

# ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker

MSFT

Date of Analysis

8/16/2016



## 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	\$448,992,627,141	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.35	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	13.42%	Fail
6. Moderate PEmg Ratio	PEmg < 20	24.99	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.39	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	2.35	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.51	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		Fail

### Suitability

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

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.30
MG Growth Estimate	-0.13%
<b>MG Value</b>	<b>\$18.92</b>
MG Value based on 3% Growth	\$33.33
MG Value based on 0% Growth	\$19.54
Market Implied Growth Rate	8.24%

### MG Opinion

Current Price	\$57.44
% of Intrinsic Value	303.53%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$2.24
Graham Number	\$23.93
PEmg	24.99
Current Ratio	2.35
PB Ratio	6.39
Current Dividend	\$1.39
Dividend Yield	2.42%
Number of Consecutive Years of Dividend Growth	15

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.76	Next Fiscal Year Estimate	\$2.30
Jun2016	\$2.10	Jun2016	\$2.10
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	<b>Balance Sheet Information 6/1/2016</b>	
Jun1999	\$0.71	Total Current Assets	\$139,660,000,000
Jun1998	\$0.42	Total Current Liabilities	\$59,357,000,000
Jun1997	\$0.33	Long-Term Debt	\$40,783,000,000
		Total Assets	\$193,694,000,000
		Intangible Assets	\$21,605,000,000
		Total Liabilities	\$121,697,000,000
		Shares Outstanding (Diluted Average)	8,013,000,000





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.

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