

Equity Research Report: Microsoft Corporation

Income Summarization

The company experienced a 7% Year-over-Year increase in revenue, driven by significant contributions from its Intelligent Cloud and Productivity and Business Processes segments, indicating a strong demand for cloud-based solutions and productivity software. Despite the revenue growth, the Cost of Goods Sold (COGS) increased by 5%, suggesting a need for closer cost control measures to improve cost efficiency and maintain profitability. The gross margin increased by 8%, while operating income grew by 6%, highlighting effective cost management and operational efficiency. However, net income slightly decreased by 1%, underscoring challenges in sustaining net profitability against operational costs and investments. The Diluted EPS remained stable at \$9.68, reflecting a balanced investor outlook but indicating the need for strategic initiatives to enhance shareholder value.

Business Highlights

Productivity and Business Processes segment saw a notable revenue increase, driven by Office 365 Commercial and LinkedIn. This growth highlights the robust demand for Microsoft's productivity tools and professional networking platform, reflecting the company's ability to meet evolving workplace needs. More Personal Computing segment experienced a decrease in revenue, primarily due to declines in Windows and Devices. This downturn underscores the challenges faced by the segment, including shifting consumer preferences and the competitive landscape in PC and device markets.

Company Situation

Microsoft Corporation operates in the technology industry, focusing on empowering individuals and organizations globally through a wide array of products and services. Its core strengths lie in its diverse portfolio, including cloud-based solutions, software, devices, and services that leverage artificial intelligence (AI) to enhance productivity and business processes. Microsoft's competitive advantages include its innovation in AI, cloud infrastructure, and collaboration tools, such as Microsoft Teams and Office 365. Current industry trends emphasize digital transformation, cloud computing, and AI innovation. Opportunities for Microsoft include expanding its cloud services and integrating AI across its product suite. Challenges involve navigating a highly competitive technology landscape and adapting to changing consumer and business needs. Recent strategic initiatives include investing in AI capabilities, expanding its cloud infrastructure, and acquiring companies like Nuance to bolster its healthcare AI solutions. Microsoft's response to market conditions includes focusing on cloud and AI technologies to drive future growth. Microsoft's strategic focus on AI and cloud computing, coupled with its ability to innovate and adapt, positions it well for continued success in the dynamic technology industry.

Risk Assessment

Microsoft Corporation faces significant challenges primarily from strategic and competitive risks due to intense competition and rapid technological changes in the tech sector. The company's increasing focus on cloud-based services introduces execution and competitive risks, including the need to innovate and manage costs effectively. Additionally, Microsoft is subject to various legal, regulatory, and litigation risks that could impact its business operations and financial performance. These include government scrutiny under U.S. and foreign competition laws, as well as potential liabilities from claims of intellectual property infringement.

Financial Metrics

FY (USD mn)	2019	2020	2021	2022	2023
Operating Revenue	125843.0	143015.0	168088.0	198270.0	211915.0
Adjusted Net Profit	39240.0	44281.0	61271.0	72738.0	72361.0
Adjusted EPS	5.11	5.82	8.12	9.7	9.72
EBIT Margin	0.34	0.37	0.42	0.42	0.42
ROE	0.38	0.37	0.43	0.44	0.35
PE Ratio	26.53	34.97	33.37	26.47	35.04
EV/EBITDA	19.32	23.48	25.03	19.74	24.35
PB Ratio	10.17	13.09	14.4	11.56	12.3

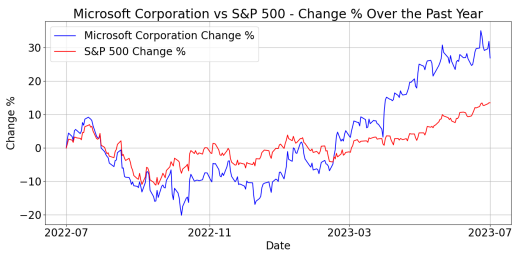
FinRobot

<https://ai4finance.org/>
<https://github.com/AI4Finance-Foundation/FinRobot>
Report date: 2023-07-27

Key data

Rating	strongBuy
Target Price	400 - 400 (md. 400.0)
6m avg daily vol (USDmn)	29.99
Closing Price (USD)	335.15
Market Cap (USDmn)	2456918.88
52 Week Price Range (USD)	217.07 - 349.70
BVPS (USD)	27.70

Share Performance



PE & EPS

