

MICROSOFT NDQ-MSFT	RECENT PRICE 308.13	P/E RATIO 34.5 (Trailing: 38.3 Median: 19.0)	RELATIVE P/E RATIO 1.84	DIV'D YLD 0.8%	VALUE LINE
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18-Month Target Price Range		
Low-High	Midpoint (% to Mid)	
\$N/A-\$N/A	\$N/A (N/A%)	200
		160
		120
		100

2024-26 PROJECTIONS			
	Price	Gain	Ann'l Total Return
High	370	(+20%)	6%
Low	305	(Nil)	1%

Institutional Decisions				Percent shares traded		THIS STOCK		VL ARITH. INDEX	
4Q2020	1Q2021	2Q2021							
to Buy	1985	1904	1864	21		1 yr.	35.3	50.6	
to Sell	1652	1773	1766	14		3 yr.	154.9	43.9	
Hld's(000)	523731	525025	752483	7		5 yr.	427.5	89.2	

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
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	18.89	22.36	26.70	Revenues per sh ^A	40.25
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	7.54	9.70	10.95	"Cash Flow" per sh	16.25
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	5.76	8.05	9.05	Earnings per sh ^B	13.75
.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.84	2.04	2.24	2.42	Div'ds Decl'd per sh ^C	3.75
.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.74	3.25	Cap'l Spending per sh	2.75
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	15.63	18.88	22.25	Book Value per sh ^D	34.75
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	7571.0	7519.0	7425.0	Common Shs Outst'g ^C	7200.0
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	27.4	28.3		Avg Ann'l P/E Ratio	25.0
1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	1.26	1.40	1.45		Relative P/E Ratio	1.40
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%	1.3%	1.0%		Avg Ann'l Div'd Yield	1.1%

CAPITAL STRUCTURE as of 9/30/21	69943	73723	77811	86833	93580	91964	96657	110360	125843	143015	168088	198225	Revenues (\$mill) ^	290000
Total Debt \$53288 mill. Due in 5 Yrs \$16500 mill.	42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	43.4%	46.0%	48.5%	47.5%	Operating Margin	48.0%
LT Debt \$50039 mill. LT Interest \$1800 mill. (25% of Cap'l)	2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11682	12796	11686	13250	Depreciation (\$mill)	17450

	23150	23171	22453	22074	21885	22329	24084	30267	36830	44281	61271	68000	Net Profit (\$mill)	100000
Leases, Uncap'l \$2125 mill.	17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	15.7%	16.5%	13.8%	16.5%	Income Tax Rate	16.5%

No Defined Benefit Pension Plan	33.1%	31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.4%	29.3%	31.0%	36.5%	34.3%	Net Profit Margin	34.5%
Pfd Stock None	46144	52396	64049	68621	74854	80303	95324	111174	106132	109605	95749	100000	Working Cap'l (\$mill)	125000
	11021	10712	12601	20645	27808	40782	76072	72042	66682	50578	50074	47000	Long Term Debt (\$mill)	40000

	11921	10713	12001	20045	27606	40783	76073	72242	66662	59378	50074	47600	Long-term debt (\$mil)	40000
Common Stock 7,507,980,444 shs.	57083	66363	78944	89784	80083	71997	72394	82718	102330	118304	141988	165225	Shr. Equity (\$mil) ^D	250000
as of 10/21/21	33.8%	30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	22.6%	25.6%	32.5%	32.5%	Return on Total Cap'l	34.0%
MARKET CAP: \$2.317 billion (Large Cap)	40.6%	34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	36.0%	37.4%	43.2%	41.0%	Return on Shr. Equity	40.0%

CURRENT POSITION (SMILL.)	2019	2020	9/30/21	31.5%	25.3%	19.0%	14.7%	15.0%	15.7%	16.9%	21.2%	22.5%	24.6%	31.5%	30.0%	Retained to Com Eq	29.0%
				22%	28%	33%	40%	45%	49%	49%	42%	37%	34%	27%	27%	All Div'ds to Net Prof	27%
Cash Assets	133819	136576	130615	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 <i>Xbox</i> video game console and <i>Surface</i> laptops. Revenue sources in fiscal 2021: Productivity & Business Processes, 32%; Intelligent Cloud, 36%; More Personal Com-										putting, 32%. R&D, 12.3% of 2021 revenues. Employed 181,000 at 6/30/21. Stock owners: Offs. & dirs., less than 1%; The Vanguard Group, 8.1%; BlackRock, Inc., 6.8%. (10/21 proxy). Chairman & CEO: Satya Nadella. Incorporated: Washington. Addr.: One Micro- soft Way, Redmond, Washington 98052-6399. Telephone: 425-882-8080. Internet: www.microsoft.com.			
Receivables	29524	32011	27349														
Inventory (Avg Cst)	2063	1895	3411														
Other	10146	11433	12951														
Current Assets	175552	181915	174326														
Accts Payable	9382	12530	14832	Microsoft delivered strong financial										We look for the rapid growth to con-			
Debt Due	5516	3749	3249														
Unearned Revenue	32676	36000	38465														
Other	21846	20031	23982														
Current Liab.	69420	72310	80528														

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '24-'26
of change (per sh)	10.0%	11.0%	13.5%
Revenues	10.0%	11.0%	13.5%
"Cash Flow"	12.0%	17.5%	14.0%
Earnings	11.0%	18.0%	15.0%
Dividends	14.0%	10.0%	10.5%
Book Value	11.0%	9.5%	14.5%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2018	24538	28918	26819	30085	110360
2019	29084	32471	30571	33717	125843
2020	33055	36906	35021	38033	143015
2021	37154	43076	41706	46152	168088
2022	45317	50650	49000	53258	198225

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2018	.84	.96	.95	1.13	3.88
2019	1.14	1.10	1.14	1.37	4.75
2020	1.38	1.51	1.40	1.46	5.76
2021	1.82	2.03	2.03	2.17	8.05
2022	2.27	2.27	2.21	2.30	9.05

Calendar	QUARTERLY DIVIDENDS PAID [■]				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2017	.39	.39	.39	.42	1.62
2018	.42	.42	.42	.46	1.72
2019	.46	.46	.46	.51	1.89
2020	.51	.51	.51	.56	2.09
2021	.56	.56	.56	.62	

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Microsoft delivered strong financial results for its fiscal first quarter. (Years end June 30th.) The momentum that was established at the beginning of fiscal 2020 held forth as the curtain rose on fiscal 2022, keeping revenues and earnings on a rapid upward trajectory and benefiting from dynamic performances from the company's commercial business and the move to cloud services. In addition, most of the important performance metrics continued showing improvement in the September period. Meanwhile, revenue growth from the *Azure* platform remained rapid, extending the strong performances from the previous four quarters. The upward trend in consumption-based services is again seen as being a positive factor in this regard, underpinning the demand for *Azure* and the prospects that the platform will continue expanding at a fast pace. Elsewhere, revenue from *Office 365* and cloud services progressed nicely in both the commercial and consumer arenas. Finally, *Dynamics 365* continued to make headway in the enterprise application business, while LinkedIn benefited from the active employment market.

We look for the rapid growth to continue through this year and beyond. Although the rush to distributed work environments caused by the COVID-19 pandemic helped to accelerate the adoption of cloud architecture, Microsoft was already experiencing strong demand for its *Azure* cloud platform and associated consumption-based services. Our sense is this trend will likely remain in place for some time yet, playing a continuing role in the company's progress. *Office 365*, *Dynamics 365*, gaming, and the *Windows* ecosystem should also support growth.

What about Microsoft stock? As we have mentioned in previous reviews, the company's prospects have not gone unnoticed, with the shares continuing to be accorded a generous relative valuation since our early-August report. Although a growing dividend and the ongoing stock repurchase program are certainly supportive, new commitments to this high-quality equity are best made carefully, in our view. If the shares are already held in a long-term portfolio, we would continue to hold the position.

Charles Clark *November 5, 2021*

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<p>(A) Fiscal year ends June 30th.</p> <p>(B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '05, d4c; '12, d72c; '13, d7c; '15, d\$1.17; '16, d70c; '17, d37c.</p>	<p>'18, d\$1.75; '19, d33c; '22, 43c. Next earnings report late Jan. (C) In mill.</p> <p>(D) Includes intangibles. In fiscal 2021: \$49.7 billion. \$6.28 a share.</p>	<p>(E) Dividends historically paid in March, June, Sept., and Dec. ■ Dividend reinvestment plan available.</p>	<p>Company's Financial Strength A++</p> <p>Stock's Price Stability 100</p> <p>Price Growth Persistence 90</p> <p>Earnings Predictability 95</p>
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