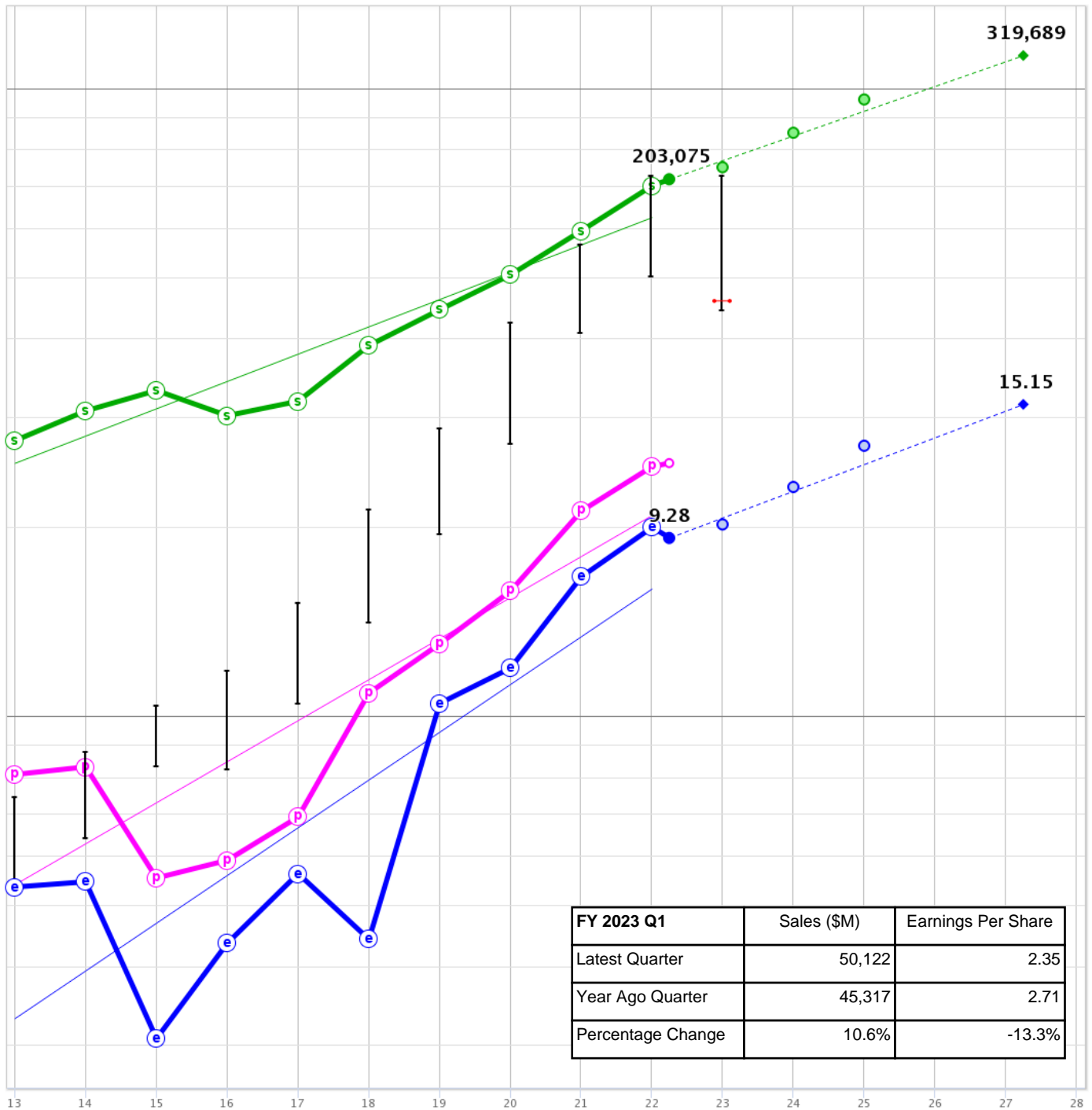


Stock Selection Guide

Company	Microsoft		Date	11/04/22	
Prepared by	LEWIS		Data taken from	BI Stock Data	
Where traded	NAS		Industry	Software - Infrastructure	
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	7,485.0	6.2	74.2		
Debt (\$M)	60,282.0	% to Tot Cap	25.8	% Pot Dil	0.4

Symbol: MSFT

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 10.5% | (3) Historical Earnings Per Share Growth | 19.1% |
| (2) Estimated Future Sales Growth | 9.5% | (4) Estimated Future Earnings Per Share Growth | 10.3% |

2 EVALUATING Management

Microsoft

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Last 5 Year Avg.
% Pre-tax Profit on Sales	34.7%	32.0%	19.8%	23.1%	25.7%	33.1%	34.7%	37.1%	42.3%	42.2%	37.9%
% Earned on Equity	28.0%	24.8%	13.2%	21.9%	30.0%	20.6%	40.8%	38.1%	45.0%	44.2%	37.7%
% Debt To Capital	16.5%	20.1%	30.6%	42.7%	54.4%	49.7%	43.4%	37.5%	32.3%	26.9%	38.0%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 221.39 (11/04/22)

52-WEEK HIGH 349.67

52-WEEK LOW 213.43

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2018	102.7	68.0	2.13	48.2	31.9	1.65	77.5	2.4
2019	138.4	94.0	5.06	27.4	18.6	1.80	35.6	1.9
2020	204.4	130.8	5.76	35.5	22.7	1.99	34.5	1.5
2021	271.7	196.3	8.05	33.7	24.4	2.19	27.2	1.1
2022	349.7	241.5	9.65	36.2	25.0	2.42	25.1	1.0
AVERAGE		146.1		33.2	22.7		30.6	
CURRENT/TTM			9.28	37.7	23.0	2.72	29.3	
AVERAGE PRICE EARNINGS RATIO: 27.9					CURRENT PRICE EARNINGS RATIO: 23.9			

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 25.0 X Estimate High Earnings/Share 15.15 = Forecasted High Price \$ 378.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 20.0 X Estimate Low Earnings/Share 9.58 = Forecasted Low Price \$ 191.6

(b) Avg. Low Price of Last 5 Years 146.1

(c) Recent Market Low Price 196.3

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{2.72}{2.43\%} = 112.1$

Selected Forecasted Low Price \$ 196.3

C ZONING using 25%-50%-25%

Forecasted High Price 378.8 Minus Forecasted Low Price 196.3 = 182.5 Range. 25% of Range 45.6

Buy Zone 196.3 to 241.9

Hold Zone 241.9 to 333.1

Sell Zone 333.1 to 378.8

Present Market Price of 221.39 is in the **BUY** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price}} = \frac{378.8 - 221.39}{221.39} = 0.71$
 $\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{378.8 - 221.39}{221.39 - 196.3} = 6.3$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{378.8 - 221.39}{221.39} = 1.7108$ X 100 = 171.08 - 100 = 71.1 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{2.42}{221.39} = 0.0123 = 1.2\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{30.6\%}{25.00} = 1.2\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{30.6\%}{22.50} = 1.4\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 11.3 %
 Average Yield 1.2 %
 Annualized Rate of Return 12.6 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 9.0 %
 Average Yield 1.4 %
 Annualized Rate of Return 10.4 %

Notes: MSFT 5/24/22 Janet Lewis 41st

Date	Subject	Description	Type
11/05/22	1st quarter Report 2022 submitted Nov 5 2022	<p>1st 2023 Quarterly report for Microsoft: Quarter Ending 9/30/22, VL Report Filed NOV 4, 2022. Janet Lewis MSFT</p> <p>Percentage change in Sales from year ago quarter 10.6%.</p> <p>Percentage change in Earnings per Share from year ago quarter -13.3%</p> <p>Is company meeting our target sales & earnings estimates? YES (Greater than 5-7% for a large company.)</p> <p>Pre-tax Profit on sales trend? UP</p> <p>Return on equity trends? UP.</p> <p>Debt? Down</p> <p>Current PE is 23.9 @ \$221.39 on NOV 4 2022 close of business.</p> <p>Where does it fall in my estimated High/low range of PE's ? Within my range of 22.7-33.2</p> <p>Signature PE is 27.9 (But Value Line projects average of 23 during 2025-2027)</p> <p>Club cost basis for this stock is \$25.44 per share. Current price is \$221.39 on 11/4/22.</p> <p>Current fair value: Morningstar: \$320 (strong buy & 4 star CFRA has \$376 (12 Month target price, from July 29, 2022) – strong buy Value Line 18 Month Target Price Range (\$225-\$443; midpoint=\$334) 5yr range \$320 - \$390</p> <p>My SSG Total Return is 12.6% Projected Average Return is 10.4%</p> <p>Microsoft is a large holding at 10.3% of our 14 stocks portfolio and Upside downside ratio is 6.3:1.</p> <p>Recommend: IT IS IN THE buy range, but it is already a large holding, so I recommend HOLD</p> <p>*****</p>	Community