AGC | Arabian Gulf Capital

WEEKLY REVIEW

MICROSOFT CORPORATION

MICROSOFT CORPORATION (MSFT US EQUITY) – POWERING AI FUTURE

Microsoft is one of the world's largest technology companies and a foundational provider of digital infrastructure, software, and cloud services. Through products such as Windows, Microsoft 365, Azure, LinkedIn, GitHub, Dynamics, and its cybersecurity solutions, the company serves consumers, businesses, governments, and developers across virtually every industry. With over 1.6 billion Windows devices, 95 million Microsoft 365 consumer subscribers, and one of the world's largest cloud platforms, Microsoft has become deeply embedded in the global digital economy.

Over the past decade, Microsoft has transformed from a traditional software vendor into a diversified technology platform built around cloud computing, recurring subscription revenue, artificial intelligence, cybersecurity, and enterprise productivity. Today, the company participates across several of the most significant technology trends shaping the global economy.

Specification

Ticker	MSFT
Exchange	NASDAQ
Sector	Technology
Market Cap	$3.10T
Free Float	68.37%
ISIN	US5949181045

MSFT 1Y Chart

**** For informational purposes only and should not be interpreted as investment recommendations or valuation opinions.*

Business Overview

Microsoft's growth over recent years has been driven by the expansion of cloud computing, increasing enterprise digitization, and the growing adoption of artificial intelligence. The company operates across multiple technology ecosystems, spanning cloud infrastructure, enterprise software, productivity applications, developer platforms, cybersecurity solutions, and consumer technologies.

Artificial intelligence has become an increasingly important component of Microsoft's business strategy, supported by investments across infrastructure, software, and strategic partnerships. At the same time, the company continues to benefit from its established positions in enterprise software, cloud computing, and workplace productivity tools.

Key Highlights

Cloud & Azure: Azure remains one of Microsoft's largest growth engines, with revenue increasing 40% YoY during the quarter. Demand continues to be supported by enterprise cloud migration, data services, digital transformation initiatives, and growing AI-related workloads. Management indicated that customer demand continues to exceed available capacity across several regions.

AI Monetization Expansion: Artificial intelligence is becoming an increasingly meaningful contributor to Microsoft's business. The company's AI-related annualized revenue exceeded $37 billion during the quarter, while Microsoft 365 Copilot surpassed 20 million paid seats. Management also highlighted growing adoption of AI agents, enterprise automation tools, and usage-based services across its product portfolio. Microsoft is gradually evolving parts of its business model from traditional seat-based licensing toward a combination of subscriptions and usage-based consumption, particularly in AI-enabled products and services.

OpenAI Ecosystem: Microsoft maintains a significant relationship with OpenAI through cloud infrastructure, intellectual property access, commercial agreements, and equity ownership. Recent developments indicate that OpenAI is expanding ChatGPT beyond conversational AI toward broader enterprise, coding, and agent-based applications, further increasing the scale and complexity of the AI ecosystem. Microsoft's infrastructure and platform capabilities continue to play an important role within that ecosystem

**** All data above are provided solely for informational purposes and should not be interpreted as investment recommendations or valuation opinions.*

AI Infrastructure Development

Microsoft continues to expand its global infrastructure footprint to support growing demand for cloud and AI services. During the quarter, the company added additional data center capacity and remains on track to significantly expand its infrastructure footprint over the coming years. Management expects approximately $190 billion of capital expenditures during calendar year 2026, reflecting continued investment in data centers, networking, computing infrastructure, and AI technologies. Alongside these investments, Microsoft continues developing proprietary technologies, including Maia AI accelerators, Cobalt server processors, Azure Foundry, and internally developed AI models aimed at improving efficiency and reducing costs across its platform.

Key Financial Stats

Microsoft reported Q3 FY2026 revenue of ~$82.9 billion, up 18% YoY, while operating income increased 20% YoY to $38.4 billion. Net income rose 23% YoY to ~$31.8 billion, reflecting continued growth across cloud, software, and AI-related businesses.

The company generated ~$46.7 billion in operating cash flow during the quarter and maintained approximately $78 billion in cash, cash equivalents, and short-term investments. Despite substantial investments in AI infrastructure and data center expansion, Microsoft continued to generate significant free cash flow while returning capital to shareholders through dividends and share repurchases.

In Millions, USD	2026 Q3	2025 Q3
Revenue	82,886	70,066
Gross Profit	56,058	48,147
EBITDA	50,340	42,216
Net Income	31,787	25,741
EPS	4.27	3.45
Cash From Operations	46,679	37,044
Capex	-30,876	-16,745
Free Cash Flow	15,803	20,299

**** Financial metrics and valuation information are provided solely for informational purposes and should not be interpreted as investment recommendations or valuation opinions.*

WEEKLY REVIEW

8 June 2026

AGC
Arabian Gulf Capital

Key Financials Stats

In Millions, USD	2022	2023	2024	2025
Revenue	198,270	211,915	245,122	281,724
Gross Profit	135,620	146,052	171,008	193,893
EBITDA	100,304	106,430	135,275	168,205
Net Income	69,083	73,102	88,229	102,120
EPS	9.17	9.78	11.81	13.68
Cash From Operations	89,035	87,582	118,548	136,162
Capex	-23,886	-28,107	-44,477	-64,551
Free Cash Flow	65,149	59,475	74,071	71,611

Valuation & Market Position

Microsoft remains one of the largest publicly traded companies globally and continues to hold leadership positions across cloud computing, enterprise software, productivity applications, developer platforms, and cybersecurity. The company is frequently compared against other large technology platforms, including Amazon, Alphabet, Oracle, and Salesforce, due to its broad participation across multiple segments of the technology industry.

Key Multiples

Ratio	2022	2023	2024	2025	Current - Q3 26
P/E	28.02	34.82	37.84	36.36	26.33
P/B	11.51	12.27	12.38	10.77	7.47
P/Sales	9.71	11.97	13.55	13.12	9.73
ROA	20.82%	18.63%	19.07%	18.00%	19.93%
ROE	47.15%	38.82%	37.13%	33.28%	34.01%

MSFT vs Peers

Ticker	FWD P/E	PEG	FWD EV/EBITDA	FWD EV/SALES
MSFT	**24.76**	**1.36**	**15.83**	**9.54**
GOOG	25.69	1.60	19.63	9.14
META	18.41	0.89	10.41	5.97
AMZN	28.37	1.34	12.95	3.33

**** Financial metrics and valuation information are provided solely for informational purposes and should not be interpreted as investment recommendations or valuation opinions.*

Next-Generation Technologies

Beyond cloud computing and artificial intelligence, Microsoft continues investing in emerging technologies such as quantum computing. Recent progress within its Majorana-based quantum computing program highlights the company's longer-term focus on developing future computing platforms that could have applications across scientific research, cybersecurity, optimization, and advanced computing workloads.

Key Considerations

Microsoft's ongoing expansion in artificial intelligence requires substantial investment in infrastructure, data centers, and computing capacity. Management expects elevated capital expenditure levels to continue as demand for AI-related services grows. In addition, the company operates within highly competitive markets that include cloud computing, enterprise software, AI platforms, developer tools, and cybersecurity services. Regulatory developments, evolving AI governance frameworks, and technological shifts across the industry remain important factors influencing the operating environment.

Executive Summary

Microsoft continues to expand its role across cloud computing, enterprise software, artificial intelligence, cybersecurity, and developer platforms. Recent results highlight continued growth in Azure, increasing adoption of AI-enabled products, and strong enterprise demand across multiple business segments. At the same time, the company continues to invest heavily in cloud and AI infrastructure while maintaining substantial liquidity and cash generation capabilities.

The company's scale, diversified business model, and participation across multiple technology ecosystems position it as one of the most influential platforms in the global technology sector. Ongoing developments in artificial intelligence, cloud infrastructure, and next-generation computing technologies remain important areas to monitor as Microsoft continues to evolve its product portfolio and technology capabilities.

- *Source: Public company filings, Bloomberg, market data providers, and publicly available information as of the date of publication.*
- *This material is provided for informational purposes only and does not constitute independent investment research, investment advice, or a recommendation to buy or sell any financial instruments.*
- *Investments in equity securities are subject to market risk, sector risk, liquidity risk, and issuer-specific risks which may result in partial or total loss of invested capital.*

Disclaimer

Arabian Gulf Capital BSC (Closed) is licensed and regulated by the Central Bank of Bahrain (CBB) as a Bahraini Investment Firm (Category 1). Office Address: Office No. 3201, Building 01, Isa AlKabeer Avenue, Bahrain World Trade Center, Block 316, Manama, Kingdom of Bahrain. This communication is provided for informational purposes only and is not directed at retail investors. Certain products and services referenced may only be available to Expert and Accredited Investors in accordance with applicable CBB rules and regulations. The fees and tariffs mentioned in this document are provided for informational purposes only and are subject to change at the discretion of Arabian Gulf Capital BSC (Closed). Additional charges such as VAT, duties, and other external fees may apply. Clients are advised to review the latest tariff schedule and consult with their relationship manager for any clarifications. This document does not constitute an offer, solicitation, or recommendation to transact in any securities or investment products. All investments carry risks, and past performance is not indicative of future results. Clients should consider their individual circumstances and seek independent advice before making investment decisions. For further details or inquiries, please contact Arabian Gulf Capital BSC (Closed) directly.