

A photograph of a Microsoft office building. In the foreground, a large, dark, rectangular sign with the word "Microsoft" in white, sans-serif font is mounted on a low wall. The building in the background is a multi-story structure with a mix of brick and glass panels. There are green bushes and trees in front of the building. The sky is overcast.

Microsoft

By Ken Olson, Drilona Aliu, Mark Moellering, and Paul Mullen

Background

- Ticker (MSFT)
- Yahoo Finance -> Application Software Industry, Electronic Stores Industry (Specialty Retailer)
- Founded in 1975
- Operates in over a 100 countries around the world

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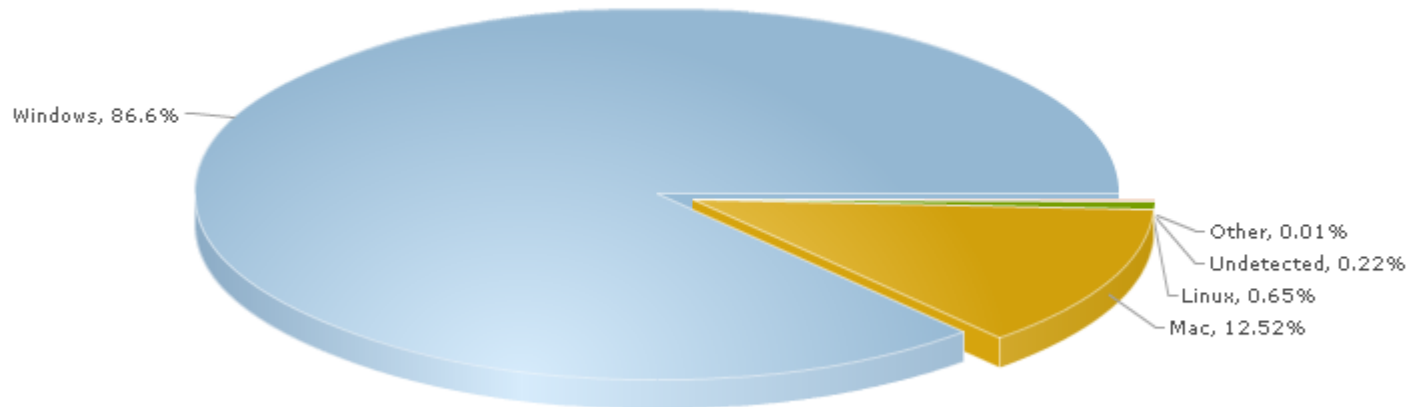
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Brands/Products



Market Share

Operating System Market Share

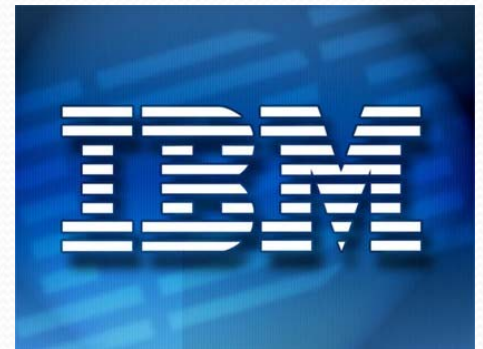


Business Model & Revenue Distribution

- Windows & Windows Live Division = 30%
- Microsoft Business Division = 30%
- Server and Tools = 24%
- Entertainment and Devices Division = 13%
- Online Services Division = 4%

Key Competitors

- Apple
- Hewlett-Packard
- IBM
- Oracle
- Adobe Systems Inc.
- Google



Tools

- Buffettology Spreadsheet
- Value Line Report
- Interpretation of Financial Statements
- Gurufocus.com
- Conscious Investor Reports
- Finviz.com

A stack of US dollar bills, with a \$100 bill prominently visible in the foreground. The bills are slightly out of focus, creating a sense of depth. The text is overlaid on the center of the image.

Microsoft Stock Buyback Plan

Buyback History

- Microsoft has repurchased more than 78 Billion dollars worth of stock since 2006
- Currently in the middle of a 40 Billion dollar buyback allowance through 2013



Dynamics of buyback plan

- 8.6 Billion dollars of stock repurchased in the last six months
- Equates to 265 Million share buyback during this time frame
- 2 Million shares are repurchased per trading day at this rate



2 Million shares purchased per day is:

- 5,000 shares a minute
- 100 shares a second
- 225,000 shares while listening to our presentation (if the presentation were during a trading day)



How can MSFT buyback so much stock?

- Generate more than 2 Billion dollars of FCF per month, 27.75 Billion dollars for TTM
- Issued bonds at rates around 3%
- After tax earnings growth is 13% (last 6 years)



How big is your piece of the pie?

- 22% Reduction in outstanding shares since 2005

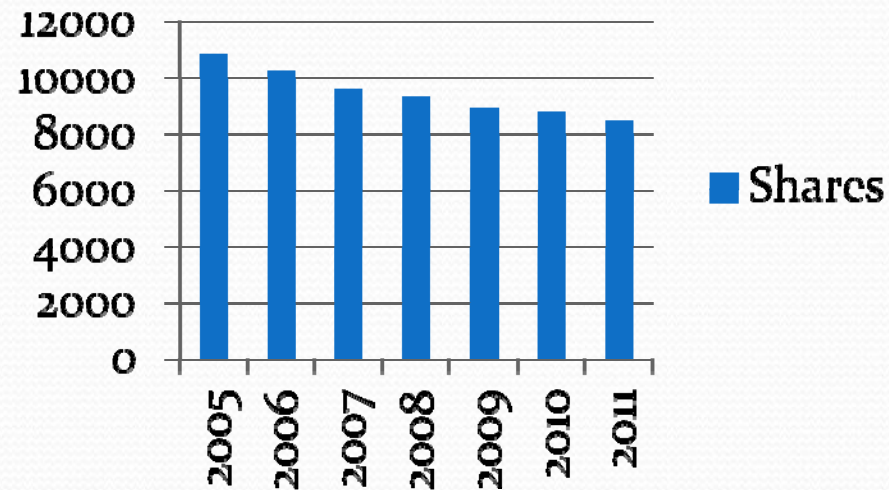


2006



2011

Shares



Stock buyback effect on EPS

- EPS is \$2.40 for TTM with 8.5B shares
- EPS would have been \$1.90 without buybacks
- Continuing the authorized \$40B dollar plan will leave roughly 8B shares outstanding, resulting in EPS of \$2.57 (using NI of TTM 20.6B)

Shareholder friendly policy

- Will power EPS growth
- More capital available to increase dividends
- Buffett loves stock buybacks



Equity Barons recommends
loading up the truck and
buying Microsoft stock

