

Patrick Van Ooteghem
Kathleen Riggs
Andy Sutton

Where do we want to go today? Microsoft!

Recommendation: **Buy**

Company Profile

Microsoft Corporation develops, manufactures, licenses & supports a range of software products, including scalable operating systems, server applications, worker productivity applications and software development tools. They have recently ventured into the console video game market with the "Xbox." One day Microsoft will rule the world.

Source: Multex

Stock Price (4/4/03)	\$25.09
Shares Outstanding	10,359 M
Market Cap. (4/8/03)	\$259 B
EPS	\$0.94
EPS(2003)	\$1.00
ST growth rate	16 %
52-week low	\$ 20.71
52-week high	\$ 29.48
P/E	25.8
P/E(2003)	25
P/B	4.73
P/Sales	8.81
P/CF	25.49
PEG	1.57
ROE	17.84%
ROA	13.87%
Beta	1.75
Total Cash	\$ 43.3 B

Source: Yahoo, Hoovers, & CNBC

Highlights:

- **Excellent Management!** Microsoft's executives are the best in the industry. Their ROE is 90% greater than the sector and their ROA beats the sector's average by an amazing 250%. Clearly, they are managing capital and other assets with shareholder value in mind.
- **Core Products Still Strong:** Windows and Office made almost \$4 B profit last year. Because these programs have become standard among PC users, Microsoft's near-monopoly (Whoops—forget we used that word!) ensures that the profitable trend will continue for quite some time.
- **Expanding into Digital Technology:** R & D Spending reached \$5.2B last year to focus on opportunities ahead, including Smart Monitors, Tablet PCs, and Cordless Displays. MSFT has also become a leader in the Pocket PC and video game market.
- **Legal Problems in Recycle Bin:** MSFT is fully committed to carrying out responsibilities required by settlement, and pressures in USA seem to be wearing off.
- **Despite A Challenging Economic Climate, Revenues for the Year Increased by \$3.07 BILLION, and Operating Income Grew By \$190 Million.** Revenue from enterprise software beat the highly competitive server market by a wide margin. The strong demand for Windows XP & other software has proven very profitable. Consumer Businesses saw a dramatic rise in sales with the launch of the XBOX video game system and a strong growth in MSN subscriptions. It is becoming the most popular server on the internet, numbering 270 Million users.

Industry Overview:

The Systems Software Industry Outlook is slightly bullish. However, we are more bullish on Microsoft following a federal judge's approval of its 2001 settlement with the Justice Department, increasing software sales and an expansion into other technological markets. Overall, the near term prospects for the industry as a whole are less optimistic than for Microsoft because of a continuing IT spending slowdown. Year to date, the Systems software index has increased by 3.7%, versus a 1.3% rise of the S&P.

We expect single digit sales growth of PC software in 2003, led by the Windows line of products. Unfortunately, it will be nothing compared to the spending and growth in the late '90s but will be an improvement from the last few years. For the longer term, we believe that evolving Internet and Intranets are creating an increasing demand for software applications and systems.

Although growth is smaller in Mainframe software, vendors are using their mainframe skills to develop and promote products which help manage, administer, and support client/server systems. As technology is improving, one has reason to take a slightly optimistic outlook for sales.

Top Ten Competitors

AOL Time Warner (AOL)
IBM Software (IBM)
Oracle Corporation (ORCL)
SAP Aktiengesellschaft (SAP)
Computer Associates International, Inc. (CA)
PeopleSoft, Inc (PSFT)
Siebel Systems, Inc. (SEBL)
SunGard Data Systems, Inc. (SDS)
Compuware Corporation (CPWR)
BMC Software, Inc. (BMC)

Description of Microsoft's Core Business

Microsoft's Corporate Mission is "To enable people and businesses throughout the world (& student-run Endowment Funds) to realize their full potential!" Microsoft develops, manufactures, and supports a broad array of products for a variety of computing devices. They are diversified in servers, PCs, intelligent devices; business solution applications, software development tools. They offer internet access and broadband. They license their consumer software programs, sell hardware, and train and certify system integrators and developers. Microsoft extensively engages in research and development of advanced technology to ensure future profitability. This company is everywhere!

Divisions:

- Desktop and Enterprise software and services
 - Desktop Applications
 - Office, Client Access Licenses
 - Desktop Platforms
 - Windows XP, 2000 Professional, NT Workstation, Millennium Edition, 98
 - Enterprise Software and Services
 - .NET Enterprise Servers
- Consumer Software, Services, and Devices
 - Xbox
 - MSN Internet Access
 - MSN Network Services
 - PC and Online Games
 - Learning and Productivity Software
 - Mobility and Embedded Systems
- Consumer Commerce Investments
 - Websites
 - Expedia.com, HomeAdvisor online Real Estate service, Carpoint.com

Successful Management

While Microsoft did run into some recent litigation troubles, nobody can deny that the success of Microsoft has been little short of astonishing. The software company has grown from being the dream of a small group of college students to a corporation that dominates the computer world.

The success of the company is based largely on some straightforward management strategies, which has led to the Company's ROE to be 90% greater than the sector and their ROA to beat the sector's average by an amazing 250%. Another reason for Microsoft's dominance has been its ability to hire and retain the best managers, and then require their managers to continually train so that they will have a good detailed technical knowledge of the work being carried out by their teams .

Microsoft continues to stay ahead of the game because Bill Gates will often alter the direction of Microsoft when he believes it necessary to maintain the dominant position of the industry. A look at how many times he has updated Windows, and taken risks on everything from Enterprise Software to video games confirms this. Microsoft created an environment so that employees focus on 'total world domination', where employees are encouraged to think of every project in terms of winning market share and dominating the marketplace.

Becoming a Leader in Enterprise Software and Services

Microsoft Corporation recently launched the Microsoft .NET Compact Framework. The device is a mobile application technology that accesses Web services on smart mobile devices and enables the Visual Studio .NET developers to easily build mobile applications on the Pocket PC operating system. Microsoft, the Pepsi Bottling Group Inc. and Shelflink Inc. announced that Pepsi has deployed a new Microsoft .NET Compact Framework-based smart mobile solution built with Microsoft Visual Studio .NET 2003." (Source: Multex)

Expansion

Microsoft's ambitions are anything but small. The world's #1 software company provides a variety of products and services, including its Windows operating systems and Office software suite. The company has expanded into markets such as video game consoles, PDAs, interactive television, more digital technology and Internet access. With its core markets maturing, Microsoft is targeting services for growth, looking to transform its software applications into Web-based services for enterprises and consumers.

Legal Settlements

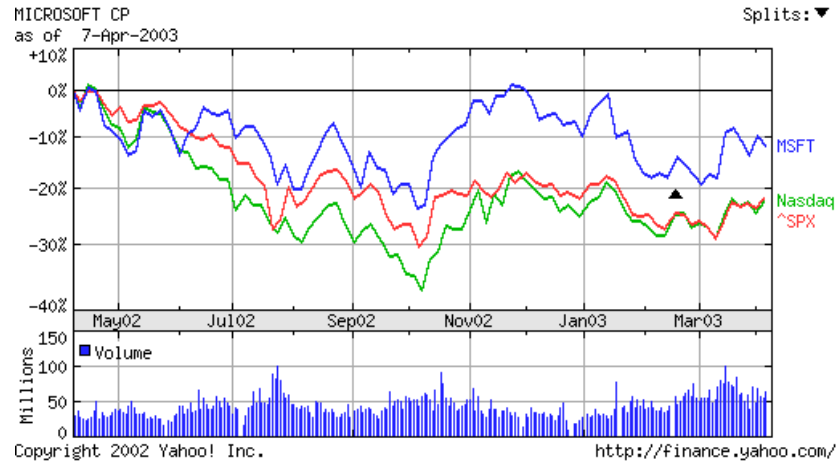
Remember the Microsoft antitrust trial? Well, U.S. District Judge Colleen Kollar-Kotelly has issued a final judgment. The Judge's decision closely follows the settlement Microsoft reached with the Bush administration and nine states . It avoids harsher restrictions demanded separately by other states, and therefore, is bullish for MSFT. The ruling requires Microsoft to make it easier for computer users to disable Windows features and applications . The ruling also requires the company to establish uniform licensing and pricing terms for computer makers. And, Microsoft is required to better share information to competitors about programming interface requirements for Windows and other server products.

Microsoft still faces several private lawsuits at home and abroad. And as Microsoft grows into new markets, the company is likely to have new inquiries by the government . But while Microsoft occasionally stumbles in court, we think the company will continue to work through outstanding legal issues without being hit with sanctions that would significantly alter the company's prospects for growth.

Sources: Hoovers, Yahoo!, Fidelity, Multex, Microsoft

Comparative Analysis

MICROSOFT Versus S&P 500 & NASDAQ 100



Year to date there is a 10% spread between Microsoft and the Market!

Profitability	MSFT	IBM	ORCL
Gross Profit Margin	84.09%	42.7	78.77
Pre-tax Profit Margin	45.35	9.27	33.2
Net Profit Margin	30.99	4.41	22.19
ROE	17.1	15.7	37.7
ROA	13.2	3.7	21.2

See End of Document for More Comparables

Valuation

Our 12-month target price on Microsoft shares remains \$40. Our target is primarily based upon Discounted Cash Flows . We also have prices based on the S&P's PEG. Importantly, however, Microsoft investors currently seem to be willing to pay for the relative safety of MSFT shares because buys have recently outweighed the sells . Our discounted free cash flow to equity valuation points to a valuation near \$40, significantly higher than its current price.

Discounted Free Cash Flow Analysis

MICROSOFT

Cash Flows:	0	1	2	3	4	5
	2002	2003	2004	2005	2006	2007
FCF Est.	13729	16735	19412.6	22518.6	26121.6	30301.0
PV of Cash Flows	13729.0	15131.1	15869.9	16644.7	17457.4	1012528.3

Valuation Computations	
Firm value 4/7/2003	1077631
Existing Debt	0
Implied Equity	1077631
No. of Shares	10701.4
Value/share	40.28
two months FV	40.96

Discount rate and growth analysis			
rf	0.015	ST growth	0.16
rp	0.065	LT growth	0.05
beta *	1.4	* LT WACC	0.070
r(stock)	0.106		
r(debt)	0.07		
ws	1		
wd	0		
tax rate	0.274		
ATWACC	0.106000		

* LT WACC of .07 with assumption that MSFT is maturing and will lever itself, and therefore lower the WACC, and align it with Value Stocks

* lower beta b/c it's maturing, so we took the average of betas 1.15 and 1.75

	2002	2003 (Projected)	
Cash From Operations	14509	17620	
+ interest expense	0	0	
- CAPEX	<u>770</u>	<u>885.5</u>	grow by 15%
Total FCFs:	13739	16734.5	

	Predictions for 2003 (growth %)	2003 Numbers
<u>Cash From Operations</u>		
Revenue	28365	15% 32620
Operating Expenses		
Cost of Revenue	5191	
R & D	4307	
Sales & Mrktng	5407	
General and Adm	1550	expect same operating margin
Total	16455	15% 18923.25
Operating Income	<u>11910</u>	13697
Losses on Equity investments	-92	Losses nonrecurring
Investment income / (loss)	-305	
Income before income taxes	11513	13697
Provision for Income Taxes	3684	effective tax rate 0.274391
Income Before Acct Change	7829	assume effective tax rate stays same -3758.2
Sum Effect of Acct Change	0	will stay at 0
I	7829	9938.3
Operations:		
I	7829	9938.3
Dep, Amort, Non Cash	1084	15% 1,247
Net Recog Gain / Loss on Investments	2424	15% 2,788
Stock Option Income Tax Benefits	1596	15% 1,835
Deferred Income Taxes	-416	15% -478
Earned Revenue	11152	15% 12,825
Recog of Unearned Rev	-8929	15% -10,268
/R	-1623	15% -1,866
Other Current Assets	-264	15% -304
Other L/T Assets	-9	15% -10
Other Current Liab	1449	15% 1,666
Other LT Liab	<u>216</u>	15% <u>248</u>
Net Cash From Operations:	14509	17620
Number Shares Outstanding	10701.4	
Price of Shares	25.09	
Market Cap	268498.126	Million
Book Value		

4.815738964

Price relative to S&P 500

Implied price at S&P 500 PEG		
at E(2003)	1.00	\$44.00
Growth (2003)	16	
at S&P PEG	2.75	

Firm	MSFT			
source	Price	25.09	P/E(03)	25.09
Multex	E(03) projected	1		
Multex	LT Growth (projected)	16	PEG	1.57

Firm	ORCL			
source	Price	11.5	P/E(03)	26.14
Multex	E(03) projected	0.44		
Multex	LT Growth (projected)	21	PEG	1.24

Firm	S&P 500			
source	Price	841	P/E(03)	22.00
S&P	E(03) projected	53.05		
S&P	LT Growth (projected)	8	PEG	2.75

Conclusion

Microsoft is a company that we should be invested in. It is a well managed company with great prospects on the horizon. Its intrinsic value, based on DCF analysis, is well above what it is currently trading for. Its legal prospects seem to be fading away since the Federal Judge's decision and the settlement with the Justice Department. Because these problems are past, we believe investors will focus on MSFT's strong fundamentals. PC sales should begin to accelerate modestly in 2003, driven in part by interest in the new Office Software that is soon to be released. The company has also successfully diversified its revenue stream into new areas, enabling growth and profitability while many competitors have been decimated. The company has no debt and over \$43 billion in cash/short-term investments, giving it flexibility that every other company in America can only dream of. This is clearly a firm with a sustainable competitive advantage that the Ann Rife Cox Fund would be wise to invest in.

ANNUAL BALANCE SHEET

In Millions of U.S. Dollars	As of	As of	As of	As of	As of
(except for per share items)	6/30/2002	6/30/2001	6/30/2000	6/30/1999	6/30/1998
		Restated 6/30/2002		Restated 6/30/2000	
Cash & Equivalents	3,016.0	3,922.0	4,846.0	4,975.0	13,927.0
Short Term Investments	35,636.0	27,678.0	18,952.0	12,261.0	—
Cash and Short Term Investments	38,652.0	31,600.0	23,798.0	17,236.0	13,927.0
Accounts Receivable (Trad.), Net	5,129.0	3,671.0	3,250.0	2,245.0	1,460.0
Total Receivable, Net	5,129.0	3,671.0	3,250.0	2,245.0	1,460.0
Total Inventory	673.0	83.0	—	—	0.0
Prepaid Expenses	—	—	—	—	—
Other Current Assets, Total	4,122.0	3,856.0	3,260.0	2,221.0	502.0
Total Current Assets	48,576.0	39,210.0	30,308.0	21,702.0	15,889.0
Property/Plant/Equipment - Total Cost	5,891.0	5,275.0	4,314.0	3,516.0	3,052.0
Accum. Deprec. Total	(3,623.0)	(2,966.0)	(2,411.0)	(1,905.0)	(1,547.0)
Property/Plant/Equip., Net Total	2,268.0	2,309.0	1,903.0	1,611.0	1,505.0
Goodwill, Net	1,426.0	1,511.0	—	—	—
Intangibles, Net	243.0	401.0	—	—	—
Long Term Investments	14,191.0	14,361.0	17,726.0	14,372.0	4,703.0
Other Long Term Assets, Total	942.0	1,038.0	2,213.0	940.0	260.0
Total Assets	67,646.0	58,830.0	52,150.0	38,625.0	22,357.0
Accounts Payable	1,208.0	1,188.0	1,083.0	874.0	759.0
Accrued Expenses	1,145.0	742.0	557.0	396.0	359.0
Notes Payable/Short Term Debt	—	—	—	—	—
Current Port. LT Debt/Capital Leases	—	—	—	—	—
Other Current Liabilities, Total	10,391.0	7,324.0	8,115.0	7,532.0	4,612.0
Total Current Liability	12,744.0	9,254.0	9,755.0	8,802.0	5,730.0
Long Term Debt	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	0.0
Total Long Term Debt	—	—	—	—	0.0
Total Debt	—	—	—	—	0.0
Deferred Income Tax	398.0	409.0	1,027.0	1,385.0	—
Minority Interest	—	—	—	—	0.0
Other Liabilities, Total	2,324.0	1,878.0	—	—	0.0
Total Liabilities	15,466.0	11,541.0	10,782.0	10,187.0	5,730.0
Redeemed Preferred Stock Total	—	—	—	—	—
Preferred Stock (Non Redeemable), Total	—	—	—	980.0	980.0
Common Stock, Total	31,647.0	28,390.0	23,195.0	13,844.0	8,025.0
Additional Paid-In Capital	—	—	—	—	—
Retained Earnings/Accum. Deficit	20,533.0	18,899.0	18,173.0	13,614.0	7,622.0
Treasury Stock Common (\$ Amount)	—	—	—	—	—
Other Equity, Total	—	—	—	—	—
Total Equity	52,180.0	47,289.0	41,368.0	28,438.0	16,627.0

Total Liability & Shareholders' Equity	67,646.0	58,830.0	52,150.0	38,625.0	22,357.0
S/O-Common Stock	10,718.00	10,766.00	10,566.00	10,218.00	9,880.00
Total Common Shares Outstanding	10,718.00	10,766.00	10,566.00	10,218.00	9,880.00
Total Pref Shares Outstanding	-	-	-	13.00	13.00
Employees	50,500	47,600	39,100	31,396	27,055
Number of Common Shareholders	117,730	112,001	107,824	92,169	-

ANNUAL INCOME STATEMENT					
In Millions of U.S. Dollars	12 Months Ending	12 Months Ending	12 Months Ending	12 Months Ending	12 Months Ending
(except for per share items)	6/30/2002	6/30/2001	6/30/2000	6/30/1999	6/30/1998
			Reclass.	Reclass.	Reclass.
			6/30/2001	6/30/2001	6/30/1999
Revenue	28,365.0	25,296.0	22,956.0	19,747.0	15,262.0
Other Revenue, Total	—	—	—	—	—
Total Revenue	28,365.0	25,296.0	22,956.0	19,747.0	15,262.0
Cost of Revenue	5,191.0	3,455.0	3,002.0	2,814.0	2,460.0
Gross Profit	23,174.0	21,841.0	19,954.0	16,933.0	12,802.0
Selling/General/Admin. Expenses - Total	6,297.0	5,742.0	5,006.0	3,953.0	3,261.0
Research & Development	4,307.0	4,379.0	3,772.0	2,970.0	2,601.0
Depreciation/Amortization	—	—	—	—	—
Interest Expense/Income, Net	—	—	—	—	—
Unusual Income/Expense	660.0	0.0	170.0	—	296.0
Other Operating Expenses, Total	—	—	—	—	230.0
Total Operating Expense	16,455.0	13,576.0	11,950.0	9,737.0	8,848.0
Operating Income	11,910.0	11,720.0	11,006.0	10,010.0	6,414.0
Interest/Investment Income, Non-Op.	2,027.0	2,026.0	1,537.0	1,881.0	703.0
Interest Expense/Income, Net Non-Op.	2,027.0	2,026.0	1,537.0	1,881.0	703.0
Gain/(Loss) Sale of Assets	(1,944.0)	(1,629.0)	1,751.0	—	0.0
Other, Net	(480.0)	(592.0)	(19.0)	—	—
Income Before Tax	11,513.0	11,525.0	14,275.0	11,891.0	7,117.0
Income Tax - Total	3,684.0	3,804.0	4,854.0	4,106.0	2,627.0
Income After Tax	7,829.0	7,721.0	9,421.0	7,785.0	4,490.0
Minority Interest	—	—	—	—	—
Equity In Affiliates	—	—	—	—	—
Net Income Before Extra. Items	7,829.0	7,721.0	9,421.0	7,785.0	4,490.0
Accounting Change	0.0	(375.0)	0.0	0.0	—
Discontinued Operations	—	—	—	—	—
Extraordinary Item	—	—	—	—	—
Net Income	7,829.0	7,346.0	9,421.0	7,785.0	4,490.0
Preferred Dividends	—	0.0	(13.0)	(28.0)	(28.0)
Income Available to Common Ex XOrd	7,829.0	7,721.0	9,408.0	7,757.0	4,462.0
Income Available to Common In XOrd	7,829.0	7,346.0	9,408.0	7,757.0	4,462.0
Basic/Primary Weighted Average Shares	10,812.00	10,682.00	10,378.00	10,056.00	9,728.00
Basic/Primary EPS Excl. Extra Items	0.724	0.723	0.907	0.771	0.459
Basic/Primary EPS Incl. Extra Items	0.724	0.688	0.907	0.771	0.459

Dilution Adjustment	0.0	0.0	0.0	0.0	0.0
Diluted Weighted Average Shares	11,106.00	11,148.00	11,072.00	10,964.00	10,724.00
Diluted EPS Excl. Extra Items	0.705	0.693	0.850	0.708	0.416
Diluted EPS Incl. Extra Items	0.705	0.659	0.850	0.708	0.416
DPS-Common Stock	0.000	0.000	0.000	0.000	0.000
Gross Dividends Common	0.0	0.0	0.0	0.0	0.0
Stock Based Comp Expense	2,474.0	2,262.0	1,249.0	676.0	471.0
Net Income after Stock Based Comp. Exp.	5,355.0	5,084.0	8,172.0	7,109.0	4,019.0
Basic EPS after Stock Based Comp. Exp.	0.495	0.475	0.785	0.705	–
Diluted EPS after Stock Based Comp. Exp.	0.490	0.455	0.740	0.650	0.375
Depreciation	820.0	764.0	668.0	483.0	528.0
Total Special Items	2,604.0	1,629.0	(1,581.0)	–	296.0
Normalized Pre-Tax Income	14,117.0	13,154.0	12,694.0	11,891.0	7,413.0
Effect of Corp. Charge on Inc. Taxes (Anlist)	833.2	537.7	(537.6)	–	109.3
Inc Tax Expense Impact of Sp Items	4,517.2	4,341.7	4,316.4	4,106.0	2,736.3
Normalized Income After Taxes	9,599.8	8,812.3	8,377.6	7,785.0	4,676.7
Normalized Inc. Avail to Com.	9,599.8	8,812.3	8,364.6	7,757.0	4,648.7
Basic Normalized EPS	0.888	0.825	0.806	0.771	0.478
Diluted Normalized EPS	0.864	0.790	0.755	0.708	0.433

ANNUAL CASH FLOW STATEMENT (Indirect Method)

In Millions of U.S. Dollars (except for per share items)	12 Months Ending 6/30/2002	12 Months Ending 6/30/2001	12 Months Ending 6/30/2000 Reclass. 6/30/2001	12 Months Ending 6/30/1999 Reclass. 6/30/2001
Net Income/Starting Line	7,829.0	7,346.0	9,421.0	7,785.0
Depreciation/Depletion	1,084.0	1,536.0	1,250.0	926.0
Deferred Taxes	(416.0)	(420.0)	(425.0)	(650.0)
Non-Cash Items	4,020.0	4,662.0	3,803.0	2,304.0
Changes in Working Capital	1,992.0	298.0	(2,623.0)	1,781.0
Cash from Operating Activities	14,509.0	13,422.0	11,426.0	12,146.0
Capital Expenditure	(770.0)	(1,103.0)	(879.0)	(583.0)
Other Investing Cash Flow Items, Total	(10,075.0)	(7,631.0)	(8,513.0)	(9,617.0)
Cash from Investing Activities	(10,845.0)	(8,734.0)	(9,392.0)	(10,200.0)
Financing Cash Flow Items	0.0	235.0	0.0	0.0
Dividends Paid	—	—	(13.0)	(28.0)
Issuance/Retirement of Stock, Net	(4,572.0)	(5,821.0)	(2,179.0)	(834.0)
Issuance/Retirement of Debt, Net	—	—	—	—
Cash from Financing Activities	(4,572.0)	(5,586.0)	(2,192.0)	(862.0)
Foreign Exchange Effects	2.0	(26.0)	29.0	52.0
Net Change in Cash	(906.0)	(924.0)	(129.0)	1,136.0
Cash Interest Paid (Indirect Format)	—	—	—	—
Cash Taxes Paid (Indirect Format)	1,900.0	1,300.0	800.0	874.0

RATIO COMPARISON

Valuation Ratios	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
P/E Ratio (TTM)	28.39	28.63	NM	26.19	29.93	33.59	22.55
P/E High - Last 5 Yrs.	85.95	161.29	NA	36.49	85.03	65.93	49.93
P/E Low - Last 5 Yrs.	24.53	13.21	NA	16.26	21.68	19.41	16.62
Beta	1.75	1.98	2.67	1.5	1.87	1.87	1
Price to Sales (TTM)	8.81	6.42	1.24	1.72	6.97	4.37	2.96
Price to Book (MRQ)	4.73	10.43	0.96	6.11	5.06	4.42	4.27
Price to Tangible Book (MRQ)	5.03	11.14	NM	7.45	5.91	5.73	7.18
Price to Cash Flow (TTM)	25.49	24.26	NM	14.4	25.12	23.24	15.78
Price to Free Cash Flow (TTM)	17.37	19.39	13.42	19.14	17.76	23.72	27.36
% Owned Institutions	51.9	42.02	61.3	54.18	44.58	45.94	61.47
Dividends	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Dividend Yield	0.32	NA	NA	0.74	0.33	0.91	2.25
Dividend Yield - 5 Year Avg.	0	0	0	0.5	0.06	0.25	1.39
Dividend 5 Year Growth Rate	NM	NM	NM	8.77	-26.01	2.92	1.24
Payout Ratio (TTM)	0	0	0	18.82	0.27	5.72	27.38
Growth Rates(%)	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	10.34	2.38	10.13	6.97	9.07	11.54	8.07
Sales (TTM) vs TTM 1 Yr. Ago	14.67	-7.33	10.32	-2.26	10.19	5.88	4.1
Sales - 5 Yr. Growth Rate	18.9	11.22	67.51	0.67	20.59	16.44	9.87
EPS (MRQ) vs Qtr. 1 Yr. Ago	14.63	17.78	NM	-23.67	18.66	26.98	25.05
EPS (TTM) vs TTM 1 Yr. Ago	59.16	-8.06	NA	-32.88	42.9	36.3	23.7
EPS - 5 Yr. Growth Rate	16.54	23.52	NM	0.44	18.37	9.75	10.6
Capital Spending - 5 Yr. Growth Rate	9.06	-7.87	49.32	-6.89	2.53	-2.11	2.28
Financial Strength	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Quick Ratio (MRQ)	3.55	2.01	0.55	0.97	3.02	2.39	1.17
Current Ratio (MRQ)	3.89	2.16	0.83	1.21	3.3	2.87	1.68
LT Debt to Equity (MRQ)	0	0.03	0.52	0.88	0.05	0.26	0.71
Total Debt to Equity (MRQ)	0	0.06	0.52	1.14	0.06	0.32	0.94
Interest Coverage (TTM)	NM	NM	-28.44	46.87	4.19	12.1	13.53
Profitability Ratios (%)	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Gross Margin (TTM)	80.52	75.25	40.54	37.3	77.39	51.26	47.42

Gross Margin - 5 Yr. Avg.	84.92	70.48	45.72	37.33	79.09	52.54	47.84
EBITD Margin (TTM)	47.36	40.18	-95.32	13.77	35.55	15.08	20.64
EBITD - 5 Yr. Avg.	51.14	31.94	-3.82	16.66	36.67	20.38	22.09
Operating Margin (TTM)	43.79	36.06	-97.1	8.37	31.6	10.41	18.59
Operating Margin - 5 Yr. Avg.	45.8	28.02	-8.78	10.66	30.43	14.95	18.33
Pre-Tax Margin (TTM)	45.35	33.41	NM	9.27	33.07	15.39	16.65
Pre-Tax Margin - 5 Yr. Avg.	51.04	42.29	15.81	12.19	36.23	18.52	17.45
Net Profit Margin (TTM)	30.99	22.35	NM	6.57	21.53	9.56	11.92
Net Profit Margin - 5 Yr. Avg.	33.6	26.78	8.79	8.44	22.66	11.34	11.47
Effective Tax Rate (TTM)	31.66	33.1	NM	29.11	32.72	29.4	31.53
Effective Tax Rate - 5 Yr. Avg.	34.09	36.34	36.12	30.67	35.31	32.99	35.18
Management Effectiveness (%)	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Return On Assets (TTM)	13.87	20.52	-27.68	6.09	11.21	4.27	6.38
Return On Assets - 5 Yr. Avg.	19.41	27.77	2.39	8.05	14.65	8.5	7.59
Return On Investment (TTM)	17.01	32.68	-30.1	9.68	15.02	7	10.31
Return On Investment - 5 Yr. Avg.	24.83	47.79	5.43	13.79	21.72	13.21	12.2
Return On Equity (TTM)	17.84	36.64	-44.71	23.65	16.19	9.34	18.53
Return On Equity - 5 Yr. Avg.	26.31	53.88	6.24	34.08	23.97	18.1	20.85
Efficiency	MSFT	ORCL	AOL	IBM	Industry	Sector	S&P 500
Revenue/Employee (TTM)	609,604	224,211	459,854	257,008	463,528	377,457	481,424
Net Income/Employee (TTM)	188,931	50,110	NM	16,886	135,787	68,197	75,447
Receivable Turnover (TTM)	6.47	5.19	7.75	3.18	6.31	7.19	9.28
Inventory Turnover (TTM)	13.14	NA	13.59	13.31	14.43	15.02	11.04
Asset Turnover (TTM)	0.45	0.92	0.26	0.93	0.58	0.76	0.95