

# ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker

MSFT

Date of Analysis

11/5/2015



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$432,496,591,393	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.46	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	34.42%	Pass
6. Moderate PEmg Ratio	PEmg < 20	24.24	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.63	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	2.46	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.39	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.23
MG Growth Estimate	0.58%
<b>MG Value</b>	<b>\$21.54</b>
MG Value based on 3% Growth	\$32.31
MG Value based on 0% Growth	\$18.94
Market Implied Growth Rate	7.87%

### MG Opinion

Current Price	\$54.01
% of Intrinsic Value	250.80%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$3.25
Graham Number	\$23.31
PEmg	24.24
Current Ratio	2.46
PB Ratio	5.63
Dividend Yield	2.30%
Number of Consecutive Years of Dividend Growth	14

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.49	Next Fiscal Year Estimate	\$2.23
Jun15	\$1.48	Jun15	\$2.16
Jun14	\$2.63	Jun14	\$2.46
Jun13	\$2.58	Jun13	\$2.32
Jun12	\$2.00	Jun12	\$2.14
Jun11	\$2.69	Jun11	\$2.12
Jun10	\$2.10	Jun10	\$1.78
Jun09	\$1.62	Jun09	\$1.56
Jun08	\$1.87	Jun08	\$1.44
Jun07	\$1.42	Jun07	\$1.16
Jun06	\$1.20	Jun06	\$0.97
Jun05	\$1.12	Jun05	\$0.82
Jun04	\$0.75	Jun04	\$0.67
Jun03	\$0.69	Jun03	\$0.65
Jun02	\$0.48	Jun02	\$0.63
Jun01	\$0.66	Jun01	\$0.67
Jun00	\$0.85	Jun00	\$0.62
Jun99	\$0.71	<b>Balance Sheet Information Sep15</b>	
Jun98	\$0.42	Total Current Assets	\$121,656,000,000
Jun97	\$0.33	Total Current Liabilities	\$49,399,000,000
Jun96	\$0.22	Long-Term Debt	\$27,819,000,000
		Total Assets	\$172,896,000,000
		Intangible Assets	\$21,887,000,000
		Total Liabilities	\$95,451,000,000
		Shares Outstanding (Diluted Average)	8,066,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

Other  
ModernGraham  
posts about the  
company

[Microsoft Corporation Analysis – August 2015 Update \\$MSFT](#)  
[47 Companies in the Spotlight This Week – 5/16/15](#)  
[Microsoft Corporation Quarterly Valuation – May 2015 \\$MSFT](#)  
[27 Companies in the Spotlight This Week – 2/14/15](#)  
[Microsoft Corporation Quarterly Valuation – February 2015 \\$MSFT](#)

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ModernGraham  
posts about related  
companies

[Cisco Systems Inc. Valuation – November 2015 Update \\$CSCO](#)  
[Alphabet Inc. Valuation – October 2015 Update \\$GOOG \\$GOOGL](#)  
[Intuit Inc. Analysis – October 2015 Update \\$INTU](#)  
[Oracle Corporation Analysis – October 2015 Update \\$ORCL](#)  
[CA Inc. Analysis – August 2015 Update \\$CA](#)  
[The Best Companies of the Software Industry – August 2015](#)  
[Ansys Inc. Analysis – Initial Coverage \\$ANSS](#)  
[Yahoo! Inc. Analysis – August 2015 Update \\$YHOO](#)  
[Autodesk Inc. Analysis – August 2015 Update \\$ADSK](#)  
[Microsoft Corporation Analysis – August 2015 Update \\$MSFT](#)