

ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker MSFT

Date of Analysis

2/8/2016



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	\$376,970,363,163	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	3.00	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	31.77%	Fail
6. Moderate PEmg Ratio	PEmg < 20	22.62	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.17	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	3.00	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.48	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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.18
MG Growth Estimate	0.28%
MG Value	\$19.79
MG Value based on 3% Growth	\$31.68
MG Value based on 0% Growth	\$18.57
Market Implied Growth Rate	7.06%

MG Opinion

Current Price	\$49.41
% of Intrinsic Value	249.65%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$3.05
Graham Number	\$22.68
PEmg	22.62
Current Ratio	3.00
PB Ratio	5.17
Dividend Yield	2.61%
Number of Consecutive Years of Dividend Growth	14

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.36	Next Fiscal Year Estimate	\$2.18
Jun2015	\$1.48	Jun2015	\$2.16
Jun2014	\$2.63	Jun2014	\$2.46
Jun2013	\$2.58	Jun2013	\$2.32
Jun2012	\$2.00	Jun2012	\$2.14
Jun2011	\$2.69	Jun2011	\$2.12
Jun2010	\$2.10	Jun2010	\$1.78
Jun2009	\$1.62	Jun2009	\$1.56
Jun2008	\$1.87	Jun2008	\$1.44
Jun2007	\$1.42	Jun2007	\$1.16
Jun2006	\$1.20	Jun2006	\$0.97
Jun2005	\$1.12	Jun2005	\$0.82
Jun2004	\$0.75	Jun2004	\$0.67
Jun2003	\$0.69	Jun2003	\$0.65
Jun2002	\$0.48	Jun2002	\$0.63
Jun2001	\$0.66	Jun2001	\$0.67
Jun2000	\$0.85	Jun2000	\$0.62
Jun1999	\$0.71	Balance Sheet Information	
Jun1998	\$0.42	Dec2015	
Jun1997	\$0.33	Total Current Assets	\$127,812,000,000
Jun1996	\$0.22	Total Current Liabilities	\$42,643,000,000
		Long-Term Debt	\$40,679,000,000
		Total Assets	\$180,098,000,000
		Intangible Assets	\$22,055,000,000
		Total Liabilities	\$103,318,000,000
		Shares Outstanding (Diluted Average)	8,028,000,000





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 Valuation – November 2015 Update \\$MSFT](#)
- [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](#)

Other ModernGraham posts about related companies

- [Cisco Systems Inc Valuation – February 2016 \\$CSCO](#)
- [CA Inc Valuation – January 2016 Update \\$CA](#)
- [Intuit Inc Valuation – January 2016 Update \\$INTU](#)
- [Oracle Corporation Valuation – January 2016 Update \\$ORCL](#)
- [Ansys Inc. Valuation – November 2015 Update \\$ANSS](#)
- [Yahoo! Inc. Valuation – November 2015 Update \\$YHOO](#)
- [Microsoft Corporation Valuation – November 2015 Update \\$MSFT](#)
- [Cisco Systems Inc. Valuation – November 2015 Update \\$CSCO](#)
- [Alphabet Inc. Valuation – October 2015 Update \\$GOOG \\$GOOGL](#)
- [Intuit Inc. Analysis – October 2015 Update \\$INTU](#)