



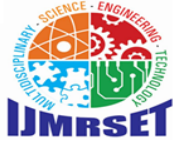
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## International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

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# Equity Research on Microsoft Corporation

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**ABSTRACT:** Reliable company valuation is particularly important in fast-evolving technology sectors where market prices fluctuate due to innovation cycles and investor expectations. This study conducts an equity research analysis of Microsoft Corporation to estimate its intrinsic value using financial statement analysis and valuation techniques. Historical financial data from 2021–2025 were analyzed to assess revenue growth, profitability, and financial stability, and a forward financial model was developed to project performance for 2026–2030. The valuation applies the Discounted Cash Flow (DCF) method, where projected free cash flows are discounted using the Weighted Average Cost of Capital (WACC) at 9.57%. Ratio analysis was also used to evaluate liquidity, efficiency, and leverage trends. The results estimate an intrinsic value of approximately USD 356.33 per share under base-case assumptions, indicating strong operating performance, consistent cash flow generation, and solid long-term growth potential. Sensitivity analysis shows that valuation outcomes remain influenced by changes in discount rates and long-term growth assumptions.

**KEYWORDS:** Equity Research, Intrinsic Value, Discounted Cash Flow (DCF), Weighted Average Cost of Capital (WACC), Financial Statement Analysis, Sensitivity Analysis, Discount Rate.

### I. INTRODUCTION

Equity research plays a key role in capital markets by providing investors with financial analysis and insights that support informed investment decisions. This study presents an equity research analysis of Microsoft Corporation, a global technology company founded in 1975 by Bill Gates and Paul Allen. Over time, Microsoft has grown into one of the world's largest technology enterprises, offering software, cloud services, devices, and enterprise solutions through three major segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The study uses financial statement analysis, financial modeling, and valuation techniques to examine the company's historical performance and future growth potential. By analyzing revenue trends, profitability, working capital management, and cash flow generation, the research evaluates Microsoft's ability to create long-term value. A three-statement financial model is developed and the intrinsic value of the company is estimated using the Discounted Cash Flow (DCF) method, providing insights into Microsoft's financial strength and long-term investment potential.

### II. PROBLEM STATEMENT

Despite being one of the most valuable technology companies, Microsoft operates in a highly competitive and rapidly evolving industry with constant technological change. Investors often face uncertainty in determining whether the company's market price reflects its true value. This study evaluates Microsoft's financial performance, profitability, and cash flow generation to assess its intrinsic equity value and reduce investment uncertainty.

### III. OBJECTIVES

- To analyze the historical financial performance of Microsoft Corporation.
- To forecast future financial performance based on reasonable assumptions.
- To estimate the intrinsic equity value of Microsoft using valuation techniques.
- To compare the intrinsic value with the market price to determine investment attractiveness.



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### IV. REVIEW LITERATURE

1. Arndt (2019) conducted an equity valuation study of PUMA SE, focusing on estimating the company's intrinsic value using financial modeling and valuation techniques. The research highlights the application of equity valuation methods in analyzing financial performance and investment potential within the sportswear industry.
2. Azevedo and Olschewski (2020) performed an equity research study on BMW in the automotive industry. Their work applies financial analysis and valuation approaches to evaluate the company's financial performance and determine its fair market value.
3. Carvalho (2024) carried out an equity research analysis of Mercedes-Benz Group AG, examining the company's financial structure and valuation. The study emphasizes the use of financial statement analysis and valuation models to assess the firm's investment attractiveness and market position.

### V. RESEARCH METHODOLOGY

Research methodology refers to the systematic approach used to collect, analyze, and interpret data for achieving research objectives. In this study, it provides a structured framework for conducting equity research on Microsoft Corporation using financial analysis and valuation techniques.

#### Research Design

The study adopts descriptive, analytical, and applied research to evaluate Microsoft's financial performance. It examines historical financial data and applies financial analysis techniques to estimate the company's intrinsic value.

#### Data Collection Method

The research is based entirely on secondary data obtained from reliable public sources such as annual reports, financial statements, and investor disclosures. These sources provide the financial information required for analysis, forecasting, and valuation.

#### Tools and Techniques Used

- Financial Statement Analysis – Used to evaluate the company's financial performance through the income statement, balance sheet, and cash flow statement.
- Ratio Analysis – Applied to assess profitability, liquidity, efficiency, and leverage positions of Microsoft Corporation.
- Working Capital Analysis – Used to measure the company's short-term liquidity and efficiency in managing current assets and liabilities.
- Trend Analysis and Forecasting – Used to analyze historical financial patterns and project future financial performance.
- Discounted Cash Flow (DCF) Valuation – Used to estimate the intrinsic value of the company by discounting projected free cash flows using WACC.

### VI. FINANCIAL ANALYSIS

#### Segment Revenue YOY Growth Analysis Table

particulars	2021	2022	2023	2024	2025
productivity and business processes		17.53%	9.33%	12.20%	55.43%
intelligent cloud		25.51%	17.26%	19.86%	0.86%
more personal computing		10.09%	-8.69%	13.33%	-11.90%

Between 2021 and 2025, Microsoft's segment growth shows varied performance across its core businesses. **Productivity and Business Processes** grew from **17.53% (2021)** to **12.20% (2023)** before surging to **55.43% in 2025**,





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value	3					
TV % of EV	78.31%					
PV of EV						
\$	\$2,608,594.38					
Equity value	\$2,660,008.38					
Intrinsic value	\$356.33					

### Valuation Output:

- Enterprise Value: USD 2,608,594.38 million
- Equity Value: USD 2,660,008.38 million
- Intrinsic Value per Share: USD 356.33

The Discounted Cash Flow valuation indicates that the intrinsic value of Microsoft Corporation is approximately USD 356.33 per share. The terminal value contributes a large portion of the enterprise value, which is typical in long-term valuation models where future growth expectations are significant.

### Sensitivity Analysis

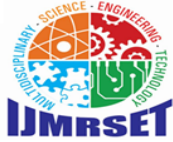
	sensitivity analysis		
308.48	8.57%	9.07%	9.57%
2.00%	386.49	358.32	334.03
2.50%	413.39	380.99	356.33
3.00%	445.11	407.40	375.61

Sensitivity testing shows that the valuation of Microsoft Corporation is influenced by changes in WACC and terminal growth assumptions.

- At lower WACC (8.57%) and higher growth (3.0%), the intrinsic value increases to USD 445.11 per share.
  - At higher WACC (9.57%) and lower growth (2.0%), the valuation declines to USD 334.03 per share.
- These results demonstrate that the company’s valuation is sensitive to discount rate and long-term growth assumptions. However, even under conservative scenarios, the valuation remains strong, reflecting solid fundamentals and long-term growth potential.

## V. MAIN FINDINGS

- 1) Income Statement Findings:** Revenue is projected to grow steadily from 2025–2030, supported by expansion in key business segments. Operating income rises consistently, indicating strong cost control and operational efficiency. Net income and profit margins remain stable, reflecting sustainable profitability.
- 2) Balance Sheet Findings:** Total assets increase significantly due to growth in cash reserves and long-term assets. Current assets expand steadily, ensuring strong liquidity and financial flexibility. Shareholders’ equity rises through retained earnings, maintaining a stable capital structure.
- 3) Cash Flow Statement Findings:** Free Cash Flow grows consistently across the forecast period, reflecting strong operating performance. Operating cash flow remains higher than capital expenditures, supporting financial stability. Strong cash generation enables continued investment, dividends, and share buybacks.
- 4) Ratio Analysis Findings:** Profitability ratios remain high and stable, indicating strong operational efficiency. Return ratios stay healthy despite slight moderation due to capital expansion. Liquidity, leverage, and efficiency ratios reflect balanced financial risk and effective asset management.



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**5) Valuation (DCF & Sensitivity) Findings:** DCF valuation indicates a strong intrinsic value per share under base assumptions. Sensitivity analysis shows that valuation changes with variations in WACC and growth rate. Despite these changes, the company maintains strong long-term valuation potential.

### VI. SUGGESTIONS

Microsoft should continue focusing on high-growth segments such as cloud computing, artificial intelligence, and enterprise services to sustain long-term revenue expansion. The company should maintain strong cost control and efficient capital allocation to preserve profitability and stable return ratios like ROE and ROIC. Maintaining a balanced capital structure with controlled debt and strong liquidity will help ensure financial stability. Additionally, cash reserves should be strategically used for innovation, acquisitions, dividends, and share buybacks to enhance shareholder value. Monitoring macroeconomic conditions and competitive pressures will support better financial and strategic decision-making. Overall, disciplined financial management and innovation will help Microsoft maintain its strong market leadership and long-term growth.

### VII. CONCLUSION

This equity research study evaluates the financial performance and intrinsic valuation of Microsoft Corporation using historical data (2021–2025) and projections (2026–2030). The analysis shows strong revenue growth, stable profitability, and improved operating efficiency, supported by expansion in cloud and subscription-based services. Ratio analysis indicates high margins, strong cash flow generation, adequate liquidity, and declining leverage, reflecting financial stability. The projected financial statements highlight sustainable growth with increasing Free Cash Flow and continued shareholder value creation. Using the Discounted Cash Flow (DCF) method with a WACC of 9.57% and terminal growth of 2.5%, the intrinsic value per share is estimated at USD 356.33. Overall, Microsoft demonstrates strong fundamentals and long-term growth potential, making it an attractive long-term investment.

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