

# Microsoft

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# Agenda

**Company Overview**



**Industry Analysis**



**Valuations**



**Portfolio Changes**



**Final Recommendation**

# Executive Summary

**Buy Microsoft**

## Reasoning

Valuation  
Discount

Integration  
Moat

Portfolio Fit

## Recommendation Overview

Share Price as at 2/20/26	\$397
Target Price	\$459
Gain	16%

MSFT Stock Price  
(Open-High-Low-Close)





# Company Overview

Explaining how Microsoft wins as a company

# Who is Microsoft



**Founded in 1975 by Bill Gates and Paul Allen**



**Headquarters: Redmond, Washington**



**228,000 Employees**

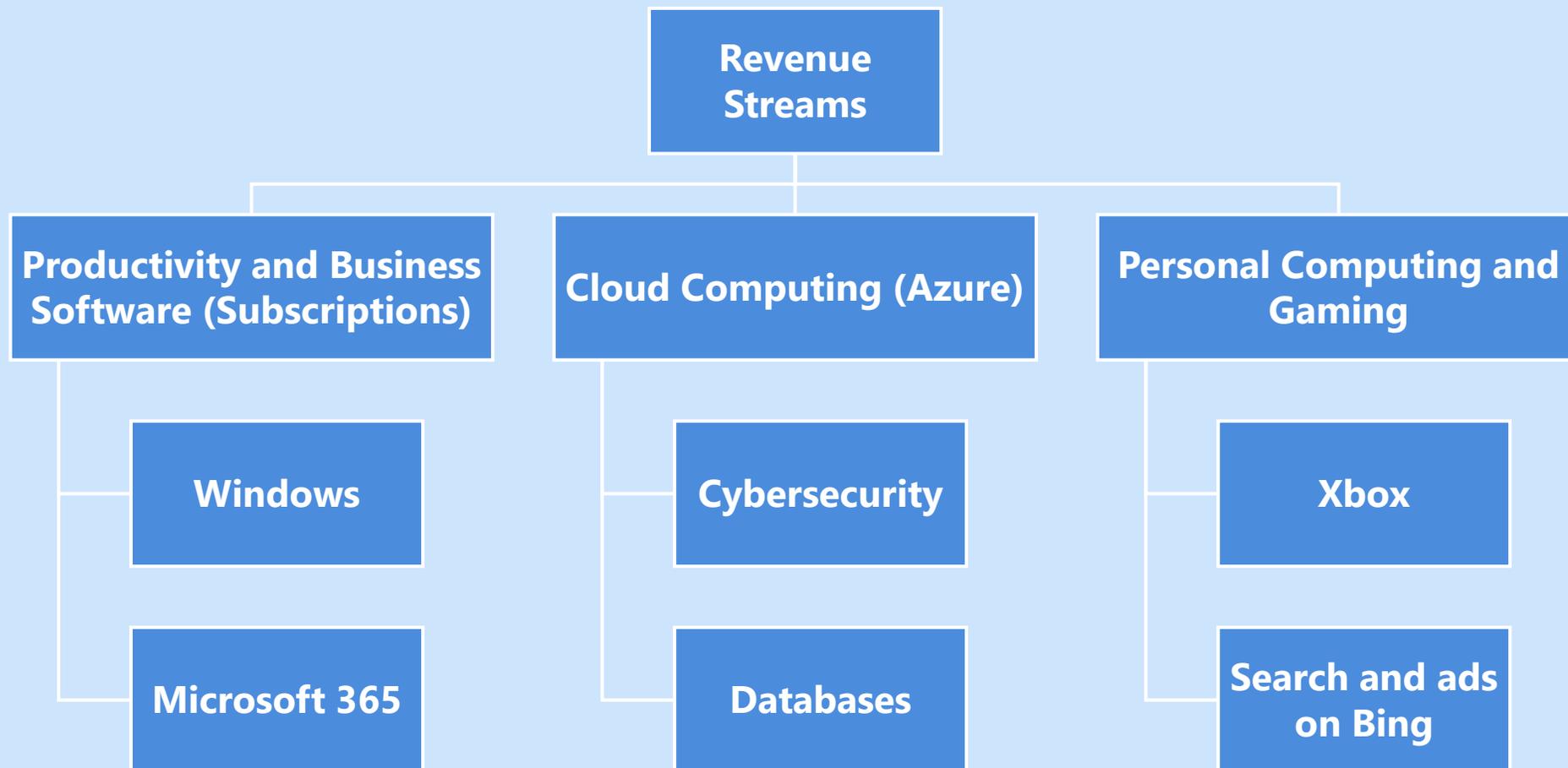
**Software  
Publishing  
Company**

**Cloud-First  
Business Model**

**Diversified  
Platform &  
Revenue Streams**

**Part of the Mag 7**

# How Microsoft Works



# Why Invest in Microsoft?

## Valuation Discount

Trades Cheaper than Mag 7 Peers on Key Multiples  
Recent Earnings Call has Lowered Microsoft's Price

## Integration Moat

Over 70% of Fortune 500 companies use Microsoft 365 Copilot  
Once integrated, hard to switch out of

## Portfolio Fit

Pushes Weighting in Celani Closer to Benchmark  
Improves All Risk Adjusted Return Statistics

# Tailwinds

**Explosive AI  
demand  
across US  
market**

**Azure growth  
and  
predictable  
revenue  
growth**

**First mover  
advantage  
with OpenAI**

**Strong  
Earnings with  
momentum**

**Sustainability  
attracting  
Government  
and investor  
contracts**

# Headwinds

**Huge AI  
capital  
spending  
with  
uncertain ROI**

**Global  
Antitrust &  
regulatory  
investigation**

**Heavily rely  
on OpenAI  
partnership**

**Infrastructure  
and chip  
capacity  
constraints**

**Ethical /  
political  
controversies**

# SWOT Analysis

## Strengths

**Strong enterprise ecosystem & high switching costs**  
**Leader in cloud computing (Azure)**  
**AI integration across product suite (Copilot)**  
**Recurring subscription revenue model**  
**Trusted global enterprise brand**

## Weakness

**High AI and data center capital spending**  
**Dependence on enterprise/IT spending cycles**  
**Gaming hardware segment underperformance**  
**Complex, large organizational structure**

**Microsoft**

## Opportunities

**AI monetization across Office & Azure**  
**Cloud migration tailwinds**  
**Cybersecurity growth**  
**Enterprise AI demand growth**  
**Expansion of subscription services**

## Threats

**Cloud competition (AWS & Google)**  
**Regulatory and antitrust risk**  
**Rapid tech disruption**  
**Global economic slowdown impacting IT budgets**  
**Cybersecurity risks**



# Industry Analysis

How Microsoft compares to its competitors

# Software Publishing Industry

Omnipresent in every industry

Subscription based models (SaaS)

Diverse industry (OS, AI, Database, Cloud, etc.)

Rising market growth

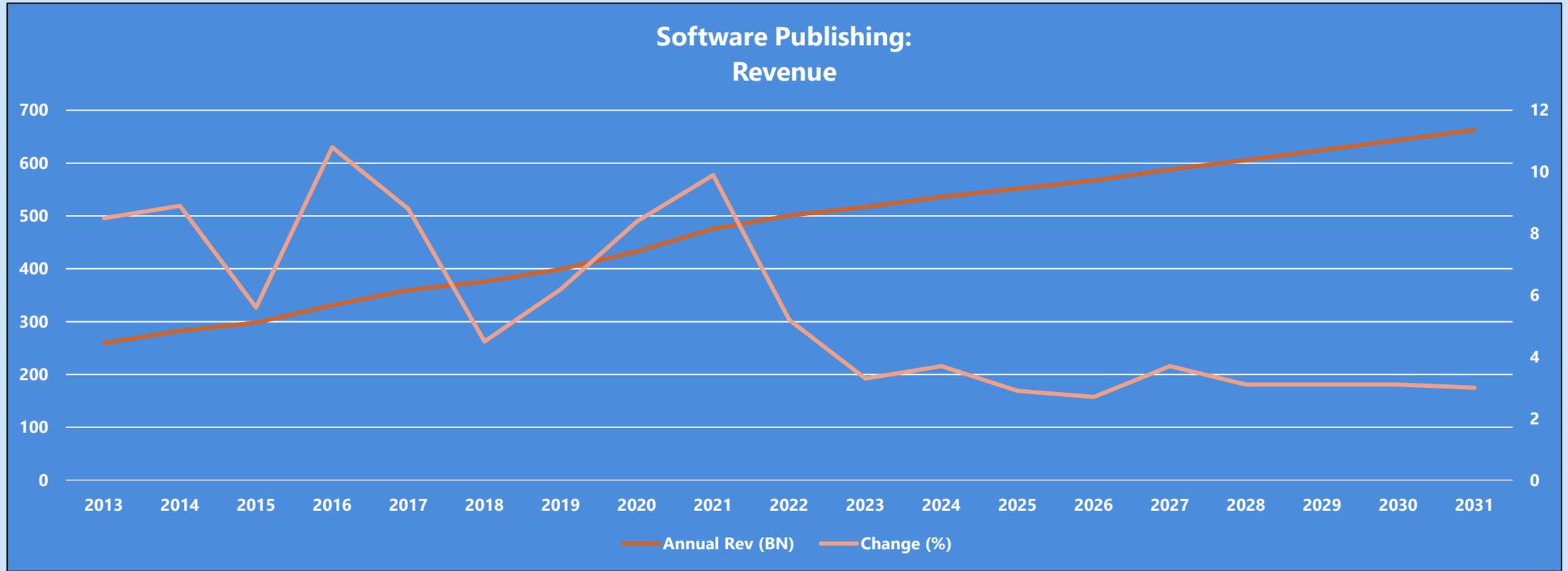
## Why is the Industry Growing?

Focal  
Point of  
Economy

Enterprise  
Demand

AI and ML  
tools

# Software Publishing Industry: By the Numbers



# Industry SWOT Analysis

## Strengths

- Near-zero marginal cost of distribution
- Subscription revenue model
- Massive global demand
- Fast innovation cycles

## Weaknesses

- Heavy dependence on skilled employees
- Constant innovation pressure
- Customer Churn risk
- Overreliance on cloud systems

## Software Publishing Industry

## Opportunities

- AI revolution
- Expansion in every industry
- Cybersecurity in growing demand
- Still global growth available

## Threats

- AI industry disruption
- Competition and low barrier to enter
- Increasing antitrust pressure

# Ratio Analysis

Liquidity Ratios	MSFT	AAPL	AMD	AMZN	Competitor Mean
Current Ratio	1.35	0.89	2.85	1.05	1.60
Quick Ratio	1.16	0.57	1.78	0.88	1.08
Cash Ratio	0.67	0.33	1.12	0.56	0.67
Profitability Ratios	MSFT	AAPL	AMD	AMZN	Competitor Mean
Operating Margin	45.62	31.97	10.66	11.16	17.93
Net Income Margin	36.15	26.92	12.51	10.83	16.75
EBITDA to Sales	0.63	0.35	0.19	0.22	0.26
Leverage/Solvency Ratios	MSFT	AAPL	AMD	AMZN	Competitor Mean
Total Debt-to-Equity Ratio	32.66	152.41	6.11	41.34	66.62
Times Interest Earned	53.89	n/a	28.20	35.17	31.69

# Valuations

Looking at Microsoft from a Quantitative Perspective



# Price to Earnings Multiple

Microsoft Market Price: \$397.08

Compared to Apple

AAPL P/E Ratio: 34.24

MSFT EPS: \$13.64

Implied Share Price: \$467.08

Shares Undervalued By 17.58%

Compared to Amazon

AMZN P/E Ratio: 33.02

MSFT EPS: \$13.64

Implied Share Price: \$450.43

Shares Undervalued by 13.39%

# Sensitivity Analysis: Apple

		MSFT Earnings					
		467.08	96,407	99,083	101,832	104,581	107,405
APPL P/E Multiple	30.00	387.44	398.19	409.24	420.29	431.63	
	32.00	413.27	424.74	436.52	448.31	460.41	
	34.24	442.19	454.47	467.08	479.69	492.64	
	36.00	464.92	477.83	491.09	504.34	517.96	
	40.00	516.58	530.92	545.65	560.38	575.51	

**Bear Case:**  
**\$387.44**

**Base Case:**  
**\$467.08**

**Bull Case:**  
**\$575.51**

# Sensitivity Analysis: Amazon

		MSFT Earnings					
		450.43	96,407	99,083	101,832	104,581	107,405
AMZN P/E Multiple	30.00	387.44	398.19	409.24	420.29	431.63	
	31.00	400.35	411.46	422.88	434.30	446.02	
	33.02	426.44	438.27	450.43	462.60	475.09	
	35.00	452.01	464.56	477.44	490.34	503.57	
	40.00	516.58	530.92	545.65	560.38	575.51	

**Bear Case:**  
**\$387.44**

**Base Case:**  
**\$450.43**

**Bull Case:**  
**\$575.51**

# Price to Sales Multiple

Compared to Apple

AAPL P/S Multiple: 10.10

MSFT Sales per Share: \$37.90

MSFT Implied Share Price: \$382.90

MSFT Market Price: \$397.23

Shares Overvalued by 3.6%

# Valuations Summary

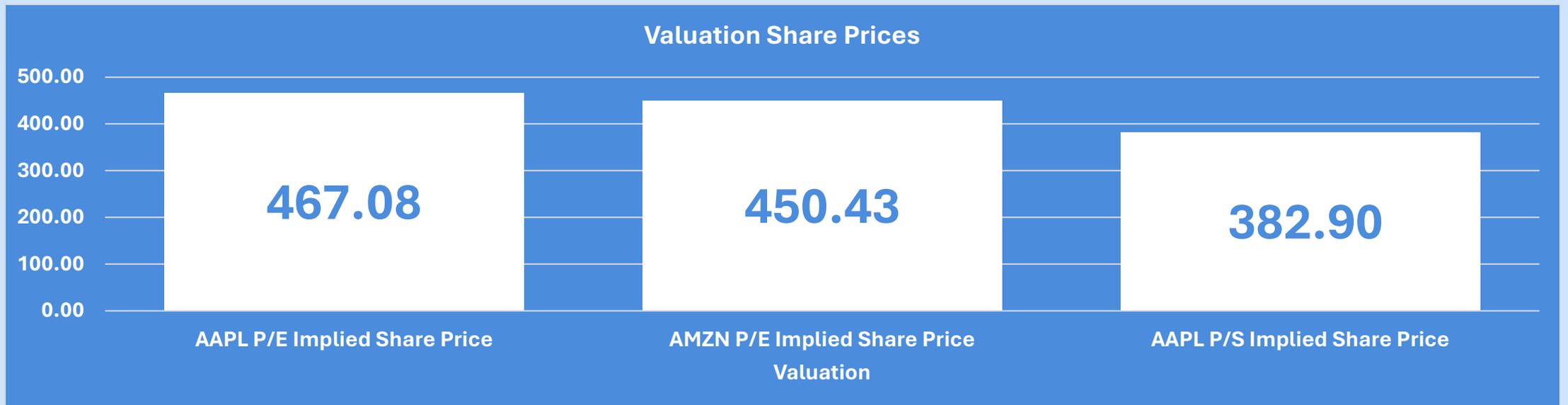
Valuations Show Consistent Gain

MSFT is Undervalued by 17.58%

MSFT Price Today: \$397.08

Valuation:  
Buy MSFT

Average Target Price	
Average Target Price	458.76
Analyst Target Price	597.34
Difference	138.58





# Portfolio Changes

How a Purchase of Microsoft Pushes Celani's Gains

# Risk Metric Changes

## Before Acquisition

Sharpe: 1.21

Sortino: 2.21

Treynor: 18.73%

Alpha: 5.91%

Beta: 0.99

Upside Capture: 118.34%

Downside Capture: 91.00%

Maximum Drawdown: -21.56%



## After Acquisition

Sharpe: 1.25

Sortino: 2.28

Treynor: 19.15%

Alpha: 6.28%

Beta: 0.98

Upside Capture: 118.96%

Downside Capture: 89.92%

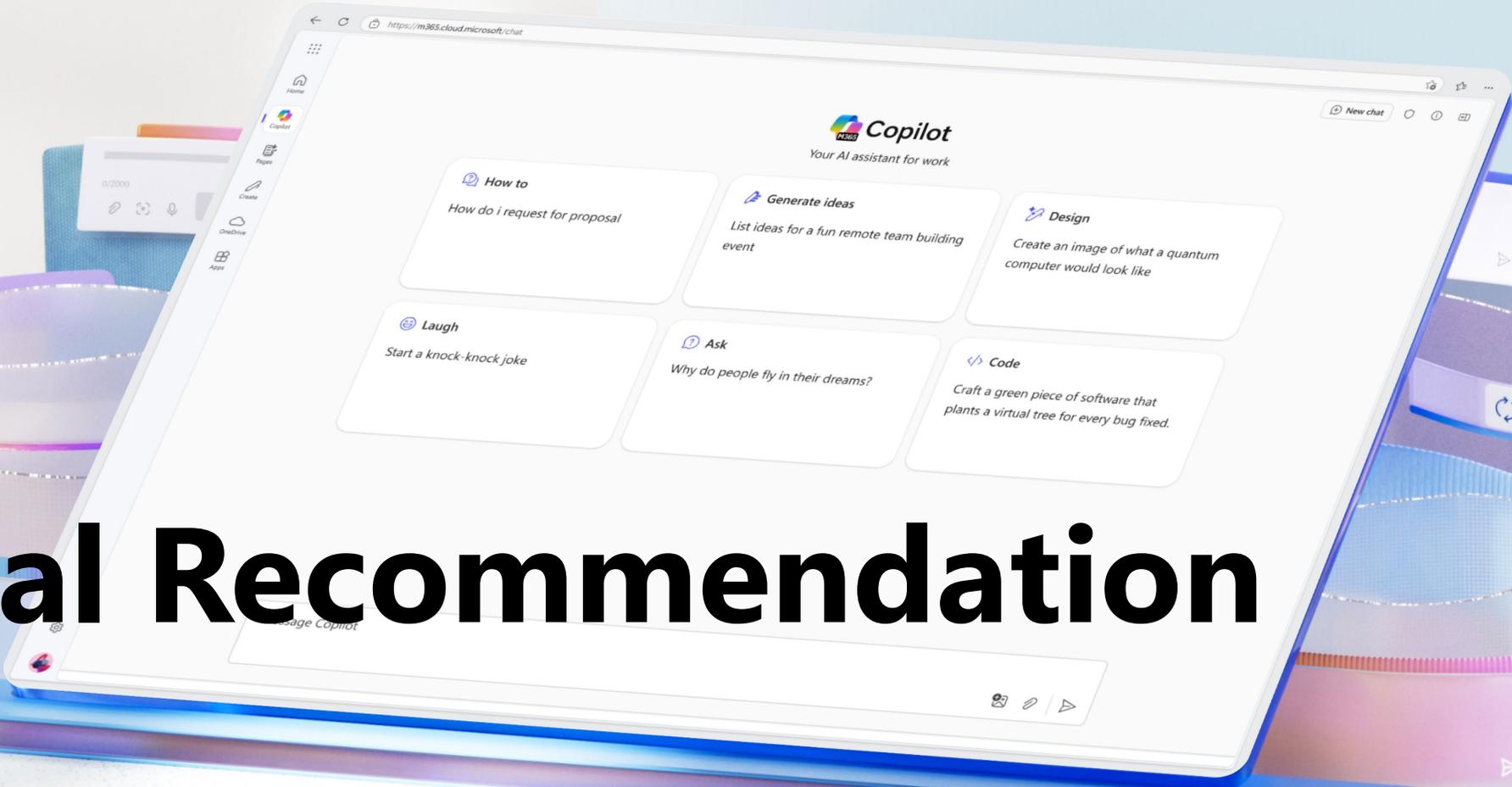
Maximum Drawdown: -20.32%

# Weighting Changes

Sector	Celani Before	Celani After	Benchmark	Weight
Communication Services	3.66%	3.66%	10.77%	Underweight
Consumer Discretionary	12.02%	12.02%	9.95%	Overweight
Consumer Staples	10.02%	10.02%	5.15%	Overweight
Energy	7.05%	7.05%	3.39%	Overweight
Financials	12.48%	12.48%	12.89%	Near Benchmark
Health Care	8.20%	8.20%	9.91%	Underweight
Industrials	10.92%	10.92%	9.05%	Overweight
<b>Technology</b>	<b>18.01%</b>	<b>23.01%</b>	<b>32.92%</b>	Underweight
Utilities	0.93%	0.93%	2.21%	Near Benchmark
Materials	0%	0%	1.98%	Underweight
Real Estate	0%	0%	1.78%	Underweight
% in Equities	83.29%	88.29%	100.00%	

\*Cash position drops from \$594,985 to \$417,026

# Final Recommendation



**How to**  
How do i request for proposal

**Generate ideas**  
List ideas for a fun remote team building event

**Design**  
Create an image of what a quantum computer would look like

**Laugh**  
Start a knock-knock joke

**Ask**  
Why do people fly in their dreams?

**Code**  
Craft a green piece of software that plants a virtual tree for every bug fixed.

# Final Recommendation: Buy Microsoft

Recommendation Overview	
Share Price as at 2/20/26	\$397
Target Price	\$459
Gain	16%

**Valuation  
Discount**

**Integration Moat**

**Portfolio Fit**

# Exit Strategy

## Suggested Investment Size:

**\$177,959**  
**448 Shares**

## Scenario 1: MSFT Hits Target Price

<b>Sell Price</b>	<b>\$459</b>
<b>Original Investment</b>	<b>177,959</b>
<b>Gain</b>	<b>+27,673</b>
<b>Total Value</b>	<b>\$205,632</b>

## Scenario 2: MSFT Doesn't Hit Target

<b>Sell Price</b>	<b>\$350</b>
<b>Original Investment</b>	<b>177,959</b>
<b>Loss</b>	<b>(21,159)</b>
<b>Total Value</b>	<b>\$156,800</b>

## Scenario 3: MSFT Price Stagnant in 2031

**Reassess Position**

# Conclusion

Vote **BUY** to purchase 448 shares of MSFT  
for \$177,959

Because...

- Valuation Discount
- Integration Moat
- Portfolio Fit



Clippy  
says to  
Buy  
Microsoft

MSFT Funds Vote 2/23



# Appendix



# DCF Valuation

**WACC: 8.26%**

**LTGR: 3.07%**

**Current Share Price: \$397.23**

**Implied Share Price: \$362.43**

**Overvalued by: 9.6%**

Free Cash Flows					
Forecasted Year	2026	2027	2028	2029	2030
NOPAT	128,157	149,692	172,567	197,268	225,112
Less: NWC Changes	(19,975)	(21,440)	(22,695)	(23,673)	(26,514)
Less: Capex	(30,745)	(33,000)	(34,932)	(36,437)	(40,810)
Free Cash Flows	77,438	95,253	114,940	137,158	157,789