Microsoft

Microsoft Corporation · MSFT · NASDAQ

Q3 revenue up 18.8% and Azure up 48% support growth, but capex up 103% and a forward P/E of 24.8x, above peers, offset them, so the call is HOLD

Overall Verdict
HOLD
Bull 4 · Bear 3 · Deferred 0

Price at Issue	External Average Target Price	52-Week Low · High	Next Earnings
$533.16	$636.12	$349.20 ~ $559.15	TBD
Nov 10, 2026 close · −2.2%	+19.3% · 54 analysts	vs. high −4.6%	Q4 2026 earnings

01 4 Key Data Points

Q3 revenue up 18.8%, Azure up 48%
Revenue $92.28B (year ago $77.67B) · Azure $33.2B · Microsoft Cloud $63.9B (+30%) · commercial backlog $677B (+73%)

Capex up 103%, free cash flow down 27.4%
Capex $39.4B (year ago $19.4B) · operating cash flow $58.0B (+28.7%) · free cash flow $25.7B → $18.6B

$25B of senior notes in ten tranches
8-K filed Nov 4 · coupons 4.850%–6.350% · maturities 2028–2066 · cash and short-term investments −16.1% vs Jun 30

Price targets: 4 raised, 1 held on Oct 29
Average target $636.12 (+19.3% vs close) · 53 Buy, 5 Hold, 0 Sell · Bernstein $722, Citigroup $680

02 Research Team Debate — 6 Issues

Growth ×2	Bull	The Bull side wins. The question is whether cloud growth continues, and the 3% decline in consumer is only 17% of revenue while Azure +48% and backlog +73% point to continued growth. The 2.5% sequential gain cited by the Bear side needs seasonal and currency checks and does not change the call.
Valuation	Bear	The Bear side wins. The question is whether growth explains the premium, and the PEG of 1.3 rests on an FY28 forecast while the nearer FY27 growth is 11.5%. A 1.3x premium to peers and 2.3x on P/S are larger than the growth already confirmed.
$25B of new notes	Bear	The Bear side wins. The question is whether funding the buildout is a growing burden, and capex +103% outran operating cash flow +28.7% so free cash flow has already fallen 27.4%. Cash is still ample, but $25B is 43% of one quarter's operating cash flow of $58.0B, so reliance on outside funding is growing.
AI competition	Bear	The Bear side wins. The question is whether the new products threaten the Office business, and the Bull figures are September quarter results that do not yet include this launch. The Nov 11 intraday move of −1.9% followed the Nov 10 close and the Nov 11 close is not confirmed, and subscription revenue will show the effect in the next results.
Price targets	Bull	The Bull side wins. The question is whether the raises matter, and four raises, one hold and no cuts put the average target 19.3% above the close. The Bear point that the changes were bunched on one day is fair, but the direction is clear.
Insider selling	Bull	The Bull side wins. The question is whether the selling is a warning, and net selling of $28.7M is under 0.001% of market cap with SBC at 3.6%, below the automatic test. The identical 7,305-share sales on Oct 13 and Nov 9 look routine, but whether they were under a 10b5-1 plan was not checked.

The call is HOLD. Cloud growth and the target-price raises favored the Bull side, while the premium to peers, capex funded partly by new notes and AI competition favored the Bear side, leaving a one-vote gap. The call reopens when December-quarter results show subscription revenue and the capex-to-cash-flow ratio.

03 Conditions That Change the Verdict

▲ Upgrade Conditions

December-quarter results
Revenue at or above the $96.7B Yahoo expectation with capex below 67.9% of operating cash flow (393.7 ÷ 580.0) strengthens the Bull case

Close above the 52-week high of $559.15
4.9% above the current price · a new high would confirm the

▼ Downgrade Conditions

December-quarter results
Revenue below $96.7B or capex above 67.9% of operating cash flow would strengthen the Bear case

Close below the 60-day average of $513.69
The price is 3.8% above it · a break together with Bollinger lower at $511.94 would weaken the trend

04 Quarterly Results Unit: $B

	Q3 2025	Q4	Q1 2026	Q2	Q3
Revenue	77.7	81.3	82.9	90	**92.3**
Operating Income	38	38.3	38.4	40.6	**45.9**
Net Income	27.7	38.5	31.8	35.8	**36.6**
Operating Margin	48.9%	47.1%	46.3%	45.1%	**49.8%**

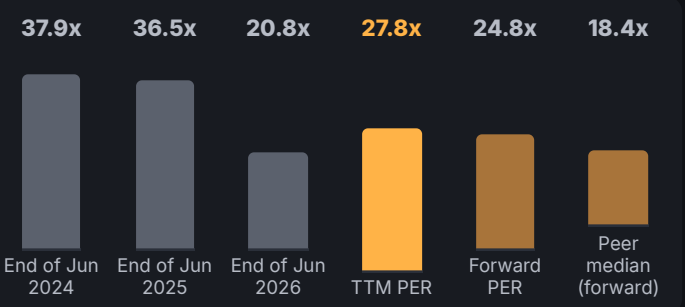
Operating margin
49.8%
Year ago 48.9%

Net margin
39.7%
Year ago 35.7%

Gross margin (Yahoo basis)
67.8%
Year ago 69.0%

Free cash flow margin
20.2%
Year ago 33.0%

05 P/E trend



06 Street Opinions

Buy 53 Hold 5 Sell 0

Avg $636.12 · High $870.00 · Low $440.00

Bernstein	**722**	2026.10.29
RBC Capital	**640**	2026.10.29
Citigroup	**680**	2026.10.29
DA Davidson	**650**	2026.10.29

07 Financial Strength

Cash and short-term investments (9/30)
$64.29B
$76.65B → −16.1%

Total debt (9/30, Yahoo basis)
$57.20B
$56.83B → +0.7%

Equity (9/30)
$470.51B
$442.39B → +6.4%

08 Recent News

11/4 $25B of senior notes in ten tranches (8-K filed Nov 4)
Underwriting agreement dated Oct 29 · J.P. Morgan, UBS and Wells Fargo as representatives · $1B floating due 2028 and 2029, fixed 4.850% due 2028 to 6.350% due 2066 · use of proceeds not stated in the 8-K

11/4 Shares rise 6.7% to a $555.80 close, intraday 52-week high of $559.15
Volume 1.95x the 20-day average · reports differ on the cause: a broad Big Tech rally on the Nov 3 election results (Gotrade) or the earnings and an Anthropic cloud agreement (Blockonomi)

11/5 Director Emma Walmsley will not stand for re-election (8-K Item 5.02)
Board member since 2019 · notified the company Nov 4 · serves until the 2026 annual meeting · the filing says it is not due to any disagreement

09 Upcoming Events

TBD · Q4 2026 earnings
Company date not yet announced · Yahoo expects Jan 27 with EPS of $4.86 and revenue of $96.7B

Nov 13 (Fri) · Weekly options expiry
Max pain $532.5, almost the same as the close

Nov 20 (Fri) · Monthly options expiry
Open interest 323K calls and 204K puts · max pain $490

10 Key Risks

Capex surge (September quarter +103%, free cash flow −27.4%)
Impact High · Likelihood High · Watch Whether December-quarter capex-to-cash-flow is below 67.9%

Valuation (forward P/E 24.8x vs peer median 18.4x)
Impact High · Likelihood Medium · Watch Whether December-quarter EPS reaches the $4.86 expectation

AI competition products (Claude Sheets headline, Nov 11)

11 Checkpoints

★★★ **December-quarter results (date TBD)**
Check revenue against the $96.7B Yahoo expectation and whether Microsoft Cloud growth holds near +30%. Yahoo expects Jan 27.

★★★ **Capex and free cash flow**
Watch whether September quarter capex of $39.4B and free cash flow of $18.6B improve.

★★☆ **Close at the 52-week high of $559.15**
4.9% above the current price · a close above confirms a new high