



Final Summer Internship Report

Company Name: Microsoft Corporation

Title of the Project: Industry Analysis of U.S. Tech Sector

Submitted to:

Prof. Chitra Khari, IMNU

Submitted by:

Name: Prit Popat

Roll No: 191137

Section: A

Batch: MBA – FT (2019-2021)

Institute of Management, Nirma University

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Author of report: Prit Popat

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Purpose of report: To provide information regarding the analysis of U.S. technology sector done during summer internship.

Prepared for: Institute of Management, Nirma University

Submitted to: Prof. Chitra Khari

Declaration

I, Prit Popat, hereby declare that the project work titled “**Industry Analysis of U.S. Tech Sector**” submitted to the Institute of Management, Nirma University is a record of an original work done by me under the guidance of Mr. Raj Kantawala. I also confirm that the report is prepared only for my academic requirement and not for any other purpose.

(Signature)

Prit Popat

191137

Acknowledgements

To start with, I would like to thank Corporate Relations Cell, Institute of Management, Nirma University for granting permission to pursue work from home-based internship under the guidance of Mr. Raj Kantwala. I would also take this opportunity to thank my faculty guide, Prof. Chitra Khari who has been a constant support during the span of internship.

Continuing on the same line, I would like to thank Mr. Raj Kantwala, my internship mentor and an alumnus of Institute of Management, Nirma University for providing me this opportunity to work with him and helping me throughout the project. His constant support and help have helped me complete the project without any difficulties.

Last but not the least, I am also thankful to Shubhi Kapoor and Nupur Thakral, my co-interns for helping me whenever I got stuck in my work.

Prit Popat

Executive Summary

This report is made for the sole purpose of giving the readers an introduction and an overview of the U.S. tech sector. The company I worked on is Microsoft Corporation. I've provided my views and my analysis of the financial position and other related factors of the companies. The report contains data from reliable sources and the analysis is purely my view and may vary from person to person.

Talking about the tech market, U.S. is the largest tech market in the world. It represents around 32% of the world tech market. That translates to roughly \$1.7 trillion (in 2020). All of the big five tech giants of the world – Facebook, Amazon, Apple, Microsoft, and Google (Alphabet) belong to the U.S. Apple was the first public company to reach a market cap of \$1 trillion in August 2018. Amazon, Microsoft and Alphabet followed in reaching the \$1 trillion mark with Alphabet reaching the milestone recently in January 2020. These five companies also make up 17.5% of the S&P 500 index.

This report contains a detailed analysis of the company I'm working on – Microsoft. The report contains an analysis of the last few years' financial results of the company. As a part of my internship project, I have also tried to forecast the future results of the company and to value the company from an investment point of view. All the details regarding the company's financial results and annual reports were taken from the company's websites itself.

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Key Company Information

Market Data

CMP (\$)	215
Current Market Cap (\$ Bn)	1,631
# of Shares OS (Mn)	7,583
NTM Diluted EPS	6.3
Target PE (x)	30
Target Price (PE)	189
Target Date	30-Jun-21
DCF Based TP	244
52 WK H/L	130/216
Average Daily Volume (Mn)	35
Equity Capital (\$ Bn)	80

Shareholding Pattern

	Jun-19	Mar-20	Jun-20
Mutual Funds	50.1%	53.3%	54.7%
Promoters	5.9%	6.0%	6.1%
Public/Others	44.0%	40.7%	39.3%
Total	100.0%	100.0%	100.0%

	Jun-20	% Holding	Shares (Mn)
Vanguard Group Inc.		8.34%	640.2
Blackrock Inc.		6.74%	517.6
State Street Corp.		4.10%	314.8
FMR LLC		3.10%	237.9
Price T Rowe Associates Inc.		2.24%	172.1

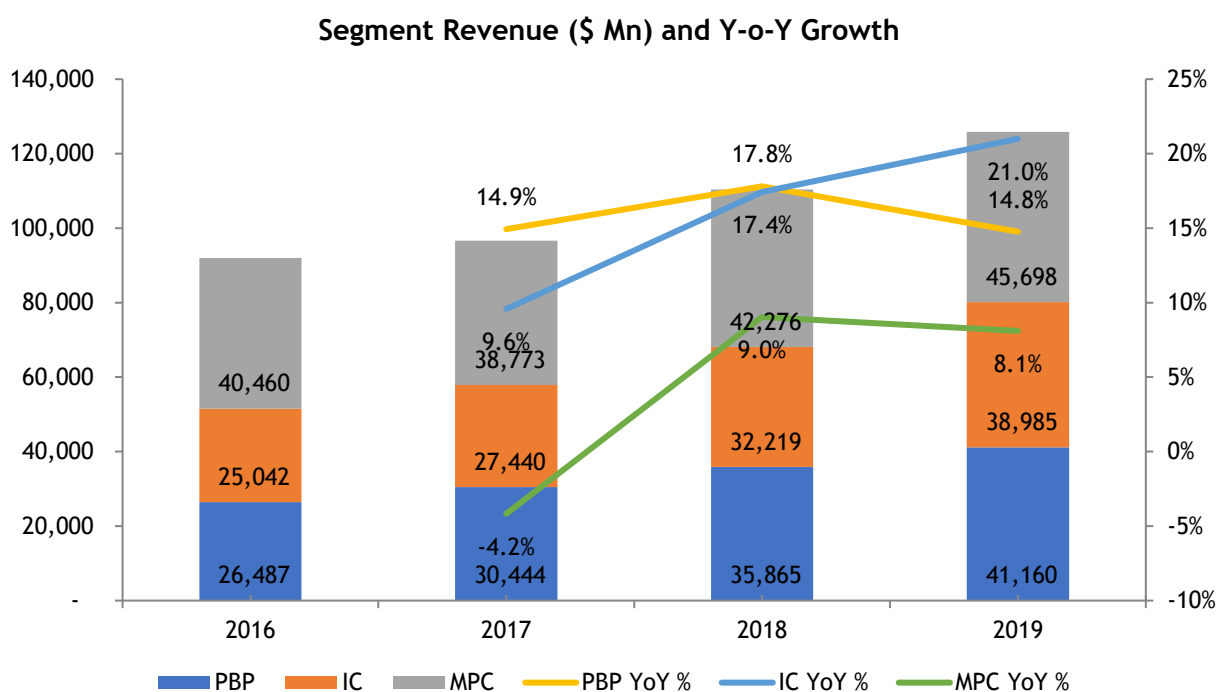
Key Financials 2017-22

Particular (\$Mn)	2017	2018	2019	2020	2021	2022
Sales	96,571	110,360	125,843	140,810	159,803	184,670
Gross Profit	62,310	72,007	82,933	94,923	105,880	121,728
EBITDA	29,025	35,058	42,959	51,767	57,055	66,316
Other Income	876	1,416	729	231	679	699
Net Profit	25,489	16,571	39,240	43,420	48,314	56,089
Total Equity	72,394	82,718	102,330	115,525	124,605	137,355
Gross Debt	76,073	72,242	66,662	63,329	60,162	57,154
Cash	132,981	133,768	133,819	133,620	138,765	145,923
Per Share Metrics						
Earnings	3.3	2.1	5.1	5.7	6.3	7.3
Book Value	9.2	10.6	13.2	15.2	16.4	18.1
P/E (x)	66.1	101.0	42.3	38.0	34.2	29.4
P/B (x)	23.3	20.3	16.3	14.1	13.1	11.9
EV/EBITDA (x)	55.2	46.1	37.5	31.1	28.1	24.0
EBITDA Margin (%)	30.1	31.8	34.1	36.8	35.8	35.9
Net Margin (%)	26.4	15.0	31.2	30.9	30.2	30.4

Productivity & Business Process and Intelligent Cloud to Lead Microsoft's Future Growth

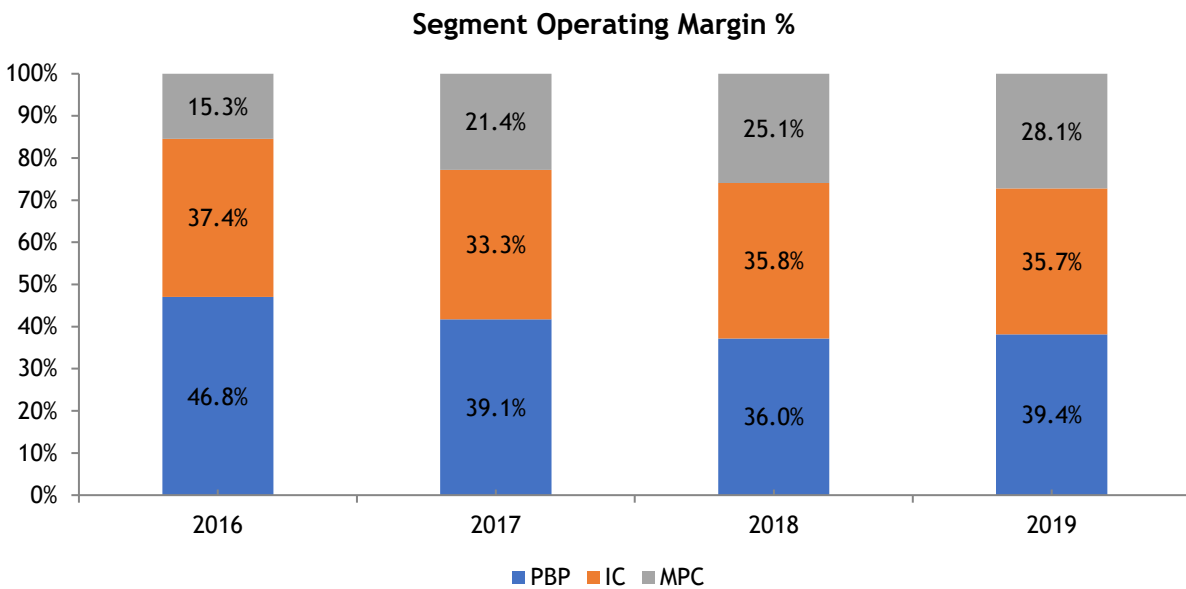
Microsoft operates its business and reports its financial performance under three segments: Productivity and Business Processes (PBP), Intelligent Cloud (IC) and More Personal Computing (MPC) since 2016.

The column chart below shows segment wise revenue and year-over-year percentage growth of the segment revenue from 2016-19.

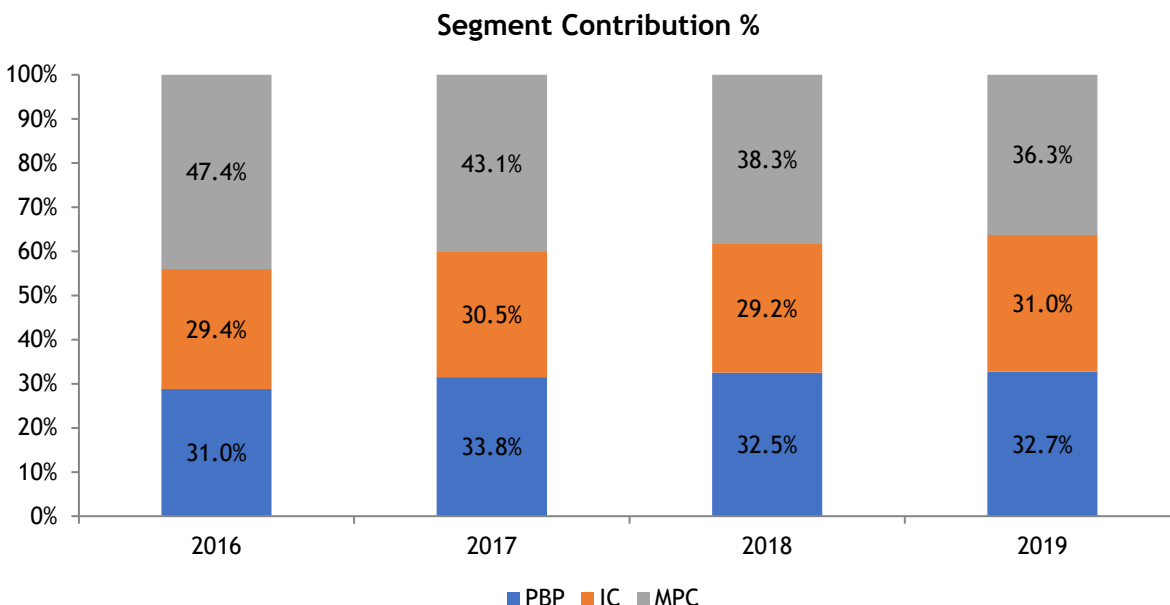


From the above chart, it is clear that though More Personal Computing is the biggest contributor to total revenue, growth has mainly been led by the other two segments. From 2015-19, Productivity and Business Processes and Intelligent Cloud have grown at a Cumulative Annual Growth Rate (CAGR) of almost 16% each while More Personal Computing has grown at a CAGR of only 4.2%. One of the reasons for this can be the product portfolio in the segments. With more and more data of the world moving to cloud, it is very likely for cloud related products and services to grow faster. Also, there is fierce competition for Microsoft in almost all products in the More

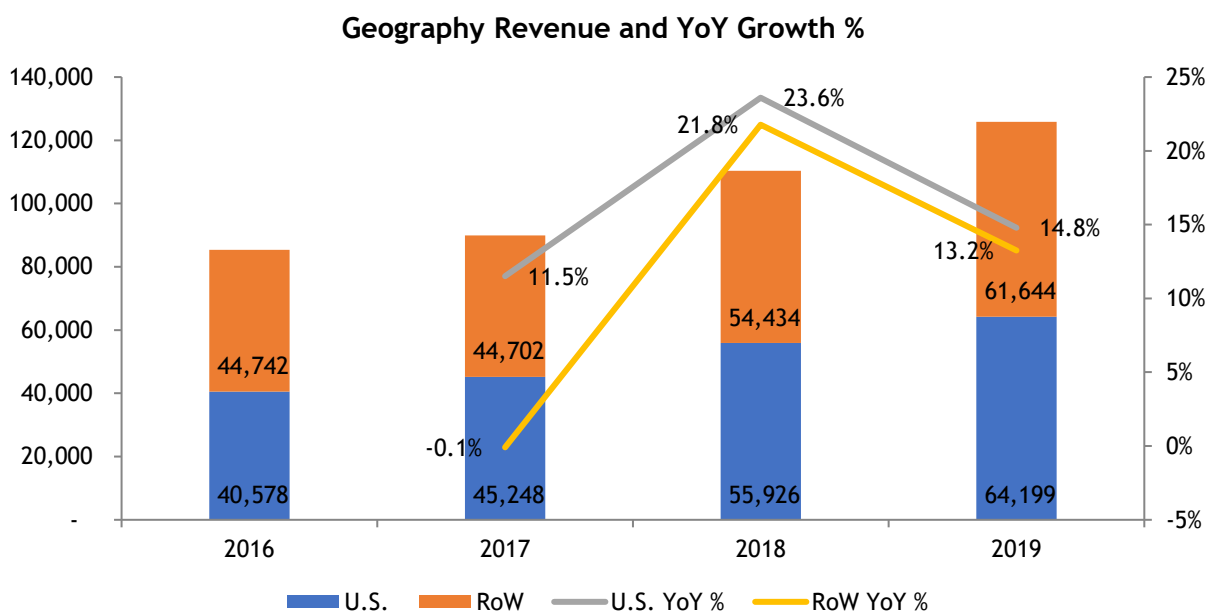
Personal Computing segment. For e.g. in gaming, Microsoft faces fierce competition from Sony and Nintendo. Also, recently Google and Amazon have also jumped into the gaming console business. On the other end products like MS Office, Windows that are part of Productivity and Business Processes segment face little competition. So, even in the future it is very likely that segments other than More Personal Computing will grow at a quicker rate.



The column chart clearly shows that the operating margin % of Productivity and Business Processes is more than the other two segments. But it also shows that operating margin % of More Personal Computing is on the rise since 2015 while that of Productivity and Business Processes has decreased almost 7.5%. The revenues from Productivity and Business Processes and Intelligent Cloud have increased but the margins have shrunk. This could be because of the added costs of acquisitions like LinkedIn and GitHub. The products have contributed to the revenue well but also added up to Microsoft's costs a lot. On the other end, More Personal Computing revenue has increased slowly but the margins have gone up quickly. Much of this growth is because of the revenues from search advertising. Also, in FY 2017, Microsoft discontinued their smartphone related businesses which was a non-profitable segment. This helped convert the More Personal Computing segment grow at a good pace.

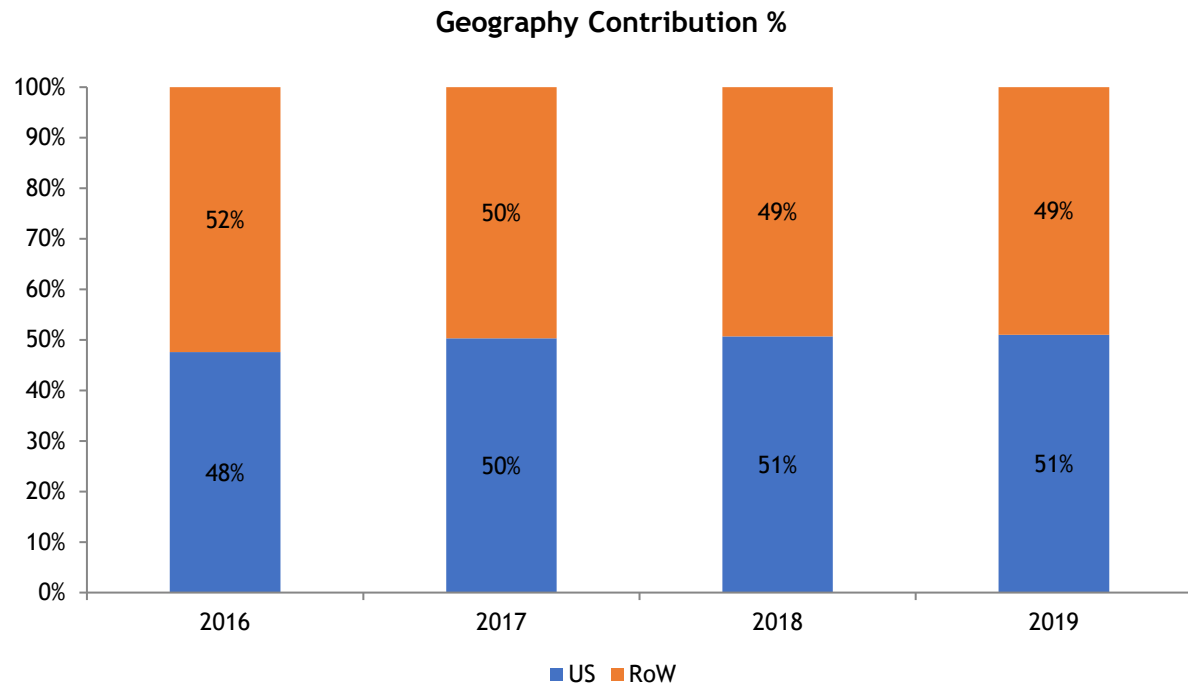


Microsoft operates in almost every country of the world. It reports its earnings in two geographies: U.S. and Rest of the World.

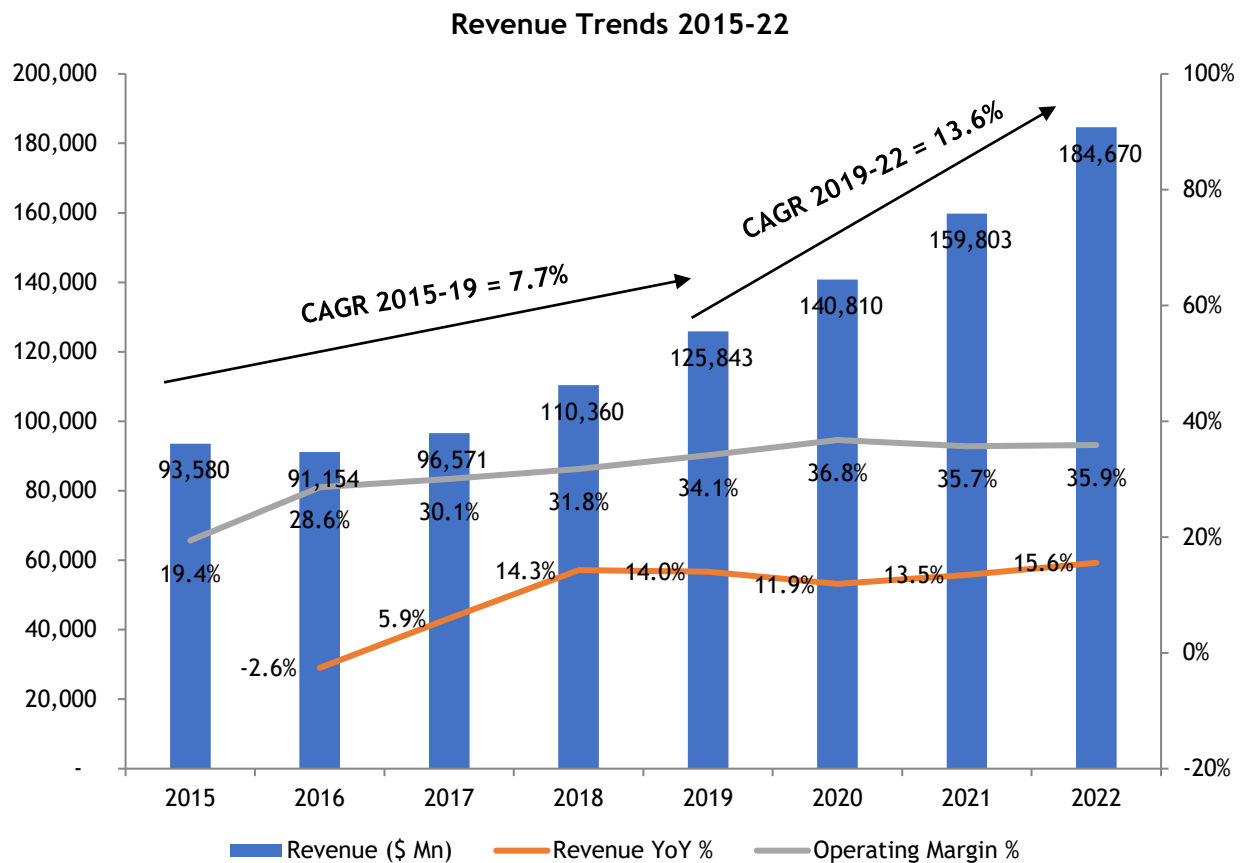


The column chart shows that revenues from U.S. almost equal the revenue from rest of the world. In fact, in the last two years, U.S. is contributing more to the revenue than every other country combined. Revenues in both the geographies are on a rise – U.S. rising at a CAGR of 16.5% and rest of the world rising at a CAGR of 11.3%. The rise in revenue is mainly because of more and

more customers using Microsoft products. Prices of many products have not changed significantly which shows that volume has been the driver of revenue in U.S. as well as in rest of the world.

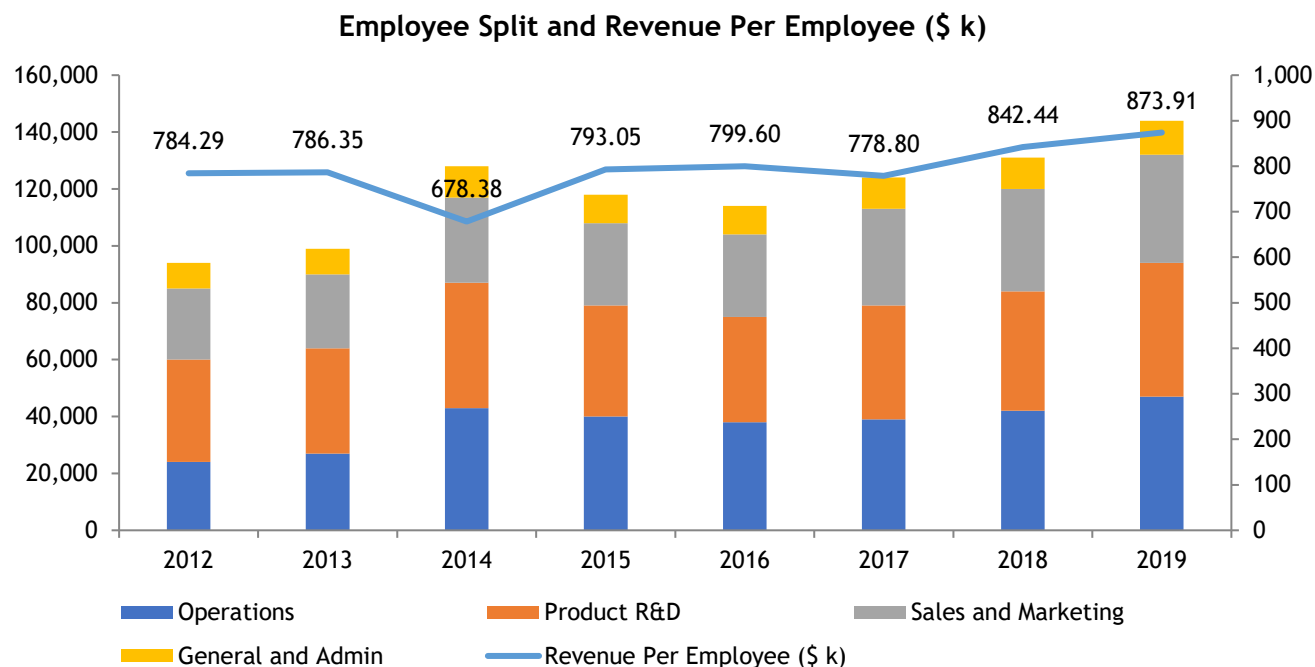


Microsoft to grow at a CAGR of 13.6% from FY 19-22

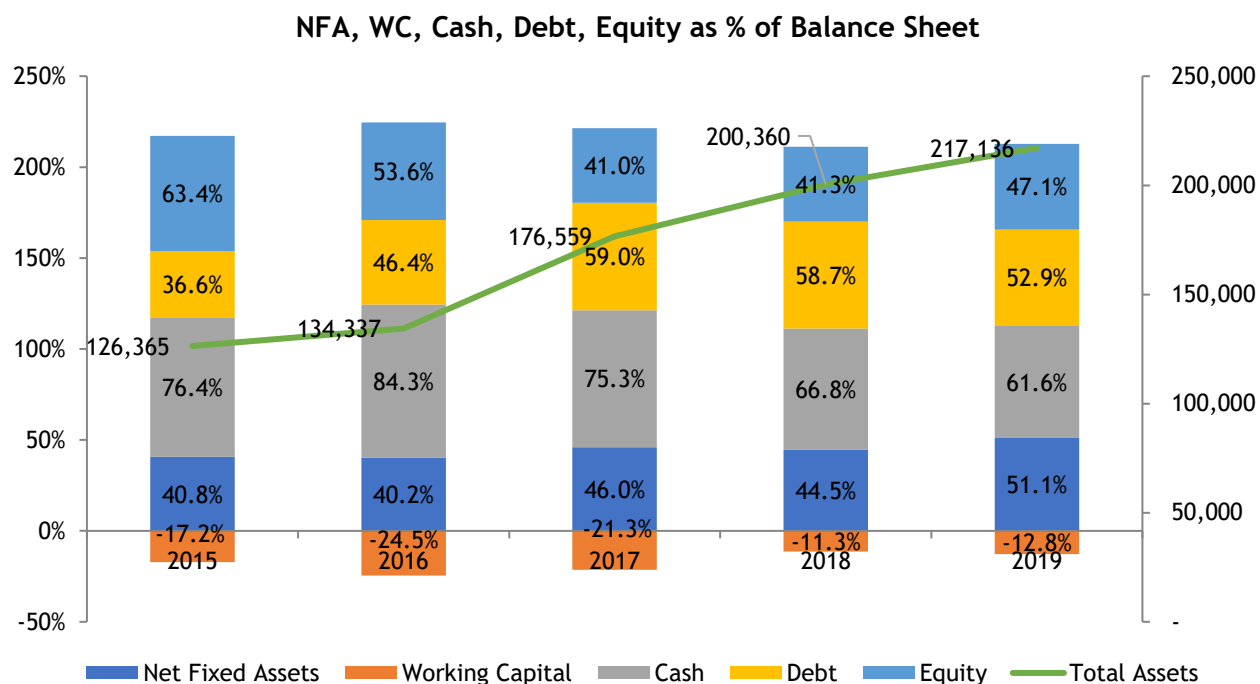


Thus, Microsoft has grown at a strong CAGR of 7.7% in the past four years and forecasting show that Microsoft will be growing at an impressive CAGR of 13.6%.

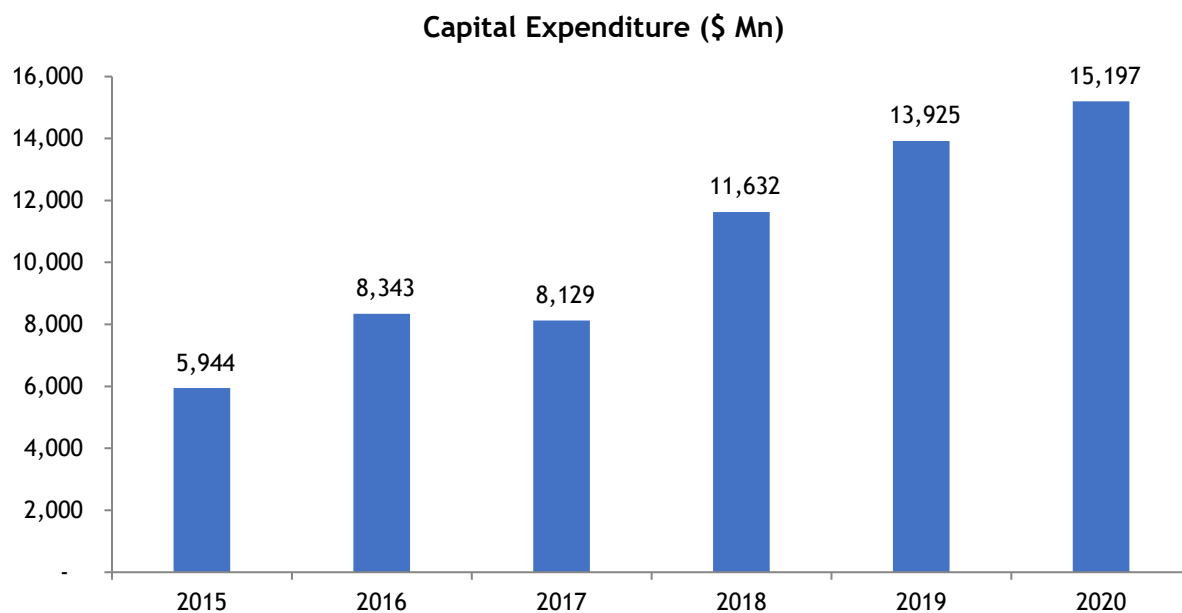
Microsoft's Revenue on its Way to \$1 Million Per Employee



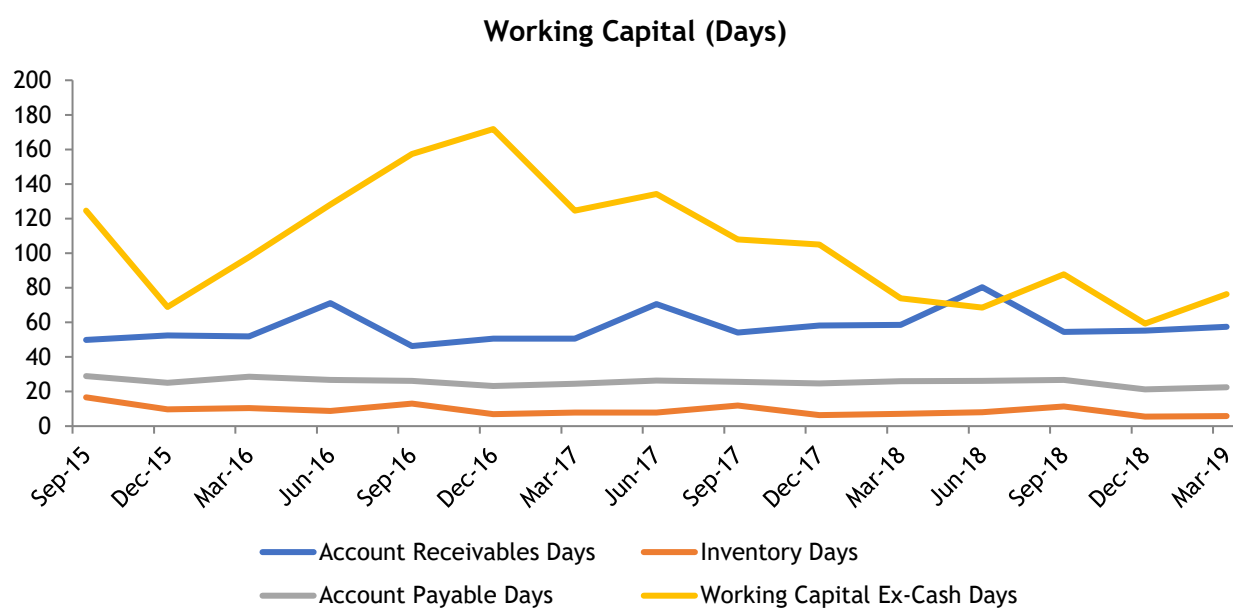
Net Fixed Assets Increase from 40% to 50% of Balance Sheet in Four Years



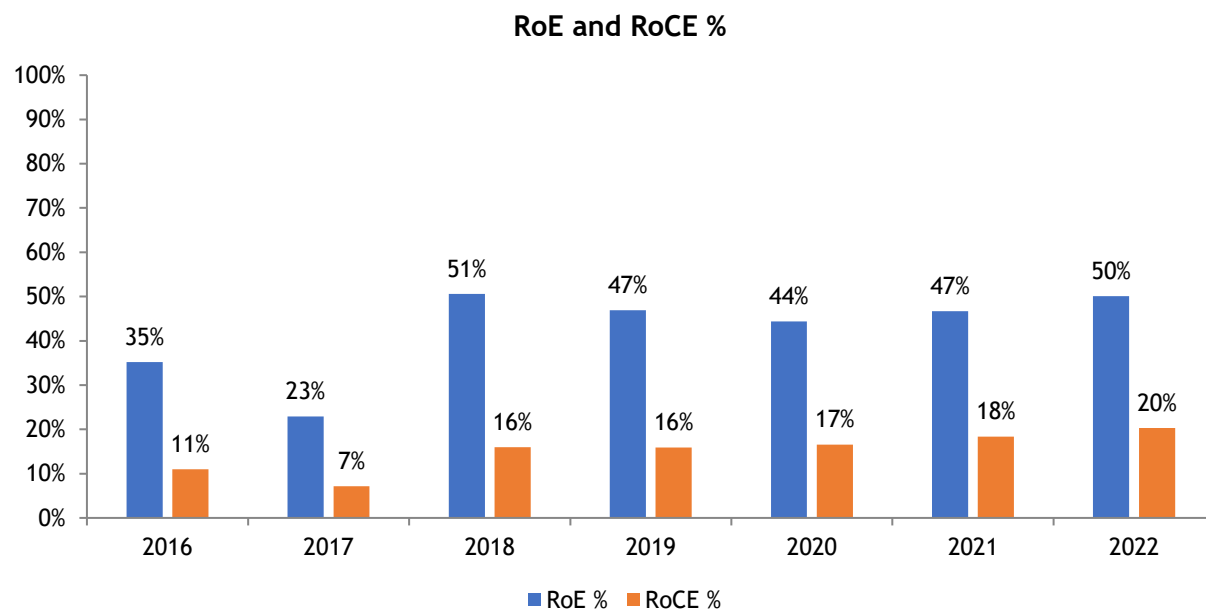
Capital Expenditure Increases to More than 2.5 Times in 5 Years



Account Payable and Receivable Days almost Constant



Microsoft's Return on Equity to Touch 50% in 2022



Key Financials

Income Statement – 2017-22

	2017	2018	2019	2020	2021	2022
Sales (\$ Mn)	96,571	110,360	125,843	140,810	159,803	184,670
YoY Growth %	6%	14%	14%	12%	13%	16%
Cost of Revenue	34,261	38,353	42,910	45,887	53,923	62,942
% of Sales	35%	35%	34%	33%	34%	34%
Gross Margin	62,310	72,007	82,933	94,923	105,880	121,728
Gross Margin %	65%	65%	66%	67%	66%	66%
Other Expenses	33,285	36,949	39,974	43,156	48,825	55,412
% of Sales	34%	33%	32%	31%	31%	30%
EBITDA	37,803	45,319	54,641	64,469	71,280	81,329
EBITDA %	39%	41%	43%	46%	45%	44%
Depreciation & Amortization	8,778	10,261	11,682	12,702	14,225	15,014
EBIT	29,025	35,058	42,959	51,767	57,055	66,316
EBIT %	30%	32%	34%	37%	36%	36%
Interest Expenses	2,222	2,733	2,686	-	-	-
Other Income	3,098	4,149	3,415	231	679	699
PBT	29,901	36,474	43,688	51,998	57,734	67,015
PBT %	31%	33%	35%	37%	36%	36%
Taxes	4,412	19,903	4,448	8,578	9,420	10,926
ETR	15%	55%	10%	16%	16%	16%
PAT	25,489	16,571	39,240	43,420	48,314	56,089
PAT %	26%	15%	31%	31%	30%	30%
Shares OS	7,834	7,783	7,712	7,680	7,680	7,680
EPS	3.25	2.13	5.09	5.65	6.29	7.30
DPS	1.56	1.68	1.84	2.04	2.24	2.58

Balance Sheet 2017-22

	2017	2018	2019	2020	2021	2022
Equity Capital	69,315	71,223	78,520	79,813	79,813	79,813
Retained Earnings	3,079	11,495	23,810	35,712	44,792	57,542
Net Worth	72,394	82,718	102,330	115,525	124,605	137,355
Other Liabilities	28,092	39,832	41,956	48,625	49,112	49,603
Total Loans	77,122	76,240	72,178	68,900	65,789	62,837
Lease Liabilities	-	5,568	6,188	-	-	-
Total Long-Term Liabilities	105,214	121,640	120,322	117,526	114,901	112,440
Accounts Payable	7,390	8,617	9,382	10,012	11,131	12,199
Accrued Expenses + Other CL	40,736	37,129	45,171	32,196	38,514	42,822
Other CL	6,280	8,744	9,351	21,595	24,489	27,386
Total Current Liabilities	54,406	54,490	63,904	63,803	74,134	82,407
Total Liabilities	159,620	176,130	184,226	181,329	189,035	194,847
Total Equity + Liabilities	232,014	258,848	286,556	296,854	313,639	332,202
Net Block	23,734	36,146	43,856	53,436	56,947	60,633
Goodwill	35,122	35,683	42,026	42,379	43,665	44,990
Investments	6,023	1,862	2,649	-	-	-
Intangible Assets	10,106	8,053	7,750	6,924	7,205	7,497
Other Non-current assets	6,250	7,442	14,723	16,520	17,190	17,888
Total Long-Term Assets	81,235	89,186	111,004	119,259	125,007	131,009
Receivables	19,792	26,481	29,524	31,411	35,620	39,834
Inventories	2,181	2,662	2,063	1,767	2,226	2,241
Other Current Assets	4,897	6,751	10,146	10,797	12,022	13,195

Total Current Assets Ex-cash	26,870	35,894	41,733	43,975	49,868	55,270
Cash and Bank balance	132,981	133,768	133,819	133,620	138,765	145,923
Total Current Assets	159,851	169,662	175,552	177,595	188,632	201,193
Total Current Liabilities	54,406	60,058	70,092	63,803	74,134	82,407
Net Current Assets	105,445	109,604	105,460	113,792	114,498	118,786
Total Assets	241,086	258,848	286,556	296,854	313,639	332,202

Cashflow Statement 2017-22

	2017	2018	2019	2020	2021	2022
EBIT	25,489	16,571	39,240	43,420	48,314	56,089
(Inc)/Dec in Working Capital	1,652	20,467	3,866	(9,562)	4,253	2,664
Cash Flow from Operations	27,141	37,038	43,106	33,858	52,567	58,753
Total Adjustments	16,651	6,846	9,079	17,553	20,797	22,219
Add: Depreciation & Amortization	8,778	10,261	11,682	13,086	15,792	16,631
Other Adjustments to Net Cash	7,873	(3,415)	(2,603)	4,467	5,005	5,588
ESOPs	3,266	3,940	4,652	5,305	5,738	6,210
Unearned Income	9,976	-	-	-	-	-
Others	(5,369)	(7,355)	(7,255)	(838)	(733)	(622)
Net Cash from Operating Activities	43,792	43,884	52,185	51,411	73,364	80,972
Less: Capex & Acquisitions	(34,073)	(12,520)	(16,313)	(16,068)	(17,780)	(18,669)
Net Cash from Investing Activities	9,719	31,364	35,872	35,343	55,585	62,304
(Inc)/Dec in Investments	(12,511)	6,557	540	1,147	-	-
(Inc)/Dec in Debt	31,459	(10,201)	(4,000)	(3,228)	(3,111)	(2,952)
Equity Issue (Buyback)	(11,016)	(9,719)	(18,401)	(22,384)	(25,300)	(27,048)
Dividends	(11,845)	(12,699)	(13,811)	(15,189)	(17,234)	(19,819)
Others	(368)	(1,019)	(790)	(763)	(645)	(645)
Net Change in Cash/Cash Equivalents	5,438	4,283	(590)	(5,074)	9,295	11,840
Others						
Opening Cash	10,553	15,991	20,274	19,684	14,610	23,905
Closing Cash	15,991	20,274	19,684	14,610	23,905	35,745
Change in Cash	5,438	4,283	(590)	(5,074)	9,295	11,840

Key Conference Call Highlights

Microsoft's Strong Cloud Architecture

The current cloud architecture of Microsoft has held very well even when there were a lot of orders coming in due to the COVID-19 conditions. The number of orders were on a rise especially in the case of Microsoft Teams and Virtual Desktop as more and more employees and organizations started working remotely. But the cloud architecture at Microsoft handled all the operations well and there were no supply chain issues during the March quarter.

Microsoft saw the expansion of customer base as well as there was expansion of number of seats (consumption) within the existing customer base. A lot of resources were deployed to Microsoft Teams and some other products in the last four weeks of the quarter which actually helped Microsoft gain new logos (customers) at a rate much faster than what they had initially anticipated.

Demand for Hybrid Offerings Rise

Another highlight from the March conference call was the increasing demand for hybrid offerings especially hybrid cloud of Microsoft. A hybrid cloud is basically a cloud server that combines a public cloud and a private cloud. With more and more users using Azure, Microsoft is trying to make Azure a hybrid cloud where clients can access data of Microsoft-managed data centers. Microsoft's on-premises server business grew by 11% and 12% in constant currency and this growth was mainly due to rise in demand of hybrid offerings.

Positive Side of COVID

Due to the COVID conditions, there was an all-time record engagement on Xbox in the March 20 quarter with the number of monthly active users increasing to almost 90 million and with that, Microsoft saw increased monetization of in-game content. Management said that the first stage for many licensing protocols is trial offers for customers who ask for specific things. And then if certain number of customers give a green signal, the license is converted into a product and it eventually can be monetized. Management said that usage of Teams increases the intensity all across Microsoft 365 and that eventually leads to monetization. Everything done on teams like collaboration, sharing a OneNote, etc. is built with a particular set of architectural principles and that will be monetized at different levels of subscription of Microsoft 365.

Commercial Cloud Leads the Gross Margin Numbers

Out of a lot of segment that Microsoft operates in, Commercial Cloud has got the best Gross Margin numbers. In March 2020 quarter, Commercial Cloud revenue was \$13.3 billion, which is 39% more (40% in constant currency) than the corresponding quarter of the last year. The gross margin percentage also grew 4% and was 67%. This was mainly due to increase in Azure Gross Margin and some short-term utilization gains.

Outlook – How Will Microsoft Perform in the June 20 Quarter

In consumer business as well as in commercial business, demand is expected to be continued with the momentum from the March quarter. Due to remote work, play, and learn there might even be an increase in Windows OEM and gaming revenues. But there will be a negative impact on LinkedIn due to the weak job market. In overall, there will be growth but the growth rates may be affected a little.

There will be a significant effect of foreign exchange. According to Microsoft FY 20 quarter 3 conference call, company revenue growth will get affected by 2 percentage points while COGS and operating expenses will get affected by approximately 1 percentage point.

According to the company, commercial cloud margin percentage will remain almost unchanged year-over-year. There will be an increase in capital expenditure as the demand and usage of cloud-based services is on a rise.

The following table summarizes the company's guidance for June 2020 quarter:

Particular	Guidance (\$ Mn)
Productivity and Business Processes	11,650 - 11,950
Intelligent Cloud	12,900 - 13,150
More Personal Computing	11,300 - 11,700
COGS	11,550 - 11,750
Operating Expenses	11,800 - 11,900
Other Income	(100)

Under the Productivity and Business Processes segment, in Office Commercial, the growth driver will be Office 365 whereas in Office Consumer, there will be a little slowdown in growth due to Office 2019 transactional businesses. There will be slowdown in growth of LinkedIn and Dynamics as well.

Under the Intelligent Cloud segment, Azure revenue will grow, driven by consumption-based business. The Enterprise Services revenue will decline because of delays in consulting services due to COVID.

Under the More Personal Computing segment, there will be mid-single digit growth in Windows. In Surface also there will be continued strong demand.

DCF Valuation

Key Assumptions

	2020	2021	2022
Product Revenue	65,287	63,906	63,638
Service Revenue	75,523	95,897	121,032
Total Revenue	140,810	159,803	184,670
Total Expenses	89,043	102,748	118,354
Operating Margin	36.8%	35.7%	35.9%

Valuation (\$ Mn except for % and cmp)

Valuation Date	18/07/2020
Interest Rates %	
Rate Sensitivity	1.0%
Tax Rate	15.0%
ST Sales Growth %	10.0%
LT Sales Growth % (TG)	5.0%
WACC	9.5%
Equity %	60.2%
Debt %	39.8%
D/E	0.40
Risk Free Rate	0.6%
Beta	1.5
Risk Premium	9.0%
Cost of Equity	14.1%
Cost of Debt	3.0%
Tax Rate	15.0%
Tax Adj Cost of Debt	2.6%

Years of Growth	10
EBITDA (Terminal Year)	142,309
FCF (Terminal Year)	138,962
Discount Rate	9.5%
Terminal Growth %	5.0%
Terminal Value	3,224,562
PV of FCF	578,873
PV of TV	1,298,196
Total PV	1,877,069
Fair Value per Share	244
Upside/Downside	13.6%
CMP	202
Mkt Cap	1,631,000
Implied Shares	7,680

Conclusion

According to my assumptions that the total revenue of Microsoft will grow at a rate of about 12-15% every year from FY20 to FY22, the fair value of Microsoft is coming out to be \$244 per share. As of 17th July 2020, it is trading at \$202.88. Hence, according to my valuation technique, it is a good share to buy as the fair value is almost 20% higher than the current market price.

Risks Associated with the Business

Intense Competition

There is fierce competition in technology business. There are competitors of all size – diverse global companies to niche local companies. There are low barriers to entry in most of the businesses in which Microsoft is present. More and more companies are building platform-based ecosystems and due to this, Microsoft has a threat of losing market share. The only way Microsoft can remain competitive and significant is making innovative products and services that appeal to businesses and consumers.

Increasing Focus on Cloud-Based Services Presents Execution Risks

Cloud-based services is one of the fastest growing segments, not only for Microsoft but for the technology industry as a whole. Thus, there always is the threat of competitor developing and deploying similar services before Microsoft. Apart from this, there is the threat of execution. A significant amount of resources is being devoted to cloud-based services. The success in this area totally depends on the strength of Microsoft servers and the level of adaption of Microsoft's offerings.

Cyberattacks and Security Vulnerabilities

One of the biggest risks in the technology industry is that of cyberattacks and security of data. Cyberattacks are increasing in number and also in quality. The types of cyberthreats are also evolving day by day. So, it is almost impossible to speculate every threat and protect the systems before any cyberattack occurs. There's not only the threat of IT servers of Microsoft, the bigger threat is of losing the clients data due to such cyberattacks. The personal data of costumers can be misused and not only does Microsoft loses customers; it also loses its reputation.

Claims and Lawsuits Against Microsoft

There are a number of claims against Microsoft and most of them are patent infringement cases. There are some product related litigation and unfair competition cases also. These cases are filed in different parts of the world. If Microsoft loses these cases, it has to give a huge amount of sum to the litigator. In the annual report of 2019, Microsoft reported that it can lose a billion dollars as

penalty in the worst-case scenario. So, with such a huge expansion both products wise and geography wise, there comes the risk of lawsuits and penalties related to it.

Global Business

There a lot of advantages of going global with your business, like new clients and added revenues. But there are some negatives attached with it too. With such expanded business like that of Microsoft's, there comes operational and economic risks. If economy of some part of the world goes down, it may affect Microsoft's business. Also, in some parts of the world, trade and tariff regulations are very strict. Microsoft has to bear with it. There is also the risk of fluctuations in foreign exchange rates between U.S. dollars and other currencies.

About the Company

About the Business

Microsoft develops and supports software, services, devices and solutions. Services offered by Microsoft include cloud-based solutions, consulting services and online advertising to a global audience. Software-based products include operating systems, applications, server management tools, software development tools and video games. Hardware-based products include PCs, tablets, gaming and entertainment consoles, other intelligent devices and related accessories.

Operations – There are operation centers region wise. Microsoft localizes some of its products for better user experience. The devices are primarily manufactured by third-party contract manufacturers.

R&D – Most products and services are developed internally through these engineering groups:

1. Cloud and AI
2. Experiences and Devices
3. AI and Research
4. LinkedIn
5. Gaming

This helps in product differentiation and closer technical control. Microsoft currently has over 61,000 U.S. and international patents and over 26,000 pending. Apart from this, Microsoft invests in a range of emerging technologies and breakthroughs. In addition to the main R&D operations, they also operate Microsoft Research which is one of the world's largest corporate research organization.

Distribution, Sales and Marketing – Distribution of Microsoft products is done through three channels:

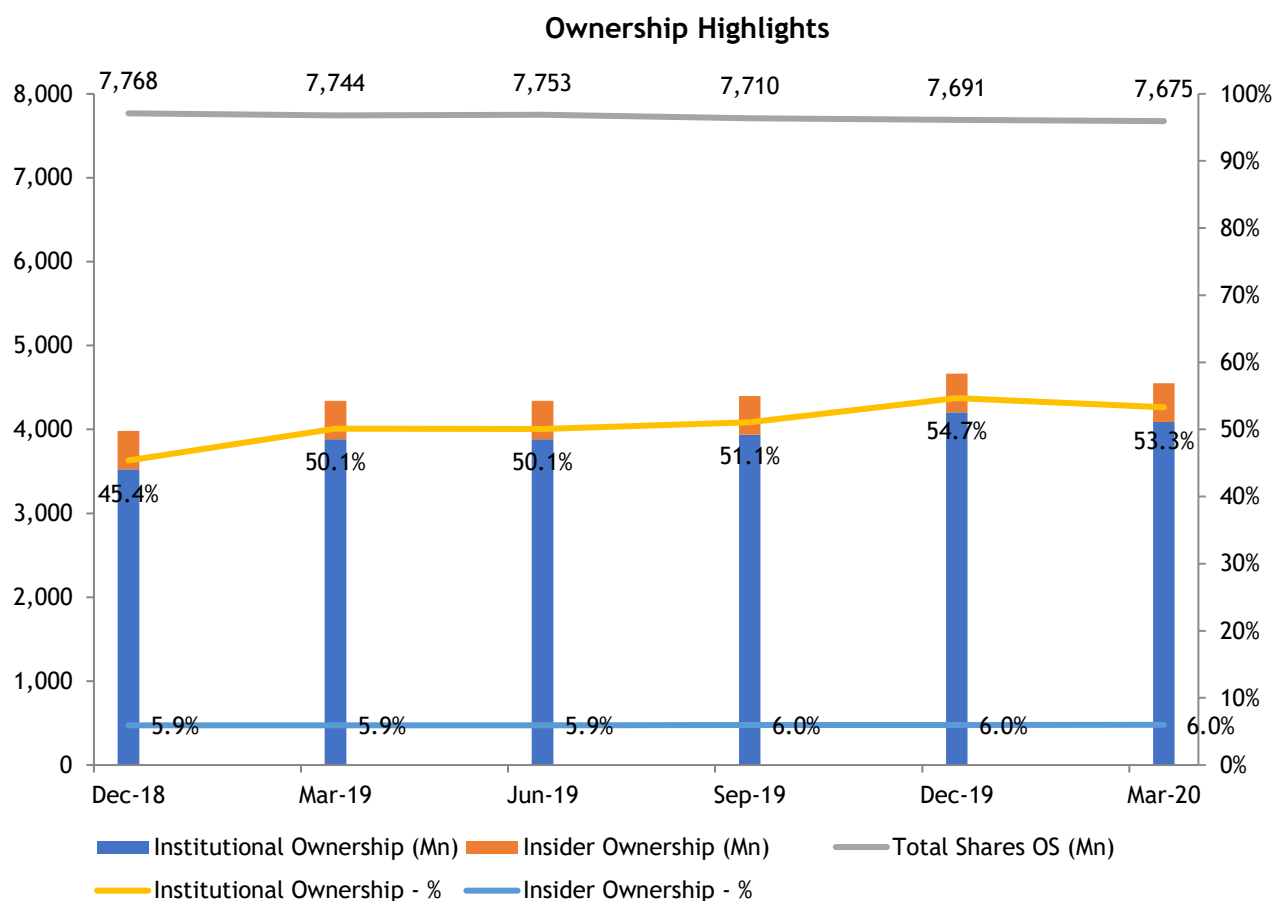
- OEMs
- Direct
- Distributors & Resellers

Employees – Microsoft has 144,000 full-time employees as of June 30, 2019.

- Geographical split –
 1. U.S. – 85,000
 2. International - 59,000
- Segment wise split –
 1. Operations (includes manufacturing, distribution, product support and consulting services) – 47,000
 2. Product Research and Development – 47,000
 3. Sales and Marketing – 38,000
 4. General and Admin – 12,000

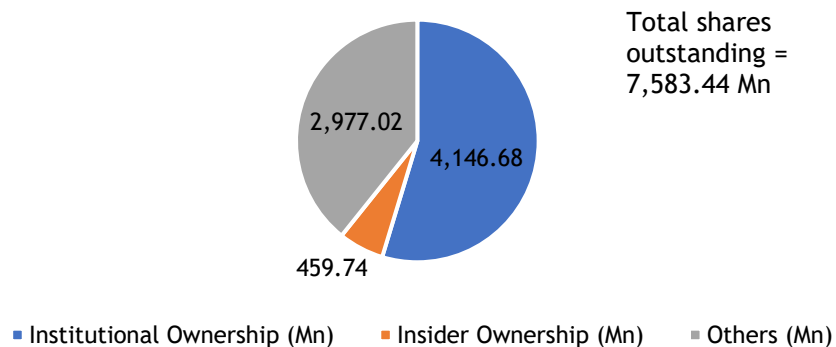
Shareholding Pattern – Who Owns Microsoft?

Institutional Holding Increases from 45% to 53% in Six Quarters



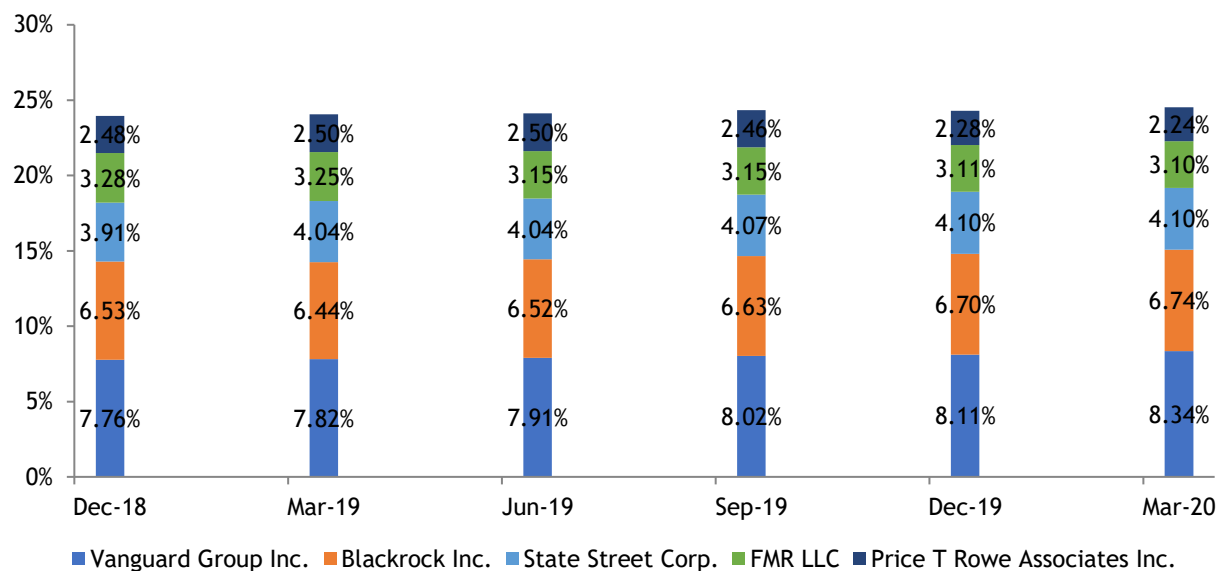
Ownership Almost Unchanged in June 2020

Ownership - June 2020



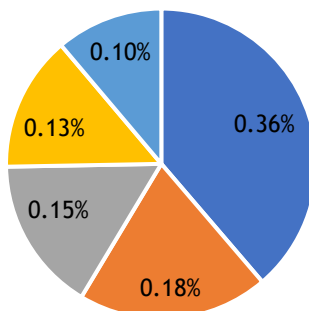
Vanguard Group Inc. owns more than 8% of Microsoft Share

Top MF Holders



Satya Nadella owns more Microsoft Share than any other Insider

Top Direct Holders %

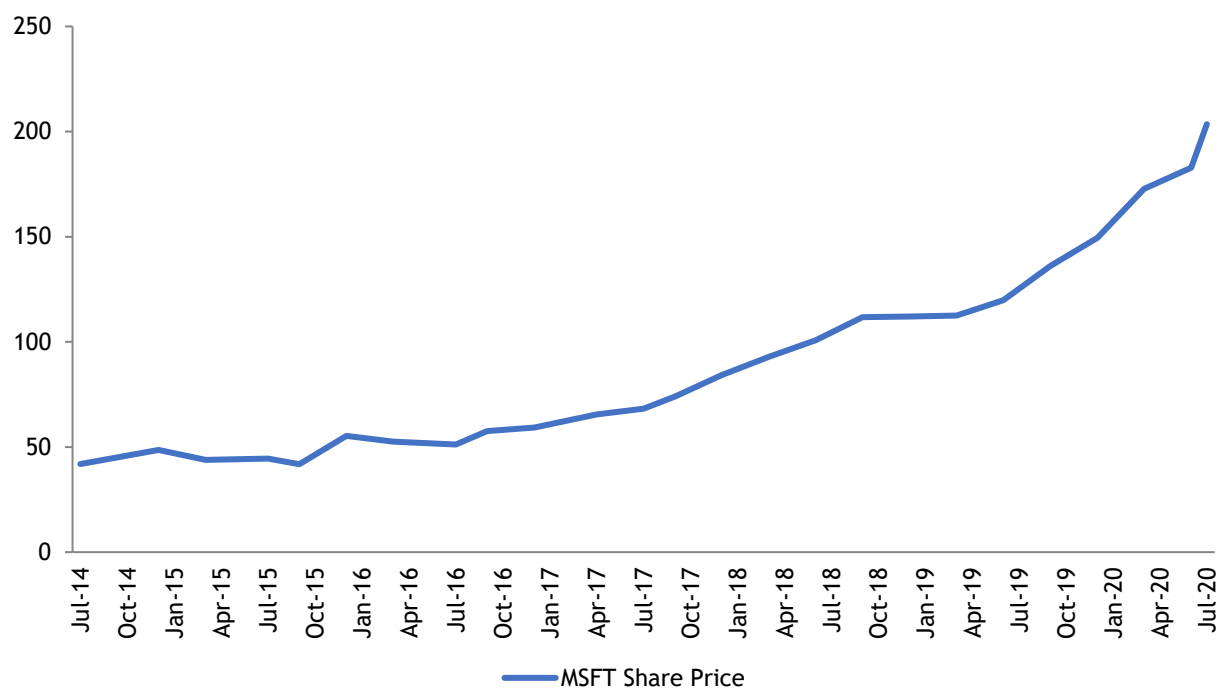


Total Insider
Ownership = 459.75 Mn
(6.06%)

- Mr. Satya Nadella ■ Mr. Bradford L. Smith ■ Heung-Yeung Shum
- Mr. Jean-Phillippe Courtois ■ Ms. Amy Hood

MSFT – From \$40 to \$200 in Six Years

MSFT Share Price (\$)



Competition Analysis

Microsoft's portfolio of products is very vast and because of that, it has got a lot of competitors worldwide. Here is a list of Microsoft's competitors, product wise:

Microsoft Office

The biggest competitor of Microsoft Office is G Suite, a suite of cloud computing, productivity and collaboration tools provided by Google. Most of the products and services are similar. Both solutions offer competitive pricing. The products and services include applications like Word (vs Google Docs), Excel (vs Google Sheets), PowerPoint (vs Google Slides), cloud storage, e-mail services and a lot more. As of 2018, 80% of the Fortune 500 companies use Microsoft Cloud. So, it is pretty clear that Microsoft is a clear market leader in this space. Other small competitors include LibreOffice, WPS Office, etc.

Microsoft Teams

The two biggest competitors of Microsoft Teams are Google Meet and Zoom. Zoom and Google Meet have more than 100 million daily active users while Microsoft Teams has about 75 million daily active users. Microsoft Teams recorded an increase of almost 75% (from 44 million to 75 million) in its daily user base in the March 2020 quarter.

OneDrive

In Cloud Storage area, the biggest competitor of Microsoft OneDrive is Google Drive. Other competitors include Amazon Drive and Dropbox. Both offer free and paid plans but Google Drive offers 15 GB storage for free whereas Microsoft OneDrive offers 5 GB for free. Even in paid plans, Google drive is cheaper. Google Drive has more than 1 billion active users while Dropbox has 600 million active users. Microsoft OneDrive has fewer active users than both.

LinkedIn

There are no direct global competitors of LinkedIn as such. Some local competitors include Xing in Germany and Naukri.com in India. Due to this, LinkedIn has more than 700 million active users now. LinkedIn was acquired by Microsoft in 2016 and has shown exponential growth since then. LinkedIn has shown 130% and 43% increase in revenue in 2018 and 2019 over previous years. It is definitely one of the promising businesses of Microsoft.

Dynamics

Top competitors in the CRM area for Microsoft Dynamics are SAP and Salesforce CRM. Salesforce is a total cloud-based CRM solution and has more reach than Microsoft Dynamics. SAP also has a greater number of users than Microsoft Dynamics. Other competitors in this area include NetSuite and Oracle.

Microsoft SQL

The top competitors of MSSQL are MySQL and Oracle Database, both provided by Oracle. MySQL is an open-source Relational Database Management System (RDBMS) where as MSSQL and Oracle Database are not open-source.

Windows Server

The only significant competitor of Windows Server is Linux Server. Linux is an open source operating system and has gained popularity recently. Windows is an operating system provided by Microsoft and is the most popular OS in the world. While Windows is easy to use OS, Linux is preferred by web developers and is more secure as there are fewer number of users. Also, Linux being open-source is free of cost.

Microsoft Visual Studio

Top competitors of Microsoft Visual Studio include Xcode, Android Studio and Eclipse. Visual Studio is widely used as compared to Android Studio and Eclipse. Visual Studio is only for Microsoft, Android Studio is specifically for Android development while Eclipse is open source and can be used for free/

GitHub

The main competitor of GitHub is Bitbucket. GitHub is considerably more popular than Bitbucket. GitHub offers more features than Bitbucket and also allows users to create their own workflows. On the other end, Bitbucket has more flexibility built-in.

Azure

The biggest competitor of Azure is Amazon Web Services (AWS). As of February 2020, AWS is the market leader with a market share of 32.4% while Azure ranks second with a market share of 17.6%. Other competitors are Google Cloud and Alibaba cloud with a share of around 6% each. Although AWS is the market leader, its growth rate is only half as compared to that of Azure and Google Cloud, who grew at a rate of more 60% each, annually.

Devices

In devices segment, especially computer hardware, Microsoft has a lot of competition. There are a number of equipment manufacturers like IBM, Lenovo, HP, Dell, Samsung, Asus, Apple, etc. As of March 2020, Lenovo is the leading player with almost 25% market share. HP and Dell rank 2nd and 3rd with 21.5% and 19.7% market share. Microsoft is not in the top 5.

Gaming

In gaming, Microsoft's Xbox faces few but large competitors. The biggest competitor is Sony's PlayStation and Nintendo. In a recent interview, Microsoft's gaming vice-president Phil Spencer also said that it will face competition from Google and Amazon as they have also entered the market of gaming console manufacturing. In January 2020, Sony's PlayStation4 (PS4) crossed 100 million sales mark while Microsoft and Nintendo sold around 40 million units of Xbox One and Switch each.

Search

In search engine segment, the biggest competitor of Microsoft Bing is Google. Google has more than 90% market share in the area and all other players including Microsoft Bing and Yahoo have a market share of less than 1%.

The table below summarizes all the product/service wise top competitors of Microsoft

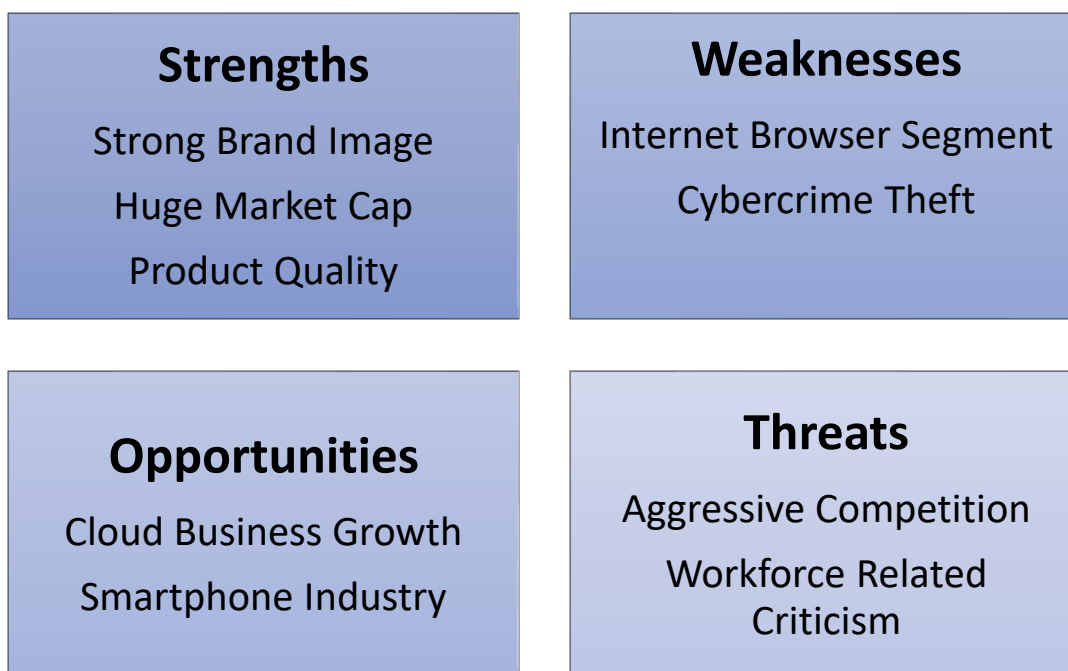
Segment/Sub-Segment	Product/Service	Key Competitors	Growth Drivers
Productivity and Business Processes			
Office Commercial	Microsoft Office 365, Microsoft Teams, Skype for Business	G Suite, LibreOffice	New Users, New Markets, Client Access Licenses
Office Consumer	Office 365, Skype, OneDrive	G Suite, LibreOffice	Office with new devices
LinkedIn	Talent Solutions, Marketing Solutions, Premium Subscriptions	Meetup, Xing	Member Engagement
Dynamics	ERP, CRM, SCM	Salesforce CRM, SAP	Number of Clients
Intelligent Cloud			
Server Products and Cloud Services	SQL Server, GitHub, Azure	MySQL, Bitbucket, AWS, Google Cloud	Client Access Licenses
Enterprise Services	Consulting services, assisting customers		Number of customers
More Personal Computing			
Windows	Operating System	Ubuntu	Windows Operating System Licenses
Devices	PCs and PC Accessories	HP, Dell, Lenovo, Apple	Number of devices sold
Gaming	Gaming consoles and services	Sony, Nintendo	Active User Base
Search	Bing, Edge, Advertising	Google, Yahoo, Facebook	Traffic on search engine

Framework Analysis

BCG Matrix



SWOT Analysis



PESTLE Analysis

Political Factors

Political Stability
Trade Regulations and Tariff
Level of Government Interference

Economic Factors

GDP and Growth Rate
Inflation Rate
Interest Rates
Labor Costs

Social Factors

Demographics
Culture

Technological Factors

Technological Advancement
Technological Adaption Level

Environmental Factors

Climate Change
Attitude towards 'Green'
Waste Management in Technology Sector

Legal Factors

Employment Law
Discrimination Law
Anti-Trust Law

Corporate Governance at Microsoft

Corporate governance plays a very important role at big organizations like Microsoft Corporation. At Microsoft, the size of the board of members changes almost every year. From 2011 to 2019, the size of board has varied from 9 to 14. Every board member except the co-founder (Mr. Bill Gates) and the CEO (Mr. Steve Ballmer from 2011-14 and Mr. Satya Nadella after that) are independent board members. The board of members meet every year for about 5-6 times. In FY 2019, the board of members met 5 times.

There are four committees within the board of members – Audit Committee, Compensation Committee, Governance and Nominating Committee, and Regulatory and Public Policy Committee. Apart from Bill Gates and Satya Nadella, all the board members are part of at least one of these committees. The table below shows which member of the board is a part of which committee. Every committee is chaired by one of the members

Board Member	Audit	Compensation	Governance and Nominating	Regulatory and Public Policy
William H. Gates III				
Reid G. Hoffman				
Hugh P. Johnston	Y			
Teri L. List-Stoll	Y		Y	
Satya Nadella				
Charles H. Noski	Chair		Y	
Helmut Panke	Y			Chair
Sandra E. Peterson		Y		Y
Penny S. Pritzker				Y
Charles W. Scharf		Y	Y	
Arne M. Sorenson	Y			
John W. Stanton		Chair		Y
John W. Thompson			Chair	Y
Padmasree Warrior		Y		
Meetings in FY 19	9	5	4	3

The company's external auditing is done by Deloitte and Touche LLP. It has been the independent auditor of Microsoft from a long time. Microsoft board of members has also selected Deloitte and Touche as their independent auditor for financial year 2020.

Key Management Personnel

Name of Executive Officer	Designation
Satya Nadella	Chief Executive Officer
Amy E. Hood	Executive Vice President, Chief Financial Officer
Christopher C. Capossela	Executive Vice President, Marketing and Consumer Business, and Chief Marketing Officer
Margaret L. Johnson	Executive Vice President, Business Development
Jean-Philippe Courtois	Executive Vice President and President, Microsoft Global Sales, Marketing and Operations
Bradford L. Smith	President and Chief Legal Officer
Kathleen T. Hogan	Executive Vice President, Human Resources

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