



Microsoft Corp. (MSFT)

Updated August 24th, 2026, by Aristofanis Papadatos

Key Metrics

Current Price:	\$483	5 Year CAGR Estimate:	15.0%	Market Cap:	\$3.6 T
Fair Value Price:	\$492	5 Year Growth Estimate:	14.0%	Ex-Dividend Date:	8/20/26
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date:	9/10/26
Dividend Yield:	0.8%	5 Year Price Target	\$947	Years Of Dividend Growth:	24
Dividend Risk Score:	A	Sector: Information Technology		Rating:	Buy

Overview & Current Events

Microsoft Corporation, founded in 1975 and headquartered in Redmond, WA, develops, manufactures, and sells software and hardware to businesses and consumers. Its offerings include operating systems, business software, software development tools, video games and gaming hardware, and cloud services. Microsoft's market capitalization is \$3.6 trillion, compared to annual underlying earnings power of \$134 billion.

On October 13th, 2023, Microsoft acquired Activision Blizzard, a leader in video game content, for \$68.7 billion.

In late July, Microsoft reported (7/29/26) financial results for the fourth quarter of fiscal 2026 (its fiscal year ends June 30th). The company grew its revenue 18% over the prior year's quarter thanks to strong growth in all segments. Sales of Azure, Microsoft's high-growth cloud platform, grew 43%. Earnings-per-share grew 23%, from \$3.86 to \$4.74, and exceeded the analysts' consensus by \$0.50. Microsoft has exceeded the analysts' consensus in 30 of the last 32 quarters. Azure revenue surpassed \$100 billion for the first time while Microsoft 365 Copilot reached over 30 million paid seats. Microsoft is ideally positioned to benefit from the AI boom. The company grew its earnings-per-share 27% in fiscal 2026. We expect the tech giant to grow its bottom line impressively in the new fiscal year as well.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	\$3.08	\$3.88	\$4.75	\$5.76	\$7.97	\$9.21	\$9.81	\$11.80	\$13.64	\$17.28	\$20.50	\$39.47
DPS	\$1.56	\$1.68	\$1.80	\$1.99	\$2.19	\$2.42	\$2.66	\$2.93	\$3.24	\$3.56	\$3.64	\$5.36
Shares¹	7,708	7,677	7,643	7,571	7,608	7,506	7,467	7,472	7,461	7,443	7,430	7,200

After years of solid growth, Microsoft had a hard time growing its profits during 2011-2015. After a change in its management and a strategic shift towards cloud computing and mobile, Microsoft has reinvigorated growth. The tech giant has grown its earnings-per-share at a 21.1% average annual rate over the last decade.

Microsoft's cloud business is growing at a rapid pace thanks to Azure, which has been growing tremendously. The Office product range, which had been a low-growth cash cow for years, is showing strong growth rates as well after Microsoft changed its business model towards the Office 365 software-as-a-service (SaaS) system. Due to low variable costs, the company should be able to maintain a solid earnings growth rate for the foreseeable future. An additional growth driver is artificial intelligence, as Microsoft has begun to prove that it can monetize its leadership in this booming field.

The markets Microsoft addresses continue to grow, with cloud computing and artificial intelligence being the most compelling. This means that Microsoft will most likely be able to grow its top line even without any market share gains. Given also margin expansion, we expect 14% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/E	20.2	22.1	23.7	27.4	28.3	32.2	27.3	32.0	31.1	26.3	23.6	24.0
Avg. Yld.	2.5%	2.0%	1.6%	1.3%	1.0%	0.8%	1.0%	0.8%	0.8%	0.8%	0.8%	0.6%

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Microsoft Corp. (MSFT)

Updated August 24th, 2026, by Aristofanis Papadatos

Microsoft is marked by several distinct valuation periods. In the 1990's and early 2000's, it was not uncommon to see shares trade north of 30- or 40-times earnings. From 2003 through 2008 shares regularly traded in the 20 to 25 times earnings range. From 2009 through 2014, a 10 to 15 multiple was typical. And lately, 20 times earnings and above has once again become the norm, as growth has picked up extensively. Our view is that an above average multiple of 24.0 is warranted for the business, especially considering the strong balance sheet. The stock is currently trading at a price-to-earnings ratio of 23.6. If it trades at its fair valuation level in 2032, it will enjoy a 0.4% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	51%	43%	38%	35%	27%	26%	27%	25%	24%	21%	18%	14%

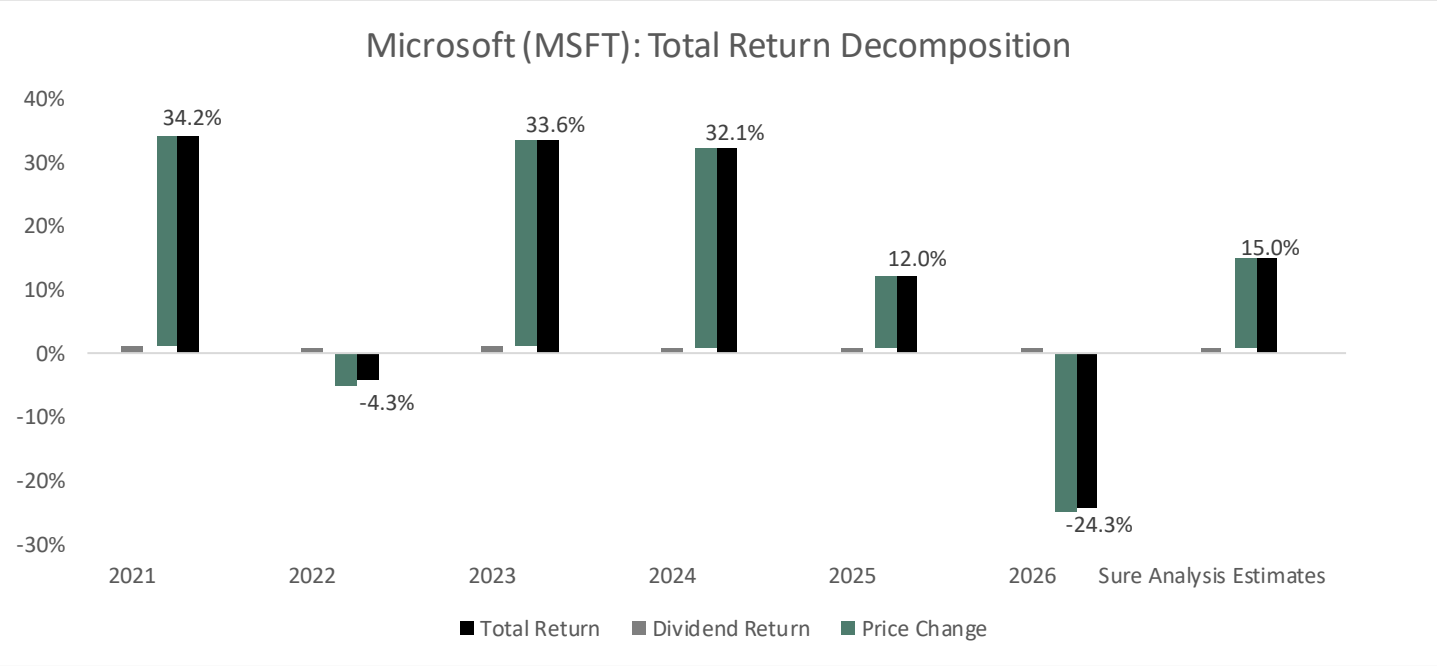
Microsoft has been a solid income investment throughout the last decade. The dividend payout ratio has never risen substantially above 50%, and the fact that Microsoft has one of the strongest balance sheets in the world means that the dividend is very safe. However, the below-average yield makes Microsoft less suitable as an income stock today.

Microsoft has a wide moat in the operating system & Office business units and a strong market position in cloud computing and artificial intelligence. It is unlikely that the company will lose market share with its older, established products, whereas cloud computing and AI are such high-growth industries that there is enough room for growth for multiple companies. Microsoft has a renowned brand and a global presence, which provides competitive advantages. The company is relatively resilient against recessions, and its AAA-rated balance sheet makes it a low-risk business.

Final Thoughts & Recommendation

Microsoft had been a low-growth cash cow throughout the majority of the last decade, but a focus on cloud computing, mobile and AI has reinvigorated its growth. The stock has nearly doubled off its bottom in late 2022 but it has not become overvalued, as AI is probably a game changer. We characterized the stock as highly attractive in our last research report, in May, due to its temporary correction back then. Microsoft has surged 17% since then, but it can still offer a 15.0% average annual return over the next five years thanks to 14.0% earnings growth, its 0.8% dividend and a 0.4% valuation tailwind. The stock remains highly attractive and receives a buy rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Microsoft Corp. (MSFT)

Updated August 24th, 2026, by Aristofanis Papadatos

Income Statement Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	96571	110360	125843	143015	168090	198270	211915	245122	281724	331839
Gross Profit	62310	72007	82933	96937	115860	135620	146052	171008	193893	225465
Gross Margin	64.5%	65.2%	65.9%	67.8%	68.9%	68.4%	68.9%	69.8%	68.8%	67.9%
SG&A Exp.	19942	22223	23098	24709	25220	27725	30334	32065	32877	34666
D&A Exp.	8778	10261	11682	12796	11690	14460	13861	22287	34153	38534
Operating Profit	29331	35058	42959	52959	69920	83383	88523	109433	128528	155237
Op. Margin	30.4%	31.8%	34.1%	37.0%	41.6%	42.1%	41.8%	44.6%	45.6%	46.8%
Net Profit	25489	16571	39240	44281	61270	72738	72361	88136	101832	133749
Net Margin	26.4%	15.0%	31.2%	31.0%	36.5%	36.7%	34.1%	36.0%	36.1%	40.3%
Free Cash Flow	31378	32252	38260	45234	56120	65149	59475	74071	71611	66987
Income Tax	4412	19903	4448	8755	9831	10978	16950	19651	21795	32185

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets (\$B)	250	259	287	301	334	365	411	512	619	758
Cash & Equivalents (\$B)	8	12	11	13.6	14.2	13.9	34.7	18.3	94.6	76.8
Acc. Receivable (\$B)	22	26	30	32.0	38	441	48.7	56.9	69.9	80.9
Inventories (\$B)	2	3	2	1.9	2.6	3.7	2.5	1.2	9.4	14.0
Goodwill & Int. (\$B)	45	44	50	50.4	57.5	78.8	77.3	146.8	142.1	138.3
Total Liab. (\$B)	163	176	184	183.0	191.8	198.3	205.8	243.7	275.5	316.0
Accounts Payable (\$B)	7	9	9	12.5	15.2	19	18	22	28	42
Long-Term Debt (\$B)	86	76	72	63.3	58.2	49.8	47.2	51.6	106.8	123.4
Total Equity (\$B)	88	83	102	118.3	142	167	206	268	343	442
D/E Ratio	0.98	0.92	0.71	0.54	0.41	0.30	0.23	0.19	0.33	0.29

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return on Assets	11.5%	6.5%	14.4%	15.1%	19.3%	20.8%	18.6%	19.1%	18.0%	19.4%
Return on Equity	31.9%	19.4%	42.4%	40.1%	47.1%	47.2%	38.8%	37.1%	33.3%	34.0%
ROIC	17.0%	10.0%	23.5%	24.9%	32.1%	34.9%	30.8%	30.7%	24.8%	26.1%
Shares Out.	7,708	7,677	7,643	7,683	7,608	7,540	7,472	7,469	7,465	7,453
Revenue/Share	12.33	14.16	16.23	18.61	22.09	26.30	28.36	32.82	37.74	44.52
FCF/Share	4.01	4.14	4.93	5.89	7.38	8.64	7.96	9.92	9.59	8.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.