



# Executive Summary



# Executive Summary

- The purpose is to analyze Microsoft's financial performance from 2022 to 2024, focusing on key trends, strengths, and potential risks for stakeholder
- Microsoft is a global tech leader that has shown strong financial in recent year
- The analysis delves into the company's key financial statements, including the balance sheet, income statement, and cash flow statement, to assess its financial stability and future potential.
- The objective is to highlight Microsoft's financial performance. It aims to identify key financial strengths and potential risks that could impact investor confidence.



## **Expenses**

- Saes, marketing, and general administration dominate expense
- Low R&D investment suggests a limited focus on innovation

## **Profitability**

- Net income and revenue increase sharply from 2023 to 2024
- EPS rose from 10 to 12, signaling better profitability per share
- Gross Margin – Consistent growth from 2022 to 2024, reflecting improved efficiency

## **Liquidity**

- Increase in current and quick ratio, showing better short-term financial health.
- Debt to equity ratio decreased, showing reduced reliance on debt.

## **Investment and cash flow**

- Rising investment spending, with negative cash flow from investment
- Strong operational cash flow but slow payment collection raise potential cash flow risk

## **Profitability ratio**

- ROA and ROE decline from 2023 to 2024, signalling reduced profitability

## **Financing Activities**

- Increasing reliance on financing which could impact financial risk



# Overall strengths and challenges

- Microsoft have strong growth in terms of profitability, revenue growth and liquidity improvement
- Microsoft challenges include declining ROA (return on asset)/ ROE (return on equity) and slow payment collection may pose the risk
- Microsoft is well positioned for growth but must address profitability concern for sustainable long term growth



# Introduction



- Understanding financial performance is crucial for stake holder to navigate challenges and ensure growth and profitability of the company
- The analysis focus on Microsoft Corporate its financial performance from 2022 to 2024 from 10k report.
- Microsoft has experience revenue growth and increase net income, yet face challenges in profitability and cash flow management
- The purpose is to explore key financial metric and their implication for Microsoft operational efficiency in financial health
- The analysis will focus on:
  - Income statement – trends in net income, gross profit margins, expenses, EPS and revenue
  - Balance sheet – liquidity ratio, debt level, asset and liability and overall financial position
  - Cash flow statement – Dynamics of cash flow from operating, investing and financing activity



# Methodology

Data Collecting	→ Scrape the data from Microsoft Cooperation's SEC EDGAR 10-K report
Data Cleaning	→ checking missing values and duplicate rows
Data transformation	→ Use Python to transform and transpose the data into a more readable format
CSV Creation	→ Create three CSV files for the balance sheet, income statement, and cash flow statement
Excel Import	→ Import CSV file into Excel, using different sheets for each statement
Power Bi Visualization	→ Import the Excel file into Power BI to visualize the data
Dax Calculation	→ Use the DAX formula to calculate key metrics, including ratio, turnover, ROA, ROE, cash flow investing, financing, and operating.
Report creation	→ Generate a comprehensive report summarizing finding and insights based on the visualized data





# Income statement





# Expense distribution

- Sales and marketing & General administration dominate the expenses

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- Research and development which might suggest relatively lower investment in innovation compared to other areas



# Net income

- Net income has been increasing yearly, with a sharp rise from 2023 to 2024, reflecting Microsoft's growing profitability
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- The sharp rise suggests that Microsoft is becoming more profitable which could lead to investor confidence and potential higher stock price



# Revenue vs cost of revenue

- Total revenue and cost revenue is increasing

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- Revenue growth outpaces the cost, suggesting improved gross profit margin

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- Microsoft is becoming more efficient in generating profit, which leads to higher profitability



# Income Before Tax and Net Income

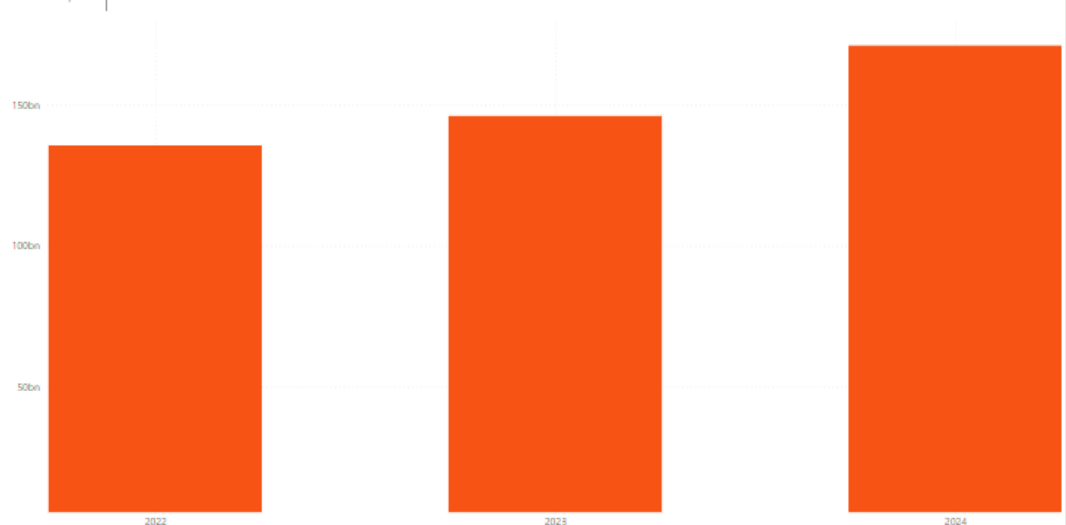
- There is a healthy gap between income before tax and net income across the years

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- This suggest efficient tax management



# EPS

Back to report | GROSS MARGIN BY YEAR



- There is an increase in EPS from 2023 to 2024, growing from 10 to 12

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- It indicates improved profitability per share

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- Microsoft stock is earning more money which is a positive sign for investor

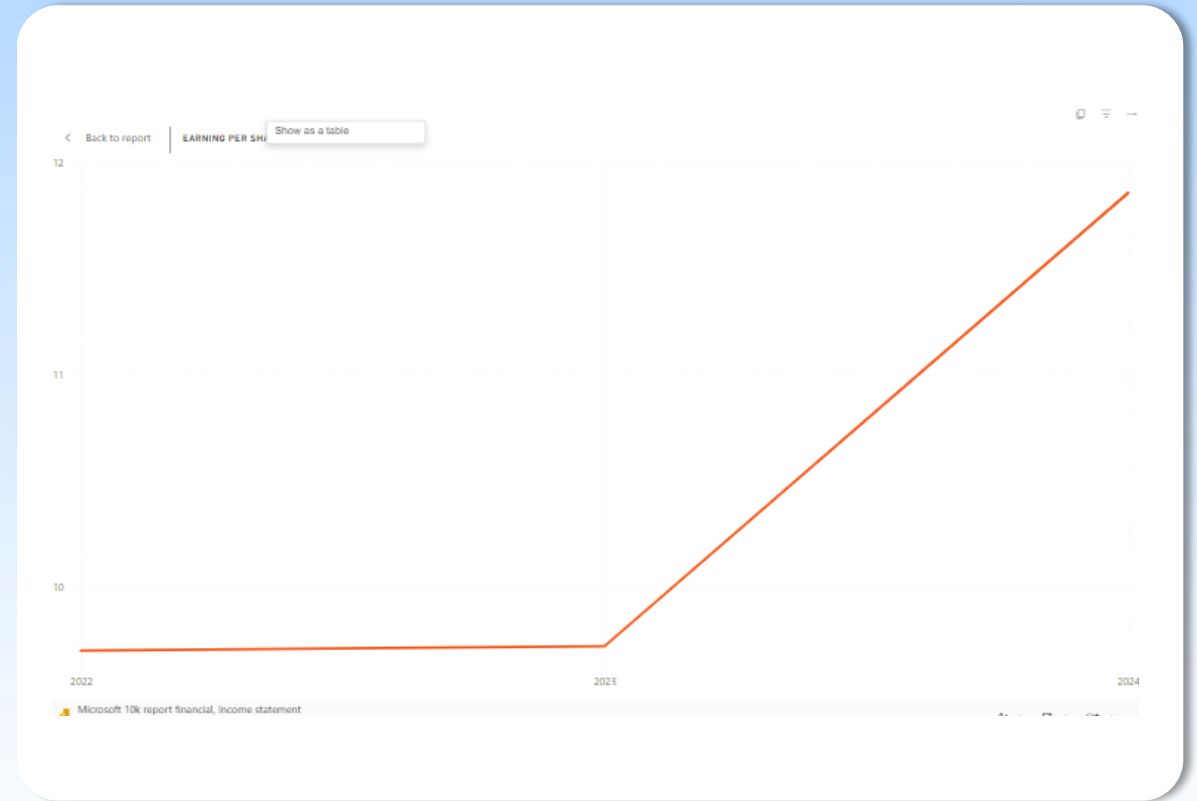
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- It suggest that the company is becoming more profitable and could lead to higher stock price or dividend



# Gross margin

- The gross margin shows consistent growth from 2022 to 2024
- 
- Implying better operation efficiency and profitability
- 
- Microsoft is generating more revenue than the cost associated with producing the revenue, they are more efficient and profitable over time





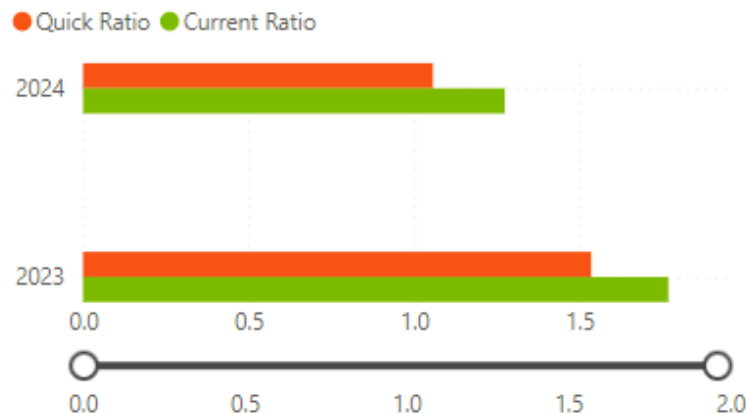


# Balance sheets

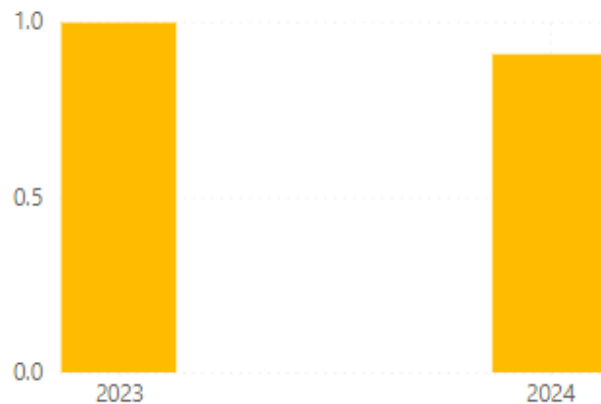


# Microsoft Balance Sheet 2024

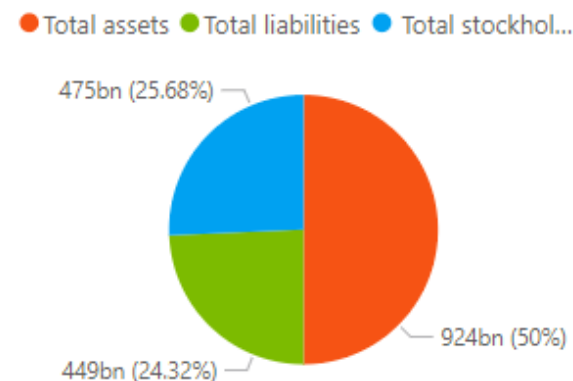
## Quick Ratio & Current Ratio by Year



## Debt To Equity Ratio by Year



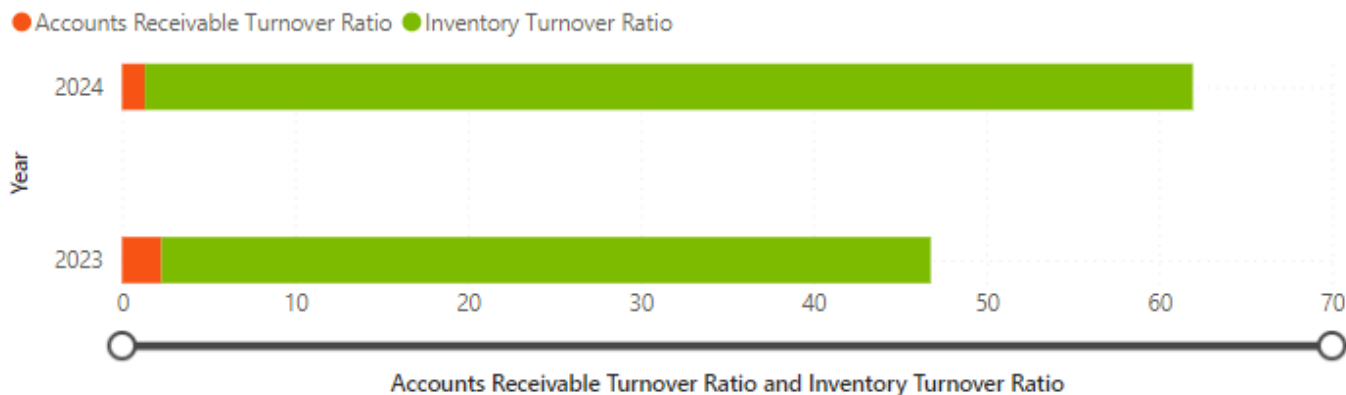
## Total Assets vs Total Liabilities



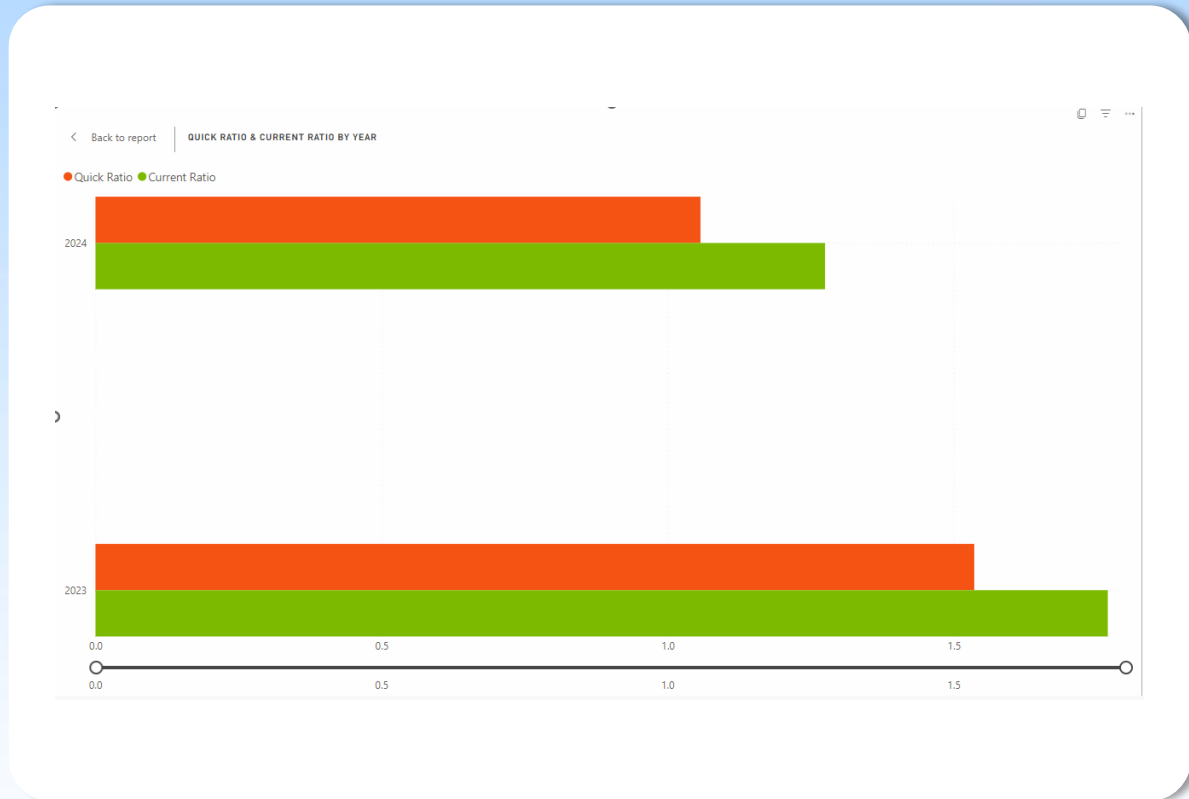
## Return on Asset and Equity by Year



## Accounts Receivable Turnover Ratio & Inventory Turnover Ratio by Year



# Quick ratio and current ratio



- The **slight increase in the current ratio** in 2024 compared to 2023 indicates that Microsoft's ability to cover its short-term liabilities and assets has improved slightly.
- **Similar increase in quick ratio** – suggests that Microsoft's liquidity position considering only high liquid assets is getting stronger
- Microsoft is becoming more liquid which may indicate more effectiveness in managing short-term assets and liability



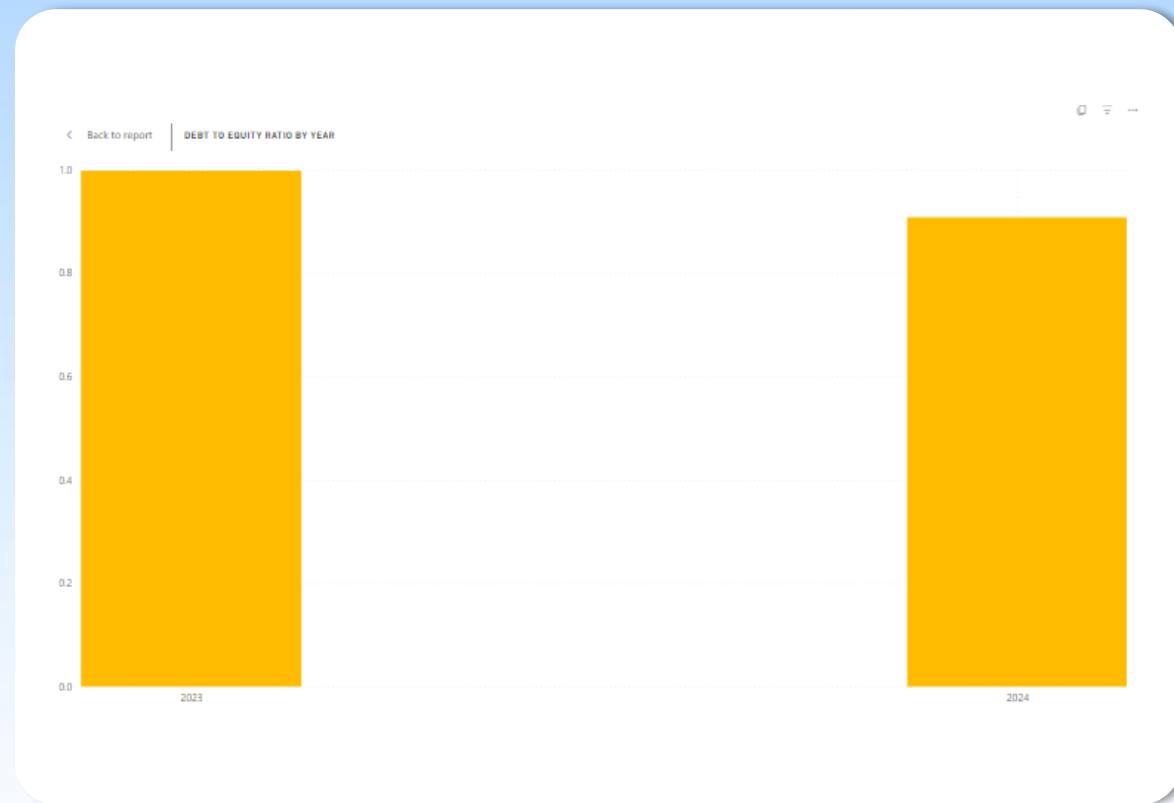
# Debt to equity ratio

- The debt to equity is decrease from 1 to 0.91

- 
- Microsoft is using less debt compared to its equity

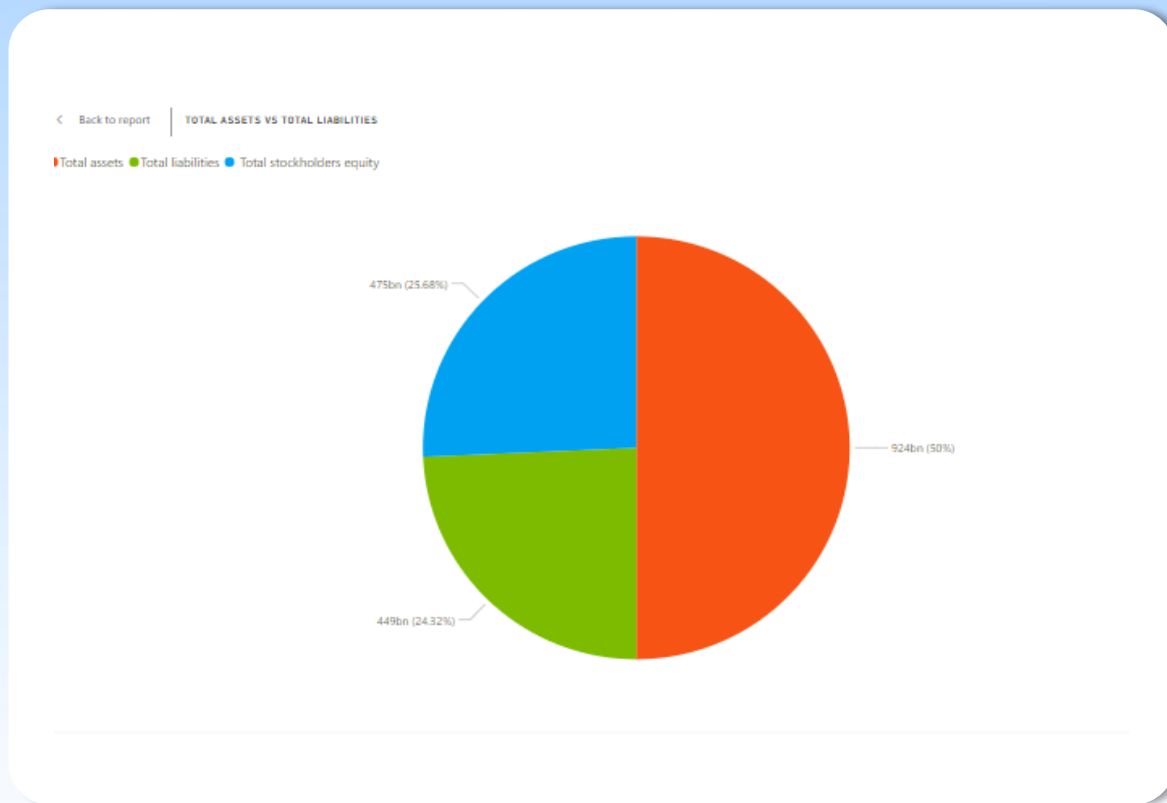
- 
- The lower ratio suggests that Microsoft is in a safer financial position

- 
- Investors find this reassuring because it shows the company is less reliant on borrowed money, which reduces financial risk





# Total asset vs total liabilities

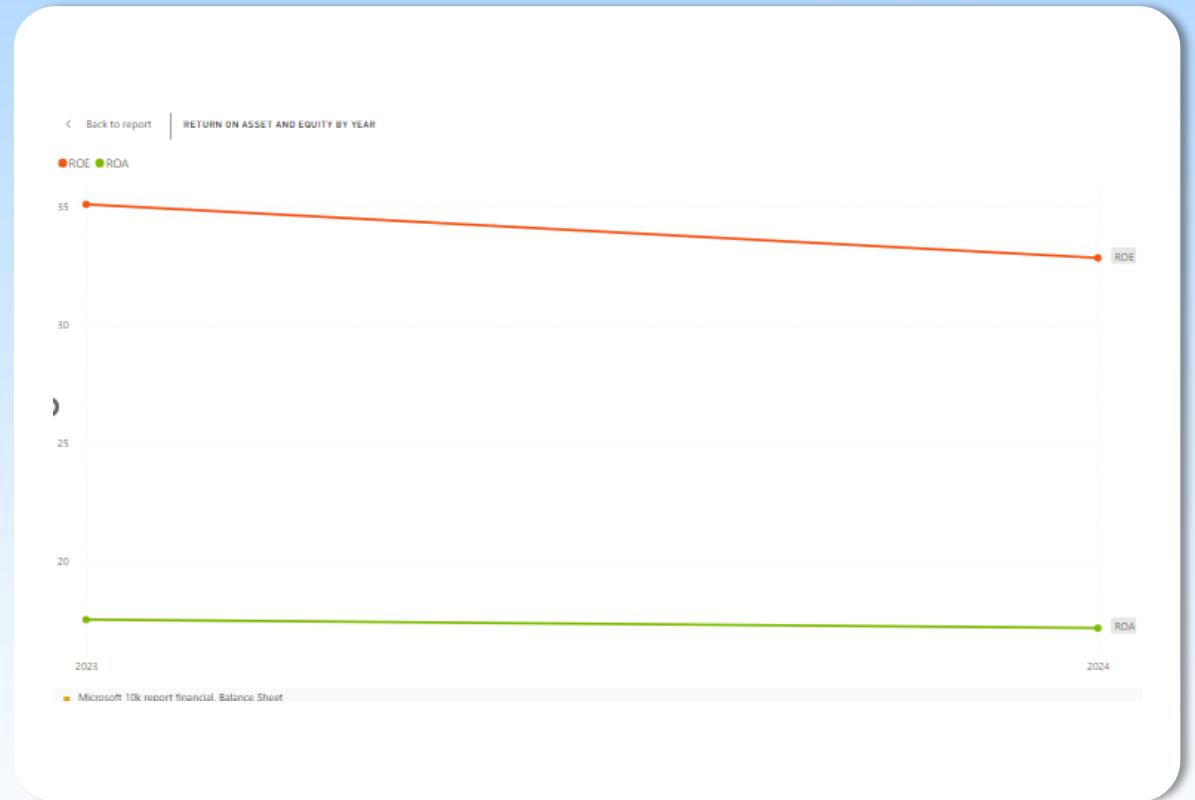


- Microsoft's total assets significantly outweigh its total liabilities, with stakeholder equity forming a substantial portion of the total
- The company is financially sound, with assets far surpassing liability
- Indicating stability and the ability to meet obligation



# Return on Asset and Liability

- Both ROA and ROE show a decline from 2023 to 2024 signalling a decrease in profitability
- 
- Microsoft is generating less profit from its assets and equity
- 
- Despite an improvement in liquidity, the company is facing challenges in maintaining efficient profitability
- 
- This could point to concern for investor





# Account receivable and inventory turn over ratio



- Inventory turnover ratio increase in 2024, indicates that Microsoft is selling its inventory faster than before
- The account receivable drop from 2.29 (2023) to 1.33 (2024)
- Microsoft is selling products quickly, but slow payment collection could lead to cash flow issue
- While sales are strong, the collection of payment needs improvement.
- Microsoft doesn't collect money faster, they could run into cash shortage despite high sales



# Cashflow statement





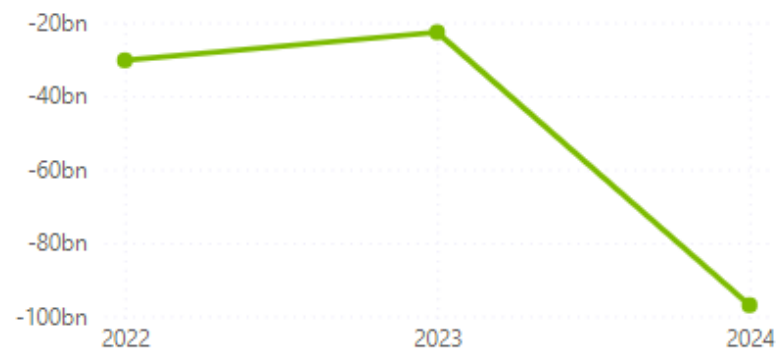
# Microsoft Cashflow Statement

2022

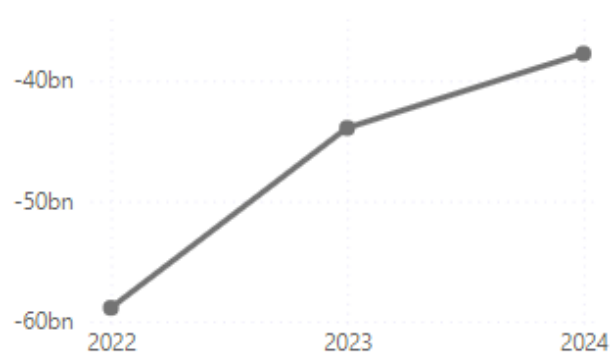
2023

2024

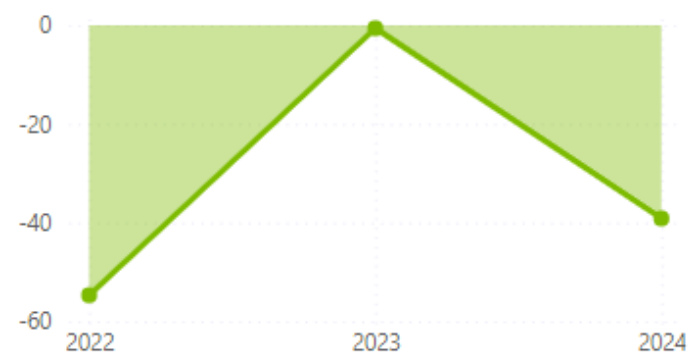
### Investing Cash Flow Over Time



### Net Cash Used in Financing Over Years.

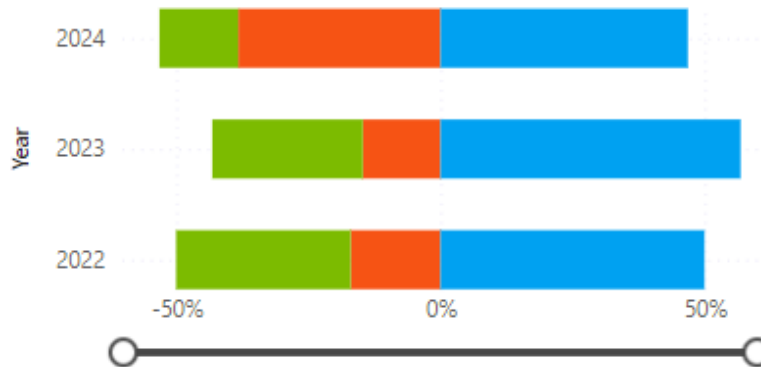


### Cash Conversion Cycle Over Years

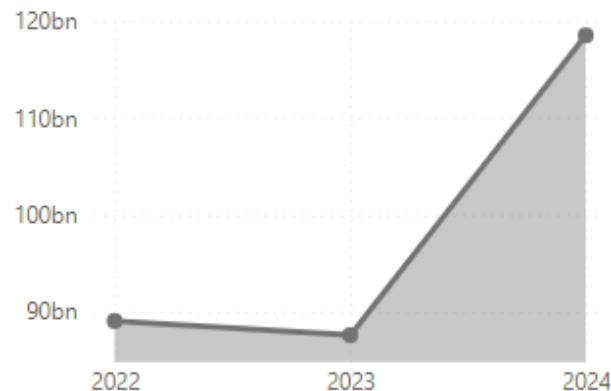


### Cashflow Analysis

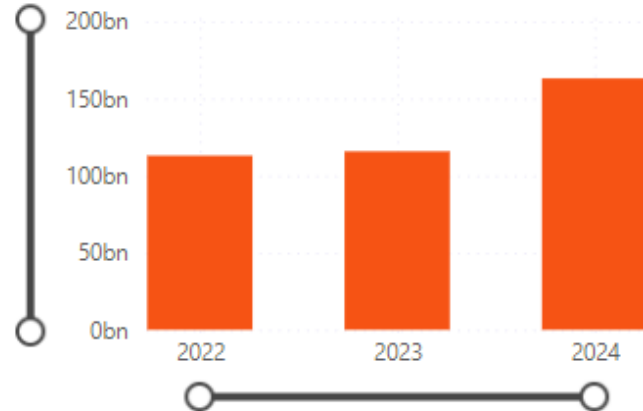
● Net cash used in investing ● Net cash used in fin... ● Net cash from o...



### Cash Flow from Operations Over Years.



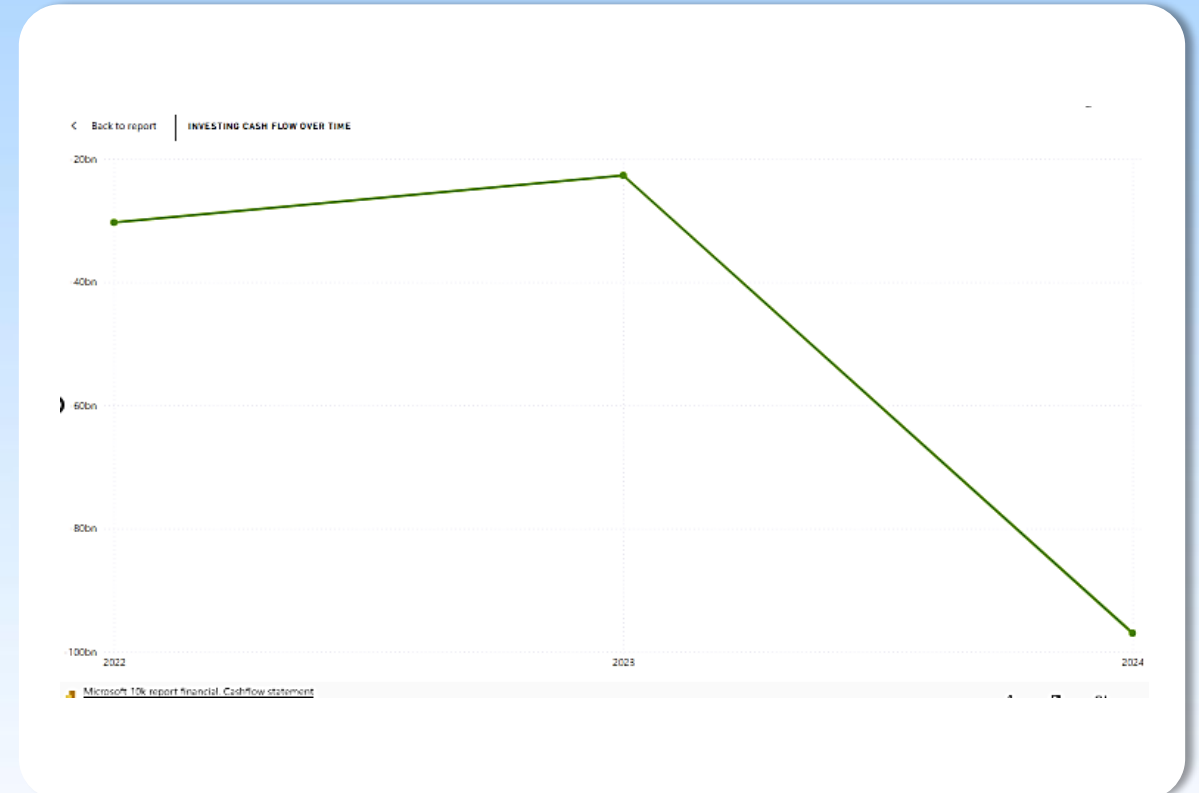
### Free Cash Flow Over Years



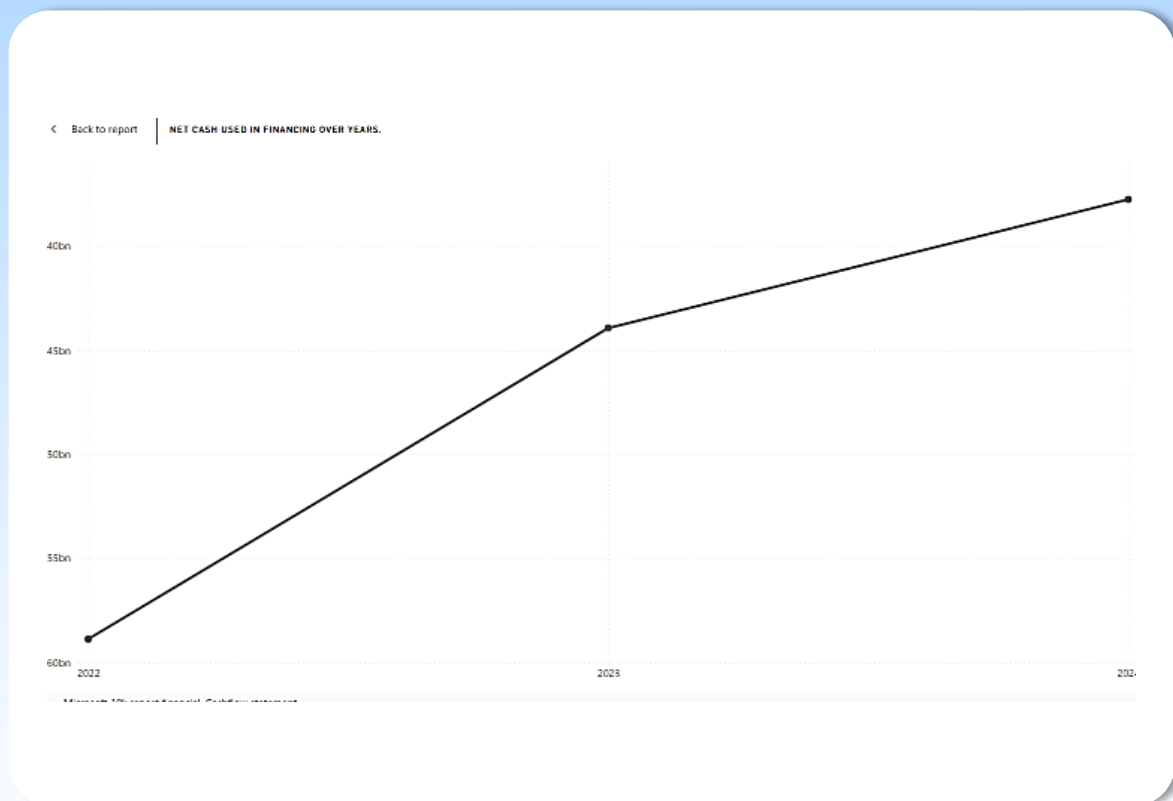


# Investing cash flow

- The investing cashflow shows a declining trend from -40 bn (2022) to -100bn (2024)
- 
- This indicates that Microsoft has increased its investment expenditure over the year
- 
- Increasing investing cash flow could imply a strategic focus on growth and expansion
- 
- Investor may interpret this as a commitment to future revenue generation



# Net cash used in financing

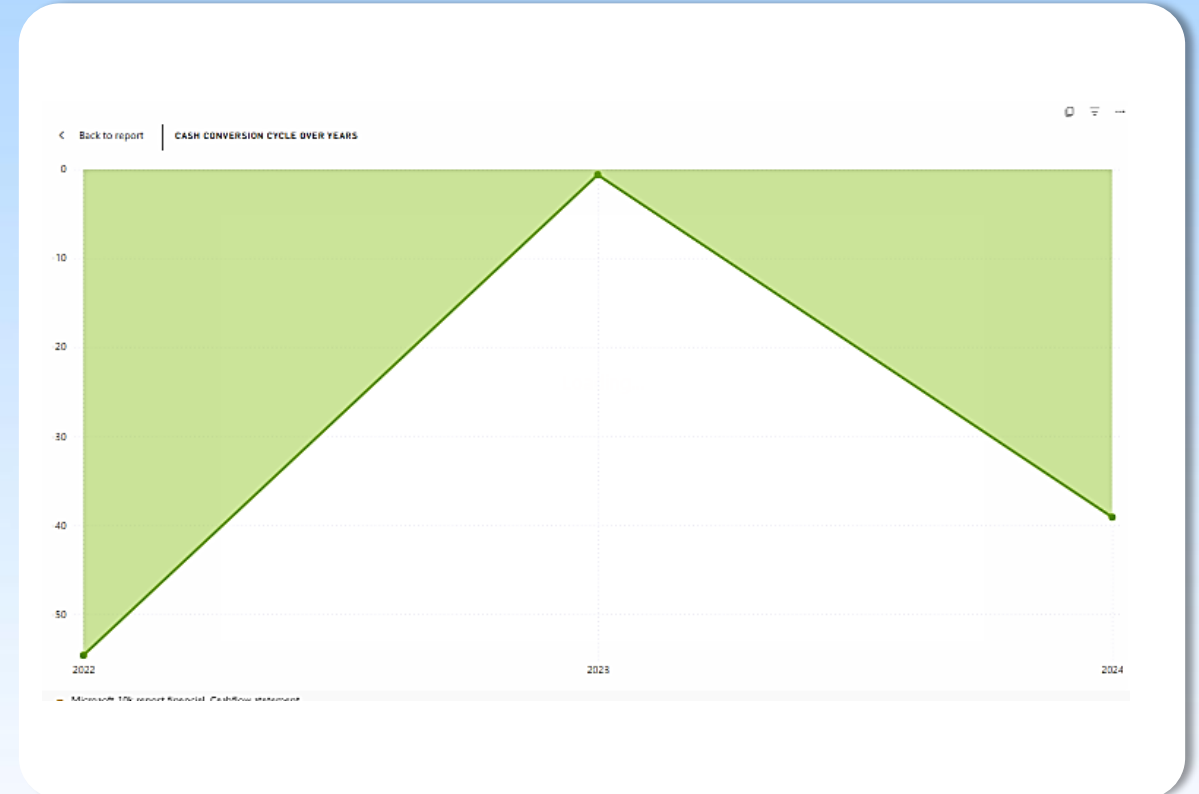


- The net cash used in financing has been consistently increasing.
- 
- Moving -60bn (2022) to around -40bn (2024)
- 
- This suggests that Microsoft is relying more on financing activities to support its operation or investment
- 
- The upward trend in net cash suggests Microsoft might take on more debt or increase shareholder payout
- 
- This could affect the company's risk profile and impact confidence



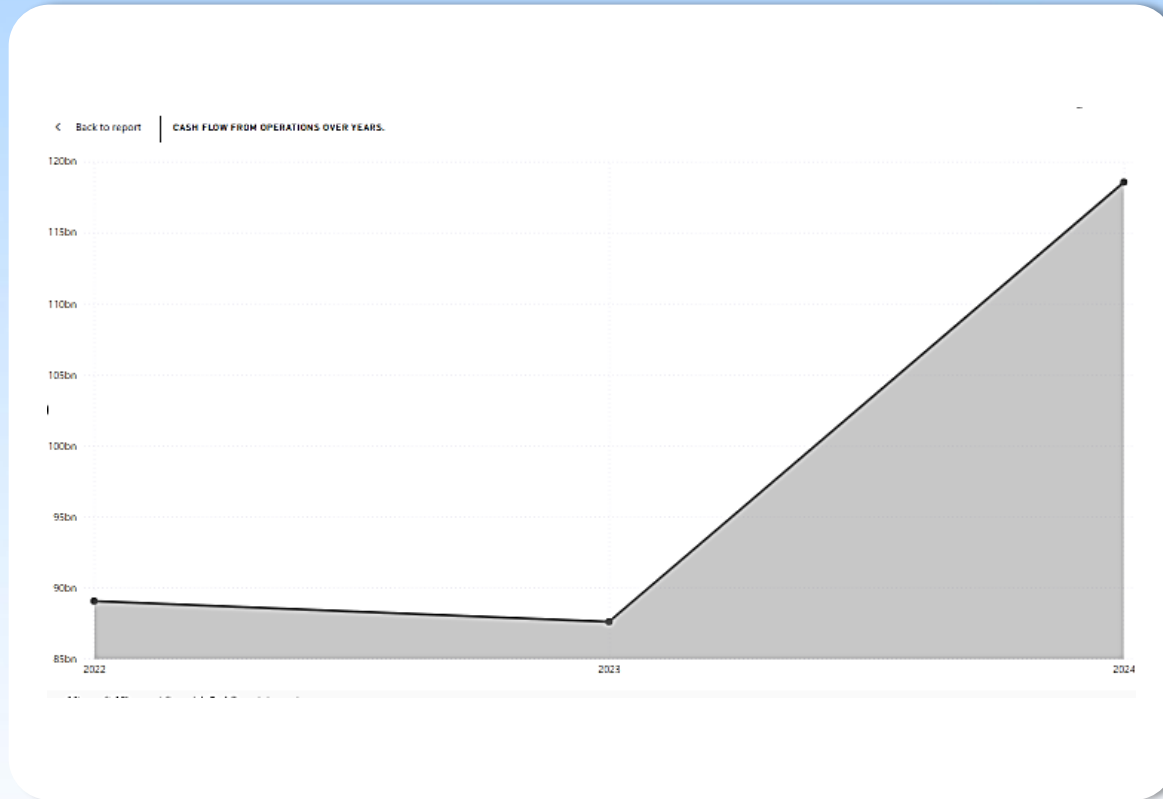
# Cash conversion cycle

- The cash conversion cycle fluctuates but shows a general decrease from 2022 to 2024.
- 
- A lower cash conversion cycle is positive, indicating that the company is becoming more efficient in managing its cash flow
- 
- Improvement in the cash conversion cycle highlights operational efficiency
- 
- Positive signal for stakeholders regarding management practice





# Cash flow from operation

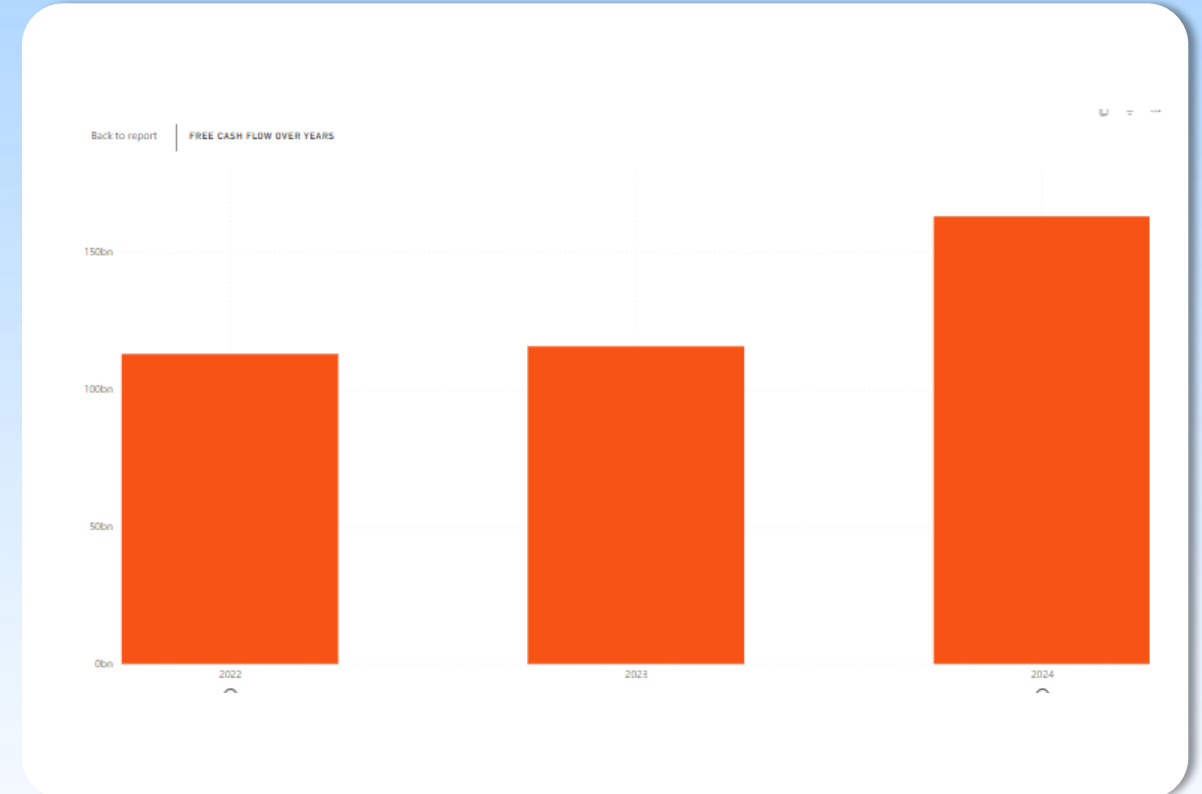


- There is an increase in cash flow from operation from 90bn (2022) to over 120bn (2024)
- This suggests strong operation performance and growth in revenue generation
- The rising cash flow from the operation has substantial growth potential.
- This enhances Microsoft's ability to weather economic uncertainties or invest in a new opportunity



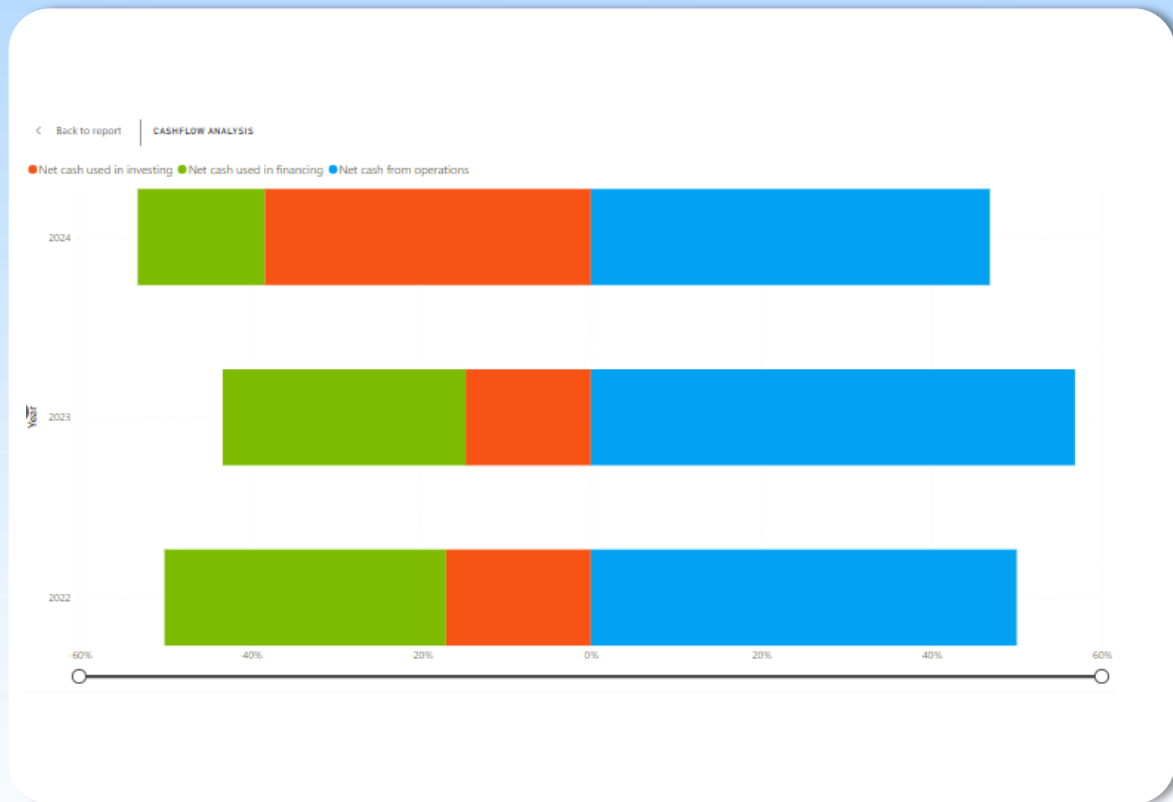
# Free cash flow

- Free cash flow increases over the year
- 
- Indicate that Microsoft has more cash available after accounting for CAPEX
- 
- This is a good sign for investors, as it suggests the company has ample resources for reinvestment, dividend, or debt reduction





# Cash flow analysis



- Cash flow analysis indicates net cash trend in investing, financing, and operational activity over the year
- The bar chart shows a healthy diversification in cash flow sources and use
- The overall positive cash flow metric could boost investor confidence
- It will potentially impact stock performance positively as investors view Microsoft as a Financially health and strategically positioned company



# Discussion





# Summary and Interpretation

- Strong financial performance: rising revenue, profitability, liquidity and safe debt level
- Increase net income and revenue indicate efficiency and profitability growth
- Higher EPS and gross margin show better profitability per share
- Declining ROA and ROE highlight challenges in profitability despite improve liquidity



# Limitation and recommendation

## **Limitation**

- Low Research and development spending limits insight into future innovation
- Declining in ROA (return on assets) and ROE (return on equity) raises concerns about long-term profitability
- Slow receivable collection risk cash flow issues

## **Recommendation**

- Further studies on research and development investment and innovation potential
- Focus on addressing declining ROA, ROE and improving receivable management
- Analyse cashflow trends about external economic factors for strategic insight.



# Conclusion



# Conclusion key points

- Microsoft's financial performance from 2022 to 2024 reflects growth in profitability, efficiency, and liquidity, with some areas of concern
- Net income and revenue growth outpace cost
- Increase liquidity with higher current and quick ratios indicate strong short-term financial health
- Decline in ROA and ROE suggests reduced profitability from asset and equity
- Slow payment collection despite strong sales could lead to potential cash flow issue
- Increase investment spending highlight a focus on growth and expansion
- Growing reliance on financing could raise concerns about financial risk



# Highlights and final thought

- Rising profitability and efficient cash flow management may boost investor confidence and stock price
- Strategic investment indicates future growth potential, but a declining profitability ratio may signal challenges in maintain long-term efficiency
- Effective liquidity management strengthens Microsoft's ability to meet short-term obligations
- Microsoft is well positioned for continued growth, but the company should address challenges in profitability and cash flow management to sustain investor confidence and ensure long-term stability