

BUY: MSFT

Current: \$410

Target: \$482

Upside: 18%

Microsoft Corporation (MFSFT: NASDAQ)



Sector Head: James Davide
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Agenda

Company Overview.....Slide 3

Industry Overview.....Slide 4

Investment Theses.....Slides 5-8

Valuation.....Slide 9

Risks and Mitigations.....Slide 10

Company Overview

Business Model



Microsoft generates revenue by developing, licensing, and supporting a wide range of software products

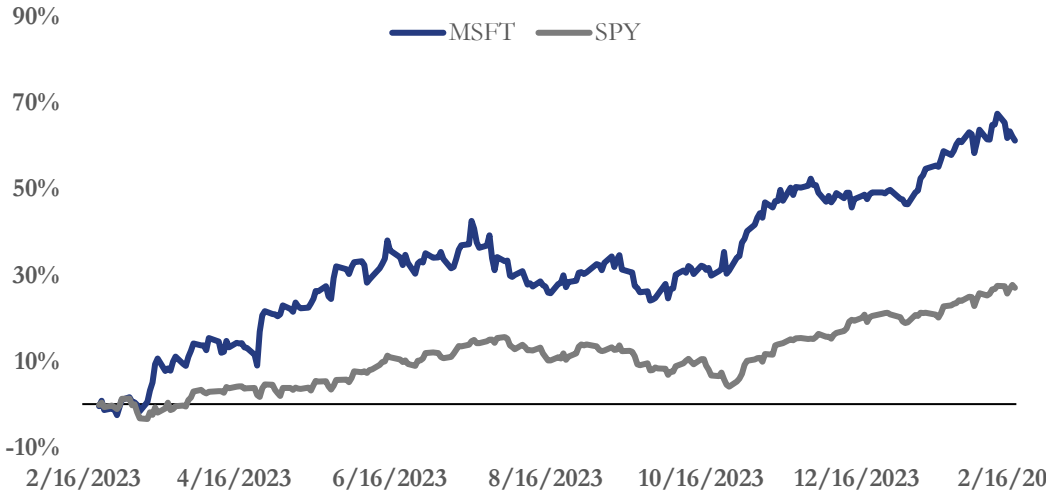


The company offers cloud-based services through Azure and Office 365, following a subscription-based model

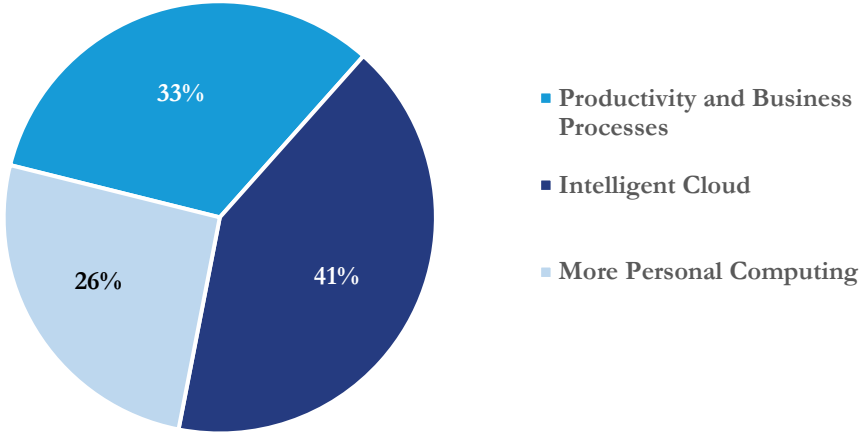


The company invests heavily in AI research, applications, and services, positioning itself at the forefront of tech trends

Historical Performance



Revenue Breakdown



Key Information

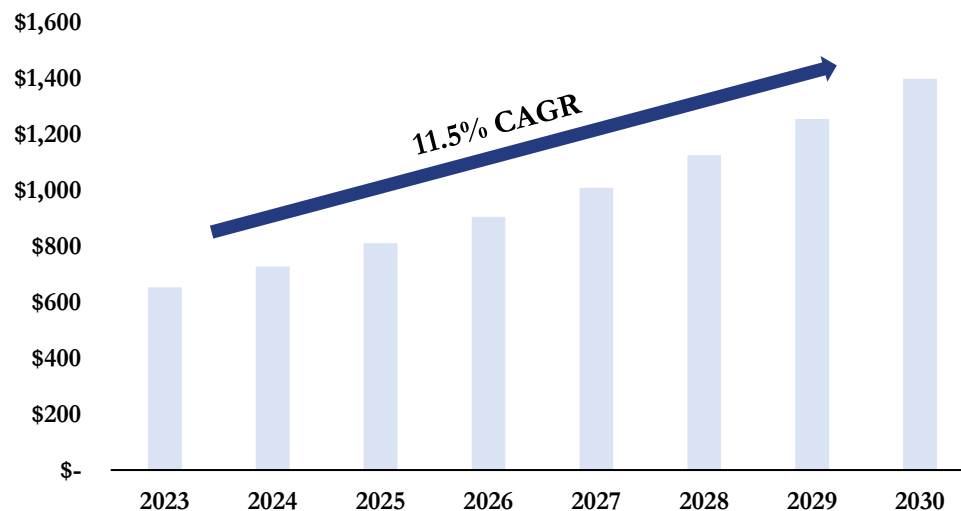
Current Share Price	\$402
P/E Ratio	36.35x
52-Week Range	\$245-\$421
Market Cap	\$2.98T
Enterprise Value	\$3.02T

Industry Overview

Industry Description

- 1 Technology market is characterized by **constant innovation** and rapid **evolution fueled** by AI
- 2 Market is global, with companies operating on a worldwide scale and which shapes the market dynamics
- 3 Space is highly competitive, featuring a large range of companies from established giants to start ups

Software Market Size (\$bn)



Competitors



Recent Trends

Artificial Intelligence

Businesses are leveraging these technologies for automation and improved decision-making processes



Cloud Computing

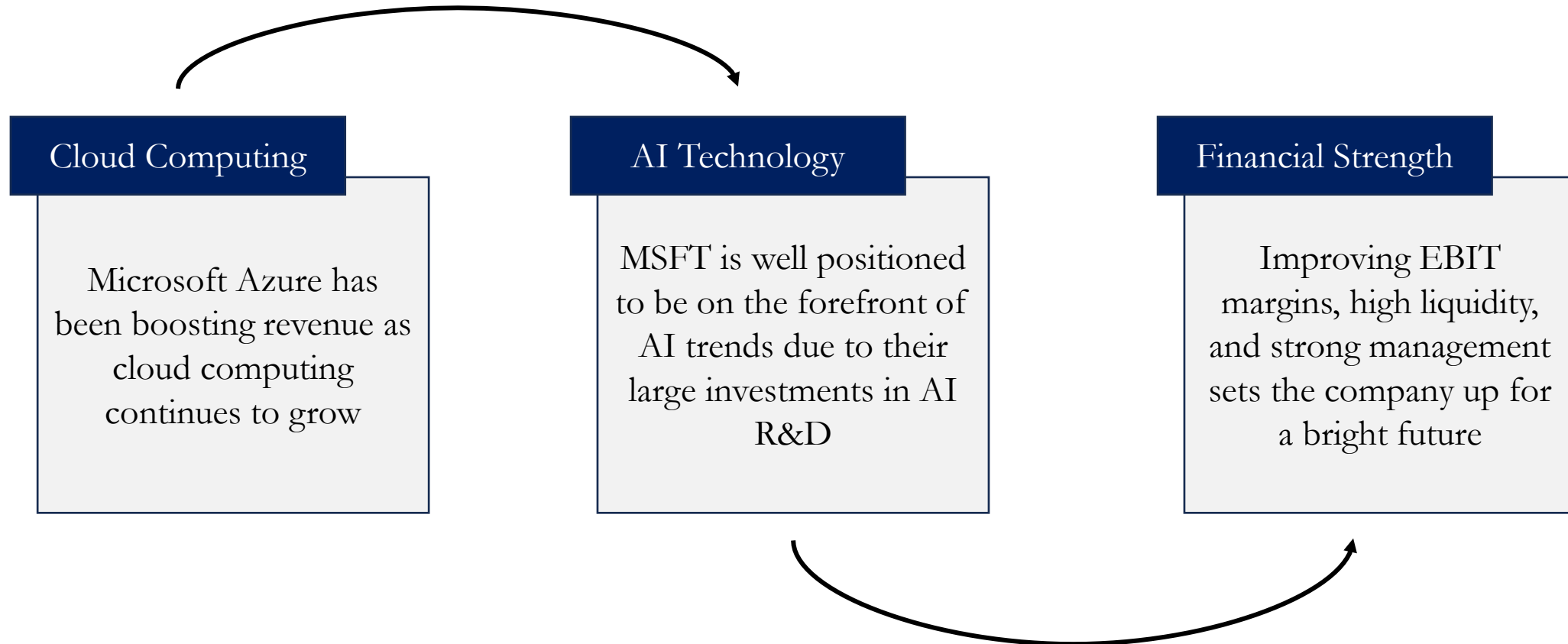
Organizations are increasingly adopting cloud services for scalability, flexibility, and cost-effective initiatives



Cybersecurity

With increasing frequency and sophistication of cyber threats, cybersecurity remains a top priority



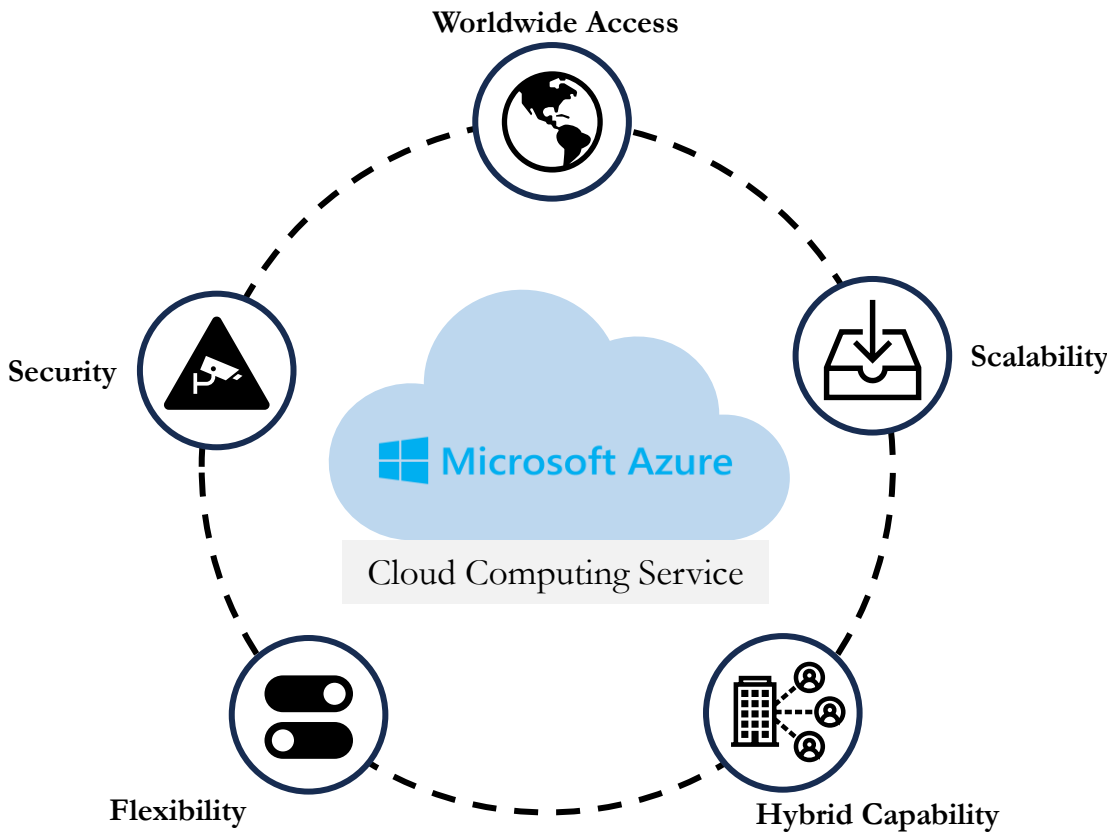


Cloud Computing Growth

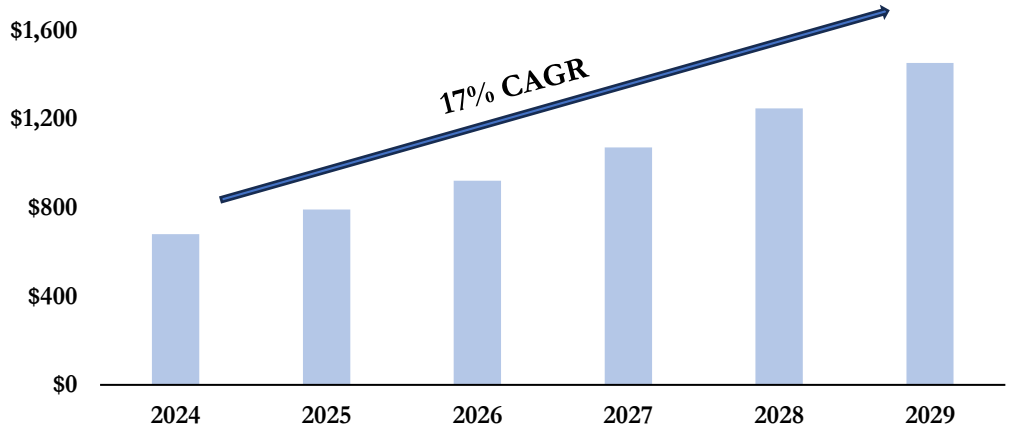
Artificial Intelligence will drive incremental growth in Microsoft's core Azure and Office Franchises

Microsoft Azure Business Model

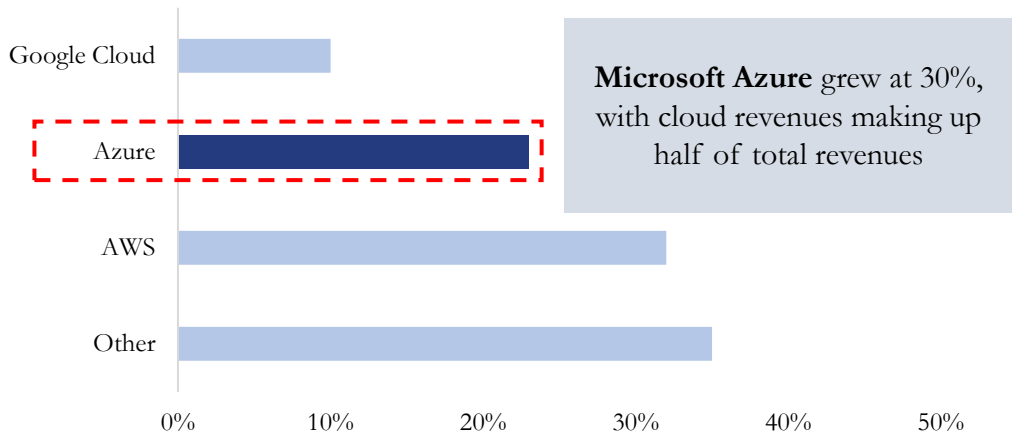
Network of remote servers hosted on the internet to store, manage, and process data (rather than local server)



Cloud Computing Market (\$bn)



Competitive Landscape



Artificial Intelligence Incorporation

AI Investments



Microsoft has invested \$3.5 billion into AI R&D



Improves user experience and leads to **best-in-class** AI products



Allows MSFT to be the lead runner in the AI race when compared to peers

Market Opportunity

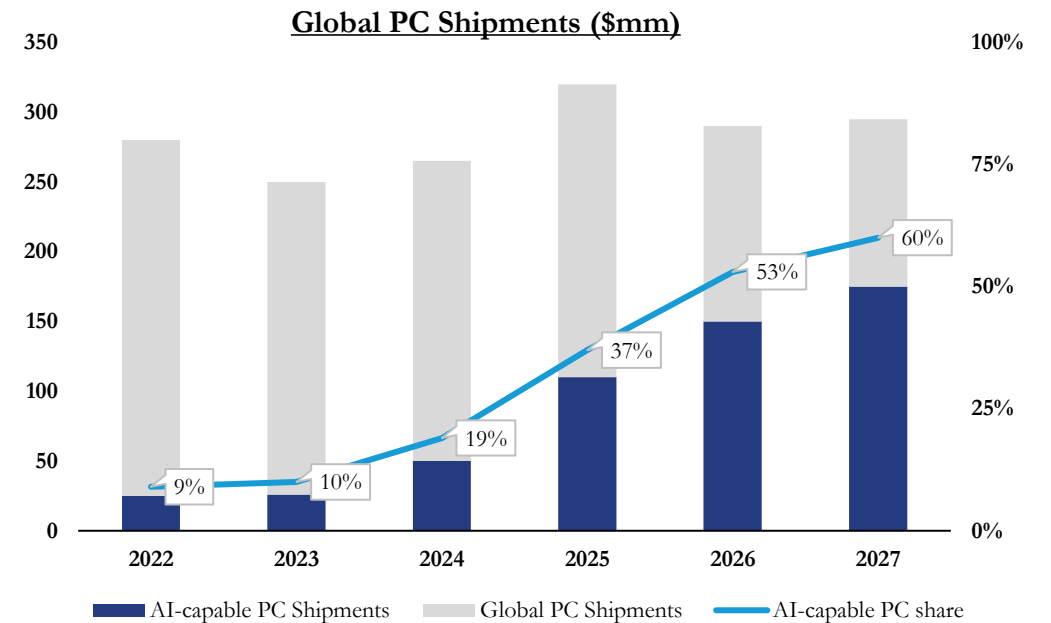
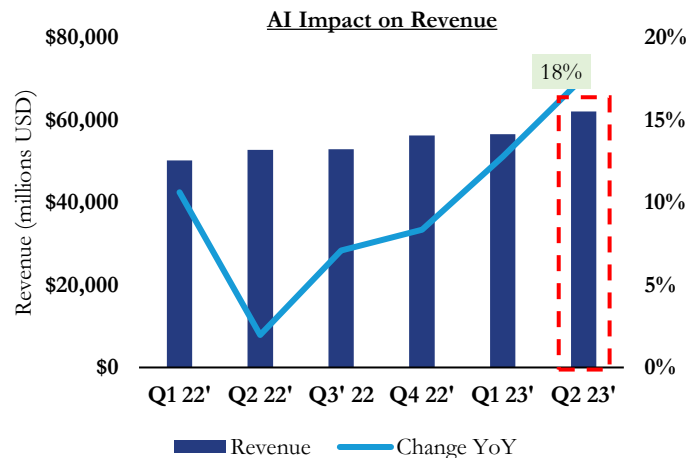
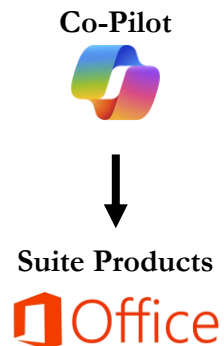
14% YoY shipment decline means market is set for **rebound**

AI can be credited for much of the **renewed demand**

Ending support for **Windows 10** towards end 2025

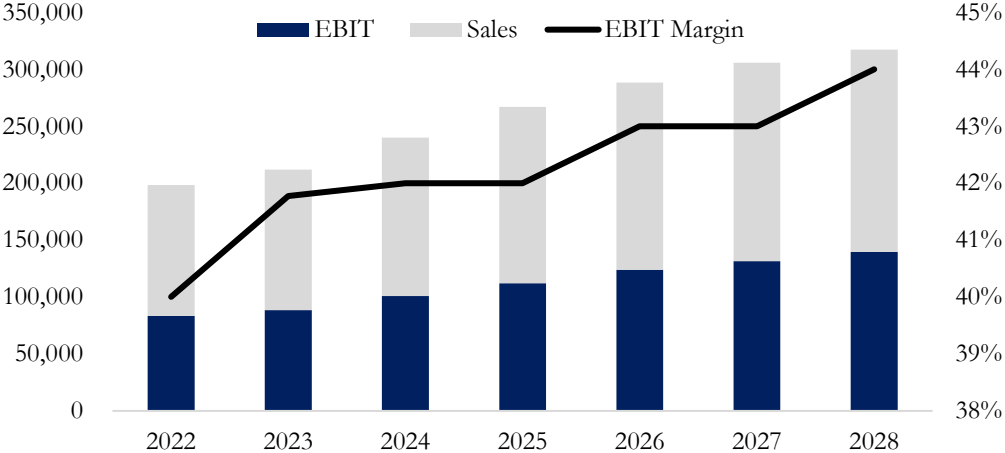
Introduction of Copilot

“Copilot for Microsoft 365 users were 29% faster in a series of tasks like searching, writing, and summarizing” – CEO Satya Nadella



Financial Strength & Management

Improving Margins



Proper Guidance



CEO: Satya Nadella

- Revenues have increased at ~27% YoY during Nadella's tenure as CEO
- Considering his strong leadership skills, he can establish MSFT as the AI foot-runner
- Favors collaborating with competitors for mutual benefit

Strategic Advancements

Partnerships



Aug 31, 2023

- To accelerate businesses' adoption of trustworthy AI
- IBM complements Salesforce with enterprise ready AI platform



2022

- Apple Music available on Xbox



2014

- Integrate Dropbox with Office365

Deals



June 2016 - ~\$26bn

- Aimed to grow LinkedIn and integrate with its enterprise software



Feb 2014 - \$2.5bn

- Allowed MSFT to enter into the gaming industry



June 2018 - ~\$7.5bn

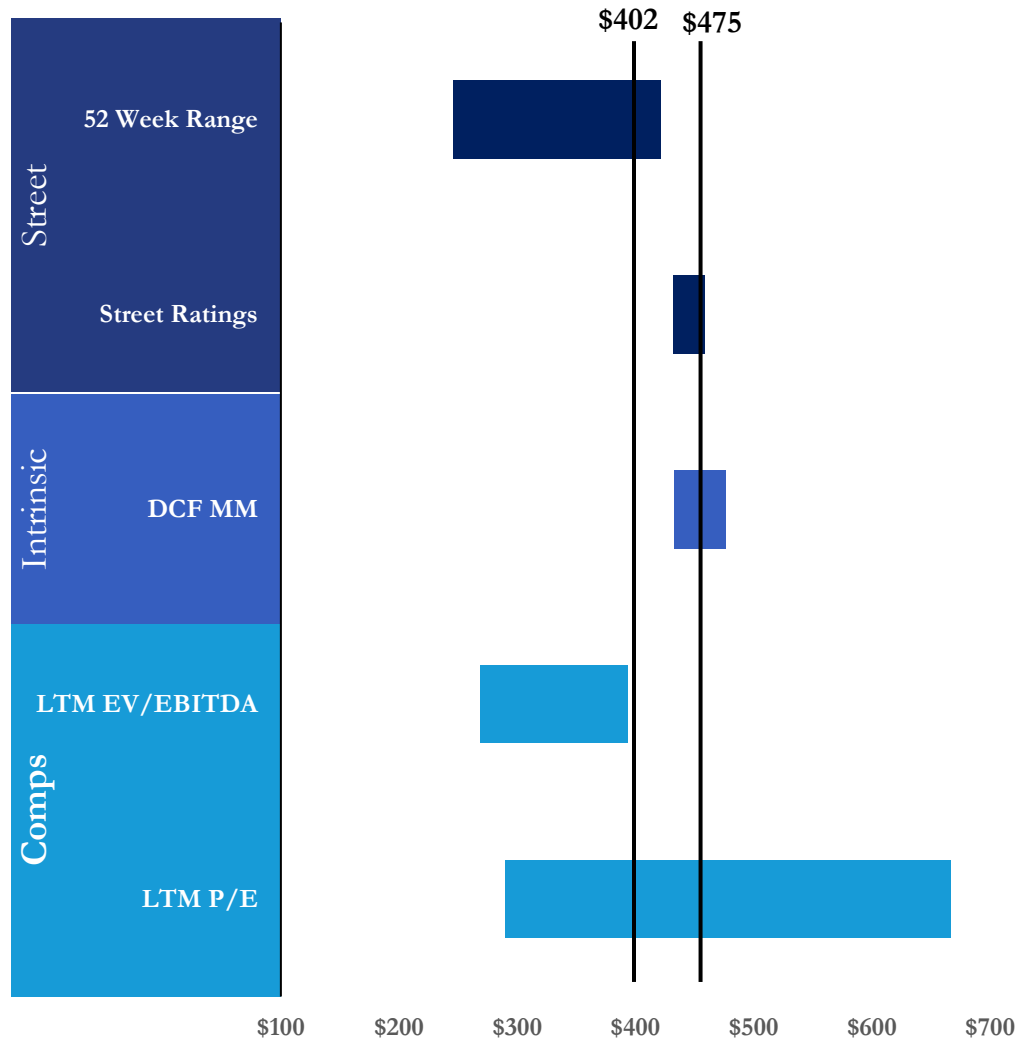
- Strengthened positioning in market, enhanced developer collaboration



October 2023 - \$75bn

- Strengthen position in a high growth gaming industry + boost sales

Football Field



Key Statistics

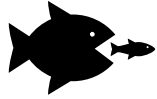
EV/EBITDA
Multiple: 26x

WACC: 7.93%

Beta: 0.9

Analyst Ratings

BNP Paribas: \$471
Piper Sandler: \$455
Mizuho: \$450
Goldman Sachs: \$450
Evercore ISI: \$432



Microsoft faces intense competition from other tech giants such as Google and Facebook, which could pose potential threats to their position in the market



As a major player in cloud services and software, Microsoft is a prime target for cyberattacks, data breaches, ransomware, and other security threats



Microsoft operates globally, and varying regulations in different countries can impact its business operations. Antitrust investigations and legal battles may affect the company's growth and reputation

Bear Case

- EV/EBITDA Multiple: 23.9x (share price of \$384)
- Competitors manage to dominate industry and chip away at MSFT market share
- MSFT faces international regulations and tailwinds

Base Case

- EV/EBITDA Multiple: 29.3x (share price of \$482)
- MSFT continues to grow within space as AI backed Cloud Computing boosts revenue
- Company continues to maintain market leadership and dominance

Bull Case

- EV/EBITDA Multiple: 31.2x (share price of \$503)
- Firm manages to surpass expected demand, and shift customers away from competitors
- Microsoft fosters partnerships and exceeds growth within the Cloud Computing space

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Thank You!



Questions?