

Microsoft: will convert its leadership into durable earnings power in times of AI market excitement? Is it a BUY?

Microsoft share value calculated on April 10, 2026. FREE VALUATION FOR EVERYONE.



VIAVALENS
APR 12, 2026



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Microsoft Corporation

is one of the world's most powerful technology platforms, with leading positions in enterprise software, cloud infrastructure, productivity tools, cybersecurity, and artificial intelligence, which gives the company unusual breadth and strategic resilience across the digital economy. Based on the last four quarters, Microsoft reported annual sales of USD 305,453 million, an operating result of USD 142,559 million, and an operating margin of 46.7%. Microsoft's current profile is especially attractive because it is no longer just selling software tools; it is increasingly building the operating layer through which companies run workloads, secure data, and deploy AI into daily business processes, while the wider industry is moving in the same direction toward integrated cloud, AI, and security platforms.

Current developments

Microsoft is currently accelerating the rollout of Copilot, enterprise AI agents, and Foundry-based AI tooling, showing a clear ambition to make AI useful inside real workflows rather than leaving it as a flashy add-on, while the broader industry is shifting from early AI excitement toward a more demanding phase in which customers want secure deployment, governance, productivity gains, and practical business value. That plays directly into Microsoft's strengths, because few competitors can combine global cloud infrastructure, enterprise distribution, developer tools, security capabilities, and everyday software in one connected stack, which helps the company defend its position even as competition in AI and cloud remains intense.

Our share value calculation on 10. April 2026 for paid subscribers:

The intrinsic value per share is close to the market share price.

Microsoft's stock now appears fairly valued to us after the sharp price declines. Investors who have long wanted to own this previously overvalued stock may now consider starting to buy.

Intrinsic Valuation Overview	
Microsoft Corporation	Date: 10.04.26
ISIN	US5949181045
Internet	www.microsoft.com
Incorporation	United States
Primary Industry: Systems Software	
Value per Share in USD	387,07
Stock Market Share Price in USD	373,07
Price / Value	96%
52 Week Low in USD	355,67
52 Week High in USD	555,45
Number of Shares Outstanding in million	7.425,6
thereof Freefloat	99,9%
Key numbers at Date of Valuation in USD million	
Market Capitalization	2.770.279
Total revenue of last four quarters	305.453
EBIT of last four quarters	142.559
EBIT-Margin of last four quarters	46,7%

Share VIAVALENS stock selection

Value drivers

- Azure remains the core engine because cloud adoption is still expanding and AI workloads are pushing customers toward larger, more integrated infrastructure environments.
- Microsoft's AI layer is a major value driver, especially as Copilot, agent functionality, and model orchestration move from early experimentation into everyday enterprise use.
- The company's ecosystem strength matters enormously, because Windows, Office, Teams, GitHub, and Azure reinforce each other and raise customer switching costs.
- Security is not just a support function but a growth pillar, as Microsoft is embedding protection, monitoring, and governance more deeply across the IT stack.
- Enterprise distribution is a hidden advantage, because Microsoft can roll new products into customer relationships that already exist at global scale.
- Pricing power and product bundling are critical, since Microsoft can package productivity, cloud, security, and AI tools in ways that competitors often cannot match.
- Developer relevance is another key driver, with GitHub, Azure services, and Foundry helping Microsoft stay close to the people who build tomorrow's software.
- Execution in AI infrastructure will shape long-term value, because demand is strong but investors increasingly want proof that heavy platform investment converts into durable commercial returns.

Stock price performance

Microsoft's share price had a strong run into late July 2025, when it reached a 52-week high of USD 555.45, but the stock has since pulled back sharply and currently stands at USD 373.07.

That price path suggests the market first rewarded Microsoft for its AI

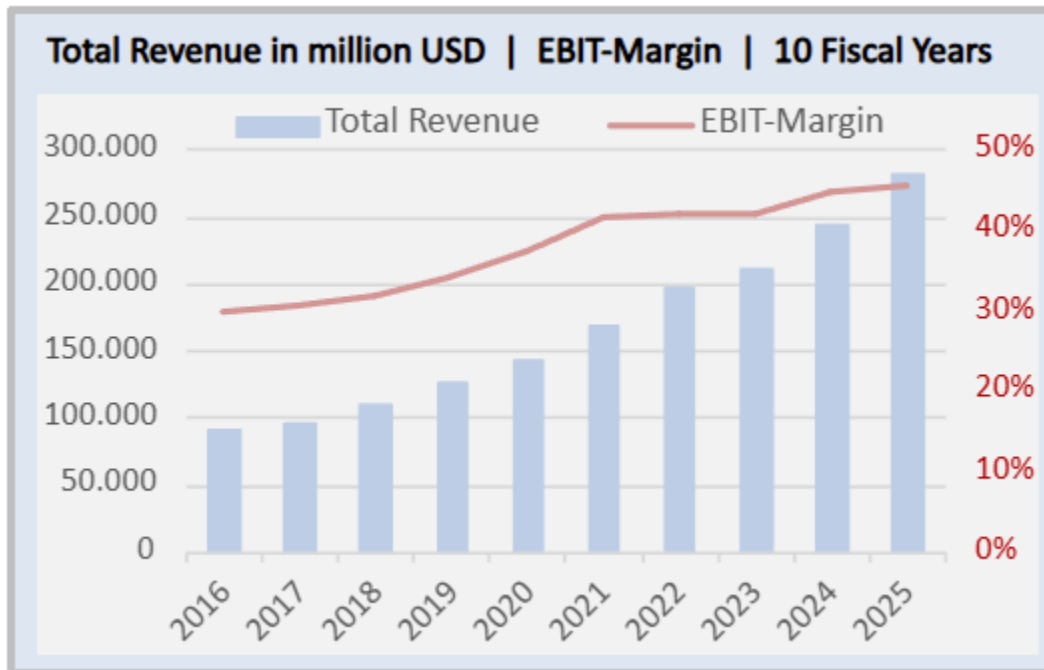
leadership and then became far more demanding about delivery, valuation, and the pace at which AI enthusiasm turns into cash-generating business momentum.

More recently, the stock appears to have been trying to stabilize in early April 2026, with daily trading clustered in the high-300-dollar range rather than extending the earlier slide.



Business development

In the last three fiscal years, revenue changed by 6.9%, 15.7% and most recently by 14.9%. In addition to those changes in top-line sales, we are looking at the operating margins achieved. In the last three fiscal years, EBIT-Margins amounted to 41.8%, 44.6% and most recently 45.6%. The mean EBIT margin during the last 10 years was 39.3%; over the last five years, however, it was 42.1% (Median). Over the last four quarters the EBIT-Margin amounted to 46.7%.



Analyst forecasts

Based on the most recent annual financial statements as of 30.06.25, analysts expect revenue growth of about 16.5% (2026e), 15.3% (2027e), and 16.5% (2028e). The EBIT margin for the next three fiscal years is forecasted (Median) at 46.3%; 46.1% and 46.0%. Accordingly, earnings before interest and taxes (EBIT) in fiscal year 2028e would amount to USD 202,625 million (EBIT). Financial industry analysts see target prices for the share between USD 392.00 and USD 730.00; the Median is USD 600.00.

Key Ratios

10.4.26 12:00 AM

Market Enterprise Value / EBITDA	14,9
Market Enterprise Value / EBIT	18,8
Price / Diluted EPS Before Extra	23,3
Price / Normalized EPS	29,4
Price / Book Value	7,1
Net Debt / EBITDA	0,2
Dividends per Share in USD	3,24
Expected Dividends per Share in USD	3,63
Expected Dividend Yield	1,0%

Peergroup Multiples		10.4.26 12:00 AM	
	Enterprise Value / EBITDA _{LTM}	PE	Price/Book
Microsoft Corporation	14,9	29,4	7,1
Oracle Corporation	17,6	37,7	11,8
Alphabet Inc.	24,3	46,4	9,3
Salesforce, Inc.	12,6	28,8	2,7
NVIDIA Corporation	33,0	54,4	28,4
ServiceNow, Inc.	29,6	61,7	7,3
SentinelOne, Inc.	NM	NM	3,0
Snowflake Inc.	NM	NM	23,6
Amazon.com, Inc.	15,8	49,7	6,1
Exyn Technologies	NA	NA	NA
Adobe Inc.	9,7	17,2	8,2

Our opinion on the value of the share is based on a company valuation using a discounted cash flow (DCF) model:

Microsoft Corporation full DCF model

Microsoft Corporation			Share Price 3 Years in USD			— Stock — S&P 500					Date:		10.04.26				
www.microsoft.com													Share Price USD		373.07		
Latest Quarterly Report		31.12.25											Value per Share YCV		387.07		
Latest Fiscal Year		30.06.25											Price / Value		96%		
Shares Outstanding mln		7'425.6											52 Week Low		355.67		
Freefloat		100%											52 Week High		555.45		
Rating		AAA											TV/TEV		69%		
Net Debt / EBITDA		0.2											Dividend Per Share 2025		3.24		
Market Capitalization mln		2'770'279											Expected DPS		3.63		
in million USD													Expected Dividend Yield		1.0%		
Historical Data	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e				
Total Revenue	91'154	96'571	110'360	125'843	143'015	168'088	198'270	211'915	245'122	281'724	328'167	378'309	440'888				
change yoy	-2.6%	5.9%	14.3%	14.0%	13.6%	17.5%	18.0%	6.9%	15.7%	14.9%	16.5%	15.3%	16.5%				
EBIT	27'188	29'331	35'058	42'959	52'959	69'916	83'383	88'523	109'433	128'528	152'063	174'212	202'625				
/ Total Revenue	29.8%	30.4%	31.8%	34.1%	37.0%	41.6%	42.1%	41.8%	44.6%	45.6%	46.3%	46.1%	46.0%				
Forecast	LTM	LTM+1	LTM+2	LTM+3	LTM+4	LTM+5	LTM+6	LTM+7	LTM+8	LTM+9	LTM+10	terminal	Median				
Total Revenue	305'453	351'839	402'220	455'880	509'872	568'677	625'537	678'485	725'504	764'648	797'451	831'662	597'107				
change yoy	13.1%	15.2%	14.3%	13.3%	11.8%	11.5%	10.0%	8.5%	6.9%	5.4%	4.3%	4.3%	10.8%				
EBIT	142'559	144'778	169'621	195'616	217'023	240'090	261'938	281'767	298'789	312'271	322'915	336'768	251'014				
/ Total Revenue	46.7%	41.1%	42.2%	42.9%	42.6%	42.2%	41.9%	41.5%	41.2%	40.8%	40.5%	40.5%	41.7%				
Other	15'687																
Income Tax	-27'278	-27'337	-33'924	-39'123	-44'955	-51'448	-58'000	-64'404	-70'429	-75'837	-80'729	-84'192	-54'724				
Tax / EBIT	17.2%	18.9%	20.0%	20.0%	20.7%	21.4%	22.1%	22.9%	23.6%	24.3%	25.0%	25.0%	21.8%				
EBIT-T	117'441	135'697	156'492	172'068	188'642	203'937	217'363	228'360	236'434	242'187	252'576	252'576	196'290				
change yoy	-10.3%	15.5%	15.3%	10.0%	9.6%	8.1%	6.6%	5.1%	3.5%	2.4%	4.3%	7.3%					
Reinvestment (net)	-59'123	-59'279	-65'625	-50'410	-36'723	-34'196	-30'366	-25'281	-21'186	-22'095	-65'076	-35'459					
Revenue Increase / Reinvest	0.9	0.9	0.8	1.2	1.5	1.5	1.5	1.5	1.5	1.5	0.5	1.5					
FCFF	58'318	76'418	90'867	121'658	151'919	169'741	186'997	203'079	215'248	220'092	187'500	160'830					
Reinvestment Rate	50.3%	43.7%	41.9%	29.3%	19.5%	16.8%	14.0%	11.1%	9.0%	9.1%	25.8%	18.1%					
ROCE	40.3%	38.7%	37.6%	36.8%	37.4%	37.9%	11.0%	38.5%	38.5%	38.0%	36.0%	38.0%					
WACC	9.3%	9.1%	9.0%	8.8%	8.7%	8.5%	8.4%	8.3%	8.3%	8.3%	8.3%	8.6%					
PV TV	2'022'065	2'210'025	2'412'054	2'628'840	2'861'064	3'109'398	3'374'501	3'657'013	3'960'322	4'289'408	4'646'514	= Terminal Vt					
PV FCFF	896'246	53'358	64'153	70'190	86'714	100'200	103'893	106'516	107'358	104'939	98'925	R-Rate	25.8%				
TEV	2'918'311	3'111'470	3'319'487	3'526'962	3'716'865	3'887'561	4'049'269	4'201'275	4'346'645	4'492'585	4'646'514	"g"=i/(r)	4.3%				
TEV/EBIT	14.2	15.3	14.2	13.4	13.2	13.0	12.9	13.0	13.3	13.7	14.4	TV = FCFF/(wacc-g)					
Total Enterprise Value (TEV)			2'918'311		Cost of Capital USD		Remarks										
Total Cash & ST Investments			89'462		i (risk free)		Historical Total Revenue and EBIT can be found in the company's published reports.										
Long Term Marketable Securities					ERP adj.		The ratio of EBIT to Total Revenue is the so-called EBIT margin .										
(Market Value of) Debt			-152'054		Beta		The three subsequent years ending (e) are based on analyst estimates for the fiscal years .										
Financial Receivables					Adjustment		Forecasts are based on the most current financials by adding data of the last twelve months (LTM) .										
Minority Interest					i (Equity)		If the date of the last quarterly report falls on the date of the fiscal year, LTM (Last Twelve Months) numbers correspond to the most recent annual financial statements.										
Unearned Revenue, Non-Current, Other			-2'668		i (Debt)		Sales in absolute terms are forecasted based on the selected annual growth rates .										
Debt Equivalent of Unfunded Benefit Obliga					Tax		The EBIT line item of the forecast is determined based on the selected annual EBIT-Margin .										
Cashout legal disputes					i after Tax		The item " Other " includes numbers not included in operating EBIT.										
Value of Stock Options					Market Cap		The above can be applied if the history consistently shows annual special effects.										
Value of cross holdings & LT Investments			21'202		Debt Value		Tax payments are calculated based on the selected tax rates (Tax/EBIT).										
Equity Value 100%			2'874'254		WACC		Since EBIT-T does not include tax-deductible interest expenses, a so-called " tax shield " is taken into account in the discount rate.										
Revenue Distribution of Industries			Revenue Distribution of Sales Regions														
Systems Software			43%		United States		The R-Rate (Reinvestment-Rate) is the ratio of EBIT-T (excluding "Other") to Total Revenue.										
Application Software			38%		Other Countries		Annual Reinvestment increase the annual invested capital (" Capital Employed ").										
Systems Software			19%		ROCE ("return on capital employed") relates EBIT-T (excluding other) to invested capital.												
WACC is the Weighted Average Cost of Capital (blended discount rate for equity and debt) and is derived for each company on the valuation date.																	
WACC includes market risk, country risk, and the company's relative systematic risk based on the so-called bottom-up Beta of the respective industries (see methodology).																	
The Terminal Value and the expected FCFF are discounted to the valuation date using the WACC (present value, or "PV"), taking into account the respected risk.																	
Disclaimer: This document does not constitute a recommendation.																	

Keep reading if you're curious about the details of our valuation.

Key inputs

Sales volume

The starting point for our forecast for the DCF model is the quoted annual sales of USD 305,453 million (LTM). LTM stands for “Last Twelve Months” and adds together the last four quarterly reports to provide a current annual view. We estimate sales growth for the first three planning periods (LTM+1 to LTM+3) at 15.2%, 14.3% and 13.3%. Accordingly, we did not adopt the analysts’ growth rates but instead adjusted them in light of the company’s expected quarterly performance. For the subsequent planning periods (LTM+3 to LTM+10) up to steady state, we assume annual sales changes between a minimum of 4.3% und a maximum of 11.8%.

EBIT

For the first three forecasted periods (LTM+1 to LTM+3), we consider EBIT margins of 41.1%, 42.2% and 42.9%. In steady state, we advocate an EBIT margin of 40.5%; EBIT would therefore amount to USD 336,768 million. We do not see any need to consider special effects below the operational EBIT line item.

Key assumptions in USD million

Expected Revenue next 4 quarters (LTM+1)	351.839
Expected Revenue LTM+2	+14,3% 402.220
Expected Revenue LTM+3	+13,3% 455.880
Possible Revenue in 10 years	797.451
Expected EBIT-Margin next 4 quarters	41,1%
Expected EBIT-Margin LTM+2	42,2%
Expected EBIT-Margin LTM+3	42,9%
Possible EBIT-Margin in 10 years	40,5%
Expected Tax / EBIT	22,3%
Expected Reinvestment / EBIT-T	21,3%

Tax

We take future tax payments into account using percentages on the resulting EBIT line, i.e. the result before financing interest. It is part of the valuation mechanism to disregard tax-deductible interest in the assessment basis (EBIT), as this is reflected in the discount rate ("tax shield"). Taking into account the history and any loss carryforwards, we consider effective tax rates of 18.9%; 20.0% and 20.0% appropriate for the three planning periods (LTM+1 to LTM+3). In line with our conservative approach, we assume a linear development of the tax rate from LTM+4 up to the marginal tax rate at the company's United States headquarters of 25.0% until LTM+10.

Calculated Reinvestment

In this case, the future necessary Reinvestment were calculated as follows: The DCF model forecasts a change in sales over 10 years by 161.1% (Revenue LTM+10 / Revenue LTM). We assume that business

volume will grow over time and take into account necessary Reinvestment. The Sales/Capital-Ratio (LTM+10) that is chosen amounts to 1.55. The selection is based on an analysis of the company's history (statistical relevance) in comparison to industry benchmarks. For the forecasting, sales growth is divided by the Sales/Capital-Ratio. The calculation is: (USD 831,662 - USD 351,839 million) / 1.55. For the 10 Years forecast, the total amounts to USD 309,889 million for plausible Reinvestment. The Reinvestment-Rate is therefore 16.3% (Reinvestment / EBIT-T). In the following, we examined statements from analysts about upcoming investments and checked plausibility. After evaluating the estimates and plausibility, the final judgement call is adopted to USD: 404,285 Mio. for total Reinvestment over 10 years, equaling a 1.2 Sales/Capital-Ratio. The final Reinvestment-Rate amounts to 21%. The percentage expresses how much of the operating result after tax (EBIT-T) is used for Reinvestment. We distribute the justified necessary Reinvestment over the 10 planning periods, taking into account the assumed annual development of sales.

Terminal Value

The DCF model calculates the free cash flows before financing (FCFF) for each of the 10 planning periods and then takes into account a so called Terminal Value. In accordance with standard valuation methodology, we assume the eternal existence of the company and point out that a cash flow far in the future hardly affects the present value. We calculate the Terminal Value using the methodically recognized formula: $\text{Terminal Value} = \text{Terminal Cash Flow} / (\text{WACC} - \text{growth rate } g)$. In this case, the calculation is: $\text{Terminal Value} = \text{USD } 187,500 \text{ Mio.} / (8.3\% - 4.3\%) = \text{USD } 4,646,514 \text{ million}$ (Enterprise Value in 10 years from the date of valuation). The growth rate "g" is based on the risk-free interest rate, in our and academic opinion the best indicator for long-term economic growth in the respective currency. The present value of the Terminal Value included in the valuation result amounts to (only) USD 2,022,065 million.

Discount rates

Introduction

We use the DCF model based on the entity approach, which is the most widely used in theory and practice. Accordingly, cash flows before debt service are discounted using weighted cost of capital. In this case we use a discount rate of 9.4% (LTM), the mathematical derivation of which we explain and justify below. Taking into account expected leverage ratios, we adjust the discount rate over time until 8.3% for the cash flow in steady state.

Derivation and justification

As a risk-free interest rate, we use the daily traded yield of a safe 10-year government bond, as of the valuation date in the amount of 4.3% (USD). For taking stock market equity risk into account, we consider a risk premium of 6.0% in a first step. One important feature of our methodology is to price in the regional risk of the company and in this case we change the risk premium to 6.9%. The regional adjustment of the risk premium takes into account the location of the company and its regional sales markets, which Microsoft Corporation regularly publishes. As a risk measure, we use the current prices traded on the capital market for country default risk (credit default swaps) and calculate weights based on the regional sales distribution. In this case we calculate the cost of equity as follows: $\text{Cost of Equity} = \text{risk-free rate} + \text{Beta} * \text{regional adjusted risk premium} = 4.3\% + 0.80 * 6.9\% = 9.8\%$. The formula is the recognized derivation along the so-called Capital Asset Pricing Model, whereas the “Beta” as a relative measure adjusts the risk premium individually (relative risk).

Calculation of Discount Rate	
Risk-free Rate (10Y Government Bond) USD	4,3%
Equity Risk Premium based on sales regions	6,9%
Relative Risk (relevered Beta of Industries)	0,80
Adjustment in case of specific Country Risk	0,0%
Cost of Equity	9,8%
Cost of Debt at Date of valuation	4,8%
Marginal Tax Rate of Country	25,0%
Cost of Debt after Tax	3,6%
Market Capitalization in USD million	2.770.279
Value of Debt in USD million	152.054
Weighted Average Cost of Capital (WACC)	9,4%
WACC at steady state	8,3%

Relevered Beta of relevant industries

“Beta” represents the systematic risk of the company; a Beta of less than 1.0 implies a lower risk than the market and vice versa. Our models always use specially derived bottom-up Betas, never the regression Beta of the individual stock, which we consider an unsuitable risk measure. Our Beta therefore takes into account the systematic risk of the industries in which Microsoft Corporation operates. Many companies operate in different industries; we calculate weights based on industrial revenue distribution and consider premiums or discounts depending on the stability of the EBIT margin (CAPM plus). In accordance with our methodology, we adjust Beta to the specific leverage ratio (“levered Beta”) and each company is assigned an individually justified risk that must be priced in.

Cost of Debt

We estimate Cost of Debt as of the valuation date at 4.8%. This is the interest rate at which the company can currently borrow long-term funds. We determine the aforementioned interest rate based on a company rating and the currently traded yields of 10-year corporate bonds of the same rating class. Necessarily, in accordance with correct practise, we reduce the Cost of Debt by the Marginal Tax Rate (tax-shield), in this case in the amount of 25.0%. The Cost of Debt taken into account is therefore 3.6%.

Weighted Average Cost of Capital (WACC)

Taking into account current market capitalization and debt, we weigh the Cost of Equity in this case with 94.8% and the Cost of Debt with 5.2%. All this results in the quoted Weighted Average Cost of Capital:
$$WACC = 9.8\% \cdot 94.8\% + 3.6\% \cdot 5.2\% = 9.4\%$$

Results

The present value of the terminal value and the present value of all 10 discounted cash flows add up to the debt & cash free Enterprise Value. The Enterprise Value in this case amounts to USD 2,918,311 million = USD 2,022,065 million (Present Value of Terminal Value) plus USD 896,246 million (Present Value of forecasted cash flows). In accordance with correct methodology, cash including tradable securities (USD 89,462 million) are added and interest bearing liabilities (USD 152,054 million) are subtracted.

In addition, we analyze the liabilities of the balance sheets to consider additional items in the so-called “equity bridge” if necessary. These may include, in particular, accrued advance payments, consolidated minority shares or uncovered pension provisions, as well as other items. In special cases, interest-bearing liabilities may include financial liabilities from trading activities, e.g. in the case of consolidation of banking or

leasing businesses. In the aforementioned cases, we pay attention to any offsetting items on the asset side of the balance sheet (financial receivables) and balance the amounts in the Equity Bridge under the item Other. After deducting or adding the items listed individually in the equity bridge of the DCF model, the Equity Value as of the valuation date is USD 2,874,254 million.

Valuation Results and Equity Bridge in USD million	
Present Value of free cash flows over 10 Year:	896.246
Present value of Terminal Value	2.022.065
Enterprise Value	2.918.311
Total Cash & ST Investments	89.462
(Market Value of) Debt	-152.054
Unearned Revenue, Non-Current, Other	-2.668
Value of cross holdings & LT Investments	21.202
Equity Value	2.874.254
Intrinsic Value per Share in USD	387,07

The Intrinsic Value per Share is calculated when dividing the Equity Value by the number of outstanding shares (7,426 million). Value per Share as of the valuation date therefore amounts to USD 387.07. The Intrinsic Value per Share can be compared with the current stock market price (USD 373.07) and can be used for investment decisions. **Based on this company valuation, the ratio of Share Price to Share Value as of the valuation date is: 96.4%.**

Buy or sell it or not, your decision.

Thank you for joining the VIAVALENS way