



Microsoft Stock Price Surges by 50% in 2021

Description

Shares of [tech heavyweight Microsoft \(NASDAQ:MSFT\)](#) continue to outpace the broader indices in 2021. MSFT stock is up almost 50% year to date compared to the S&P 500 gains of 24%. In fact, Microsoft has been a solid wealth creator for long-term investors and has gained a staggering 1,500% in the last 10 years.

But investors should understand that historical gains don't guarantee future returns. Let's see if MSFT stock is poised to keep deriving market-thumping gains to investors in 2022 and beyond.

The bull case for Microsoft stock

Microsoft is one of the largest companies in the world, valued at a market cap of US\$2.47 trillion. In its most recent quarter that ended in September, MSFT reported sales of US\$45.3 billion, with each of the business segments experiencing double-digit growth rates.

Microsoft's intelligent cloud sales rose by 31% year over year to US\$17 billion. Comparatively, its productivity & business processes, and personal computing segments saw revenue increase by 22% and 12%, respectively, to US\$15 billion and US\$13.3 billion. Microsoft managed to grow overall sales by 22% while adjusted earnings per share rose by 25% year over year in the fiscal first quarter of 2022.

Microsoft's cloud business generates revenue from the intelligent cloud that includes its Azure cloud computing vertical. Its productivity & business processes include solutions such as Microsoft Office and LinkedIn. Finally, the personal computing business includes hardware sales such as tablets and Xbox.

In fiscal Q2 of 2022, Microsoft forecasts sales to grow by 17.4% year over year to US\$50.5 billion, which will be a quarterly record for the company.

Further, Microsoft enjoys a wide economic moat and strong customer engagement rates. The Windows 10 operating system is currently active on more than a billion devices while the Office 365 suite of solutions is almost irreplaceable.

The tech behemoth is part of [multiple growth verticals](#) that include gaming and the public cloud. It also owns the largest social network platform for professionals in LinkedIn, which saw a 42% increase in top line in Q1. Azure also continues to outpace overall revenue growth, as sales grew by 48% year over year in the quarter ended in September.

What's next for MSFT stock?

Enterprise-driven cloud spending is expected to grow at an annual rate of 18% through 2026, giving Microsoft enough room to keep driving top line higher in the future. Microsoft sales are forecast to rise by 17% to US\$197 billion in fiscal 2022 and by 3.9% to US\$224 billion in fiscal 2023. Comparatively, its adjusted earnings are estimated to rise at an annual rate of 16.5% in the next five years.

MSFT stock is valued at a forward price-to-2022-sales multiple of 12.7 and a price-to-earnings multiple of 37, which is expensive, making it vulnerable in a broader market selloff. But Microsoft remains a top bet for investors, as they are [buying into a company](#) that generates significant profits while leading several tech verticals.

Microsoft also returned close to US\$11 billion to shareholders in Q2 via share buybacks and dividends. The company increased quarterly dividends by 11% year over year to US\$0.62 per share, indicating a forward yield of 0.75%.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:MSFT (Microsoft Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/06/29

Date Created

2021/12/04

Author

araghunath

default watermark

default watermark