

# Microsoft Corporation (MSFT)

As of: 2026-02-14

Technology • Software - Infrastructure

## One-page Summary

- [Business Overview] Microsoft Corporation operates in three segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing, generating diverse revenue streams.
- [Key Metrics] The company has a market cap of \$2.98 trillion, a revenue CAGR of 13.78% over 4 years, and an operating margin of 45.62%.
- [Quarter Highlights] In Q4 2025, Microsoft reported revenue of \$81.27 billion, up 17% from the previous year, with net income increasing 60% to \$38.46 billion.
- [Capex and Investments] Cash used in investing rose by \$28 billion to \$57.3 billion for the six months ended December 31, 2025, primarily for property and equipment.
- [Financing and Capital Allocation] For the six months ended December 31, 2025, Microsoft repurchased 20 million shares for \$9.9 billion and declared dividends totaling \$13.5 billion.
- [SWOT Analysis] Strengths include a strong cloud focus and partnerships, while weaknesses involve competition and cybersecurity risks. Opportunities lie in AI advancements, and threats include regulatory scrutiny.
- [Risks] Key risks include economic downturns affecting IT spending, cybersecurity threats, and regulatory challenges that could impact operations.
- [Valuation vs Sector] Microsoft's strong revenue growth and diverse offerings position it favorably against sector peers, despite facing intense competition.

## Key Metrics

Revenue CAGR 4Y	13.8%
Operating Margin	45.6%
Net Debt / EBITDA	0.19

## Latest Filing Used

10-Q | 2026-01-28

Source:

<https://www.sec.gov/Archives/edgar/data/789019/000119312526027207/msft-20251231.htm>

## Highlights

### Quarter highlights

- Revenue: \$81,273 million (up 17% from \$69,632 million in Q4 2024)
- Operating Income: \$38,275 million (up 21% from \$31,653 million in Q4 2024)
- Net Income: \$38,458 million (up 60% from \$24,108 million in Q4 2024)

### Investment & CAPEX signals

- The company will continue to invest in sales, marketing, product support infrastructure, and technology.
- Planned capital expenditures include additions to property and equipment, new facilities, datacenters, and computer systems.

- Investments will support growth in cloud offerings and AI infrastructure and training.

## Risks mentioned in filing

- Bankruptcy of a major distributor, OEM, or retailer could cause sales channel disruption.
- Challenging economic conditions may impair customers' ability to pay, leading to increased allowances for doubtful accounts and write-offs of accounts receivable.
- Investment portfolio is subject to credit, liquidity, market, and interest rate risks, which may worsen during market downturns.

## Segment / product drivers

- Productivity and Business Processes Revenue: Increased by \$4.7 billion (16%) in Q3 2025 compared to Q3 2024, driven by Microsoft 365 Commercial products and cloud services, which grew by \$3.4 billion (16%).
- Microsoft 365 Commercial Cloud Revenue: Grew by 17%, with revenue per user growth driven by Microsoft 365 E5 and Microsoft 365 Copilot.
- Microsoft 365 Consumer Revenue: Increased by \$484 million (27%), with a 29% growth in consumer cloud revenue.

## Understanding the Business

### Segments

- The company operates through three primary segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.
- Productivity and Business Processes generates revenue from:

### Revenue characteristics

- Microsoft generates revenue through a mix of recurring/subscription services (e.g., Microsoft 365 Commercial and Consumer subscriptions) and transactional sales (e.g., Windows OEM licensing, Xbox hardware).
- The Microsoft 365 Commercial cloud revenue grew 17%, indicating strong recurring revenue characteristics.

### Geography

- The company operates globally, with customers, employees, and infrastructure located throughout the world.
- A significant part of the company's revenue comes from international sales.

### KPIs

- Microsoft Cloud revenue and revenue growth
- Commercial remaining performance obligation

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## SWOT

### Strengths

- Microsoft has a strong focus on cloud-based services, with significant revenue growth in Microsoft Cloud, which increased 26% to \$51.5 billion.
- The company has established a long-term strategic partnership with OpenAI, enhancing its capabilities in artificial intelligence and providing access to advanced AI models and infrastructure.

### Weaknesses

- The company faces significant competition in cloud-based services and AI, requiring substantial investment in development and operational costs.
- Competitors may offer free applications and services funded by advertising, directly impacting the company's revenue-generating products.

### Opportunities

- Long-term strategic partnership with OpenAI to advance artificial intelligence and integrate its models and infrastructure into Microsoft products.
- Investments in cloud and AI infrastructure to expand datacenter locations and increase server capacity to meet growing demand for AI services.

### Threats

- Intense competition across all markets for products and services, including from diversified global companies and small specialized firms.
- Rapidly evolving technologies and business models, requiring continuous innovation to remain competitive.