

Microsoft Investment pitch

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Recommendation - BUY

- Buy - \$273 (Bull case) 9% upside
- Historically strong **margins, revenue growth**
- Strong market for intelligent cloud
- Potential in search engine market

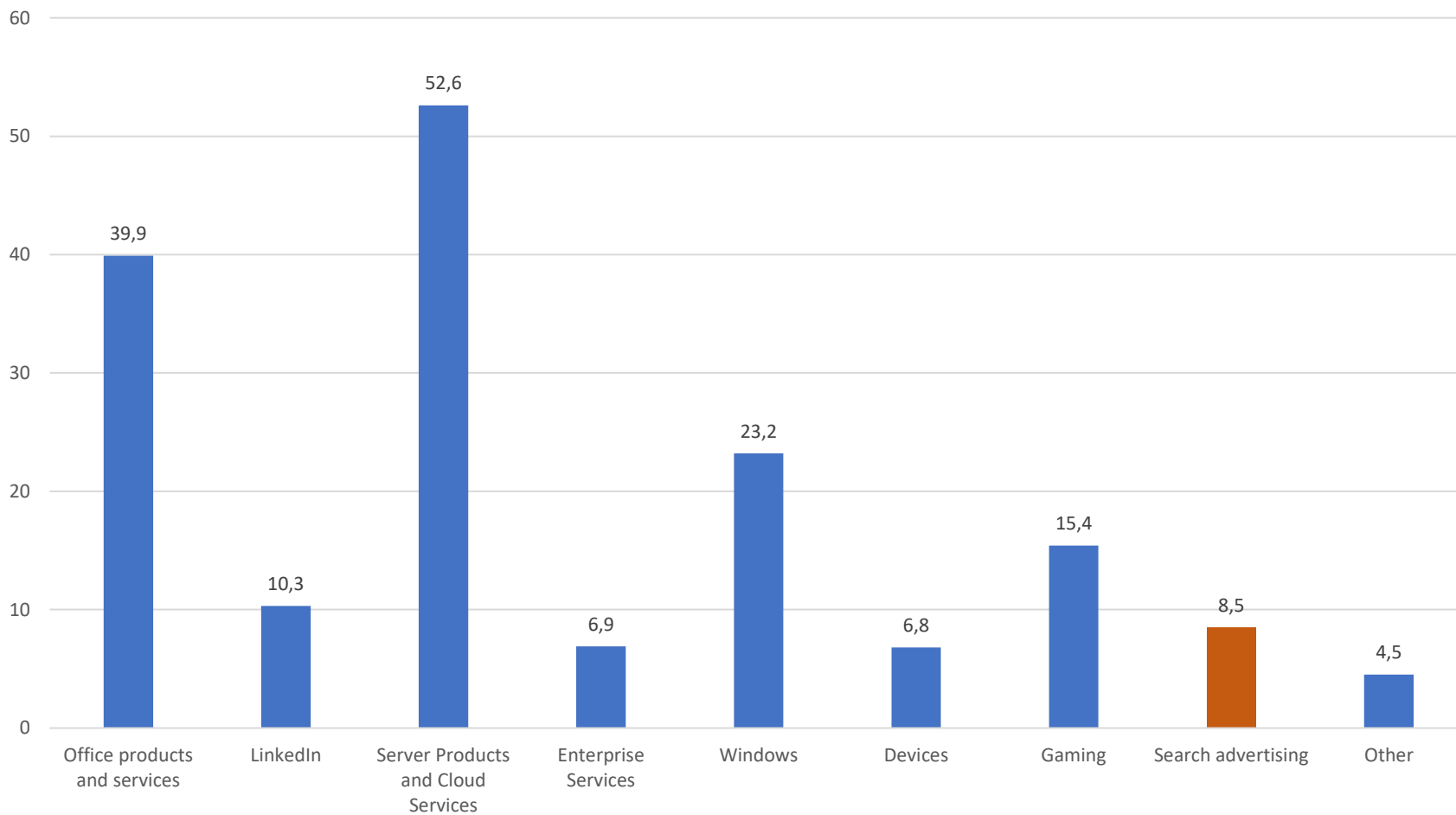
Company background

- Founded 1975
- \$1,8 trillion USD market cap
- Productivity and Business processes, e.g. LinkedIn, Office 365
- Intelligent Cloud, e.g. Azure, GitHub
- More personal computing, e.g. Xbox, Windowsbal

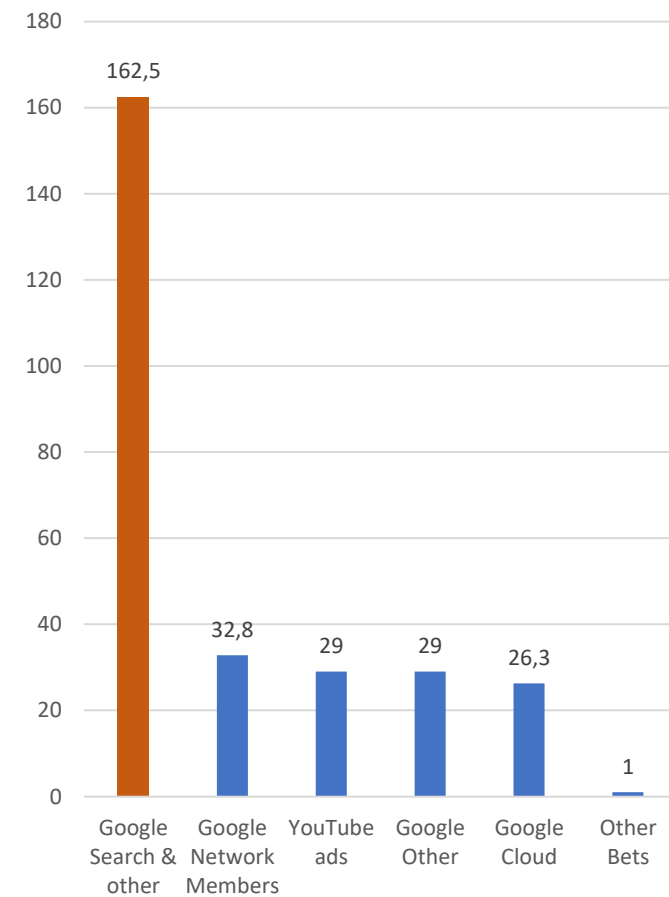
Industry outlook

- Competitive moat
 - Economies of scale
 - Network effects
- OpenAI
- Intelligent Cloud
 - Office

Microsoft revenue breakdown per product 2022 (BUSD)

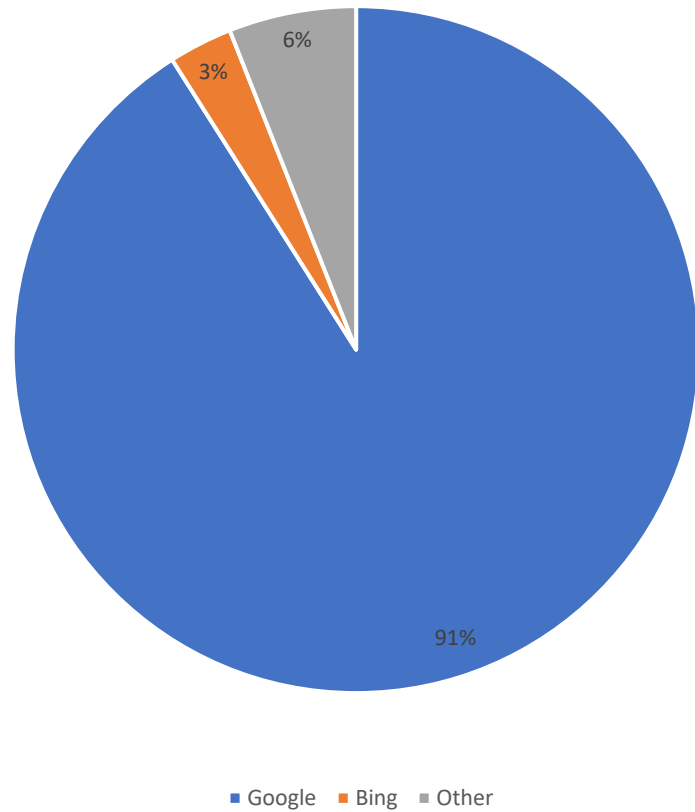


Google revenue breakdown per product 2022 (BUSD)

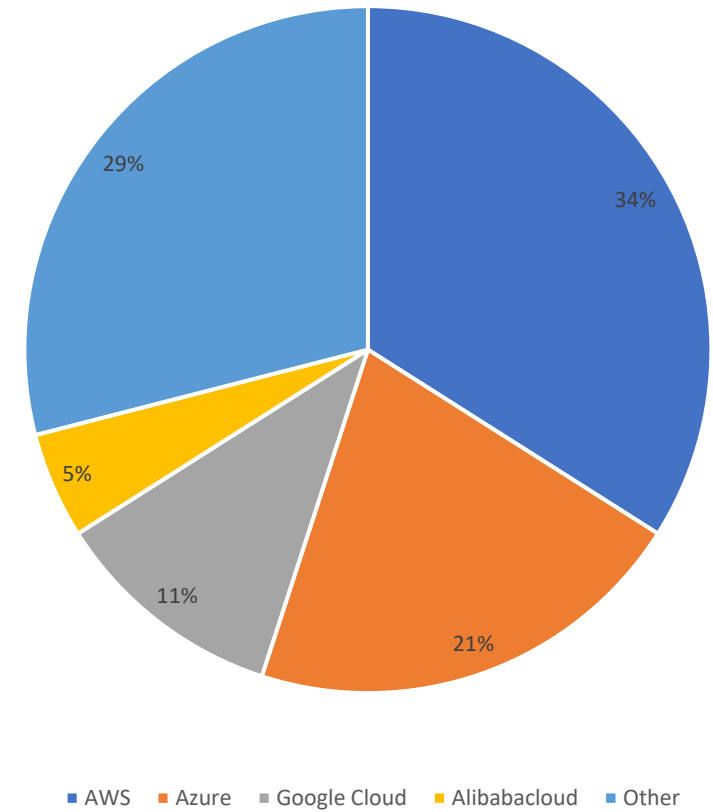


Marketshares

Search engines market share



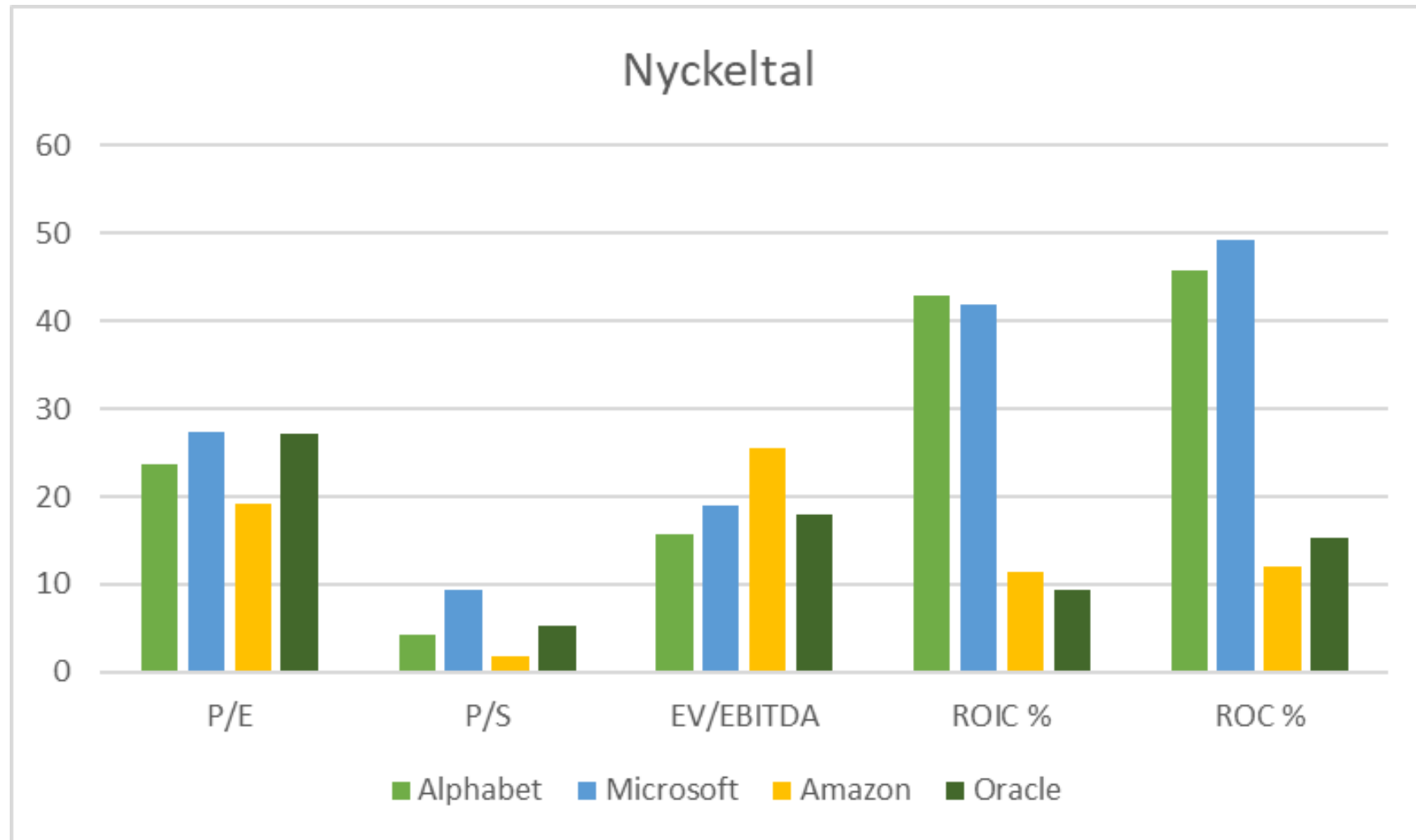
Cloud market share



Risk factors

- Failed attempt to take marketshare from Google
- Risk in technology sector
 - High competition
 - High R&D costs
 - Uncertain future
- Economic recession
 - Lower margins
 - Weaker market for intelligent cloud and other segments

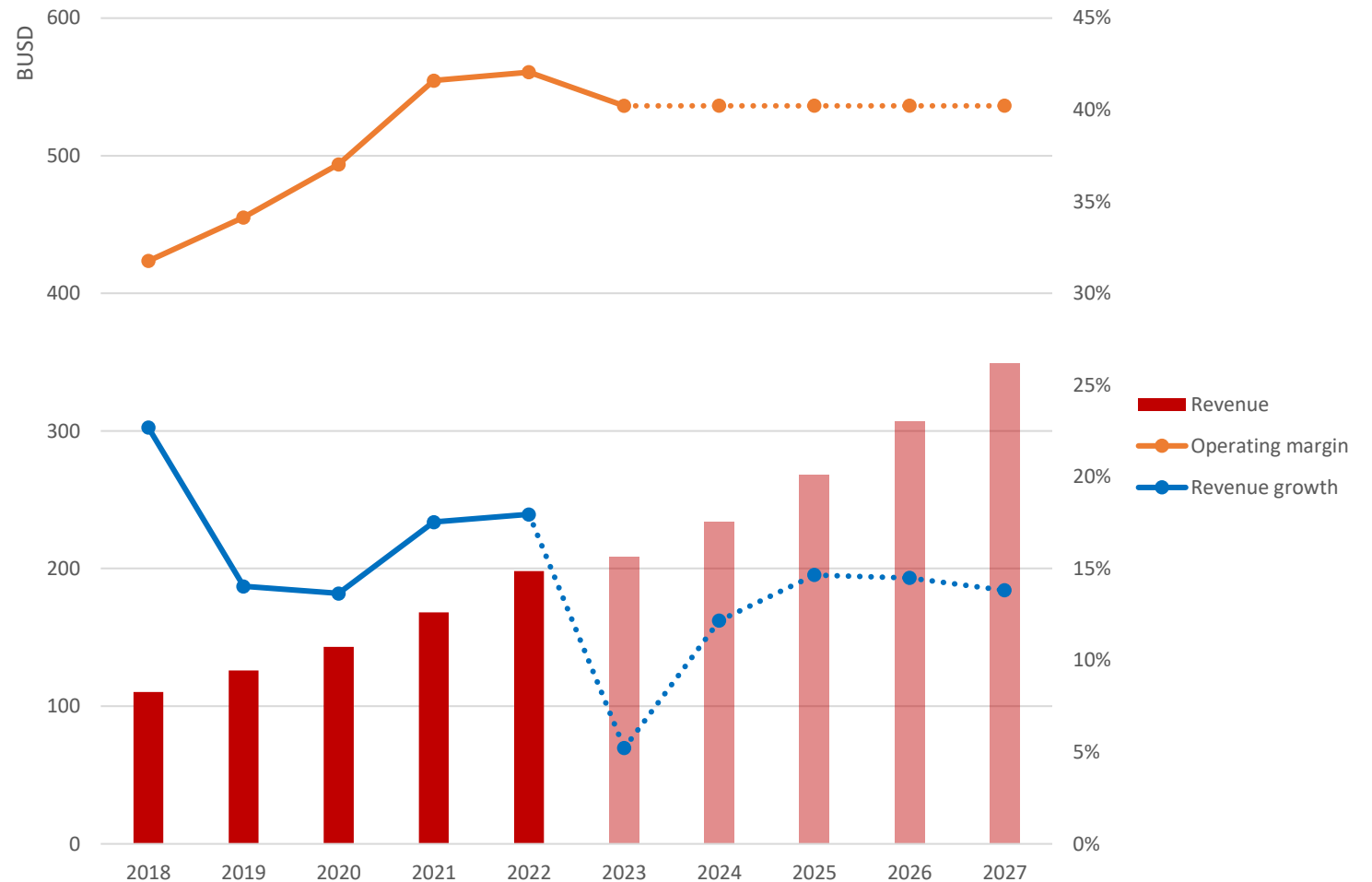
Key figure comparison to competitors



Valuation – Base case

WACC	9,2 %
Current share price	\$250
Implied share price	\$252
Upside/downside	+1%

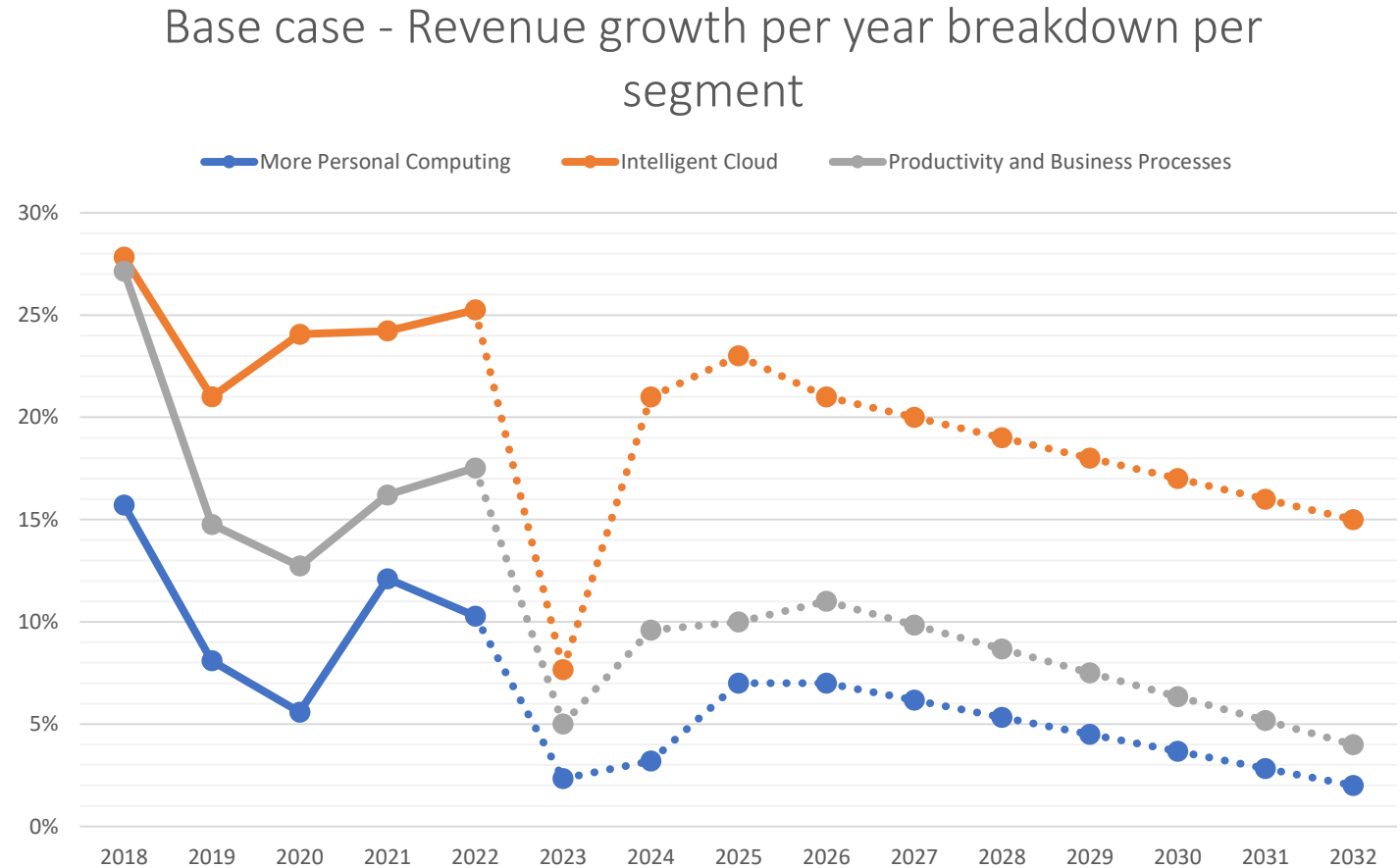
- Steady growth of intelligent cloud and other segments
- Steady margins



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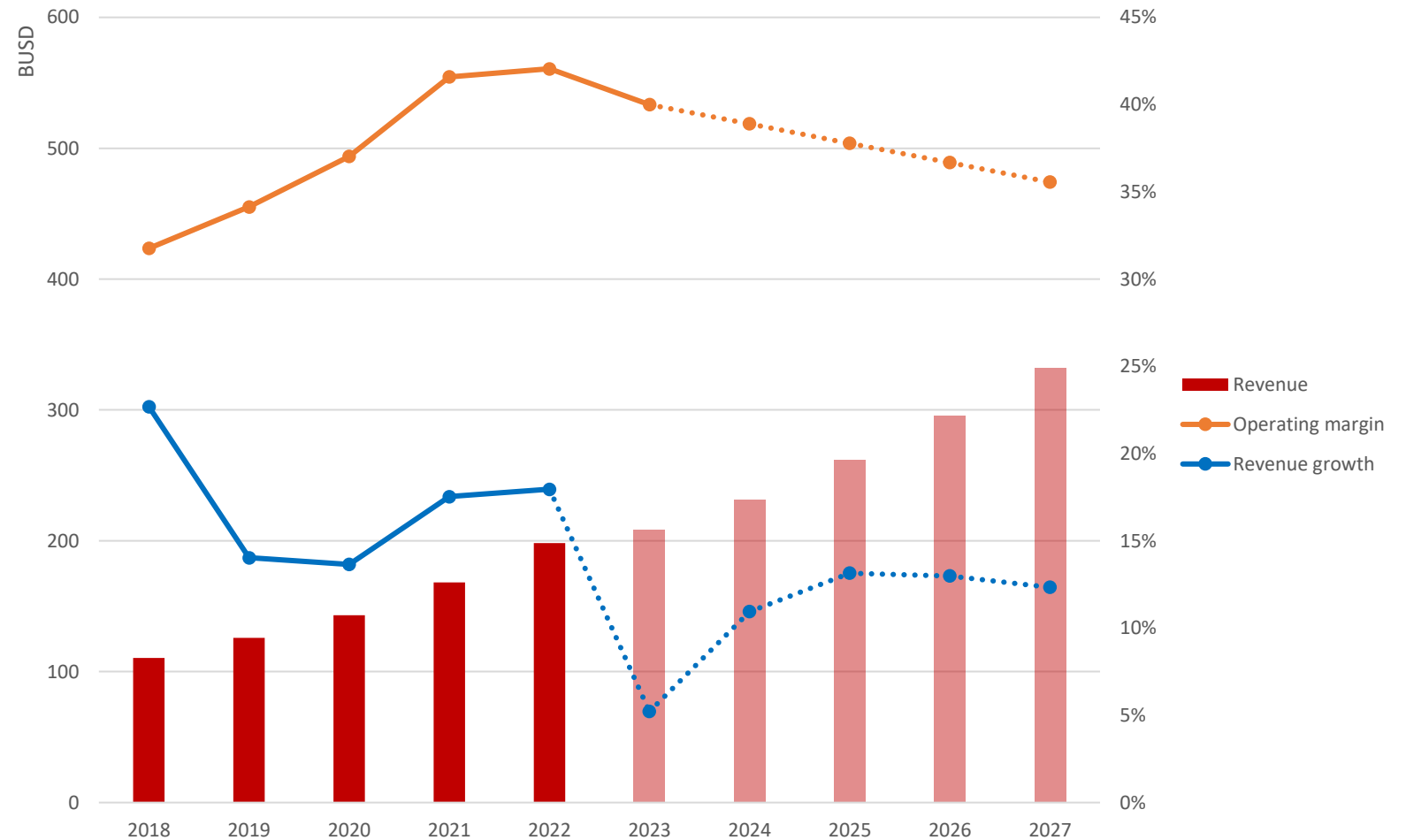
- Steady growth of intelligent cloud and other segments
- Steady margins



Valuation – Bear case

WACC	10,2 %
Current share price	\$250
Implied share price	\$195
Upside/downside	-22%

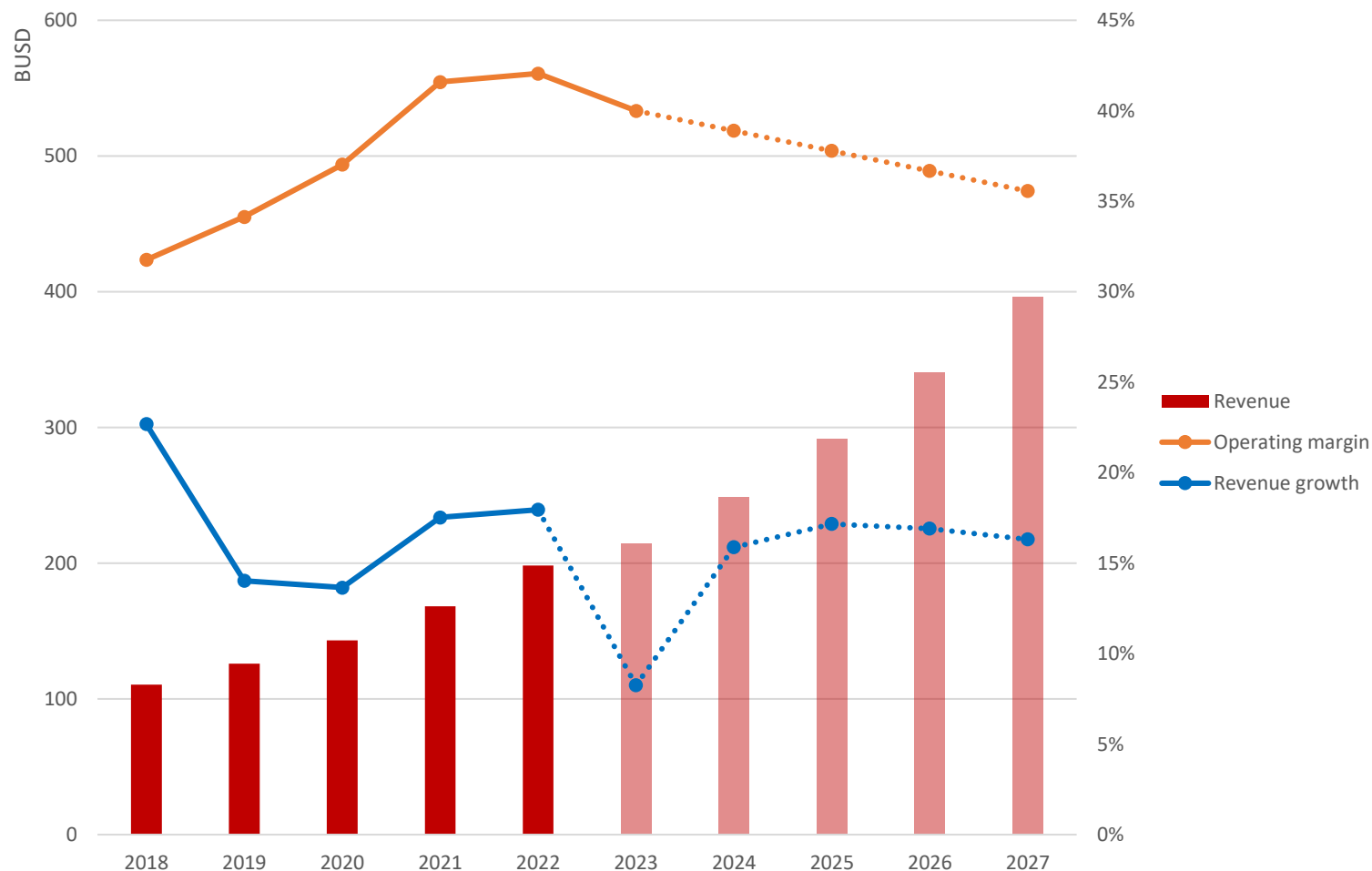
- Failed attempt to take market share in search engine market
- Less revenue growth
- Lower margins: inflation, interest



Valuation – Bull case

WACC	8,2 %
Current share price	\$250
Implied share price	\$273
Upside/downside	9%

- Successful gain of market share of search engines
- Good growth of intelligent cloud and other segments
- Decreased margins

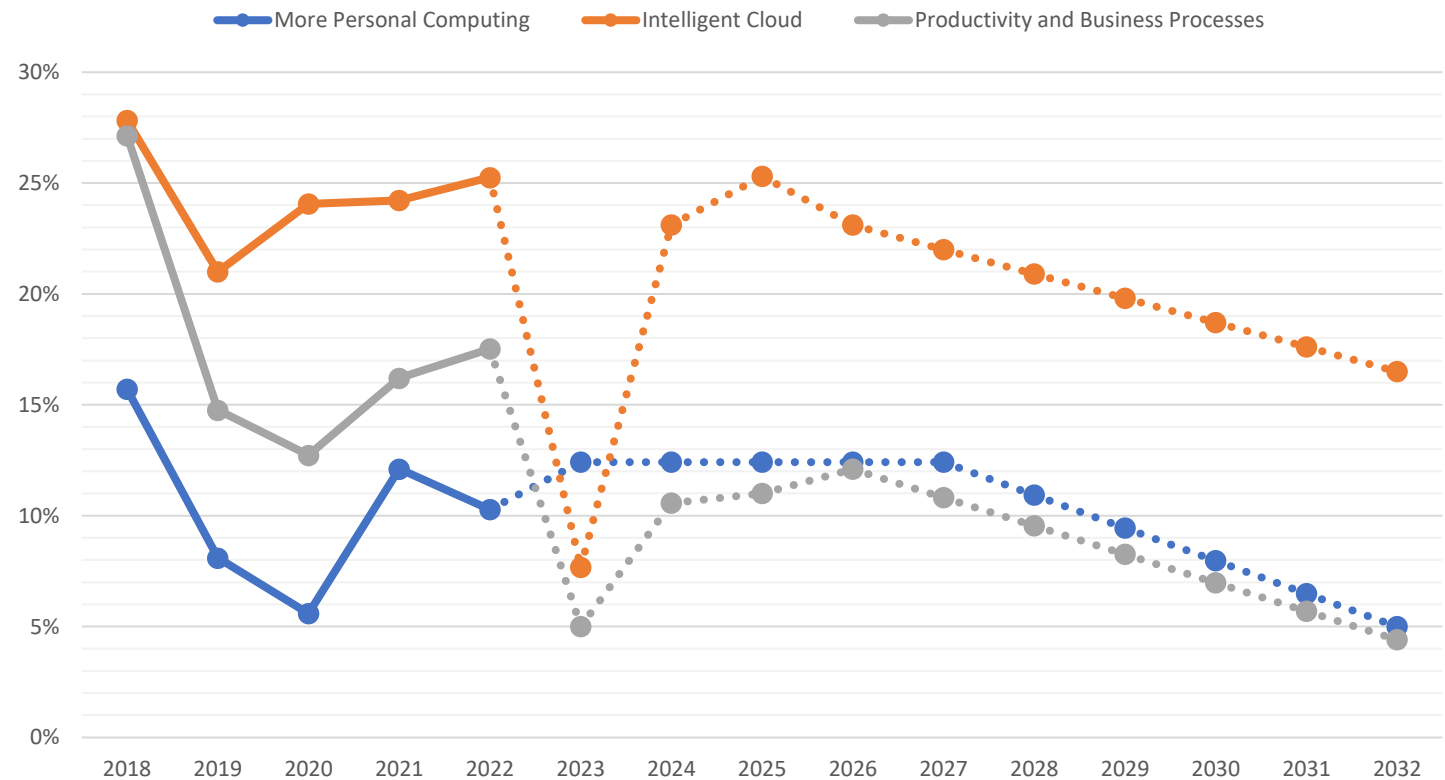


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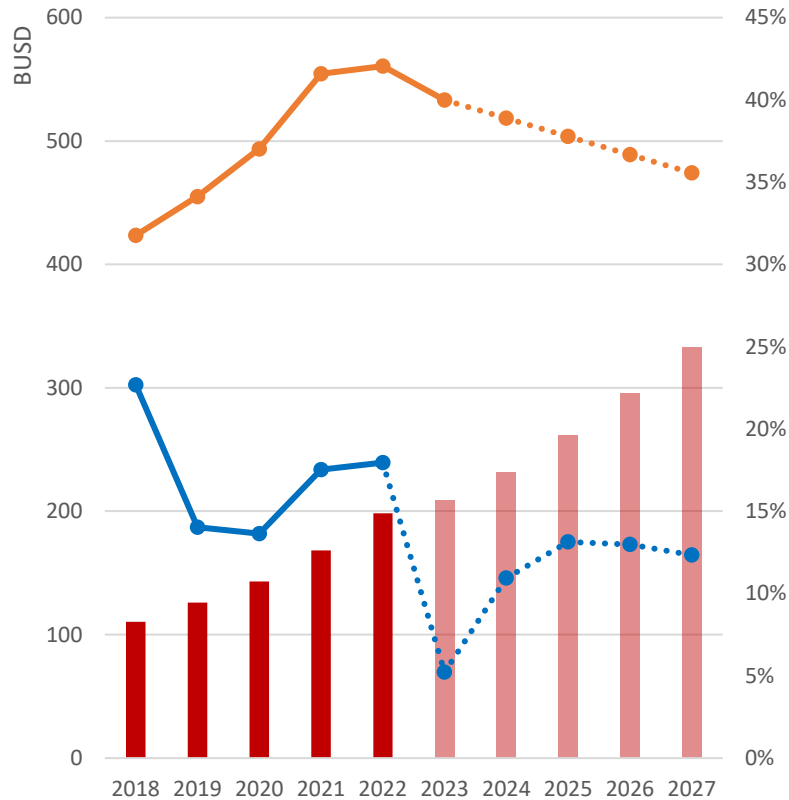
Bull case - Revenue growth per year breakdown per segment



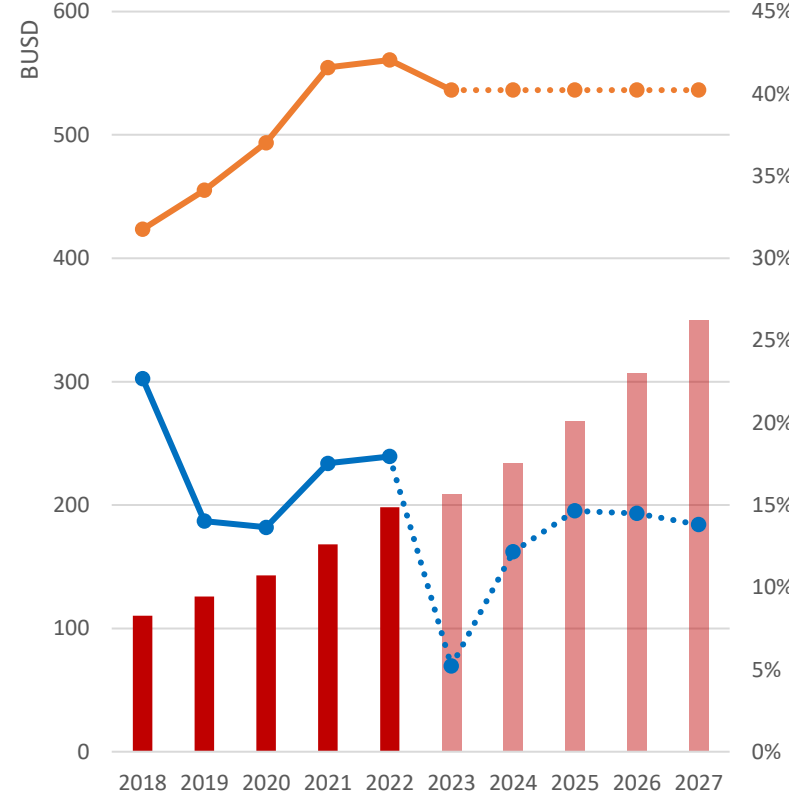
Valuation – Comparison

Microsoft current share price: \$250

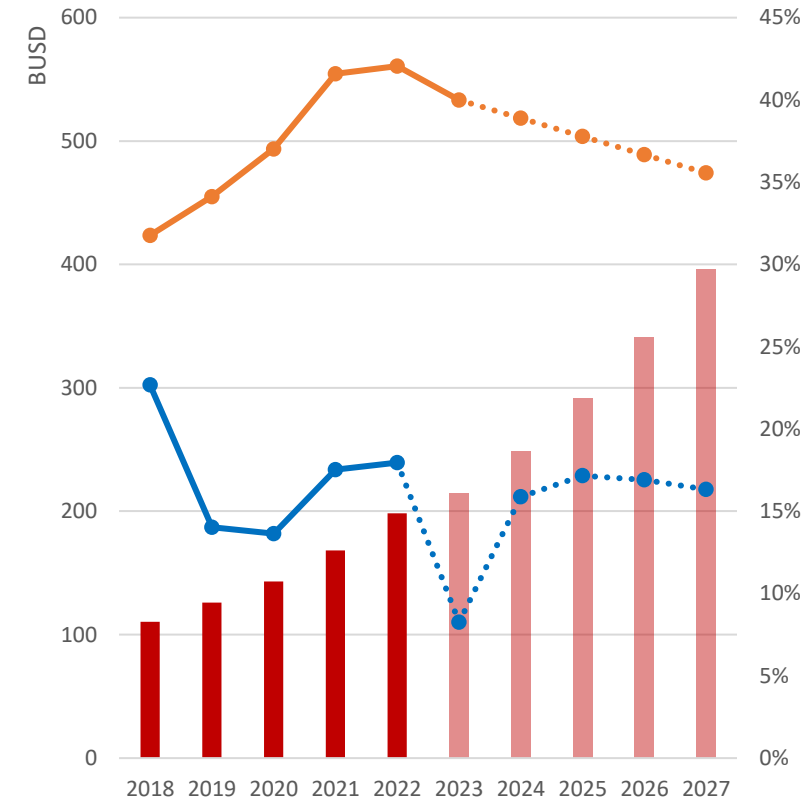
- Revenue
- Operating margin
- Revenue growth



Bear case	
Implied share price	\$195
Downside	-22%



Base case	
Implied share price	\$252
Upside	1%



Bull case	
Implied share price	\$273
Upside	+9%