

ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker MSFT

Date of Analysis

2/2/2017



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	\$480,334,843,658	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.05	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end		
5. Earnings Growth		9.12%	Fail
6. Moderate PEmg Ratio	PEmg < 20	28.49	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.19	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	2.05	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.80	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
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.22
MG Growth Estimate	-0.65%
MG Value	\$15.97
MG Value based on 3% Growth	\$32.17
MG Value based on 0% Growth	\$18.86
Market Implied Growth Rate	10.00%

MG Opinion

Current Price	\$63.21
% of Intrinsic Value	395.81%
Opinion	Overvalued
MG Grade	C+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.39
Graham Number	\$22.47
PEmg	28.49
Current Ratio	2.05
PB Ratio	7.19
Current Dividend	\$1.47
Dividend Yield	2.33%
Number of Consecutive Years of Dividend Growth	15

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		Next Fiscal Year Estimate	
Jun2016	\$2.52	Jun2016	\$2.22
Jun2015	\$2.10	Jun2015	\$2.10
Jun2014	\$1.48	Jun2014	\$2.16
Jun2013	\$2.63	Jun2013	\$2.46
Jun2012	\$2.58	Jun2012	\$2.32
Jun2011	\$2.00	Jun2011	\$2.14
Jun2010	\$2.69	Jun2010	\$2.12
Jun2009	\$2.10	Jun2009	\$1.78
Jun2008	\$1.62	Jun2008	\$1.56
Jun2007	\$1.87	Jun2007	\$1.44
Jun2006	\$1.42	Jun2006	\$1.16
Jun2005	\$1.20	Jun2005	\$0.97
Jun2004	\$1.12	Jun2004	\$0.82
Jun2003	\$0.75	Jun2003	\$0.67
Jun2002	\$0.69	Jun2002	\$0.65
Jun2001	\$0.48	Jun2001	\$0.63
Jun2000	\$0.66	Jun2000	\$0.67
Jun1999	\$0.85	Balance Sheet Information 12/1/2016	
Jun1998	\$0.71	Total Current Assets	\$144,949,000,000
Jun1997	\$0.42	Total Current Liabilities	\$70,787,000,000
	\$0.33	Long-Term Debt	\$59,306,000,000
		Total Assets	\$224,610,000,000
		Intangible Assets	\$45,525,000,000
		Total Liabilities	\$155,801,000,000
		Shares Outstanding (Diluted Average)	7,830,000,000





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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