年报其语

MICROSOFT MSFT

RECENT PRICE	P/E RATIO	P/FCF* RATIO	DIV. YLD (TTM)	BOOK VALUE
539.44	30.1x	59.8x	.7%	59.56

NIANBAO QIYU

HOW IT EARNS CASH | BUSINESS CHAIN

Enterprises pay for M365 seats, security and business apps. Renewals, new users and upgrades lift recurring revenue.

Azure bills cloud and AI use; server licenses serve hybrid workloads. Windows OEM, Xbox, LinkedIn and ads add parallel revenue.

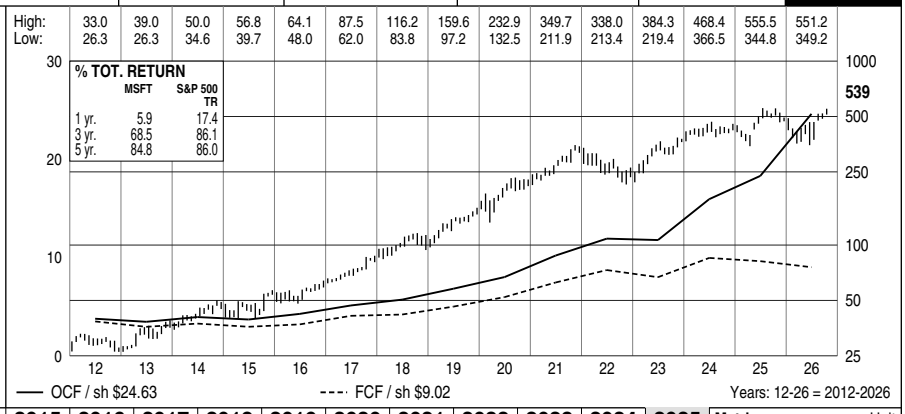
Contracts need delivery and collection. Cash funds staff, computing and data centers. Cash PP&E uses 63.4% of OCF; the rest is Reported FCF.

BUSINESS MIX | FY26

Revenue	$M	Mix	YoY	3Y CAGR
Productivity & BP	139996	42.2%	15.9%	14.1%
Intelligent Cloud	137791	41.5%	29.7%	23.6%
Personal Computing	54052	16.3%	-1.1%	6.4%
Total	**331839**	**100.0%**	**17.8%**	**16.1%**

FY26 op. margins (same order): 59.9% / 41.3% / 26.6%.

Product views are nested; margins include allocated costs.



VALUE CREATION	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Metric	Unit
DEMAND & ENTRY Installed enterprise workflows, developers and consumer reach create repeat demand.	73723	77849	86833	93580	91154	96571	110360	125843	143015	168088	198270	211915	245122	281724	331839	**Revenue**	$M
	5.4%	5.6%	11.5%	7.8%	-2.6%*	5.9%	14.3%	14.0%	13.6%	17.5%	18.0%	6.9%	15.7%	14.9%	17.8%	**Rev. YoY***	%
	76.2%	74.0%	69.0%	64.7%	64.0%	64.5%	65.2%	65.9%	67.8%	68.9%	68.4%	68.9%	69.8%	68.8%	67.9%	**Gross Margin**	%
	21763	26764	27759	18161	26078	29025	35058	42959	52959	69916	83383	88523	109433	128528	155237	**Op. Income**	$M
	29.5%	34.4%	32.0%	19.4%	28.6%	30.1%	31.8%	34.1%	37.0%	41.6%	42.1%	41.8%	44.6%	45.6%	46.8%	**Op. Margin**	%
↓ **PARALLEL REVENUE**	16978	21863	22074	12193	20539	25489	16571	39240	44281	61271	72738	72361	88136	101832	133749	**Net Income**	$M
Subscriptions & upgrades M365 cloud +17%; seats +6%. Copilot paid seats >30M.	23.0%	28.1%	25.4%	13.0%	22.5%	26.4%	15.0%	31.2%	31.0%	36.5%	36.7%	34.1%	36.0%	36.1%	40.3%	**Net Margin**	%
	31626	28833	32502	29668	33325	39507	43884	52185	60675	76740	89035	87582	118548	136162	182935	**OCF**	$M
	42.9%	37.0%	37.4%	31.7%	36.6%	40.9%	39.8%	41.5%	42.4%	45.7%	44.9%	41.3%	48.4%	48.3%	55.1%	**OCF Margin**	%
	1.9x	1.3x	1.5x	2.4x	1.6x	1.5x	2.6x	1.3x	1.4x	1.3x	1.2x	1.2x	1.3x	1.3x	1.4x	**OCF / Net Inc.**	x
Cloud consumption Azure & other cloud +41%; Azure annual revenue >$100B.	2305.0	4257.0	5485.0	5944.0	8343.0	8129.0	11632	13925	15441	20622	23886	28107	44477	64551	115948	**Capex**	$M
	7.3%	14.8%	16.9%	20.0%	25.0%	20.6%	26.5%	26.7%	25.4%	26.9%	26.8%	32.1%	37.5%	47.4%	63.4%	**Capex / OCF**	%
	29321	24576	27017	23724	24982	31378	32252	38260	45234	56118	65149	59475	74071	71611	66987	**Reported FCF**	$M
	39.8%	31.6%	31.1%	25.4%	27.4%	32.5%	29.2%	30.4%	31.6%	33.4%	32.9%	28.1%	30.2%	25.4%	20.2%	**FCF Margin**	%
PC, content & ads Windows licenses, gaming, devices and ads earn separate customer payments.	10112	1584.0	5937.0	3723.0	1393.0	25944	888.00	2388.0	2521.0	8909.0	22038	1670.0	69132	5978.0	1743.0	**Acq. & Other Assets***	$M
	32.0%	5.5%	18.3%	12.5%	4.2%	65.7%	2.0%	4.6%	4.2%	11.6%	24.8%	1.9%	58.3%	4.4%	1.0%	**Acq. & Other / OCF***	%
	2244.0	2406.0	2446.0	2574.0	2668.0	3266.0	3940.0	4652.0	5289.0	6118.0	7502.0	9611.0	10734	11974	12405	**SBC Expense**	$M
	7.1%	8.3%	7.5%	8.7%	8.0%	8.3%	9.0%	8.9%	8.7%	8.0%	8.4%	11.0%	9.1%	8.8%	6.8%	**SBC / OCF**	%
↓ **DELIVERY & CASH** Microsoft Cloud gross margin: 66%. Contracts need delivery and collection; RPO is not cash.	5029.0	5360.0	7316.0	14443	15969	11788	10721	19543	22968	27385	32696	22245	17254	18420	22271	**Repurchases (CFS)**	$M
	15.9%	18.6%	22.5%	48.7%	47.9%	29.8%	24.4%	37.4%	37.9%	35.7%	36.7%	25.4%	14.6%	13.5%	12.2%	**Repurchases / OCF**	%
	6385.0	7455.0	8879.0	9882.0	11006	11845	12699	13811	15137	16521	18135	19800	21771	24082	26445	**Dividends**	$M
	20.2%	25.9%	27.3%	33.3%	33.0%	30.0%	28.9%	26.5%	24.9%	21.5%	20.4%	22.6%	18.4%	17.7%	14.5%	**Dividends / OCF**	%
↓ **REINVESTMENT & FCF** Cash PP&E absorbs 63.4% of OCF. Reported FCF $66.99B; lease additions are separate.	105.4%*	131.9%*	99.6%	52.5%	98.6%	73.9%	43.7%*	100.5%	86.8%	88.0%	69.4%	50.2%	41.5%	34.7%	30.9%	**ROIC***	%
	27.5%	30.1%	26.2%	14.4%	24.1%	29.8%	19.4%	42.4%	40.1%	47.1%	47.2%	38.8%	37.1%	33.3%	34.0%	**ROE**	%
	14.9%	16.8%	14.2%	7.1%	10.9%*	11.2%	6.5%	14.4%	15.1%	19.3%	20.8%	18.6%	19.1%	18.0%	19.4%	**ROA***	%
	8381.0	8328.0	8239.0	8027.0	7808.0	7708.0	7677.0	7643.0	7571.0	7519.0	7464.0	7432.0	7434.0	7434.0	7427.0	**Shares Out.**	M sh
RETURN CONDITION Paid use and efficient delivery must cover renewal capital and leave more sustainable cash per share. New AI investment returns remain unproven.	8.80	9.35	10.54	11.66	11.67	12.53	14.38	16.47	18.89	22.36	26.56	28.51	32.97	37.90	44.68	**Revenue / Sh.**	$/sh
	2.00	2.58	2.63	1.48	2.56	3.25	2.13	5.06	5.76	8.05	9.65	9.68	11.80	13.64	17.95	**Diluted EPS**	$/sh
	3.77	3.46	3.94	3.70	4.27	5.13	5.72	6.83	8.01	10.21	11.93	11.78	15.95	18.32	24.63	**OCF / Sh.**	$/sh
	.28	.51	.67	.74	1.07	1.05	1.52	1.82	2.04	2.74	3.20	3.78	5.98	8.68	15.61	**Capex / Sh.**	$/sh
	3.50	2.95	3.28	2.96	3.20	4.07	4.20	5.01	5.97	7.46	8.73	8.00	9.96	9.63	9.02	**FCF / Sh.**	$/sh
	.80	.92	1.12	1.24	1.44	1.56	1.68	1.84	2.04	2.24	2.48	2.72	3.00	3.32	3.64	**Dividend / Sh.**	$/sh
	14.1x	11.5x	14.0x	30.5x	19.7x	19.2x	40.3x	22.3x	27.3x	28.3x	30.8x	27.7x	32.0x	31.1x	25.6x	**Avg. P/E**	x
	11.4%	8.5%	7.9%	6.7%	6.3%	5.9%	4.3%	3.7%	2.9%	2.8%	3.4%	2.3%	2.2%	1.9%	2.4%	**FCF Yield**	%
	2.6%	2.7%	2.7%	2.8%	2.8%	2.3%	1.7%	1.4%	1.0%	.8%	1.0%	.8%	.7%	.7%	1.0%	**Dividend Yield**	%

CORE KPI TRACKER

Metric	FY22	FY23	FY24	FY25	FY26
Azure growth*	--	31.0%	33.0%	34.0%	**41.0%**
M365 cloud YoY*	--	16.0%	18.0%	15.0%	**17.0%**
M365 seats YoY*	14.0%	11.0%	7.0%	6.0%	**6.0%**
Comm. RPO YoY	34.0%	19.0%	20.0%	37.0%	**84.0%**
Cloud gross mgn*	70.0%	72.0%	72.0%	69.0%	**66.0%**
PP&E / OCF	26.8%	32.1%	37.5%	47.4%	**63.4%**

COMPOUND ANNUAL GROWTH RATE

	1Y	3Y	5Y	10Y	15Y
Revenue	17.8%	16.1%	14.6%	13.8%	10.9%
OCF	34.4%	27.8%	19.0%	18.6%	13.6%
Reported FCF	-6.5%	4.0%	3.6%	10.4%	6.9%
Net income	31.3%	22.7%	16.9%	20.6%	12.4%
EPS diluted	31.6%	22.9%	17.4%	21.5%	13.5%
FCF / share	-6.4%	4.1%	3.9%	10.9%	7.8%
Div. / share	9.6%	10.2%	10.2%	9.7%	12.3%

FINANCIAL POSITION | $B

	FY22	FY23	FY24	FY25	FY26
Tot. assets	364.84	411.98	512.16	619.00	758.38
Tot. liabilities	198.30	205.75	243.69	275.52	315.99
Net assets	166.54	206.22	268.48	343.48	442.39
Mkt cap*	1916.98	2530.89	3322.63	3697.75	4006.42
Cash + ST	104.76	111.26	75.54	94.57	76.84
Liab./assets	54.4%	49.9%	47.6%	44.5%	41.7%

CAPITAL RETURNS: FY12-FY26 OCF $1043.21B, less cash PP&E $373.05B, yielded **$670.16B FCF.** Program buybacks: **$209.48B (31.3% of FCF);** paid dividends: **$223.85B (33.4%).** Combined payouts: **64.7%.** The $236.83B residual precedes acquisitions, investments, debt/lease principal and award settlements; it is not cash retained.

NET SHARES: Split-adjusted common: 8376M at FY11-end to 7427M at FY26-end, **down 11.3%.** FY26: 36M repurchased less 29M issued = **7M fewer shares (.1%).** Cumulative FCF covered program buybacks and paid dividends. FY26 net debt repayments were $3.00B; funding attribution to buybacks is not established.

Software funds expansion. M365 cloud revenue grew 17% on 6% seat growth. Upgrades lift monetization; AI delivery costs absorb cash.

Cloud demand needs delivery. Azure revenue exceeded $100B. The $678B commercial RPO improves visibility, but delivery, customer payment and costs determine its cash value.

Investment absorbs the cash increase. OCF added $46.77B; cash PP&E added $51.40B. FCF fell to $66.99B. New capacity must cover delivery and future equipment renewal with cash.

Capital costs extend beyond capex. Leases and renewal also claim cash. Additions, principal and commitments have different timing; summing them with capex can double count.

Judge the benefit per share. Program buybacks used $16.72B; net shares fell .1%. FCF/share fell from $9.63 to $9.02. The CFS row includes award-withholding cash.

Returns require cash. Paid use, cloud margin and capital efficiency must lift cash/share. Group ROIC does not prove AI returns. Normalized FCF remains unestablished.

History FY12-FY26 uses Jul-Jun labels; FY11 anchor off-page. KPI and position table are issuer FY22-FY26; FY16 Rev./ROA comparability limited.
ROIC uses standardized net invested capital less cash/short-term investments; a low capital base may inflate it; FY18 tax affects ROIC.
Reported FCF = OCF less gross cash PP&E, excluding lease additions; cash/share uses frozen FYE shares; EPS is reported diluted.
FY22 cloud margin as reported; FY23 server/network lives extended from 4 to 6 years. Growth -- has no scope bridge; CAGR uses reported endpoints.
Monthly high/low; dividends reinvested, S&P 500 gross TR. FY22-25 cap at FYE; FY26 Oct15 close x Jun30 shares approx.; P/FCF: FY26 FCF/end shares.
Sources: SEC Forms 10-K / Microsoft IR; market data as stated. Calculations & presentation: Nianbao Qiyu.
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