Microsoft Corp. (MSFT): Communacopia + Technology 2026 — Key Takeaways

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Bottom Line: 1) In a world of ongoing supply shortages, Microsoft's comments on capex were balanced: Microsoft already has a framework for the right long-term investments in land and power, and a good understanding of the quantum of capacity it can bring on in the next year. Instead, its focus is on how quickly it can get new supply "revenue ready". 2) Microsoft detailed its moats in distribution and technical stack as enterprises move to "frontier ecosystems", enabling customers to run continuous learning loops on their own data in a way that grows TAM and IP creation holistically. The transition to consumption/outcomes-based billing is proving that delivering better outcomes can be TAM expansive.

Key Takeaways

- **Near-term focus on accelerating capacity monetization.** In a world of ongoing supply shortages, Microsoft's comments on capex were balanced: Microsoft already has a framework for the right long-term investments in land and power, and a good understanding of the quantum of capacity it can bring on in the next year. Instead, its focus is on how quickly it can get new supply "revenue ready". The company reiterated its >50% reduction in dock-to-live times over the past year and pointed to efficiency gains across hardware, Azure infrastructure, and application layers that are expanding effective supply without a commensurate increase in capital intensity. With the amount of GW of new infrastructure able to come online over the NTM largely fixed, Microsoft's focus is on accelerating the pace at which deployed capacity becomes revenue generating, effectively extracting more Azure growth from every dollar of capital already invested.
- **AI expands the software TAM through outcome-based consumption.** Microsoft described AI as accelerating a shift from seat-based licensing toward pricing aligned with units of work, outcomes, and productivity delivered. The company pushed back on the notion that AI simply reallocates existing software

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budgets, arguing instead that AI enables new workflows, new business processes, and entirely new revenue opportunities that were previously uneconomic or impossible to deliver. In this framework, AI is not just an efficiency tool but a mechanism for expanding software spend by creating incremental demand for new outcomes. At the same time, Microsoft emphasized that enterprise adoption increasingly depends on the ability to measure, govern, and optimize AI usage. Agent 365 is the control plane that helps customers monitor consumption, manage costs, and validate ROI across models and workflows, reflecting a view that observability and spend management may become as important to enterprise deployment as model performance itself.

- **Price performance remains the primary objective of Microsoft's silicon strategy.** Microsoft described its silicon strategy as an extension of the cloud approach that has supported margin improvement for more than a decade: diversify suppliers, develop 1P capabilities where it improves economics, and optimize workloads around the best price-performance outcome. The company highlighted the continued expansion of Cobalt CPUs, which are expected to be deployed across 25 data centers this year, and expressed confidence in the performance of MAIA. Importantly, Microsoft was clear that the objective is not simply to replace 3P silicon with internally developed alternatives. Instead, 1P chips represent an additional tool within a broader multi-vendor ecosystem, enabling Microsoft to match workloads to the most efficient compute architecture available while improving flexibility, enhancing long-term infrastructure competitiveness, and improving returns on infrastructure investment.

Valuation/Risks

We maintain our 12-month price target of $640, based on a 28x P/E (unchanged) multiple to Microsoft's SNTM adjusted net income.

Key downside risks include: longer ramp for internal silicon, which can limit market share gains or gross margin expansion; greater investments in projects outside of expectations (e.g., non-Azure); key leadership changes; and more meaningful shift to custom software that could negatively impact its applications business.



MSFT	12m Price Target: **$640.00**	Price: **$491.65**	Upside: **30.2%**

Buy CL

Market cap: $3.7tr
Enterprise value: $3.6tr
3m ADTV: $15.3bn
United States
Americas Software
M&A Rank: 3

GS Forecast

	6/26	6/27E	6/28E	6/29E
Revenue ($ mn)	331,839.0	389,734.7	470,524.1	568,586.3
EBITDA ($ mn)	194,537.0	240,286.2	299,996.3	379,415.9
EBIT ($ mn)	155,237.0	180,808.4	214,986.8	262,940.5
EPS ($)	17.28	19.38	22.97	28.05
P/E (X)	26.6	25.4	21.4	17.5
EV/EBITDA (X)	17.4	15.0	12.1	9.6
FCF yield (%)	2.0	1.1	0.3	1.3
Dividend yield (%)	0.8	0.7	0.7	0.8
Net debt/EBITDA (X)	(0.2)	(0.1)	(0.0)	(0.1)

	6/26	9/26E	12/26E	3/27E
EPS ($)	4.74	4.72	4.75	4.81

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 9 Sep 2026 close.