

Microsoft Report 2021



MICROSOFT

COMPANY OVERVIEW

Microsoft Corp. engages in the development and support of software, services, devices, and solutions. It operates through the following business segments: Productivity and Business Processes; Intelligent Cloud; and More Personal Computing. The Productivity and Business Processes segment comprises products and services in the portfolio of productivity, communication, and information services of the company spanning a variety of devices and platform. The Intelligent Cloud segment refers to the public, private, and hybrid serve products and cloud services of the company which can power modern business.

The More Personal Computing segment encompasses products and services geared towards the interests of end users, developers, and IT professionals across all devices. The firm also offers operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; video games; personal computers, tablets; gaming and entertainment consoles; other intelligent devices; and related accessories.

The company was founded by Paul Gardner Allen and William Henry Gates III in 1975 and is headquartered in Redmond, WA.

CEO'S WORDS

Satya Nadella
Chief Executive Officer



I'm proud of how our ecosystem of customers and partners has stepped up over the past year to help people and organizations in every country use technology to be resilient and transform during the most trying of circumstances.

Amid this rapid change, we delivered strong results: Our commercial cloud surpassed **\$50 billion** in revenue for the first time—up 36 percent year-over-year.

All-up, we delivered **\$143 billion** in revenue, **\$53 billion** in operating income, and more than **\$60 billion** in operating cash flow—and returned **\$35 billion** to shareholders.

FINANCIALS - FY21 Q1

Microsoft posted the Earnings Release FY21 Q1 in October 2020.

Every quarter Microsoft delivers hundreds of products, either as new releases, services, or enhancements to current products and services. These releases are a result of significant research and development investments, made over multiple years, designed to help customers be more productive and secure and to deliver differentiated value across the cloud and the edge.

\$37.2 BILLION

REVENUE

12% INCREASE

"Demand for our cloud offerings drove a strong start to the fiscal year with our commercial cloud revenue generating \$15.2 billion, up 31% year over year," said Amy Hood, executive vice president and chief financial officer of Microsoft.

\$13.9 BILLION

NET INCOME

30% INCREASE

"We continue to invest against the significant opportunity ahead of us to drive long-term growth."



BUSINESS HIGHLIGHTS

Revenue in Productivity and Business Processes was \$12.3 billion and increased 11%, with the following business highlights:

- Office Commercial products and cloud services revenue increased 9% driven by Office 365 Commercial revenue growth of 21% (up 20% in constant currency)
- Office Consumer products and cloud services revenue increased 13% and Microsoft 365 Consumer subscribers increased to 45.3 million
- LinkedIn revenue increased 16%
- Dynamics products and cloud services revenue increased 19% (up 18% in constant currency) driven by Dynamics 365 revenue growth of 38% (up 37% in constant currency)

Revenue in Intelligent Cloud was \$13.0 billion and increased 20% (up 19% in constant currency), with the following business highlights:

- Server products and cloud services revenue increased 22% (up 21% in constant currency) driven by Azure revenue growth of 48% (up 47% in constant currency)

Revenue in More Personal Computing was \$11.8 billion and increased 6%, with the following business highlights:

- Windows OEM revenue declined 5%
- Windows Commercial products and cloud services revenue increased 13% (up 12% in constant currency)
- Xbox content and services revenue increased 30%
- Surface revenue increased 37% (up 36% in constant currency)
- Search advertising revenue excluding traffic acquisition costs decreased 10% (down 11% in constant currency)

Microsoft returned \$9.5 billion to shareholders in the form of share repurchases and dividends in the first quarter of fiscal year 2021, an increase of 21% compared to the first quarter of fiscal year 2020.

FISCAL YEAR 2020 RESULTS

Commercial cloud surpassed \$50 billion in revenue for the first time – up 36 percent year-over-year. All-up, we delivered \$143 billion in revenue, \$53 billion in operating income, and more than \$60 billion in operating cash flow – and returned \$35 billion to shareholders.

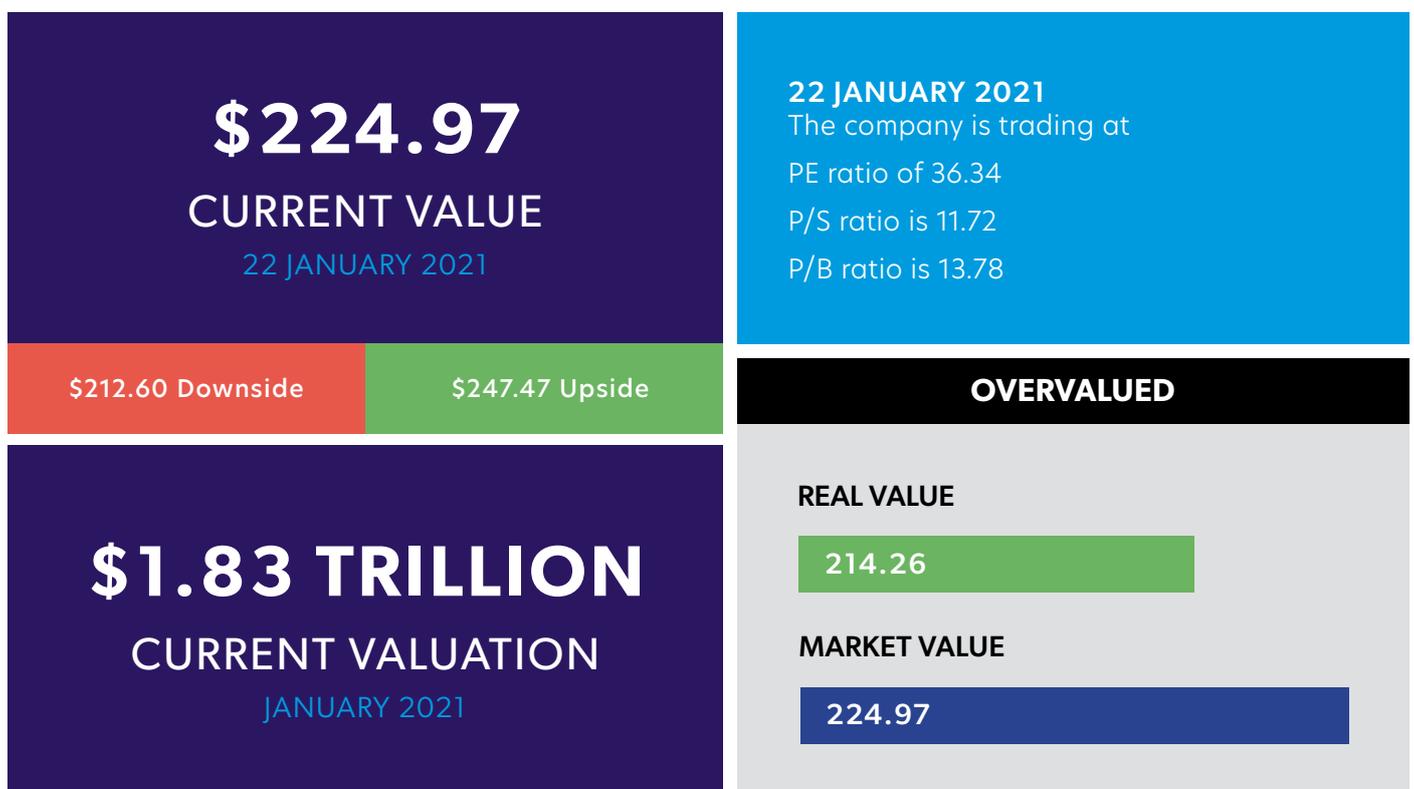
(\$ in millions, except per share amounts)	Twelve Months Ended June 30,			
	2020	2019	2018	2017
Revenue	\$ 143,015	\$ 125,843	\$ 110,360	\$ 110,360
Gross margin	96,937	82,933	72,007	62,310
Operating income	52,959	42,959	35,058	29,025
Net income	44,281	39,240	16,571	25,489
Diluted earnings per share	5.76	5.06	2.13	3.25
Cash dividends declared per common share	2.04	1.84	1.68	1.56
Cash, cash equivalents, and short-term investments	136,527	133,819	133,768	133,768
Total assets	301,311	286,55	258,848	250,312
Long-term obligations	110,697	114,806	117,642	106,856
Stockholders' equity	118,304	102,330	82,718	87,711

Includes a \$2.6 billion net income tax benefit related to intangible property transfers and a \$157 million net charge related to the enactment of the Tax Cuts and Jobs Act ("TCJA"), which together increased net income and diluted earnings per share ("EPS") by \$2.4 billion and \$0.31, respectively. Refer to Note 12 – Income Taxes of the Notes to Financial Statements.

Includes a \$13.7 billion net charge related to the enactment of the TCJA, which decreased net income and diluted EPS by \$13.7 billion and \$1.75, respectively. Refer to Note 12 – Income Taxes of the Notes to Financial Statements.

VALUTATION

Enterprise Value is likely to gain to about **1835.8 B** in 2021, whereas Free Cash Flow is likely to drop slightly above 44.4 B in 2021. Microsoft secures a last-minute Real Value of **\$214.26 per share**. The latest price of the firm is **\$224.97**. At this time, the firm appears to be overvalued. The value of Microsoft from analyzing the firm fundamentals such as Return On Equity of 41.40 %, current valuation of 1550 B, and Profit Margin of 32.28 % as well as examining its technical indicators and Probability Of Bankruptcy.



AVERAGE ANALYST ANALYSIS

Microsoft is very steady asset. Analysis and calculation of next after-hype price of Intel is based on 3 months time horizon.

BUY



FINAL THOUGHTS

The upcoming quarterly report is expected on the 26th of January 2021. The stock is currently undergoing above-average trading activities. The stock's last reported lowest price was **222.42**. Microsoft has a very small chance of experiencing financial distress in the next few years but had a somewhat modest performance during the last 30 days. **Invested Capital Average is likely to gain to about 140.9 B in 2021**, whereas Average Assets are likely to drop slightly above 277.7 B in 2021.

In general, we recommend acquiring undervalued stocks and selling overvalued stocks since, at some point, asset prices and their ongoing real values will merge together.