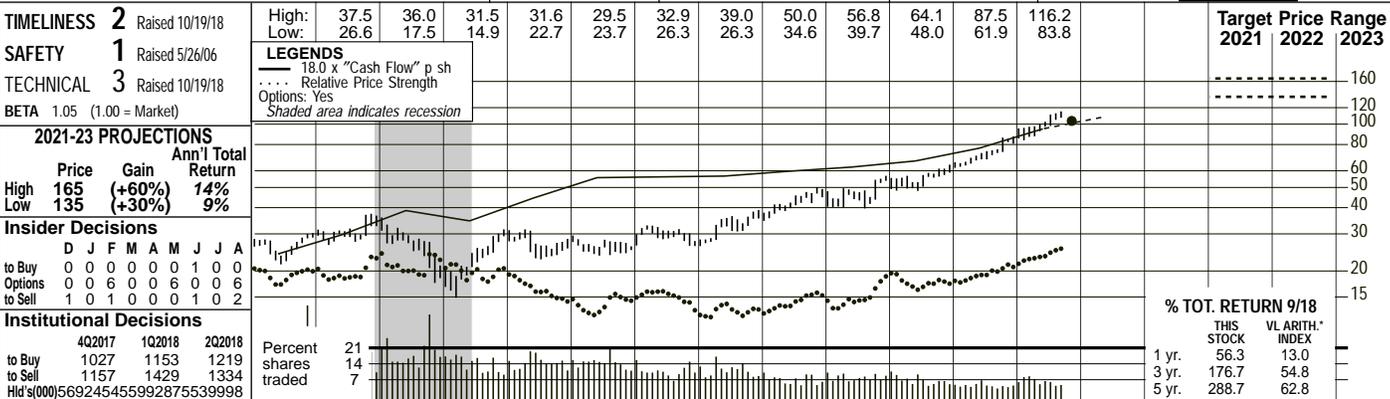


MICROSOFT NDQ-MSFT

RECENT PRICE **103.73** P/E RATIO **23.6** (Trailing: 24.8 Median: 14.0) RELATIVE P/E RATIO **1.40** DIV'D YLD **1.8%**

VALUE LINE



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	16.40	Revenues per sh ^A	22.50
1.07	1.12	1.15	1.27	1.34	1.65	2.16	1.92	2.47	3.09	3.12	3.15	3.47	3.71	4.26	5.28	6.05	6.05	"Cash Flow" per sh	8.50
.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	2.79	3.08	3.88	4.45	Earnings per sh ^B	6.50
--	.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.84	Div's Decl'd per sh ^E	3.00
.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.50	Cap'l Spending per sh	1.50
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	9.22	9.39	10.78	12.15	Book Value per sh ^D	17.75
10718	10718	10862	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	7600.0	Common Shs Outst'g ^C	7350.0
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	18.1	20.2	22.1		Avg Ann'l P/E Ratio	23.0
1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	.99	1.11		Relative P/E Ratio	1.30
--	.3%	.6%	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%		Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 9/30/18		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Debt \$76230 mill. Due in 5 Yrs \$24000 mill.		60420	58437	62484	69943	73723	77811	86833	93580	91964	96657	110360	124750						
LT Debt \$69733 mill. LT Interest \$2275 mill. (45% of Cap'l)		40.6%	39.2%	42.9%	42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	42.0%						
Leases, Uncapitalized \$1492 mill.		2056.0	2562.0	2673.0	2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11500						
No defined benefit pension plan Pfd Stock None		17681	14569	18760	23150	23171	22453	22074	21885	22329	24084	30267	34350						
Common Stock 7,680,000,000 shs.		25.8%	26.5%	25.0%	17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	17.0%						
MARKET CAP: \$797 billion (Large Cap)		29.3%	24.9%	30.0%	33.1%	31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.3%	27.5%						
CURRENT POSITION (\$MILL.)		13356	22246	29529	46144	52396	64049	68621	74854	80303	95324	111174	120000						
Cash Assets		--	3746.0	4939.0	11921	10713	12601	20645	27808	40783	76073	72242	75000						
Receivables		36286	39558	46175	57083	66363	78944	89784	80083	71997	72394	82718	92500						
Inventory (Avg Cst)		48.7%	33.6%	36.8%	33.8%	30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	21.5%						
Other		48.7%	36.8%	40.6%	40.6%	34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	37.0%						
Current Assets		37.7%	25.5%	30.7%	31.5%	25.3%	19.0%	14.7%	15.0%	15.7%	16.9%	21.2%	22.0%						
Accts Payable		23%	31%	24%	22%	28%	33%	40%	45%	49%	49%	42%	41%						
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 2018: Productivity & Business Processes, 32%; Intelligent Cloud, 30%; More Personal Computing, 38%. R&D, 13.3% of 2018 revenues. Employed 131,000 at 6/30/18. Stock owners: William H. Gates, 1.3%; other offs. & dirs., 0.1%; The Vanguard Group, 7.5%; BlackRock, Inc., 6.4%; (10/18 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.

Microsoft opened fiscal 2019 on a strong note. The high-technology giant reported revenue and earnings of \$29.1 billion and \$1.14 a share, easily eclipsing our estimates of \$27.5 billion and \$0.95. Although strength was evident across each of its business segments (Productivity and Business Processes, Intelligent Cloud, and More Personal Computing), the company's continued success in the cloud arena was a common theme. Microsoft is benefiting from larger and longer-term customer commitments to *Azure*, the company's cloud platform. This, in turn, has led to a wider gross margin in its overall commercial cloud business, which reached 62% in the September period (versus 58% in the first quarter last year). The improvement reflects of a wider range of higher-valued products and services being sold on the platform and increased operating leverage as more workloads move onto *Azure*. Elsewhere, consumers have continued to adopt *Office 365* at a fast pace, and *Windows 10* and its ecosystem has remained on corporations' upgrade lists. Finally, Microsoft's gaming business seems well positioned for a good holiday season.

Meanwhile, the latest financial and operating results demonstrate that Microsoft is executing well, and that its customers are finding value in its products and services as they make the move to cloud architecture and cloud services. Moreover, Microsoft stands in contrast with some of its major competitors, since it primarily sells technology products and does not compete with its customers. That said, we do not diminish the competition that Microsoft faces in the cloud business. Rather, we again note that the company's business is advancing rapidly, particularly for an organization of its size, and management, though usually somewhat constrained relative to business prospects, seems optimistic.

What about Microsoft stock? Although trading at a lower relative valuation than noted with our August report, the shares are a long way from being on the bargain table. Still, the company's longer-term prospects remain quite favorable, in our view. The shares' recent price offers patient investors an opportunity for a respectable risk-adjusted return.

Charles Clark
November 9, 2018

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A	Full Fiscal Year
	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	29084 32500 30000 33166	124750

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}	Full Fiscal Year
	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	1.14 1.09 1.03 1.19	4.45

Cal-endar	QUARTERLY DIVIDENDS PAID ^E	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 .42 .46	

(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; '18, d\$1.75. Next earnings report mid-Jan. (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.

© 2018 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

To subscribe call 1-800-VALUELINE