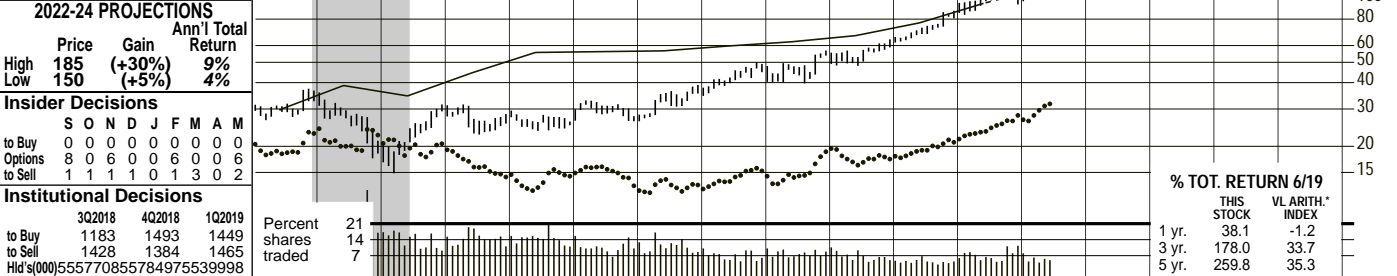


MICROSOFT NDQ-MSFT

RECENT PRICE **140.35** P/E RATIO **28.2** (Trailing: 29.5; Median: 14.0) RELATIVE P/E RATIO **1.63** DIV'D YLD **1.3%** VALUE LINE

TIMELINESS 2 Lowered 3/15/19	High: 36.0 31.5 31.6 29.5 32.9 39.0 50.0 56.8 64.1 87.5 116.2 141.7	Low: 17.5 14.9 22.7 23.7 26.3 26.3 34.6 39.7 48.0 61.9 83.8 97.2	Target Price Range 2022 2023 2024
SAFETY 1 Raised 5/26/06	LEGENDS 18.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession		
TECHNICAL 3 Lowered 6/28/19			
BETA 1.10 (1.00 = Market)			



Price	Gain	Ann'l Total Return
High 185	(+30%)	9%
Low 150	(+5%)	4%

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	8	0	6	0	0	6	0	0	2
to Sell	1	1	1	0	1	3	0	2	6

	3Q2018	4Q2018	1Q2019
to Buy	1183	1493	1449
to Sell	1428	1384	1465
Hlds (000)	555770855784975539998		

21
14
7

THIS STOCK	VLARITH. INDEX
1 yr. 38.1	-1.2
3 yr. 178.0	33.7
5 yr. 259.8	35.3

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
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	16.47	18.50	Revenues per sh ^A	25.00
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	6.35	7.00	"Cash Flow" per sh	9.50
.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	4.75	5.20	Earnings per sh ^B	7.25
.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.80	1.99	Div'ds Decl'd per sh ^E	2.80
.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.80	1.75	Cap'l Spending per sh	1.75
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	10.77	13.39	14.60	Book Value per sh ^D	19.50
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	7643.0	7575.0	Common Shs Outst'g ^C	7425.0
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	23.7		Avg Ann'l P/E Ratio	23.0
1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.31		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%	1.6%		Avg Ann'l Div'd Yield	1.7%

CAPITAL STRUCTURE as of 6/30/19																			
Total Debt \$72178 mill. Due in 5 Yrs \$26000 mill.																		Revenues per sh ^A	
LT Debt \$66662 mill. LT Interest \$2275 mill. (39% of Cap'l)																		Operating Margin	
Leases, Uncapitalized (6/18) \$1492 mill.																		Depreciation (\$mill)	
No Defined Benefit Pension Plan																		Net Profit (\$mill)	
Pfd Stock None																		Income Tax Rate	
Common Stock 7,643,000,000 shs.																		Net Profit Margin	
MARKET CAP: \$1073 billion (Large Cap)																		Working Cap'l (\$mill)	
CURRENT POSITION (SMILL.)																		Long-Term Debt (\$mill)	
Cash Assets 132981 133768 133819																		Shr. Equity (\$mill) ^D	
Receivables 19792 26481 29524																		Return on Total Cap'l	
Inventory (Avg Cst) 2181 2662 2063																		Return on Shr. Equity	
Other 4897 6751 10146																		Retained to Com Eq	
Current Assets 159851 169662 175552																		All Div'ds to Net Prof	
Accts Payable 7390 8617 9382																			
Debt Due 10121 3998 5516																			
Unearned Revenue 34201 28905 32676																			
Other 12914 16965 21846																			
Current Liab. 64527 58488 69420																			

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18
of change (per sh)			
Revenues	9.0%	8.0%	11.5%
"Cash Flow"	10.0%	7.0%	13.5%
Earnings	8.0%	4.0%	14.5%
Dividends	15.0%	15.0%	10.0%
Book Value	10.0%	4.0%	12.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2016	21660	25506	22156	22642	91964
2017	22334	26066	23557	24700	96657
2018	24538	28918	26819	30085	110360
2019	29084	32471	30571	33717	125843
2020	32000	36000	34500	37500	140000

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
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	1.10	1.14	1.37	4.75
2020	1.22	1.25	1.23	1.50	5.20

Calendar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	1.72
2019	.46	.46			

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 2019: Productivity & Business Processes, 33%; Intelligent Cloud, 31%; More Personal Computing, 36%. R&D, 13.4% of 2019 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 delivered strong financial results for its fiscal fourth quarter. (Years end June 30th.) Revenues and earnings of \$33.7 billion and \$1.37 a share (excluding a favorable tax item) compared quite favorably with our estimates of \$32.5 billion and \$1.19, underscoring the success the company is having providing the infrastructure, products, and services in support of its customers' adoption of cloud architecture. To wit, the cloud once again played an important part in each of Microsoft's business segments, with Office 365 (Commercial and Consumer) driving results in Productivity and Business Processes, strong growth in Azure continuing to propel Intelligent Cloud, and Windows Commercial products and cloud services contributing nicely to More Personal Computing. Meanwhile, the company's trended performance metrics show its business is quite healthy, with bookings advancing rapidly in the commercial market. Indeed, revenues are increasing at a high rate in the commercial space (up 39% in the June period) and the gross margin for commercial cloud continues to widen, reaching 65% in the fiscal fourth quarter.

We have made upward adjustments to our estimates for fiscal 2020. Our current top- and bottom-line targets are in keeping with the company's guidance for the September period and its most recent overview of its businesses and strategy, which suggests Microsoft is likely to experience another year of growth in revenue, earnings, and cash flow.

What about Microsoft stock? The company should continue having success in the cloud arena, given its history with commercial customers. In addition, it appears that developers of cloud applications and services are finding a welcome home at Microsoft, enhancing its prospects and reinvigorating what had been one of the company's traditional advantages. For example, the company's recent investment in OpenAI, which is deeply involved with the development of artificial intelligence, should fit nicely with Microsoft's strategy. All that said, it is no secret that high-quality MSFT shares have been on a long upward trend, and those considering making a new commitment will have to be willing to pay a premium for the position.

Charles Clark August 9, 2019

(A) Fiscal year ends June 30th. (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '03, d5c; '04, d29c; '05, d4c; '12, d72c; '13, d7c; '15, d\$1.17; '16, d70c; '17, d37c; '18, d\$1.75; '19, d33c. (C) In mill. (D) Includes intangibles. In 2019: \$42.0 billion, \$5.50 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 80
Price Growth Persistence 70
Earnings Predictability 85

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