Microsoft Corporation

NASDAQ: MSFT | Software & Cloud Infrastructure | Report date: 1 September 2026 | Prices as of close 31 August 2026

Recommendation	Last Price	Take-profit 1	Weighted Fair Value	Horizon
BUY	**$507.29**	**$565**	**$566**	**12–24m**
unchanged	31 Aug close	raised from $556	+11.7%	4–6% allocation

Investment Score: 82 / 100 (unchanged) · P/E on FY26 GAAP EPS of $17.95: 28.3x · Consensus target $569.45 across 55 analysts · Rating unchanged; entry zone and cut-loss both raised

Investment Summary

The entry discipline published a fortnight ago worked, which is the most useful thing to report. That report reset the recommended entry to $478–492 after the previous zone had been ignored by the market for two weeks. The shares then closed inside the new zone on seven consecutive sessions between 17 and 25 August, with a low of $477.15, before breaking out to a 2026 high of $517.78 on 28 August. They closed at $507.29 on 31 August, up 2.4% from the $495.40 the last report was written against, and traded at $501.50 in the pre-market on 1 September.

One piece of genuinely new information has arrived. Speaking at the Deutsche Bank technology conference on 27 August, Bill Duff, chief financial officer of the global commercial business, disclosed that the recent increase in the Azure artificial intelligence backlog of roughly $50 billion came **entirely from outside the frontier laboratories**, meaning outside OpenAI and Anthropic. That matters more than its billing suggests. The previous report carried customer concentration in artificial intelligence workloads as a live risk and described the position as diversifying but not yet diversified. This is the first quantified evidence on the other side of that argument. Duff also said Microsoft 365 Copilot engagement is now on a par with Teams and Outlook, that Microsoft Foundry has passed one hundred thousand customers with revenue doubling year on year, and that supply will remain the binding constraint through the rest of the calendar year. The last of those confirms the $80 billion power-constrained order book is being queued rather than cancelled, which was named in the previous report as the single thing that would invalidate the thesis.

The counterweights are real but smaller. The Wall Street Journal argued on 26 August that Microsoft discloses less about its artificial intelligence economics than its peers, which is a fair criticism and sits alongside the depreciation change already flagged. Amazon and Microsoft jointly launched Azure Multicloud Interconnect for AWS on 31 August, which lowers the network friction of running workloads across both clouds and works marginally against the lock-in half of the moat argument. Google has meanwhile priced its enterprise artificial intelligence tier aggressively. None of these changes an estimate; together they are a reminder that the competitive position is strong rather than unassailable.

The rating is unchanged at Buy and the investment score is unchanged at 82 out of 100, though this time one dimension did move: the technical setup falls from 8 to 7 because the moving average convergence divergence histogram has turned negative for the first time since the July breakout and the 28 August high was rejected. The weighted total moves from 8.23 to 8.18, which still rounds to 82. What has changed materially is the trade plan. The entry zone is raised to $485–500, the cut-loss is raised from $449 to $464, and the first take-profit is raised from $556 to $565 on a base-case fair value lifted to $565. At the market the risk and reward is 1.3 to one; inside the entry zone it is roughly 2.5 to one.

What Has Changed Since 17 August

Measure	Previous report	Now	Read-through
Share price	$495.40 (14 Aug)	$507.29 (31 Aug)	Up 2.4% in eleven sessions. A 2026 high of $517.78 was set on 28 August and rejected; the 31 August session closed down 1.2%.

Measure	Previous report	Now	Read-through
Recommended entry	$478–492	$485–500	The old zone was reached and worked. Seven consecutive closes fell inside it between 17 and 25 August, low $477.15. Raised to the region the shares have held since.
Cut-loss	$449	$464	Raised. $449 is now 8.5% and 3.7 ATR below the market, but $464 is the structural level: just below the $464.72 close of 31 July, before the breakout gap.
Take-profit 1	$556	$565	Raised. $556 sat 0.4% above the 52-week high of $553.72, effectively at the ceiling. $565 is the revised base-case fair value and sits just under the $569.45 consensus.
Azure AI backlog mix	not disclosed	approximately $50bn of the increase entirely outside frontier labs	Disclosed on 27 August. The most substantive new fact in the period and the first hard evidence against the concentration risk.
Microsoft 365 Copilot	seat growth, unquantified	engagement on a par with Teams and Outlook	Management's own comparison. Evidence that the productivity-AI monetisation the base case assumed is arriving rather than merely being sold.
Microsoft Foundry	not disclosed	100,000+ customers, revenue doubled year on year	Breadth of the developer platform. Supportive of the same argument as the backlog mix.
Supply constraint	$80bn queued on power	constraint expected to persist through calendar 2026	Management confirmation. The order book is being queued rather than cancelled, which was the named thesis-invalidator.
Disclosure quality	depreciation change flagged	WSJ criticism of AI segment transparency (26 Aug)	A fair criticism, and it compounds the existing point about reported earnings quality. Not an estimate change.
Competitive news	—	Azure–AWS Multicloud Interconnect; Google AI price cuts	Both marginally negative for the lock-in argument. Neither changes a number, and the interconnect also removes an objection to Azure adoption.
Analyst consensus	approximately $564–570	$569.45, 55 analysts, Strong Buy	Essentially unchanged. JMP reiterated Market Outperform at $550 on 31 August; Wells Fargo holds the street high at $700.
Weighted fair value	$564 (+13.8%)	$566 (+11.7%)	Base case lifted from $560 to $565. The price rose faster than the fair value, so the upside narrowed.
Investment score	82 / 100	82 / 100	Technical setup fell from 8 to 7; every other dimension held. Weighted total 8.23 to 8.18, which rounds to the same number.
Recommendation	Buy	Buy	Unchanged, and now resting on slightly better evidence than before rather than on the same evidence.

Prices as of the close on 31 August 2026. Price-to-earnings multiples and fair values are calculations based on the stated inputs and are not company-reported measures.

Do The Published Levels Still Hold?

Level	As published	Status	Action
Recommended entry	$478–492	Reached and worked	Closes of $480.35, $481.63, $484.31, $481.15, $483.24, $487.31 and $491.71 between 17 and 25 August all fell inside the zone. Raised to $485–500, which puts the market 1.5% above the top of the zone.

Level	As published	Status	Action
Cut-loss	$449	Too wide again	At 8.5% and 3.7 ATR below the market it is no longer a stop, it is a disaster level. Raised to $464, immediately below the pre-breakout close of $464.72 on 31 July. A break there gives back the entire post-earnings re-rating.
Take-profit 1	$556	Raised	The level sat 0.4% above the 52-week high of $553.72, so it asked the shares to make a new high and stop dead. $565 is the revised base case and sits below the $569.45 consensus, which is a more credible place to trim.
Take-profit 2	$660	Intact	Held. Still requires the bull case, in which Azure sustains growth above 40% into fiscal 2028 and the market pays a premium multiple for the backlog.
Weighted fair value	$564	Raised to $566	Base case from $560 to $565 on the backlog-mix disclosure and the Copilot engagement evidence. Bull and bear unchanged. A deliberately modest revision.
Risk / reward	1.3 : 1 at market	1.3 : 1 at market	Coincidentally identical. The tighter stop and the higher target offset the higher price almost exactly. Roughly 2.5 to one inside the entry zone.
Allocation	4–6% of equities	Unchanged	Holders sit tight with the stop raised. New money still builds into the zone rather than buying the high.

Evaluation Framework

The variables that decide Microsoft's return over the next two years are unchanged from the previous report, which is itself a finding: nothing in the intervening fortnight has introduced a new driver or retired an old one. What has changed is the weight of evidence behind two of them.

Driver	Status after the period	Direction
Azure growth durability	No new quarter. Azure grew 43% in the fourth quarter, passed $100bn of annual revenue and was guided to roughly 45% constant-currency growth in the current quarter. The next test is the first-quarter print in late October.	Unchanged
Capacity energisation	Management reconfirmed on 27 August that demand outpaces supply and that the constraint holds through the rest of calendar 2026. Capacity is being prioritised against existing commitments.	Confirmed
Backlog conversion and mix	Commercial remaining performance obligation of $678bn as reported on 29 July. The new fact is the mix: roughly $50bn of the AI backlog increase came entirely from outside OpenAI and Anthropic.	Improved
Return on invested capital under heavy capex	Capital expenditure above $50bn guided for the first quarter of fiscal 2027, with roughly $175bn of artificial intelligence spending indicated for the year. Return on equity near 34%. No new data point either way.	Unchanged
Quality of reported earnings	The building useful-life extension still flatters fiscal 2027. The Wall Street Journal added a broader criticism on 26 August that Microsoft discloses less about its AI economics than peers.	Slightly worse
Application-layer monetisation	Microsoft 365 Copilot engagement on a par with Teams and Outlook, with pilot customers moving to wall-to-wall licences and a shift to consumption billing for agentic workloads.	Improved

Business Position

The fourth-quarter result of 29 July remains the last reported set of numbers and was analysed in full two reports ago: revenue of $90.0 billion up 18%, non-GAAP earnings of $4.74 per share against $4.24 expected, an operating margin near 45% and commercial remaining performance obligation of $678 billion. No guidance has been revised since and no new quarter has been reported. Fiscal 2026 closed with revenue of $331.84 billion, up 17.8%, and net income of $133.75 billion, up 31.3%.

The interesting development is what the 27 August conference appearance added about composition. The bear argument that has done the most damage to hyperscaler valuations this year is that artificial intelligence revenue is circular: a handful of model laboratories, several of them funded in part by the cloud providers themselves, buying compute from those same providers. A disclosure that roughly $50 billion of Azure artificial intelligence backlog growth came entirely from customers other than OpenAI and Anthropic is the cleanest rebuttal available, because it is contracted rather than aspirational. Alongside it, Microsoft Foundry passing one hundred thousand customers with revenue doubling year on year describes breadth at the developer end of the same funnel.

Against that, the moat argument needs a small correction. The previous report leaned on the claim that an enterprise standardised on Entra and Microsoft 365 faces meaningful friction moving artificial intelligence workloads elsewhere. The Azure Multicloud Interconnect launched jointly with Amazon Web Services on 31 August reduces exactly that friction at the network layer. The honest reading is that this cuts both ways: it makes Azure easier to leave and easier to add, and for a provider ranked second in infrastructure share the second effect is probably the larger one. The application and identity layers remain the durable part of the advantage, and the Copilot engagement data strengthens that half of the case.

Financial Position and Valuation

Metric	Value	Context
Price / FY26 GAAP EPS	28.3x	On fiscal 2026 GAAP earnings of $17.95. Was 27.6x a fortnight ago. The multiple has expanded with the price; the earnings base has not moved.
Forward P/E	25.7x	Implies a market fiscal 2027 estimate near $19.75 per share. The base case below uses $21, so it embeds a beat rather than merely a hold. Stated plainly because it is the weakest joint in the valuation.
Market capitalisation	$3.77tn	On 7.43bn shares outstanding.
Revenue (FY26)	$331.84bn (+17.8%)	Net income $133.75bn, up 31.3%. Growth of this rate at this scale is the core of the business quality score.
Operating margin	approximately 45%	Held year on year through the artificial intelligence infrastructure mix. Unchanged and still the most impressive line in the fourth quarter.
Return on equity	approximately 34%	Earned while spending above $50bn a quarter on capital expenditure.
Commercial RPO	$678bn	As reported 29 July. The new information is the mix of its growth, not the level.
FY27 AI investment	approximately $175bn	Indicated for the year, with above $50bn guided in the first quarter alone. The capital intensity risk is confirmed at the same time as the demand behind it.
Dividend	$3.64 (0.72%)	Ex-dividend 20 August, now passed. Maintained alongside record capital expenditure.
52-week range	$349.20 – $553.72	The shares sit 8.4% below the 52-week high and 45% above the low. Relevant to target setting: the old $556 take-profit was effectively at the ceiling.

The valuation conclusion has moved slightly against the position. At 28.3 times trailing earnings the shares are dearer than they were at 27.6 times, and the fiscal 2027 multiple will look better than it deserves to because of the depreciation change. The offsetting argument is stronger than it was: a $678 billion contracted backlog whose recent artificial intelligence growth is demonstrably broad-based, and a productivity suite showing engagement on a par with Teams.

The fair value work below lands 11.7% above the market, which is less headroom than the 13.8% published a fortnight ago. That narrowing is the price of the rally, and it is why the entry discipline matters more now than it did then.

Sentiment and Positioning

Indicator	Reading	Interpretation
Analyst consensus	Strong Buy; 55 analysts; $569.45 average target	Up marginally from the $564–570 range noted a fortnight ago. The average sits 12.3% above the market and just above the revised first take-profit.
Recent revisions	JMP Market Outperform, $550 (31 Aug); Wells Fargo $700 street high	JMP's target is below the revised first take-profit, which is a useful corrective to the assumption that the sell side is uniformly above the market.
Management commentary	Deutsche Bank conference, 27 August	The only management appearance in the period. Constructive on demand breadth and Copilot engagement; explicit that supply remains the constraint.
Press scrutiny	WSJ on AI disclosure, 26 August	Argues Microsoft stands out for opacity on capital expenditure and cloud economics. A reputational rather than a numerical issue, but it raises the cost of any future miss.
Options flow	Notable October $510 call buying on 30 August	A single large trade reported by the tape rather than a positioning trend. Noted, not weighted.
Sector backdrop	Software rally through late August as AI-disruption fears faded	Microsoft posted its longest winning streak of the year into 28 August. A tailwind that is not company-specific and can reverse as easily.
Operational news	Multi-hour Outlook outage, 31 August	Immaterial to the valuation. Included because it coincided with the 1.2% decline that day and should not be mistaken for a fundamental signal.

Technical Position

Indicator	Reading	Interpretation
Close (31 Aug 2026)	$507.29	Up 2.4% from the $495.40 the previous report was written against. Down 1.2% on the day; $501.50 in the pre-market on 1 September.
SMA 20 / 50 / 100	$494.33 / $433.21 / $423.09	Price above all three. Extension above the 20-day has narrowed from 10.0% to 2.6% as the average has caught up rather than the price falling.
SMA 200	not computed	The available series runs 100 sessions and cannot produce a 200-day average. Stated rather than estimated.
EMA 20 / 50	$484.27 / $452.89	The exponential 20-day at $484 is the first dynamic support below the entry zone; the 50-day at $453 sits below the revised cut-loss.
RSI (14)	68.3	Down from 70.9 and now below the conventional overbought threshold, with the price 2.4% higher. Continued healthy digestion.
MACD (12,26,9)	18.54, signal 19.69, histogram –1.15	The histogram has turned negative for the first time since the July breakout. Momentum has crossed down, which is the single clearest deterioration in the period.
ATR (14)	$11.72 (2.3% of price)	Calmer than the $13.80 of a fortnight ago. This is what makes a $464 stop a 3.7 ATR standoff rather than a noise level.

Indicator	Reading	Interpretation
Volume	20-day 26.5m vs 50-day 37.8m	Well below the 50-day average, including on the 28 August high. A breakout to a new high on light volume is a caution, not a confirmation.
Range	20-day $517.78 / $477.15	$517.78 on 28 August is the resistance to clear. $477.15 is the base the market defended on four separate sessions and the reason the stop sits where it does.

Indicators computed from the daily OHLCV series through 31 August 2026 (100 sessions). Technicals inform entry timing only and do not override the fundamental assessment.

The structure is a completed consolidation that has broken to a new 2026 high and immediately stalled. Support runs at $494 on the simple 20-day, then $484 on the exponential 20-day, then the well-tested $477 base. Resistance is $517.78, and above it the 52-week high of $553.72. The reservation is the combination of a light-volume breakout, a rejected high and a negative moving average convergence divergence histogram: three small pieces of the same observation, which is that the buying that carried the shares from $477 to $518 has thinned. That argues for patience on new money, not for exiting a position.

Risks

Risk	Probability	Severity	Assessment
Artificial intelligence capital intensity	High	Medium-high	Roughly $175bn of artificial intelligence spending indicated for the year. Even at a 34% return on equity, a business consuming this much capital may eventually be valued like one. The structural bear case, and it requires nothing to go wrong. Unchanged.
Azure deceleration	Medium	High	The multiple embeds growth above 35%. A quarter printing in the twenties would reprice the shares sharply, because the backlog is precisely what would then be doubted. The next test is the late-October print. Unchanged.
Power and energisation delay	Medium	Medium	Management confirmed on 27 August that supply lags demand through the rest of calendar 2026. A timing risk rather than a demand risk, but it defers revenue and extends the period during which capital earns nothing. Unchanged.
Valuation and multiple compression	Medium	Medium-high	28.3 times trailing earnings, up from 27.6 a fortnight ago, and 8.4% below the 52-week high. A sector-wide de-rating of artificial intelligence exposure would hit this position with no company-specific cause. Slightly worse.
Quality and transparency of reported figures	High	Low-medium	The building useful-life extension flatters fiscal 2027 operating income, and the Wall Street Journal argues more broadly that Microsoft discloses less about artificial intelligence economics than peers. Adjust for it rather than fear it. Slightly worse.
Customer concentration in AI workloads	Low-medium	Medium	Materially improved. Roughly $50bn of Azure artificial intelligence backlog growth came entirely from outside OpenAI and Anthropic, and Microsoft Foundry has passed 100,000 customers. The best news in the period.
Competitive response	Medium	Medium	Google has priced its enterprise artificial intelligence tier aggressively, and the joint Azure–AWS interconnect lowers the switching friction Microsoft has historically benefited from. Slightly worse.
Regulatory and antitrust	Medium	Low-medium	Persistent and manageable. Bundling scrutiny around Copilot and Teams remains the live area; historically resolved with remedies rather than structural change. Unchanged.

Read alongside the scorecard: Risk holds at 6 out of 10 rather than rising to 7. The improvement in customer concentration is genuine and is the best development of the period, but it is one risk of eight, and it is offset by a richer multiple, a firmer competitive response and an additional disclosure criticism. Capital intensity remains the dominant unresolved item and it has not moved.

Scorecard

Dimension	Score	Assessment
Business quality	10/10	45% operating margin, approximately 34% return on equity and 17.8% growth on $331.8bn of revenue. Unchanged.
Financial strength	9/10	Dividends and buybacks maintained while spending above $50bn a quarter on capital expenditure. Unchanged.
Competitive advantage	9/10	Copilot engagement on a par with Teams strengthens the application layer; the AWS interconnect weakens the network lock-in. Net unchanged.
Management	9/10	No new quarter to test guidance against. The 27 August disclosure on backlog mix was voluntary and specific, which counts for something. Unchanged.
Growth potential	9/10	$678bn backlog, roughly $50bn of AI backlog growth outside the frontier labs, Foundry past 100,000 customers. Better evidenced but already at 9. Unchanged.
Valuation	6/10	28.3x trailing GAAP earnings, up from 27.6x, with a forward multiple implying the base case needs a beat. At the weak end of a 6. Unchanged.
Risk (10 = lowest risk)	6/10	Concentration risk materially improved; valuation, competitive and disclosure risks marginally worse; capital intensity unmoved. Net unchanged.
Technical setup	7/10	RSI cooled below 70 and the extension above the 20-day narrowed to 2.6%, but the MACD histogram turned negative, the 2026 high was rejected and volume was light. Down from 8.

Scored 1–10, where 10 is always best, including Risk. The previous report used the same direction and labelled it identically, so its scores are directly comparable and no restatement was required.

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	6	13%	0.78
Financial strength	9	12%	1.08
Management	9	10%	0.90
Technical setup	7	5%	0.35
Weighted total		100%	8.18 → 82 / 100

Weights are unchanged from the previous report so the totals are comparable. One dimension moved: technical setup from 8 to 7, taking the weighted total from 8.23 to 8.18. Both round to 82, and the report says so rather than presenting an unchanged number as though nothing had been examined.

Recommendation: Buy (unchanged)

The rating stands, and unlike a fortnight ago it now rests on marginally better grounds rather than identical ones. The previous report reaffirmed Buy on a business earning a 45% operating margin and a 34% return on equity while growing 18%, sitting on $678 billion of contracted revenue and unable to serve roughly $80 billion of orders it had already won. All of that still holds. Added to it is the first quantified evidence that the artificial intelligence demand is broad rather than concentrated in two or three model laboratories, and management's confirmation that the constrained order book is being queued rather than cancelled. Both were named in the previous report as the things to watch, and both resolved in the position's favour.

What argues against adding at the market is arithmetic rather than judgement. The shares are 2.4% higher and the fair value is only 0.4% higher, so the headroom to the weighted fair value has narrowed from 13.8% to 11.7%. Momentum has crossed down for the first time since July, the 2026 high was made on below-average volume and rejected, and the forward multiple implies the market carries a fiscal 2027 estimate below the one the base case uses. None of that is a reason to sell a well-evidenced compounder. All of it is a reason to buy it lower.

Trade Plan

Parameter	Level	Rationale
Recommended entry	$485–500	Raised from $478–492, which was reached and worked. The lower bound sits at the exponential 20-day average of $484.27; the upper bound is a round number just below the market. Inside the zone the upside to the first target is 13.0% to 16.5% against 3.0% to 6.7% of downside.
Current price	$507.29	1.5% above the top of the zone. Adequate for holding and for scaling, not for initiating a full position.
Cut-loss	$464	Raised from $449. Immediately below the $464.72 close of 31 July, the last session before the post-earnings breakout gap. 8.5% and 3.7 ATR below the market. A close below it means the entire re-rating has been given back and the backlog is being doubted.
Take-profit 1	$565	Raised from $556. The revised base-case fair value at roughly 26.9 times a fiscal 2027 estimate of $21, clear of the 52-week high of $553.72 and just below the $569.45 consensus. Trim one third to one half.
Take-profit 2	$660	Held. Requires the bull case: Azure sustaining growth above 40% into fiscal 2028 and the market granting a premium multiple to the backlog.
Weighted fair value	$566	Raised from $564 on a base case lifted from $560 to $565. Equivalent to 11.7% above the market, down from 13.8% because the price rose faster than the estimate.
Expected upside	+11.4% at market	To the first target. +14.7% from the midpoint of the entry zone. Excludes the 0.72% dividend.
Expected downside	–8.5% at market	To the cut-loss. The bear-case fair value of $400 implies roughly –21% if the artificial intelligence capital cycle disappoints.
Risk / reward	1.3 : 1 at market; 2.5 : 1 at $492	Unchanged at the market from a fortnight ago, by coincidence: the tighter stop and higher target offset the higher entry almost exactly.
Holding horizon	12–24 months	Unchanged. The backlog converts over roughly three years and two years captures enough of it.
Position size	Full core position permitted	ATR at 2.3% of price is lower than a fortnight ago and comfortable for a company of this quality. Entry price remains the constraint, not size.
Suggested allocation	4–6% of equities	Unchanged. Build into the zone in two or three tranches rather than a single purchase near the high.

What would change this view

The rating moves to Watchlist above roughly $555 in the absence of an estimate revision, because at that price the first target offers under 2% and the position becomes a bet on the bull case alone. This threshold is raised from $545 in step with the higher target. It also moves to Watchlist on a close below $464, on Azure growth printing below 35% in the first quarter of fiscal 2027, or on evidence that the power-constrained order book is shrinking through cancellation rather than fulfilment. A move to Strong Buy requires a retest into the $470s with the backlog intact, or confirmation in the October print that Azure growth held above 40% while energised capacity arrived on schedule. Operating margin falling below 42%, or capital expenditure rising again without a corresponding rise in remaining performance obligation, would move the rating to Hold regardless of price.

Scenario Analysis

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	Narrative
Bull	30%	Azure sustains growth above 40% into FY28; total revenue compounds in the high teens	FY28 EPS approaching $28; margin holds at 45%	$680	Energised capacity arrives on schedule, the constrained queue converts, and the market pays a premium multiple for a broad-based backlog rather than discounting it for capital intensity. Unchanged.
Base	50%	Azure decelerates gradually toward the mid-thirties; total revenue grows mid-teens	FY27 EPS near $21; FY28 near $25	$565	The plan is delivered at roughly 27 times forward earnings. Raised from $560 on the backlog-mix disclosure and Copilot engagement evidence. Note the forward multiple implies a market estimate near $19.75, so this case needs a beat.
Bear	20%	AI capital digestion; Azure decelerates into the twenties	FY27 EPS near $19; margin slips toward 42%	$400	The market reprices a capital-intensive business on capital-intensive multiples. Requires no scandal, only a pause in hyperscale demand. Unchanged.

Probabilities sum to 100% and are unchanged from the previous report so the two weighted values are comparable. Probability-weighted fair value: 0.30 × $680 + 0.50 × $565 + 0.20 × $400 = $566.50, or 11.7% above the 31 August close of $507.29. The equivalent calculation on 17 August produced $564.00 against $495.40, or 13.8%.

Final Verdict

Would this warrant fresh money at $507.29? Yes, but scaled and preferably lower. The case has improved in the one place it most needed to. The strongest bear argument against every hyperscaler this year has been that artificial intelligence revenue is circular, concentrated in a handful of model laboratories partly funded by the cloud providers themselves. Microsoft has now put a number against that: roughly $50 billion of Azure artificial intelligence backlog growth from customers that are not OpenAI or Anthropic, with a developer platform past one hundred thousand customers doubling revenue behind it. Contracted breadth is worth considerably more than another quarter of headline growth.

The counterweight has hardened slightly. At 28.3 times trailing earnings the multiple is fuller than it was, the forward multiple implies the market's fiscal 2027 estimate sits below the one this base case uses, the fiscal 2027 comparison will be flattered by a depreciation change, and a well-argued criticism of the company's artificial intelligence disclosure appeared during the period. The structural bear case still requires nothing to go wrong, only that the market eventually decides a business spending roughly $175 billion a year deserves a capital-intensive multiple.

The right behaviour is therefore unchanged in substance and tightened in level. Hold an existing 4% to 6% position, build new positions into $485 to $500 in tranches rather than chasing a light-volume breakout, raise the stop from $449 to $464, and take the first tranche of profit at $565 rather than $556. The single most important thing to watch remains the Azure growth rate against the roughly 45% management guided to, and the first-quarter print in late October is when that gets tested. The single thing that would invalidate the thesis is unchanged: the power-constrained order book shrinking through cancellation rather than fulfilment. Nothing in this period pointed that way, and management said the opposite on the record.