

# Microsoft (NASDAQ: MSFT)

Sector: Consumer Staples



Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	EPS	Beta
\$123.10	\$106.10	\$116.18	\$83.83	24.48x	\$809.725B	2.13	.99

## Business Description

Microsoft is an industry leading technology company, which is predominately known for its' suite of productivity applications, Office 365. Microsoft is heavily involved in both hardware and software – ranging from their gaming consoles to one of the most popular coding resources on the internet. Microsoft has acquired extensive studios churning out some of the most popular games in recent history, including Minecraft and Fortnite. Additionally, the acquisition of Azure, their cloud based technology, has been immensely profitable and has aimed them for more growth in the future.

## Industry Trends

Microsoft operates in multiple industries and has a leading market share in just about all of them. In the Database, Storage & Backup Software publishing industry they control 45.4% of the market share – an industry predicted to grow continuously with bettering technological availability. In the Video Game Software Publishing industry, they control 10.6% of the market share and have recently been allocating significant resource to grow this market on account of the impressive growth in 2018. Industry trends report cloud computing and AI as the biggest aspects of 2019, as such Microsoft is invested. They own some of the biggest players in AI and have cloud capabilities second only to Amazon.

## Investment Thesis

First, we felt that Microsoft has a very diversified and interconnected product mix, catalyzing growth in their cloud capabilities when every aspect of your life is streamlined. Additionally, Microsoft has made very successful acquisitions in the last 12-24 months which have performed incredibly well; with Azure posting 89% growth. Finally, Microsoft is very unique in the way they pursue innovation. There is a definite focus in innovating products and services for Microsoft customers but there is also a focus in growing the entire globe's capabilities of computer software. Massive networks of coding repositories, software nonprofits, and supplying impoverished neighborhoods and countries with resources.

## Valuation Assumptions

WACC: 9%  
Terminal Growth Rate: 3.5%  
Upside: 17%

## Key Financials

Current stock price: \$106.9  
Intrinsic Value: \$123.10

Sources: Bloomberg, Annual reports, IBISWorld

## Corporate Social Responsibility

Breaking down into three branches of corporate social responsibility, Microsoft has been one of the biggest contributors to growing technological competency worldwide. The first branch focuses on ecological sustainability and preserving the planet. The second branch addresses empowering people through cybersecurity, donations to charities, and supplying technology to schools and nonprofits. Finally, Microsoft wants to strengthen communities through direct donations to charities and nonprofits, and supplying hardware and software to communities around the world.

## 5-Year Stock Performance



## Competitive Analysis

Microsoft is a very unique situation. Yes, it has competitors in each of their business sections, but there are very few companies that are able to compete with Microsoft in the full spectrum of resources offered under one company umbrella. However, Microsoft's closest competitors are Netflix, Apple, Amazon, Google, and Yahoo.

## Competitive Advantages

Through acquisitions and partnerships, Microsoft has managed to deeply entrench itself in a very competitive market of video games, leading to potential growth in esports and online marketplace growth. Microsoft's biggest advantage is that the business world runs on Office Suite and preinstalled in all non-Mac computers is Windows software – it is an industry standard.

## Risks

The biggest risk to Microsoft is cybersecurity and international regulation. Extensive technology conglomerates have been hit with privacy and data leak regulations and fines from the European Union. Microsoft has managed to come out ahead through undertaking the regulations but data management comes to a concern due to the outsourcing of storage centers.

## Report Prepared By:

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