

Share Focus: Microsoft (MSFT.NAS)

07 February 2019

Price: \$106.03

Growth and Profitability	Market Capitalization	Key Indicators
Revenue: \$118.4bn (+16%) Net Income per share: \$4.35(+143%) (12 months to Dec '18)	\$815bn	PE Ratio = 24.31 Dividend Yield =1.66 (12m to end Dec '18)

“Our strong commercial cloud results reflect our deep and growing partnerships with leading companies in every industry including retail, financial services, and healthcare,” said Satya Nadella, CEO of Microsoft. “We are delivering differentiated value across the cloud and edge as we work to earn customer trust every day.”

Microsoft’s mission is to empower every person and organisation to achieve more. This is quite a lofty mission, but arguably their mission from the 1990’s to have a PC on every desk has largely been achieved. Since Satya Nadella has taken over as CEO, Microsoft has been transforming itself from largely a software (Windows, Office, Outlook) business to a services business – cloud (Azure, Office 365), commercial social media (LinkedIn) and gaming (Xbox).

Our view is that this is a good strategy as Outlook and Office is ubiquitous in the computing world. Migrating clients to a cloud-based model creates a stickier client base, with fewer sales and support requirements to serve those clients. Microsoft is also succeeding in monetising their social media platform, LinkedIn which is becoming a key platform for recruiting in most businesses.

The company trades at elevated price levels, after a good run from in 2017 and 2018. But, with a focus on transforming the business into a cloud and services business, there is potential to grow revenues and margins. Microsoft does face stiff competition from Amazon, Google and others in the cloud computing arena. An added risk is that it could face selling pressure if there is a broad tech sell-off.

Sources: IRESS; <http://www.Microsoft.com>



MSFT.NAS@USXD: 4:00:00: 106.03 MA: 15 105.86 MA: 200 105.0064, 50 104.8418, 25 104.608 MA: 200 105.0064, 50 104.8418, 25 104.608



DISCLAIMER: This research report (“report”) is confidential, issued for the information of clients of Lunar Capital (Pty) Ltd (“Lunar”) and may not be issued to members of the, nor published in, public. The information, research and opinions contained herein have been formulated in good faith and where applicable have been derived from published sources generally reliable and believed to be fair, however the information, research and opinions, as the case may be, are not warranted to be complete or accurate. Lunar does not assume liability or responsibility for their form, sufficiency or accuracy. Any person making use of this report does so entirely at his or her own risk. Lunar does not assume liability for any losses arising from any errors or omissions in this report, irrespective of whether there has been any negligence, including gross negligence, by Lunar, its affiliates, officers or employees, and whether such losses are direct, indirect or consequential. This report is neither an offer nor a solicitation to buy or sell, and is not intended to call attention to, or to market, or promote the services of Lunar. Lunar does not have a proprietary interest, other than a possible casual or arbitrage interest, in any of the listed companies referred to herein and no director of Lunar, unless otherwise stated in this report, is a director of the companies referred to herein. Lunar Capital (Pty) Ltd, FSP 46567, Reg No. K2015013022. Collective Investment Schemes in securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commissions and incentives may be paid and if so, would be included in the overall costs. The Unit Trust portfolios are licensed under the Boutique Collective Investments Scheme. Boutique Collective Investments is a full member of the Association for Savings & Investments SA.

www.lunarcapital.co.za

LUNAR CAPITAL (PTY) LIMITED

Lunar Capital (Pty) Limited, registration number 2015/013022/07 is an authorised South African financial services provider (FSP 46567).