

ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker MSFT

Date of Analysis

2/24/2018



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	\$742,638,698,133	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.89	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	0.94%	Fail
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	45.47	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	9.25	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	2.89	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.67	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	\$2.07
MG Growth Estimate	-2.40%
MG Value	\$7.64
MG Value based on 3% Growth	\$30.00
MG Value based on 0% Growth	\$17.58
Market Implied Growth Rate	18.48%

MG Opinion

Current Price	\$94.06
% of Intrinsic Value	1231.05%
Opinion	Overvalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.30
Graham Number	\$18.73
PEmg	45.47
Current Ratio	2.89
PB Ratio	9.25
Current Dividend	\$1.53
Dividend Yield	1.63%
Number of Consecutive Years of Dividend Growth	15

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.66	Next Fiscal Year Estimate	\$2.07
Jun2017	\$2.71	Jun2017	\$2.28
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	Balance Sheet Information 12/1/2017	
Jun2000	\$0.85	Total Current Assets	\$167,633,000,000
Jun1999	\$0.71	Total Current Liabilities	\$58,099,000,000
Jun1998	\$0.42	Long-Term Debt	\$73,348,000,000
		Total Assets	\$256,003,000,000
		Intangible Assets	\$44,389,000,000
		Total Liabilities	\$177,643,000,000
		Shares Outstanding (Diluted Average)	7,710,000,000





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 – August 2016 \\$MSFT](#)
- [Microsoft Corp Valuation – February 2016 \\$MSFT](#)
- [Microsoft Corporation Valuation – November 2015 Update \\$MSFT](#)
- [Microsoft Corporation Analysis – August 2015 Update \\$MSFT](#)
- [47 Companies in the Spotlight This Week – 5/16/15](#)

Other ModernGraham posts about related companies

- [Symantec Corp Valuation – August 2017 \\$SYMC](#)
- [Intuit Inc Valuation – March 2017 \\$INTU](#)
- [CommVault Systems Inc Valuation – Initial Coverage \\$CVLT](#)
- [Leidos Holdings Inc Valuation – Initial Coverage \\$LDOS](#)
- [Constellation Software Inc Valuation – Initial Coverage \\$TSE:CSU](#)
- [Adobe Systems Inc Valuation – February 2017 \\$ADBE](#)
- [Synopsys Inc Valuation – Initial Coverage \\$SNPS](#)
- [Microsoft Corporation Valuation – February 2017 \\$MSFT](#)
- [Cisco Systems Inc Valuation – January 2017 \\$CSCO](#)
- [Autodesk Inc Valuation – December 2016 \\$ADSK](#)