

ModernGraham Valuation

Company Name:

Microsoft Corporation

Company Ticker MSFT

Date of Analysis

11/20/2018



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	\$786,398,728,564	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.92	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	44.48%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	32.75	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	9.27	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	2.92	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.65	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
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.13
MG Growth Estimate	6.80%
MG Value	\$69.29
MG Value based on 3% Growth	\$45.45
MG Value based on 0% Growth	\$26.64
Market Implied Growth Rate	12.12%

MG Opinion

Current Price	\$102.65
% of Intrinsic Value	148.15%
Opinion	Overvalued
MG Grade	C

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$0.96
Graham Number	\$32.77
PEmg	32.75
Current Ratio	2.92
PB Ratio	9.27
Current Dividend	\$1.65
Dividend Yield	1.61%
Number of Consecutive Years of Dividend Growth	17

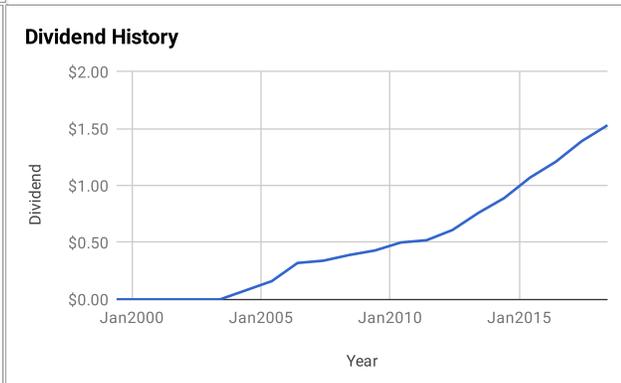
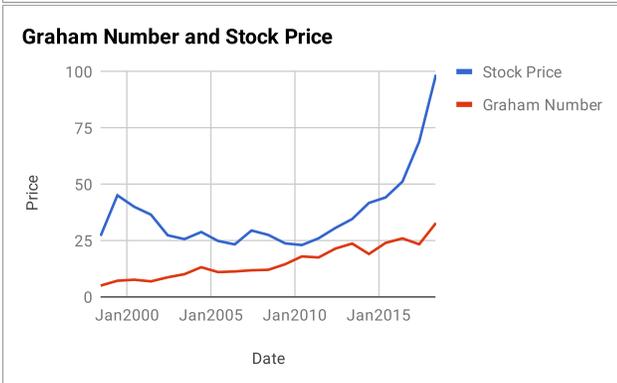
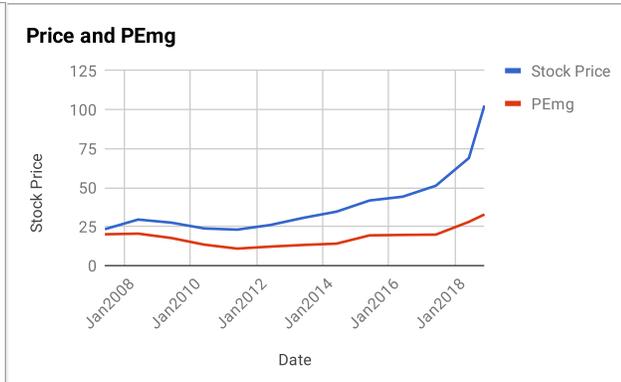
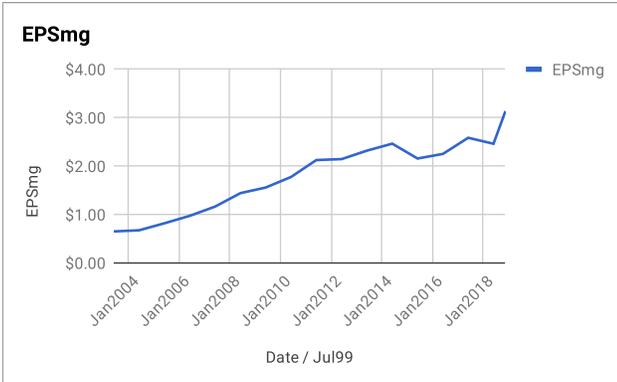
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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.43	Next Fiscal Year Estimate	\$3.13
Jun2018	\$2.13	Jun2018	\$2.46
Jun2017	\$3.25	Jun2017	\$2.58
Jun2016	\$2.56	Jun2016	\$2.25
Jun2015	\$1.48	Jun2015	\$2.16
Jun2014	\$2.63	Jun2014	\$2.46
Jun2013	\$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	Balance Sheet Information 9/1/2018	
Jun2001	\$0.66	Total Current Assets	\$164,195,000,000
Jun2000	\$0.85	Total Current Liabilities	\$56,277,000,000
Jun1999	\$0.71	Long-Term Debt	\$69,733,000,000
		Total Assets	\$257,619,000,000
		Intangible Assets	\$43,434,000,000
		Total Liabilities	\$171,652,000,000
		Shares Outstanding (Diluted Average)	7,766,000,000





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 Corp Valuation – February 2018 \\$MSFT](#)
 - [Microsoft Corporation Valuation – February 2017 \\$MSFT](#)
 - [Microsoft Corporation Valuation – August 2016 \\$MSFT](#)
 - [Microsoft Corp Valuation – February 2016 \\$MSFT](#)
 - [Microsoft Corporation Valuation – November 2015 Update \\$MSFT](#)

- Other ModernGraham posts about related companies**
- [Cisco Systems Inc Valuation – November 2018 \\$CSCO](#)
 - [Kinaxis Inc Valuation – August 2018 \\$TSE:KXS](#)
 - [CSG Systems International Inc Valuation – August 2018 \\$CSGS](#)
 - [SPS Commerce Inc Valuation – August 2018 \\$SPSC](#)
 - [Synchronoss Technologies Inc Valuation – August 2018 \\$SNCR](#)
 - [ACI Worldwide Inc Valuation – July 2018 \\$ACIW](#)
 - [Akamai Technologies Inc Valuation – May 2018 \\$AKAM](#)
 - [Symantec Corp Valuation – April 2018 \\$SYMC](#)
 - [Intuit Inc Valuation – April 2018 \\$INTU](#)
 - [CommVault Systems Inc Valuation – April 2018 \\$CVLT](#)