

Microsoft Corporation

NASDAQ: MSFT | Software & Cloud Infrastructure | Report date: 25 September 2026 | Price of record: \$497.93, close 24 September 2026

Recommendation	Last Price	Take-profit 1	Cut-loss	Weighted Fair Value
BUY	\$497.93	\$565	\$471	\$564.50
unchanged	24 Sep close	held	raised from \$464	+13.4%

Investment Score: 81 / 100 (from 82) · Trailing P/E 27.7x on FY26 GAAP EPS of \$17.95 · Forward P/E 25.2x on the FY27 consensus of \$19.76 · Consensus target \$576.40 across 55 analysts · Horizon 12–24 months, 4–6% allocation

Investment Summary

The rating holds at Buy and the stock has barely moved: \$497.93 against \$495.63 a fortnight ago, a gain of 0.5%, and still inside the \$485–500 entry zone. What moved is underneath the price. The fifty-day exponential average that anchored the \$464 cut-loss has risen from \$465.44 to \$475.30, so a close at \$464 would no longer mark the trend break it was set to mark. The cut-loss is raised to \$471, just below both fifty-day averages. That tightens the stop rather than widening it, and it lifts the reward-to-risk at the market from 2.19 to 2.49 to one on an unchanged \$565 first target.

The development that deserves the weight in this report is the size of the capacity commitment, not a new product. The FY26 annual report shows \$329.1bn of data centre leases signed but not yet commenced at 30 June 2026, scheduled to begin between fiscal 2027 and fiscal 2033. Together with the reported plan to take capacity from roughly 12 to 38 gigawatts by 2032, that is a fixed-cost stack several times the company's \$67.0bn of FY26 free cash flow. It does not change the verdict, because demand still exceeds supply, but it removes the idea that the build is self-funded out of free cash flow, and the Financial strength score falls from 9 to 8 on it.

The second item is pricing. The Information reported on 23 September that Microsoft will offer 30% to 50% discounts on Microsoft 365 Copilot to customers committing to large seat counts from as soon as October, alongside usage-based fees for some features; Microsoft's own partner notices confirm usage-based billing becomes the default for new Copilot Business licences from 2 November. This is a volume bet on the product that carries the AI monetisation argument, sized here at around 1% of FY27 EPS in the adverse case, so it is watched rather than scored. Against both items, the macro backdrop worsened for a 25x multiple: the Federal Reserve raised rates on 16 September and the ten-year Treasury closed at 5.18% on 24 September, its highest since 2007. The stock held through that, helped by a Stifel upgrade to Buy.

What Moved Since the Previous Report

Measure	13 September	25 September	Read
Share price	\$495.63	\$497.93	Up 0.5%. Range since the last report \$487.23 to \$509.95 intraday; lowest close \$490.30 on 16 September, the day of the rate decision.
Trailing / forward P/E	27.6x / 25.1x	27.7x / 25.2x	On FY26 GAAP EPS of \$17.95 and a FY27 consensus of \$19.76. Multiple essentially unchanged.
Consensus target	\$572.92	\$576.40	55 analysts; 38 Strong Buy, 14 Buy, 3 Hold. Stifel upgraded to Buy at \$575 (from Hold, \$530); Oppenheimer to \$570 from \$515; Cantor Fitzgerald to \$608 from \$522.
EMA 50	\$465.44	\$475.30	Recomputed. The average that defined the cut-loss rose \$9.86, which is why the stop moves.
EMA 20	\$491.24	\$495.31	Recomputed. Now \$2.62 below the price, inside the entry zone.
MACD histogram	–3.84	–2.01	Still negative, but narrowing for a week. Momentum is repairing rather than rolling over.

Measure	13 September	25 September	Read
Ten-year Treasury	4.96%	5.18%	Highest close since 2007, after a 25bp Fed hike to 3.75–4.00% and a composite PMI of 58.4.
Quarterly dividend	\$0.91	\$0.98	Raised 8% on 15 September; payable 10 December to holders of record on 19 November.

Moving averages are recomputed from 300 completed daily sessions on every refresh rather than carried forward.

Do the Published Levels Still Hold?

Three of four levels hold. The fourth, the cut-loss, keeps its basis and changes its number.

Level	Published	Now	Assessment
Recommended entry	\$485–500	Held	The stock is inside the zone at \$497.93. The floor rests on the \$486.00 low of 10 September, and the 16 September low of \$487.23 on the rate decision held above it. The recomputed twenty-day exponential average at \$495.31 sits inside the zone.
Cut-loss	\$464	Raised to \$471	The level was set immediately below the fifty-day exponential average, then \$465.44. That average is now \$475.30 and the simple fifty-day \$473.51, so \$464 sits \$11 below the trend line it was meant to mark. \$471 restores the basis: a close there is a close below both fifty-day averages. It is 5.4% and 2.45 ATR below the market. The stop is tightened, not widened, and is not set to hit any particular volatility standoff.
Take-profit 1	\$565	Held	Equal to the base-case fair value and 2.0% above the 52-week high of \$553.72 set on 28 October 2025. Now 13.5% above the market.
Take-profit 2	\$660	Held	Requires the bull case. 32.5% above the market.
Risk / reward	2.19 : 1	2.49 : 1	At the market, on the raised stop and unchanged target. About 3.4 to one at the \$492.50 midpoint of the zone.

Evaluation Framework

Microsoft's return over two years still turns on four variables. The period added evidence to two of them: the capacity commitment now has a disclosed dollar size, and Copilot has a reported change of pricing model. The criteria below are what each driver is judged on.

Driver	How it is judged	Status now
Azure growth durability	Constant-currency Azure growth against the roughly 45% guided for Q1 FY27; whether capacity, not demand, remains the constraint.	No new quarter. Q4 FY26 Azure grew 43%. Next test is the Q1 FY27 print, not yet dated by the company.
Backlog conversion	Commercial remaining performance obligations (\$678bn at Q4, up 84%, 25% excluding OpenAI) converting over their 2.3-year duration.	Unchanged. No disclosure in the period.
Capital intensity and returns	Whether contracted obligations grow at least as fast as capital commitments; free cash flow after capex and finance leases; depreciation versus revenue.	Worse evidenced. \$329.1bn of uncommenced leases against \$67.0bn FY26 free cash flow; reported 38 GW plan.
Copilot and AI monetisation	Paid seats, realised price per seat, and usage revenue as disclosed quarterly.	Reported shift to large-customer discounts of 30–50% plus usage fees. Seats last disclosed at more than 30 million.

Business and Industry

Microsoft sells three things that behave differently. Productivity and Business Processes (\$37.8bn in Q4 FY26, up 14%) is a subscription annuity with pricing power. Intelligent Cloud (\$39.3bn, up 32%) is the growth engine and the capital sink at once. More Personal Computing (\$12.9bn, down 4%) is now small enough that its decline is a rounding item. FY26 revenue was \$331.8bn, up 18%, with operating income of \$155.2bn, a 46.8% operating margin.

The industry question has narrowed to what return the infrastructure earns and over what life. Microsoft extended the estimated useful life of data centres and office buildings from 15 to 25 years from the start of FY27. The CFO said the effect on FY27 operating income is minimal and the larger effect is on reported capital expenditure, because more future data centre leases will be classed as operating rather than finance leases, and only finance leases are counted in capital expenditure. That is why the calendar-2026 capital expenditure expectation moved to roughly \$175bn from roughly \$190bn without any change in the build. The obligation now shows up in the lease commitments rather than the capital expenditure line, which is the reason this report tracks the lease figure.

Financials

Measure	FY26 (to 30 June 2026)	Interpretation
Revenue / GAAP EPS	\$331.8bn / \$17.95	Revenue up 18%; EPS up 31.6%. Operating leverage on a software mix.
Operating income / margin	\$155.2bn / 46.8%	The bear case assumes margin slips toward 42% as depreciation on short-lived silicon builds.
Operating cash flow	\$182.9bn	Large enough to fund the cash build, not the whole commitment.
Cash capital expenditure	\$115.9bn	34.9% of revenue. Finance leases come on top.
Free cash flow	\$67.0bn	After cash capital expenditure. Dividends (\$26.4bn) and buybacks (\$22.3bn) took 73% of it.
Finance lease liabilities	\$66.6bn	Roughly quadrupled in a year. Total debt including finance leases \$106.9bn against \$76.8bn of cash and short-term investments.
Leases not yet commenced	\$329.1bn	At 30 June, up from \$196.6bn three months earlier; more than \$130bn signed in Q4 alone. Commence FY27–FY33, terms of one to 20 years.
Commercial RPO	\$678bn	Up 84%, or 25% excluding OpenAI. Weighted average duration 2.3 years.

Company-reported figures from the FY26 Form 10-K and Q4 release. Free cash flow is operating cash flow less cash capital expenditure, a derived figure. Market data as of the 24 September 2026 close.

Competitive Position

Capacity, not product, remains the binding constraint across the hyperscalers, so share is decided by who can energise gigawatts on schedule and who can pre-commit the balance sheet. Microsoft is in the small group that can. Reporting on the capacity plan said shortages had forced the company to turn away some AI and cloud business, which is the cost of the constraint made concrete. Custom silicon is the other lever: The Information and Reuters reported on 10 August that Microsoft plans to unveil its Maia 300 accelerator this autumn with TSMC capacity for more than 300,000 units in 2027. The company had not unveiled it by this report's date. Competitive advantage holds at 9: durable, shared with two or three peers.

Management and Capital Allocation

No new quarter arrived, so there is no fresh test of guidance. The useful-life change was disclosed on the July earnings call with its effect on the capital expenditure figure stated by the CFO, which is disclosure rather than concealment, but it does make the headline capital expenditure number a weaker gauge of discipline than it was. The board raised the dividend 8% to \$0.98 a quarter on 15 September. Insider activity was routine in form: Form 4 filings show the CEO sold 86,525 shares at about \$501 on 1 September (about \$43.4m) and the CFO 41,674 shares at about \$498 on 14 September (about \$20.8m), the latter reported as under a 10b5-1 plan, alongside tax-withholding transactions on 31 August vesting. No directional inference is drawn from planned sales at this scale. Management holds at 9.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Capacity commitment: uncommenced leases and 38 GW plan	Leases: disclosed in 10-K, 29 Jul 2026. Plan: reported by Bloomberg, 10 Sep 2026; not confirmed by the company	\$329.1bn of leases not yet commenced at 30 Jun, commencing FY27–FY33; over \$130bn signed in Q4. Reported plan: ~12 GW today to 38 GW by 2032, about a third AI-specific	Q1 FY27 capital expenditure near \$50bn (company). Plan timing to 2032 is reported, not guided	High
Copilot large-customer discounts and usage-based billing	Reported by The Information, 23 Sep 2026; partner notice confirms usage billing default from 2 Nov 2026	30–50% discounts for large seat commitments from as soon as October, plus usage fees on some features (reported). CSP Copilot promotions end 30 Sep; new Copilot Business licences default to usage billing from 2 Nov (company)	Seat acceleration offsetting lower price per seat: management intent as reported, not guided	Medium
Maia 300 accelerator	Reported by The Information / Reuters, 10 Aug 2026; not yet unveiled	Planned unveiling this autumn; TSMC capacity for 300,000+ units in 2027 (reported)	Lower cost per unit of inference versus merchant GPUs: company aim, unquantified	Medium
Quarterly dividend increase	Announced 15 Sep 2026	\$0.98 per share, up 8%; payable 10 Dec	None	Low
Gulf investment framework	Announced 23–24 Sep 2026	More than \$10bn in the UAE, Saudi Arabia, Qatar and Kuwait through 2030; Bloomberg describes about \$2bn as new	None	Low
Other	Aug–Sep 2026	Shareholder proposal rights kept through 2027 (reported); LG CNS Copilot deal with LG Electronics (KRW 257.8bn, partner-announced); Xbox next-generation hardware reports	None	Low

High item: the capacity commitment

What is known. The FY26 Form 10-K reports \$329.1bn of leases, primarily data centres, signed but not commenced at 30 June 2026, starting between fiscal 2027 and 2033 on terms of one to 20 years. Bloomberg reported that more than \$130bn of this was signed in the fourth quarter alone. Separately, Bloomberg reported on 10 September, citing people familiar with the matter, a plan to reach 38 gigawatts of capacity by 2032 from roughly 12 today; that plan is reported, not company-confirmed.

Why it matters here. Intelligent Cloud is 44% of Q4 revenue and the source of the growth premium in the multiple. The lease stack is about five times FY26 free cash flow of \$67.0bn, and about five times the \$66.6bn of finance lease liabilities already on the balance sheet. Once a lease commences its cost is fixed whether or not the capacity is sold, so the commitment converts a demand question into an operating leverage question in both directions.

Success and failure, observably. Success is commercial RPO growing at least as fast as lease commitments, Azure growth holding near 40% as capacity energises, and operating margin holding above the low forties. Failure is lease commitments and depreciation rising while Azure decelerates and RPO growth excluding OpenAI slows. The first hard data arrive with the Q1 FY27 results and the next 10-Q, expected late October or early November.

Economics and precedent. The accounting change pushes more of this into operating leases, which lowers reported capital expenditure but not cost; lease expense runs through operating income. Every hyperscaler is signing multi-year capacity, and prior capacity cycles (the 2000–2002 telecom build is the cautionary base rate) show that fixed commitments hurt most when demand pauses rather than when it collapses. Microsoft's own record through FY26 is of

capacity arriving into excess demand.

Sized outcomes (our calculation). Inputs: FY27 consensus EPS \$19.76, 7.43bn diluted shares, a 19% tax rate. Each \$10bn of annual cost that is not matched by revenue removes about \$1.09 of EPS, or 5.5% of FY27 consensus. The previous report's scenarios already carried the capacity build in their base case, so the base is unchanged. The failure case assumes about \$4.6bn a year of lease and depreciation cost running ahead of revenue in a demand pause, lowering bear-case FY27 EPS from about \$19.00 to about \$18.50 and the bear fair value from \$400 to \$390 at 21 times. The success case is the existing bull case.

Input / outcome	Value	Basis
FY27 EPS, consensus	\$19.76	stockanalysis.com consensus, September 2026
Diluted shares / tax rate	7.43bn / 19%	FY26 10-K share count; approximate effective rate
EPS per \$10bn unmatched cost	-\$1.09 (-5.5%)	Our calculation: $\$10\text{bn} \times 0.81 \div 7.43\text{bn}$
Bear case, failure outcome	EPS ~\$18.50; fair value \$390	Our calculation: ~\$4.6bn unmatched cost; 21x
Weighted fair value with / without the item	\$564.50 / \$566.50	Range of \$2; the item does not change the verdict

What the price assumes, and what is unknown. At 25 times forward earnings the market is paying a software multiple for a business whose fixed-cost base is rising sharply, so if the item disappoints the damage shows first in the multiple rather than in earnings. The price is little changed since the plan was reported, so none of the period's move can be attributed to it. Still unknown: the annual lease cost schedule, how much of the 38 GW is pre-let to named customers, and the commencement timing. The 10-Q and the Q1 call will settle part of it. Without this item the verdict and trade levels would be the same; it moves the bear fair value by \$10 and the Financial strength score from 9 to 8.

Medium item: Copilot pricing

Microsoft 365 Copilot lists at \$30 per user per month. At the more than 30 million paid seats disclosed in July, list-price revenue would be about \$10.8bn a year (our calculation, an upper bound, since realised prices are not disclosed). If half those seats renewed at an average 40% discount without any seat gain, revenue would fall by about \$2.2bn, roughly 0.6% of FY27 consensus revenue of \$391bn and about \$0.19 of EPS, or 1% (our calculation, assuming an 80% incremental margin). If discounting instead doubles seats, revenue rises. The risk is less the earnings than the signal: discounting a flagship AI product within two years of launch tells investors something about willingness to pay. The usage-based component, confirmed for Copilot Business from 2 November, makes revenue more variable quarter to quarter. Moves no score this period.

Growth Drivers

Driver	Status and date	Likelihood	Impact	Assessment
Capacity conversion	In progress; plan reported 10 Sep	High	High	Demand turned away for want of compute converts as capacity energises. Fact: shortages cost business (reported). Forecast: 38 GW by 2032 (reported).
Backlog conversion	Ongoing; \$678bn at 30 Jun	High	High	Contracted, 2.3-year duration. Fact.
Copilot seat expansion	Discounts reported 23 Sep; usage billing from 2 Nov	Medium	Medium	30m+ seats disclosed. The discounting is a bet that volume outruns price; unproven until seat and revenue disclosures in Q1–Q2 FY27.
Maia 300 silicon	Reported for autumn 2026 unveiling	Medium	Medium	Lower cost per inference would lift Azure AI margins; volume forecast is reported, not company-stated.
Multiple re-rating	—	Low	High	Requires a software multiple on a business with a \$329bn fixed commitment. Harder at a 5% ten-year yield.

Risks

Risk	Probability	Severity	Assessment
Capital intensity re-rating	Medium	High	The structural bear case, and larger than a fortnight ago now the commitment has a disclosed \$329.1bn size. Needs no earnings miss to arrive.
Discount-rate pressure	Medium	Medium	The ten-year at 5.18% and a Fed that hiked on 16 September with more signalled. A 25x forward multiple is among the most rate-sensitive assets.
Depreciation and lease drag	High	Medium	Two-thirds of capital expenditure is short-lived silicon; lease costs commence FY27–FY33. The question is magnitude.
Copilot price erosion	Medium	Low	Sized at about 1% of FY27 EPS in the adverse case; the larger effect would be on sentiment about AI pricing power.
Capacity delivery timing	Medium	Medium	Power, permits and interconnection sit outside Microsoft's control; slippage delays backlog conversion.
Model-laboratory concentration	Low	Medium	Backlog grows 25% excluding OpenAI; retained because that disclosure is voluntary.
Regulatory	Low	Medium	The FTC's cloud and AI inquiry continues with no new action in the period.

Risk holds at 6 out of 10 on a scale where 10 is the lowest risk: a moderate-risk profile, matching a business with a very strong franchise carrying a rising fixed-cost commitment and high rate sensitivity.

Valuation

Method	Reading	Comment
Trailing P/E	27.7x	On FY26 GAAP EPS of \$17.95. Upper half of the three-year range.
Forward P/E	25.2x	On FY27 consensus of \$19.76. The base case assumes about \$21, so it still needs a beat on the published estimate.
Consensus target	\$576.40	55 analysts, 15.8% above the market; range \$440 to \$870.
Scenario-weighted	\$564.50	$0.30 \times \$680 + 0.50 \times \$565 + 0.20 \times \$390$, computed in code. 13.4% above the market.
Dividend yield	0.79%	On the new \$3.92 annualised rate. Immaterial to the case.

Macro drivers. Two variables matter, and consumer demand is not one of them. The first is the long-end discount rate acting on a 25x forward multiple. It moved against the stock in the period: the Fed raised its target range by 25 basis points to 3.75–4.00% on 16 September, August core CPI ran 0.3% against a 0.2% forecast, and the ten-year closed at 5.18% on 24 September, a high last seen in 2007. The mechanism showed on 23 September, when a 15-basis-point jump in the ten-year after a strong PMI took the Nasdaq Composite down 1.13%. The second is enterprise technology budgets, which follow corporate activity: the S&P Global composite PMI reached 58.4 in September, its fastest expansion since July 2021, and weekly jobless claims fell to 197,000. That supports budgets even as it pushes rates up. Retail sales (up 1.2% in August) and consumer sentiment matter little to an order book underwritten by \$678bn of contracted obligations.

Sentiment

Measure	Reading	Comment
Analyst consensus	Strong Buy	38 Strong Buy, 14 Buy, 3 Hold; average target \$576.40.
Recent revisions	Four upward	Stifel upgraded Hold to Buy on 22–23 September, target \$530 to \$575, arguing margin fears were too negative given Azure efficiency and the end of the OpenAI revenue share. Oppenheimer \$515 to \$570 and Cantor Fitzgerald \$522 to \$608 on 21–22 September; Jefferies held \$575.

Measure	Reading	Comment
News flow	Constructive	The raw feed was dominated by rating actions and the Gulf investment; the interpreted digest read the period as bullish on broker upgrades. The Copilot discount report is the one item in the flow that cuts the other way.
Institutional positioning	Mixed	As of 30 June 2026, filings through 19 August 2026: reported holdings show a net reduction of about 2.0% over four quarters and 1.0% in the latest quarter, the largest of the last six, with managers adding and cutting in near-equal numbers (50 against 51). Leans cautious; moderate confidence. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.
Insider activity	Planned sales	CEO sale of 86,525 shares on 1 September and CFO sale of 41,674 on 14 September (10b5-1); no purchases.
Options	Active	861,530 contracts on 23 September and 436,900 on 24 September against about 3.7 million open interest.

Short interest data were not obtained for this report.

Technicals

Indicator	Value	Read
Price	\$497.93	24 September close; inside the \$485–500 zone.
SMA / EMA 20	\$499.49 / \$495.31	Price 0.3% below the simple and 0.5% above the exponential: sideways consolidation around the averages.
SMA / EMA 50	\$473.51 / \$475.30	Price 5.2% and 4.8% above; both rising about \$1 a session. The new \$471 cut-loss sits below both.
SMA / EMA 100	\$437.81 / \$454.37	Price 13.7% above the simple hundred-day.
SMA / EMA 200	\$431.94 / \$449.51	Price 15.3% above the simple two-hundred-day; long-term trend up.
RSI (14)	54.4	Neutral.
MACD (12,26,9)	5.73 / 7.74 / –2.01	Line below signal, but the histogram has narrowed from –3.84. A crossover would be the first confirmation that the late-August cooling has ended.
ATR (14)	\$10.98	2.21% of price. Cut-loss 2.45 ATR below the market.
Volume	16.6m vs 21.3m / 28.5m	Latest session below the 20- and 50-day averages; the 18 September session (39.6m) was an options-expiry day.
52-week range	\$349.20 – \$553.72	Take-profit 1 sits 2.0% above the high; the cut-loss 34.9% above the low.

Indicators computed in code from 300 completed daily sessions through 24 September 2026, all from one price series. Distances are measured against the \$497.93 price of record. Technicals inform entry timing only.

Scorecard

Dimension	Score	Assessment
Business quality	10/10	\$331.8bn revenue at a 46.8% operating margin with a subscription annuity beneath. Unchanged.
Financial strength	8/10	Down from 9. \$329.1bn of uncommenced leases against \$67.0bn of FCF and \$66.6bn of finance lease liabilities; the build is no longer self-funded out of free cash flow.
Competitive advantage	9/10	Capacity and balance sheet are the moat while the group is power-constrained, shared with two or three peers. Unchanged.

Dimension	Score	Assessment
Management	9/10	No new quarter; dividend raised 8%; the useful-life change was disclosed with its effect. Unchanged.
Growth potential	9/10	Demand exceeds supply; Copilot discounting is a volume bet not yet evidenced either way. Unchanged.
Valuation	6/10	27.7x trailing, 25.2x forward, with a base case needing a beat, at a 5.18% ten-year. Unchanged.
Risk (10 = lowest risk)	6/10	Larger fixed commitment and higher rates, offset by broader analyst support and intact demand. Unchanged.
Technical setup	7/10	Inside the zone above rising 50-day averages; MACD histogram negative but narrowing. Unchanged.

Scored 1–10, where 10 is always best, including Risk. The previous report used the same direction and labelling, so no restatement was required. Bar length follows the score, so a long bar on the Risk row means a safer company.

Dimension	Score	Weight	Contribution
Growth potential	9	16%	1.44
Valuation	6	16%	0.96
Business quality	10	15%	1.50
Competitive advantage	9	13%	1.17
Risk (10 = lowest risk)	6	13%	0.78
Financial strength	8	12%	0.96
Management	9	10%	0.90
Technical setup	7	5%	0.35
Weighted total		100%	8.06 → 81 / 100

Weights are unchanged from the previous report. One dimension moved: Financial strength from 9 to 8 on the disclosed lease commitment, taking the total from 8.18 (82) to 8.06 (81). Computed in code and checked against this figure.

Recommendation: Buy (unchanged)

The rating is unchanged and so are three of the four levels. The reasoning has shifted at the margin: the previous report's comfort that the build could be self-funded does not survive the \$329.1bn lease disclosure, and the case now rests more squarely on demand evidence and contracted backlog than on balance-sheet slack. Tested without the capacity item, the verdict and levels are identical; the item costs \$2 of weighted fair value and one point of Financial strength. The entry range may be used before the Q1 FY27 results, with position sizing that allows for a gap through the stop on the print.

Parameter	Level	Basis
Recommended entry	\$485–500	Held. Floor on the \$486.00 low of 10 September, confirmed by the \$487.23 low on 16 September.
Cut-loss	\$471	Raised from \$464. Below the recomputed fifty-day averages (\$475.30 exponential, \$473.51 simple), so a close there is a trend break. Tightened, not widened.
Take-profit 1	\$565	Held. Base-case fair value, 2.0% above the 52-week high.
Take-profit 2	\$660	Held. Requires the bull case.

Parameter	Level	Basis
Weighted fair value	\$564.50	13.4% above the market; \$566.50 without the capacity item's failure case.
Expected upside	+13.5% at market	To take-profit 1 from \$497.93; +14.7% from the \$492.50 zone midpoint. Excludes the 0.79% dividend.
Expected downside	-5.4% at market	To the cut-loss. The bear fair value of \$390 implies about -22%.
Risk / reward	2.49 : 1	Up from 2.19 on the raised stop; about 3.4 to one at the zone midpoint.
Holding horizon	12-24 months	Backlog converts over about 2.3 years.
Position size	Full core position permitted	ATR at 2.21% of price. Build in tranches; hold one back through the Q1 print.
Suggested allocation	4-6% of equities	Unchanged.

What Would Change the View

Condition	Moves rating to	Reasoning
A close above \$555	Hold	Above the 52-week high the distance to take-profit 1 falls under 2%.
A close below \$471	Watchlist	Breaks the cut-loss and both fifty-day averages together.
Azure growth below 35% in Q1 FY27	Watchlist	Against roughly 45% guided. Results expected late October or early November; the company has not announced the date.
Lease commitments or capital expenditure rising faster than contracted obligations	Hold	The test separating a demand-led build from a speculative one; checkable in the Q1 10-Q.
Operating margin below 42%	Hold	The bear-case margin: depreciation and lease cost outrunning revenue.
Copilot revenue per seat falling without a matching rise in seats	Hold	Would show the discounting as price erosion rather than a volume play.
A sustained rise in long-end yields alongside evidence that enterprise technology budgets are contracting	Hold	Would hit multiple and earnings together. Phrased directionally; no threshold here would be derived from anything real.
Q1 Azure growth above 40% with capacity arriving on schedule, while the price is still inside the zone	Strong Buy	Would confirm the capacity commitment is being absorbed by demand.

Scenario Analysis

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	Capacity item outcome
Bull	30%	Azure above 40% into FY28; revenue compounds high teens	FY28 EPS approaching \$28; margin ~45%	\$680	Success: capacity sells as it energises and the market pays a premium for backlog. Unchanged.
Base	50%	Azure decelerates toward mid-thirties; revenue mid-teens	FY27 EPS ~\$21; FY28 ~\$25	\$565	Base: commitments absorbed on schedule; already in the previous base case. Unchanged.
Bear	20%	AI capital digestion; Azure into the twenties	FY27 EPS ~\$18.50 (was ~\$19); margin toward 42%	\$390	Failure: ~\$4.6bn a year of lease and depreciation cost ahead of revenue (our calculation); 21x. Lowered from \$400.

Probabilities sum to 100% and are unchanged, because the period brought no hard evidence on the item's outcome. Probability-weighted fair value: $0.30 \times \$680 + 0.50 \times \$565 + 0.20 \times \$390 = \$564.50$, or 13.4% above \$497.93. Computed in code.

Final Verdict

Would this warrant fresh money at \$497.93? Yes, on slightly better terms than a fortnight ago because the stop has tightened, and on slightly weaker foundations because the scale of what Microsoft has committed to is now on the page. The demand case is intact: a company turning away cloud business and signing \$130bn of leases in a quarter is not guessing about demand. The multiple is not cheap at 25 times forward earnings with a ten-year yield above 5%, and the base case still needs FY27 earnings above the published consensus.

The single biggest concern is that \$329.1bn of fixed commitments turns a demand pause from an earnings wobble into a margin problem. The capacity item drove the score change but not the verdict. What invalidates the thesis is a Q1 print in which lease commitments keep climbing while Azure growth and contracted obligations slow. Until that appears, this remains a 4–6% position built in tranches inside a defined zone, with one tranche held back through the results.

Sources

Alpha Vantage GLOBAL_QUOTE (price of record, close 24 September 2026); Twelve Data daily time series, 300 completed sessions (indicators computed in code); Microsoft FY26 Form 10-K and Q4 FY26 results release (29 July 2026); Microsoft press release, quarterly dividend increase (news.microsoft.com, 15 September 2026); Microsoft Partner Center announcements, September 2026 (learn.microsoft.com); CFO Dive, 'Microsoft holds the line on AI spending plans' (30 July 2026); Bloomberg, data centre leases (29 July 2026), capacity plan (10 September 2026) and Gulf commitment (23 September 2026); The Information, Copilot discounts (23 September 2026) and Maia 300 (10 August 2026); DatacenterDynamics, Gulf investment (24 September 2026); Investing.com, Stifel upgrade (23 September 2026); stockanalysis.com forecast (consensus and estimates); SEC Form 4 filings via secform4.com; moomoo news, notices and research feeds and moomoo stock digest, both run 25 September 2026; Beating The Bull economic coverage of 4–24 September 2026. The previous report of 13 September 2026 was read in full. No quarterly results were released in the period, so no earnings call is reviewed here; the Q4 FY26 call was covered in the report of 29 July 2026.

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