

Discounted Cash Flow: Microsoft Corp

Ticker	MSFT	Microsoft develops and licenses consumer and enterprise software. It is known for its Windows operating systems and Office productivity suite. The company is organized into three overarching segments: productivity and business processes (legacy Microsoft Office, cloud-based Office 365, Exchange, SharePoint, Skype, LinkedIn, Dynamics), intelligence cloud (infrastructure- and platform-as-a-service offerings Azure, Windows Server OS, SQL Server), and more personal computing (Windows Client, Xbox, Bing search, display advertising, and Surface laptops, tablets, and desktops). Through acquisitions, Microsoft owns Xamarin, LinkedIn, and GitHub. It reports revenue in product and service and other revenue on its income statement.
Per Share	\$ 211.95	
Sector	Technology	

Year	Historical						CAGR	Estimates				
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020		6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Net Income	12,193.0	20,539.0	25,489.0	16,571.0	39,240.0	44,281.0	29.43%					
Growth Rate %		68.4%	24.1%	-35.0%	136.8%	12.8%						
Depreciation	5,957.0	6,622.0	8,778.0	10,261.0	11,682.0	12,796.0						
Interest Expense	-781.0	-1,243.0	-2,222.0	-2,733.0	-2,686.0	-2,591.0						
Change in Working Capital	46,585.0	908.0	3,084.0	2,284.0	937.0	2,148.0						
Capital Expenditures	5,944.0	8,343.0	8,129.0	11,632.0	13,925.0	15,441.0	21.04%					
Growth Rate %		40.4%	-2.6%	43.1%	19.7%	10.9%						
Other Non-Cash Items	10,072.0	3,298.0	3,266.0	3,940.0	4,652.0	5,289.0						
Levered Free Cash Flow	-25,088.0	19,965.0	24,098.0	14,123.0	38,026.0	42,186.0	NA	44,295.3	46,510.1	48,835.6	51,277.3	53,841.2
Growth Rate %		-179.6%	20.7%	-41.4%	169.2%	10.9%		5%	5%	5%	5%	5%
Present Value of FCF								41,256.4	40,347.2	39,458.1	38,588.6	37,738.2
PV of Discount Rate								0.93	0.87	0.81	0.75	0.70
Unlevered Free Cash Flow	-24,307.0	21,208.0	26,320.0	16,856.0	40,712.0	44,777.0	NA	47,015.9	49,366.6	51,835.0	54,426.7	57,148.1
Growth Rate %		-187.3%	24.1%	-36.0%	141.5%	10.0%		5%	5%	5%	5%	5%
Present Value of FCF								43,888.3	43,017.2	42,163.4	41,326.5	40,506.2
PV of Discount Rate								0.93	0.87	0.81	0.76	0.71
EBITDA	25,245.0	33,504.0	40,901.0	49,468.0	58,056.0	68,423.0	22.07%	71,844.2	75,436.4	79,208.2	83,168.6	87,327.0
Growth Rate %								5.00%	5.00%	5.00%	5.00%	5.00%
Growth Rate % (Manual)								5%	5%	5%	5%	5%

Levered		Unlevered		Fundamental Metrics	
PV of Free Cash Flow	197,388.5	PV of Free Cash Flow	210,901.5	Sales Last Year	143,015.0
Terminal Value	2,389,433.9	Terminal Value	2,822,123.1	WACC*	7.13%
Enterprise Value	2,586,822.5	Enterprise Value	3,033,024.6	Cost of Equity*	7.37%
				Cost of Debt*	1.72%
Fair Value per Share	\$ 336.69	Fair Value per Share	\$ 394.77	EBITDA Last Year	68,423.0
Discount/Premium to Intrinsic Value	-37.05%	Discount/Premium to Intrinsic Value	-46.31%	EBITDA Future Estimate	87,327.0
				Future EBITDA Growth Rate Estimate	5.00%
EV to Revenue	18.09x	EV to Revenue	21.21x	Shares Outstanding (M)	7,683.0
EV to EBITDA	37.81x	EV to EBITDA	44.33x		
EV to Free Cash Flow	61.32x	EV to Free Cash Flow	67.74x		

Sensitivity Analysis of Free Cash Flow

Inputs	Levered
Cost of Equity	7.37%
Average Free Cash Flow Growth	5.00%
Free Cash Flow Terminal Growth Rate	5.00%
PV Free Cash Flow	\$ 197,389
Terminal Value	\$ 2,389,434
Enterprise Value	\$ 2,586,822
Equity Value Per Share	\$ 336.69

EXAMPLE ONLY