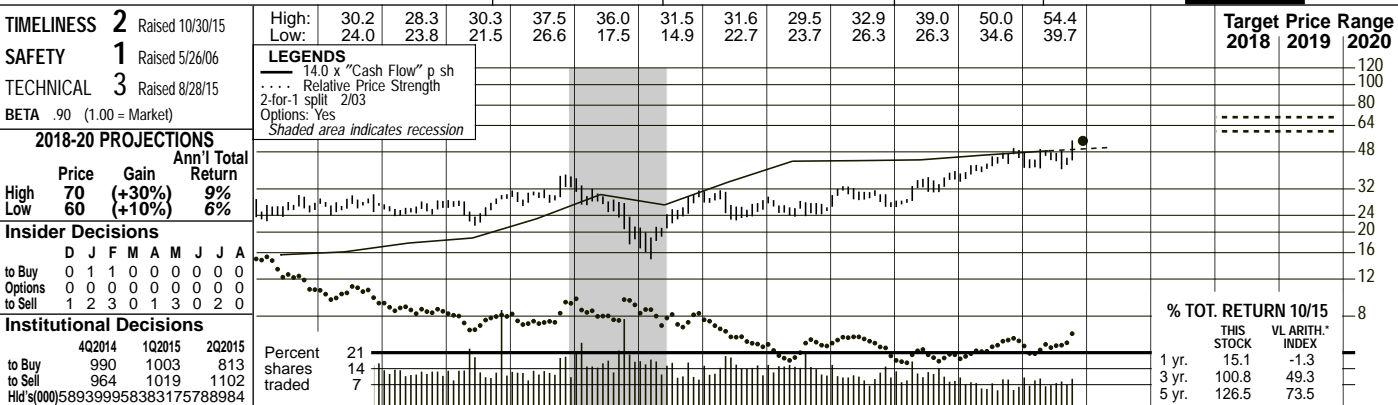


# MICROSOFT NDQ-MSFT

RECENT PRICE **54.15** P/E RATIO **20.1** (Trailing: 20.2 Median: 14.0) RELATIVE P/E RATIO **1.09** DIV'D YLD **2.7%** VALUE LINE



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	<b>11.90</b>	Revenues per sh <sup>A</sup>	<b>15.30</b>
.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	<b>3.60</b>	"Cash Flow" per sh	<b>4.60</b>
.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	<b>2.78</b>	Earnings per sh <sup>B</sup>	<b>3.65</b>
--	--	--	--	.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	<b>1.39</b>	Div'ds Decl'd per sh <sup>E</sup>	<b>1.85</b>
.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	<b>.75</b>	Cap'l Spending per sh	<b>.75</b>
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	<b>10.40</b>	Book Value per sh <sup>D</sup>	<b>11.30</b>
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	<b>7800</b>	Common Shs Outst'g <sup>C</sup>	<b>7200</b>
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	<b>18.0</b>
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	<b>1.12</b>
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CAPITAL STRUCTURE as of 9/30/15		39788	44282	51122	60420	58437	62484	69943	73723	77811	86833	93580	92700	Revenues (\$mill) <sup>A</sup>	110000
Total Debt \$38567 mill. Due in 5 Yrs \$16550 mill.		44.0%	39.2%	39.1%	40.6%	39.2%	42.9%	42.8%	41.9%	40.3%	38.0%	36.5%	<b>38.0%</b>	Operating Margin	<b>38.0%</b>
LT Debt \$27819 mill. LT Interest \$880 mill. (26% of Cap'l)		855.0	903.0	1440.0	2056.0	2562.0	2673.0	2766.0	2967.0	3755.0	5212.0	5957.0	<b>6100</b>	Depreciation (\$mill)	<b>6500</b>
Leases, Uncapitalized \$572.0 mill.		12715	12599	14065	17681	14569	18760	23150	23171	22453	22074	21885	<b>21960</b>	Net Profit (\$mill)	<b>26750</b>
No defined benefit pension plan		32.0%	31.0%	30.0%	25.8%	26.5%	25.0%	17.5%	18.6%	19.6%	20.7%	23.3%	<b>24.0%</b>	Income Tax Rate	<b>24.0%</b>
Pfd Stock None		32.0%	28.5%	27.5%	29.3%	24.9%	30.0%	33.1%	31.4%	28.9%	25.4%	23.4%	<b>23.7%</b>	Net Profit Margin	<b>24.3%</b>
Common Stock 7,987,913,152 shs. as of 10/15/15.		31860	26568	16414	13356	22246	29529	46144	52396	64049	68621	74854	<b>75000</b>	Working Cap'l (\$mill)	<b>85000</b>
MARKET CAP: \$433 billion (Large Cap)		48115	40104	31097	36286	39558	46175	57083	66363	78944	89784	80083	<b>81000</b>	Long-Term Debt (\$mill)	<b>35000</b>
CURRENT POSITION (SMILL.)		26.4%	31.4%	45.2%	48.7%	33.6%	36.8%	33.8%	30.3%	24.7%	20.3%	20.6%	<b>20.0%</b>	Shr. Equity (\$mill) <sup>D</sup>	<b>81500</b>
2014		26.4%	31.4%	45.2%	48.7%	36.8%	40.6%	40.6%	34.9%	28.4%	24.6%	27.3%	<b>27.0%</b>	Return on Total Cap'l	<b>23.5%</b>
2015		19.2%	22.6%	33.0%	37.7%	25.5%	30.7%	31.5%	25.3%	19.0%	14.7%	15.0%	<b>13.5%</b>	Return on Shr. Equity	<b>33.0%</b>
9/30/15		27%	28%	27%	23%	31%	24%	22%	28%	33%	40%	45%	<b>48%</b>	Retained to Com Eq	<b>17.0%</b>

**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. Tele.: 425-882-8080. Internet: www.microsoft.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)	10 Yrs.	5 Yrs.	to '18-'20
Revenues	12.0%	9.0%	8.0%
"Cash Flow"	11.0%	8.5%	7.0%
Earnings	9.5%	7.0%	6.5%
Dividends	19.0%	17.0%	11.5%
Book Value	6.0%	17.0%	2.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
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	<b>25100</b>	<b>22500</b>	<b>23440</b>	<b>92700</b>

Fiscal Year Ends	EARNINGS PER SHARE <sup>AB</sup>				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
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	.73	.68	.70	<b>2.78</b>

Calendar	QUARTERLY DIVIDENDS PAID <sup>E</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.16	.16	.16	.20	.68
2012	.20	.20	.20	.23	.83
2013	.23	.23	.23	.28	.97
2014	.28	.28	.31	.31	1.18
2015	.31	.31	.31	.36	

**Software giant Microsoft got a good start to fiscal 2016.** (Years end June 30th.) The September period was the first where the company delivered results under its new segment reporting approach. Specifically, Microsoft now reports the performance of three segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. Although the new structure provides an improved view of the company's businesses, the story at Microsoft still revolves around cloud services, both enterprise and consumer, and the Windows 10 operating system and the building of an associated ecosystem. **The fiscal first-quarter results showed that the company continues to have good success in the cloud arena.** On point, revenues from cloud services surpassed \$8 billion on an annual basis. Microsoft has invested heavily in cloud infrastructure, and the benefits are showing through. Moreover, the adoption of Microsoft's services is active from the consumer all the way up to the largest enterprises, with Office 365 being quite popular over the full range of customers. Our sense is momentum in the company's cloud business will actually gain strength in coming quarters, as the secular shift away from traditional on-premise computing architecture moves forward. Meanwhile, the latest earnings report also showed that Windows 10 is gaining traction, and that the strategy behind the new operating system appears to be working. Indeed, Windows is now viewed as more than just an operating system. Rather, as a service, it is finding its way into a wider range of computing devices and applications, with the result being the establishment of an ecosystem that should support growing usage over time. **We have made some adjustments to our estimates for fiscal 2016.** The company seems well positioned for the upcoming holiday season. And despite the lingering effects of adverse foreign exchange, our revenue and earnings targets for the year are now \$92.7 billion and \$2.78 a share, excluding revenue deferrals related to Windows 10. That said, new commitments to timely MSFT shares should be made carefully, given the recent market support. *Charles Clark* November 13, 2015