

December 31, 2023

Name: Microsoft Corporation

Ticker: MSFT-US

Market Cap (\$mm): \$2,782,416

Country: United States

Sector: Information Technology

Industry: Software

Sector Outlook

The Information Technology sector makes up a disproportionately large share of the stocks that were hit hard during the most recent bear market in 2022, which has led to a strong recovery this year as markets rebound. A tight labor market and strong wage growth should benefit the sector, as technology investments are replacements for labor in the most basic sense. Additionally, the sector should benefit from trends related to artificial intelligence, mobile, cloud computing and the "Internet of Things".

Company Description

Microsoft Corp. engages in the development and support of software, services, devices, and solutions. It operates through the following business segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The Productivity and Business Processes segment consists of Office Commercial (Office 365 subscriptions, the Office 365 portion of Microsoft 365 Commercial subscriptions, and Office licensed on-premises), Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, Office Consumer, including Microsoft 365 Consumer subscriptions, Office licensed on-premises, and other Office services, LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, Sales Solutions, and Learning Solutions, Dynamics business solutions, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM, Customer Insights, Power Apps, and Power Automate, and on-premises ERP and CRM applications. The Intelligent Cloud segment consists of Server products and cloud services, including Azure and other cloud services, SQL Server, Windows Server, Visual Studio, System Center, and related Client Access Licenses (CALs), and Nuance and GitHub, Enterprise Services, including Enterprise Support Services, Microsoft Consulting Services, and Nuance professional services. The More Personal Computing segment consists of Windows, including Windows OEM licensing and other non-volume licensing of the Windows operating system, Windows Commercial, comprising volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings, patent licensing, and Windows Internet of Things, Devices, including Surface and PC accessories, Gaming, including Xbox hardware and Xbox content and services, comprising digital transactions, Xbox Game Pass and other subscriptions, video games, third-party video game royalties, cloud services, and advertising, Search and news advertising. The company was founded by Paul Gardner Allen and William Henry Gates, III in 1975 and is headquartered in Redmond, WA.

Financial Snapshot

Revenue by Product Segment	%	Revenue by Geographic Segment	%
Intelligent Cloud	41%	United States	50%
Productivity & Business Processes	33%	Other Countries	50%
More Personal Computing	26%		

Company & Sustainability Analysis

Microsoft, the world's largest software company, benefits from secular growth enterprise and consumer spending in technology. Microsoft is a key beneficiary of enterprise customers transitioning to the cloud and digitizing business processes. With an integrated suite of products, industry leading technology, and strong competitive position, Microsoft should continue to gain market share across its businesses. Microsoft is also a

leader in the emerging generative AI technologies that should drive revenue growth going forward. Microsoft should benefit from its mega cap size, strong balance sheet, and high margin.

Sustainability Analysis

Microsoft received “AAA” rating from MSCI ESG Research driven by high standards across privacy and data security, substantial R&D capability, involvement in several clean technology fields, governance practices, diversity and inclusion initiatives, comprehensive employee development initiatives, low carbon intensity, etc. The company is among the 3% of the Fortune 500 that discloses diversity and inclusion metrics. Microsoft’s senior leaders have specific diversity and inclusion targets including doubling the number of African American managers over the next 5 years. In 2020, Microsoft rolled out a Sustainability Strategy which made landmark pledges on becoming carbon negative and water positive by 2030 and made a commitment to become zero waste by 2025. Microsoft has done an exceptional job of managing the environment impact of investing in data centers and AI infrastructure. The company acknowledged that continuous progress is required to meet the ultimate 2030 goals and committed to be transparent in its waste accounting and provide regular progress updates.

Microsoft’s efforts in expanding its sustainability strategy puts it in direct alignment with SDG 7 (Affordable and Clean Energy) meant to “*Ensure access to affordable, reliable, sustainable and modern energy for all*”.

Microsoft is categorized as a Sustainable Investment aligned with the environmental objectives of the EU’s Sustainable Finance Disclosure Regulation (SFDR) as defined by Fisher Investments. In order for a company to be considered a sustainable investment, it must be assessed by Fisher Investments as meeting the following criteria: (i) it must contribute to an environmental or social objective; (ii) it must do no significant harm (DNSH) to any other environmental or social objective; and (iii) it must follow good governance practices.

**This write-up is provided to fulfil the requirements of the Austrian Ecolabel and should be considered an ‘example point in time analysis’. There is no guarantee that the security remains in the relevant strategy or the analysis remains current beyond the date of analysis.*

****Sources: Fisher Investments Research, FactSet Research Systems, Company Investor Relations**

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