MSFT

Microsoft is growing 18% while capex has doubled; the question is the return.

Fiscal Q4 2026 (April to June) revenue rose 17.7% to $90.0B, Azure grew 43% and commercial backlog reached $678B. Cash paid for PP&E was $115.9B for the year, 35% of revenue; free cash flow fell 6.5%.

+43%

Azure and other cloud services growth in fiscal Q4 2026, up from 39% a year earlier (company statement).

Watchlist: demand is not the debate; the return on $329B of leases not yet started, and the share of earnings from investment gains, are.

Core question

Can Azure keep growing above 40% while cash capex runs near 40% of revenue, so backlog turns into cash before depreciation weighs?

Revenue

FQ4 revenue $90.0B, +17.7%; Intelligent Cloud $39.3B (+31.6%); Microsoft Cloud $59.3B (+27%). Fiscal year ends 30 June.

Margin

FQ4 operating margin 45.1% vs 44.9%, but gross margin 67.2% vs 68.6% as AI infrastructure costs rise (calculated).

Cash

FY26 operating cash flow $182.9B, cash capex (PP&E) $115.9B, free cash flow $67.0B vs $71.6B (calculated).

Risk

Leases not yet commenced $329.1B and purchase commitments $194.1B; FQ4 net income includes a $3.2B Anthropic gain.

Street

Targets span $440 to $870, average $596.22, 10.5% above the 15 Oct close of $539.44.

PRICE	MARKET CAP	PRICE AS OF	REPORT DATE
$539.44	**$4.01T**	**15 Oct 2026**	**16 Oct 2026**
as of 15 Oct 2026	as of 15 Oct 2026		

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

SUMMARY

Demand is strong; the debate is the cost of meeting it.

Revenue growth held near 18% and Azure accelerated. Capex, lease commitments and investment gains now matter as much as growth.

$678B

Commercial remaining performance obligation, +84%; about 30% is due within 12 months (about $203B, calculated).

+109.6%

FQ4 cash paid for PP&E $35.8B vs $17.1B; 39.8% of revenue (calculated). Microsoft's capex incl. finance leases: $41B. CALCULATED

-6.5%

FY26 free cash flow $67.0B vs $71.6B while operating income rose 20.8% (calculated). CALCULATED

What supports the view

- FY26 revenue $331.8B, +17.8%; operating income $155.2B, +20.8%; operating margin 46.8% (calculated).
- Azure growth 43% in FQ4, after 40%, 39% and 40%; Azure passed $100B of revenue for the year (company statement).
- Commercial RPO $678B, +84%; weighted average duration about 2.3 years.
- Microsoft 365 Copilot passed 30 million paid seats; $10.2B returned to shareholders in FQ4.

What could undercut it

- Gross margin 67.2% vs 68.6%; Microsoft Cloud gross margin was 66% for FY26.
- Leases not yet commenced $329.1B start FY27 to FY33; purchase commitments $194.1B.
- FQ4 net income includes a $3.2B Anthropic gain and $480M net OpenAI gain; FY26 OpenAI revenue $24.1B.
- FY27 consensus free cash flow is $35.15B, about 48% below FY26 (calculated).

What decides it: Azure growth against capex in fiscal Q1 2027, reported 28 October after the close (date per S&P), with guidance on the call.

Key figures

METRIC	PERIOD	VALUE	SOURCE
Revenue	FQ4 2026	**$90.007B**	FQ4 2026 release
Operating income	FQ4 2026	**$40.603B**	FQ4 2026 release
Diluted EPS	FQ4 2026	**$4.81**	FQ4 2026 release

Revenue, TTM = FY26Jul 2025 to Jun 2026**$331.839B**FY26 10-KFree cash flow, TTMFY26**$66.987B** CALCULATEDCalculated: $182.935B less $115.948BCash capex share of revenueFY26**34.9%** CALCULATEDCalculated: $115.948B / $331.839BCash and short-term investments30 Jun 2026**$76.8B**FY26 10-K

What to watch

28 OCT 2026

FQ1 2027 results (after close)

Date per S&P. First guidance of the year; watch Azure growth, capex, gross margin and RPO.

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

19 NOV 2026

Ex-dividend date

Per S&P; the amount of the next dividend was not checked.

UNDATED

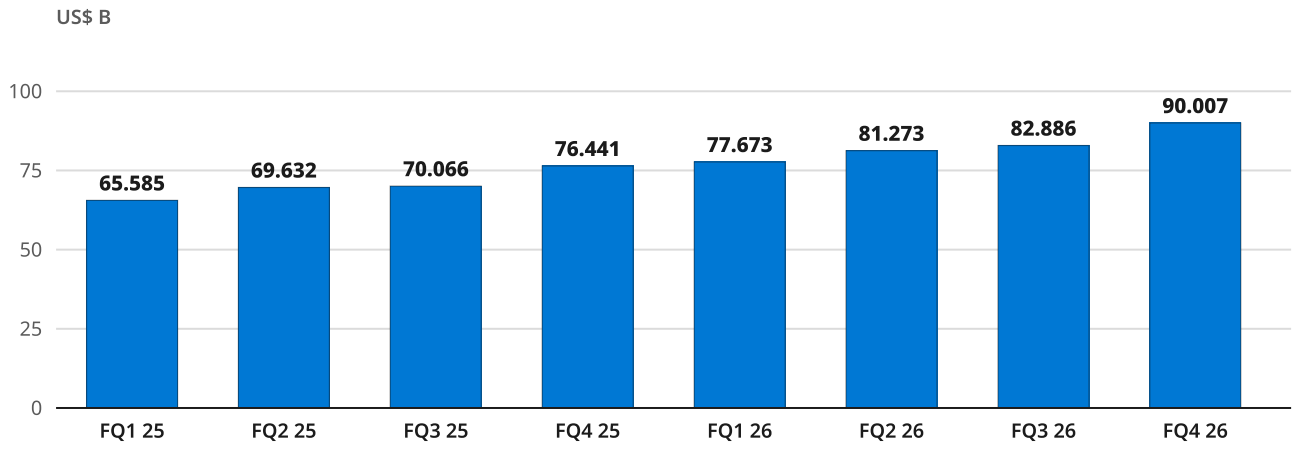
OpenAI funding

$13.0B committed, $11.9B funded at 30 Jun 2026; no dated milestones sourced.

EVIDENCE 1 · REVENUE AND MARGINS

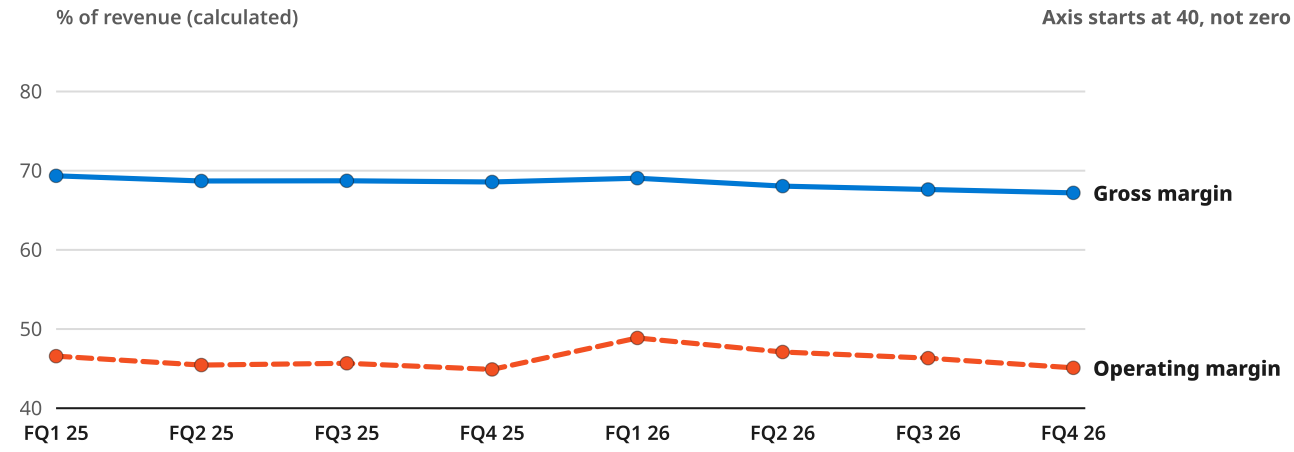
Revenue growth held near 18% and operating margin stayed above 45%.

Quarterly revenue reached $90.0B in fiscal Q4 2026



Revenue as reported. Fiscal quarters: FQ1 is July to September. FQ4 2026 is April to June 2026.
Source: Microsoft 8-Ks (SEC); Flip sheet tab MSFT (income statement checked to releases).

Gross margin slipped 1.4 points y/y while operating margin edged up



Calculated: gross margin and operating income divided by revenue. Axis starts at 40. FQ4 2026 includes a $3.2B Anthropic gain only below operating income.
Source: Microsoft releases (SEC); Flip sheet tab MSFT; margins calculated by the Desk.

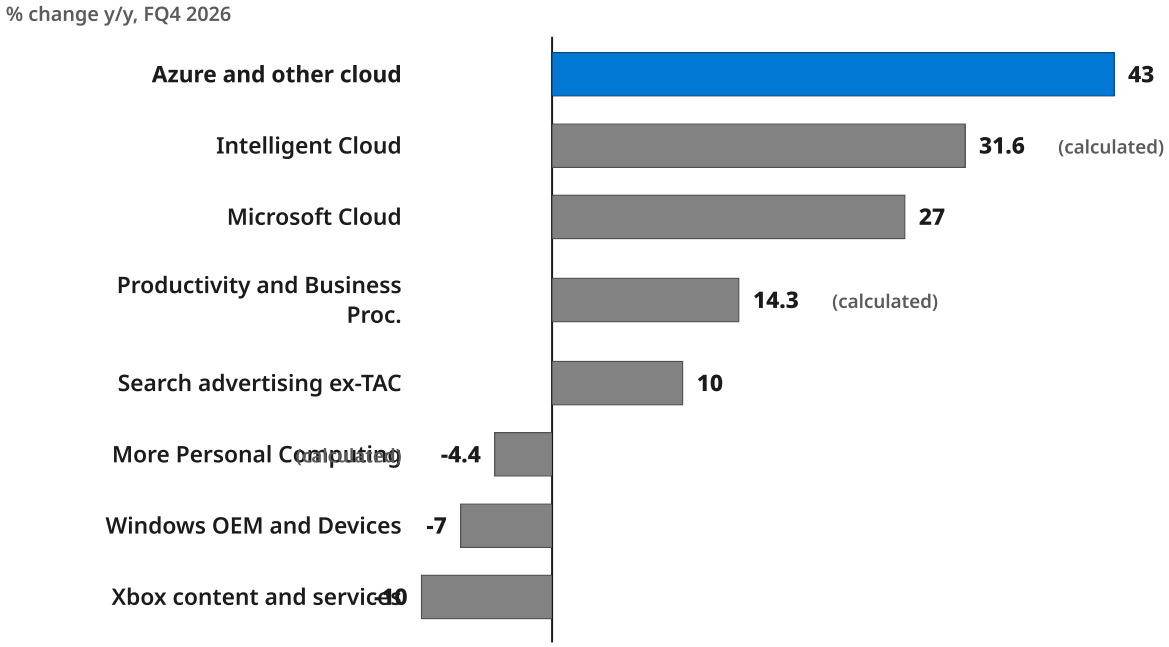
Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

FY26 revenue was $331.8B (+17.8%) and operating income $155.2B (+20.8%), calculated from the 10-K. Operating expenses grew slower than revenue in FQ4: R&D +13.2%, sales and marketing +4.3%, G&A +14.9% (calculated). The FQ4 effective tax rate was 18.8% (calculated).

EVIDENCE 2 · CLOUD AND SEGMENTS

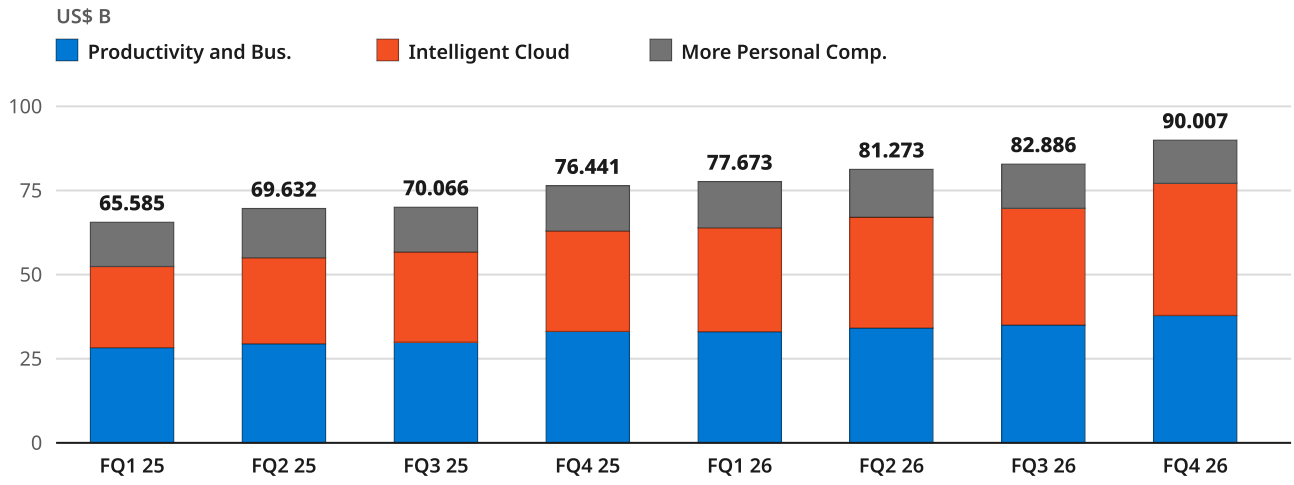
Azure and Intelligent Cloud lead; More Personal Computing is shrinking.

Azure grew 43% in FQ4; Xbox content and Windows OEM fell



Reported growth rates from the FQ4 2026 release; segment growth calculated from reported segment revenue.
Source: Microsoft FQ4 2026 release (8-K EX-99.1).

Intelligent Cloud is now the largest segment by revenue



Segment revenue as reported. Intelligent Cloud overtook Productivity and Business Processes in FQ4 2026.
Source: Microsoft releases (SEC); Flip sheet tab MSFT (segment rows tie to releases).

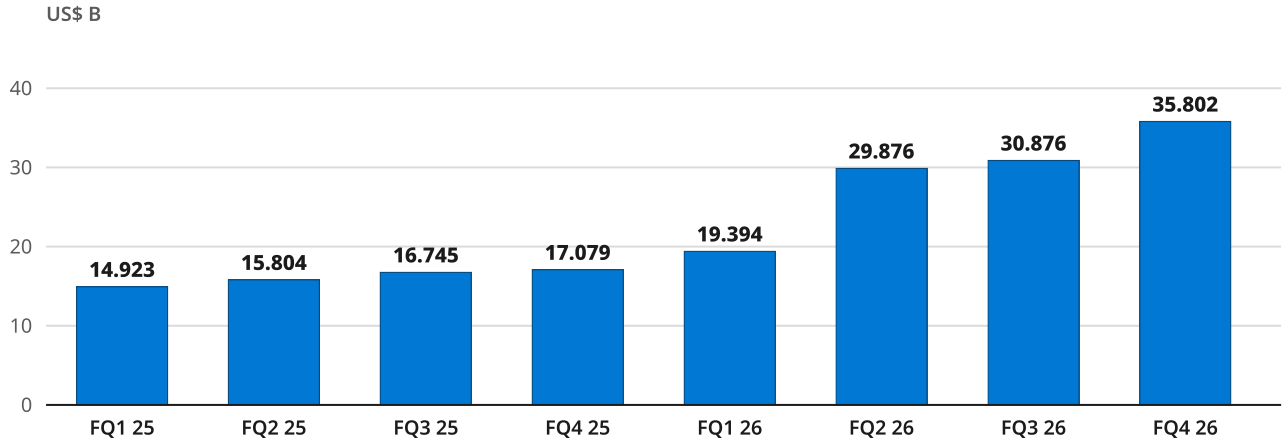
Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

Intelligent Cloud operating income was $16.0B (+31.4%, calculated) at a 40.6% margin, flat y/y, while its gross margin fell to 57.1% from 60.4% (calculated) as cost of revenue rose 42% to $16.9B. Productivity and Business Processes earned a 57.9% operating margin. Microsoft 365 Commercial cloud grew 14%; LinkedIn 12%; Dynamics 365 13% (reported).

EVIDENCE 3 · CAPEX AND CASH FLOW

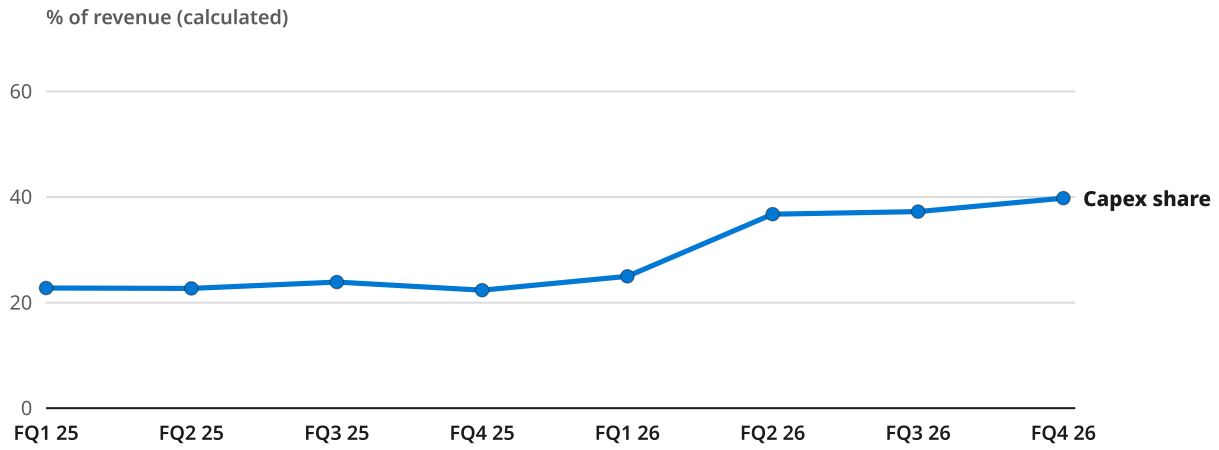
Capex doubled in a year and now consumes about 40% of revenue.

Quarterly capex rose from $14.9B to $35.8B in two years



Cash paid for PP&E (cash flow statement), excluding finance leases. Microsoft's own capex incl. $5.6B finance leases was $41B in FQ4.
Source: Microsoft releases (SEC); Flip sheet tab MSFT (capex row ties to releases).

Capex has climbed from 23% to 40% of revenue



Calculated: cash paid for PP&E divided by revenue (excludes finance leases). Axis runs 0 to 45.
Source: Microsoft releases (SEC); Flip sheet tab MSFT; calculated by the Desk.

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

FY26 operating cash flow was $182.9B (+34.4%) and cash paid for PP&E $115.9B (+79.6%; excludes finance leases), leaving free cash flow of $67.0B vs $71.6B (calculated). Property and equipment, net, reached $313.1B from $205.0B. Dividends were $26.4B and repurchases $22.3B in FY26. The FY27 consensus has operating income up 17.5% but free cash flow of $35.15B.

EVIDENCE 4 · BACKLOG AND COMMITMENTS

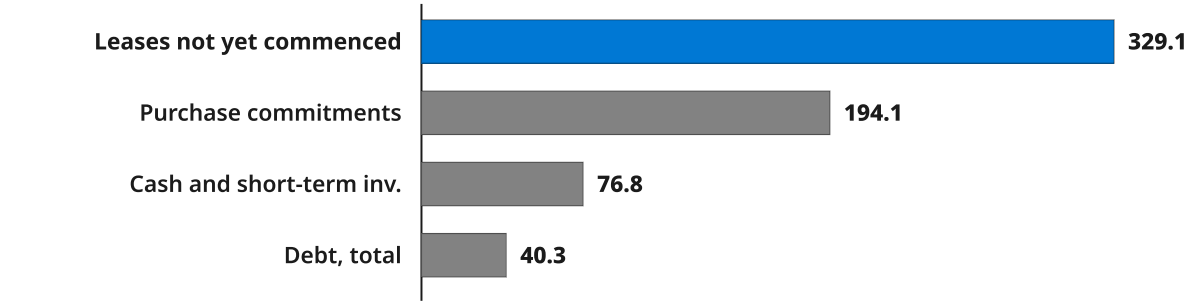
A $678B backlog sits against $523B of lease and purchase commitments.

ITEM AT 30 JUN 2026	VALUE	BASIS	SOURCE
Commercial RPO	**$678B, +84%**	Reported	FQ4 2026 release
RPO due within 12 months	**about $203B (30%)** CALCULATED	Calculated	FY26 10-K
Weighted average RPO duration	**2.3 years**	Reported	FY26 10-K

OpenAI revenue, FY26**$24.1B (7.3%)** CALCULATEDCalculated shareFY26 10-KOpenAI funding committed / funded**$13.0B / $11.9B**ReportedFY26 10-KLeases not yet commenced**$329.1B**ReportedFY26 10-KPurchase commitments**$194.1B**ReportedFY26 10-K

Lease and purchase commitments dwarf the cash balance

US$ B, 30 Jun 2026



Leases start between FY27 and FY33. Debt is current plus long-term debt as reported ($9.2B plus $31.1B).
Source: Microsoft FY26 Form 10-K (SEC).

Total operating and finance lease payments including imputed interest were $443.5B. The 10-K does not break out how much of the RPO is tied to OpenAI in the sections reviewed. Microsoft gives forward guidance on the call, not in the release.

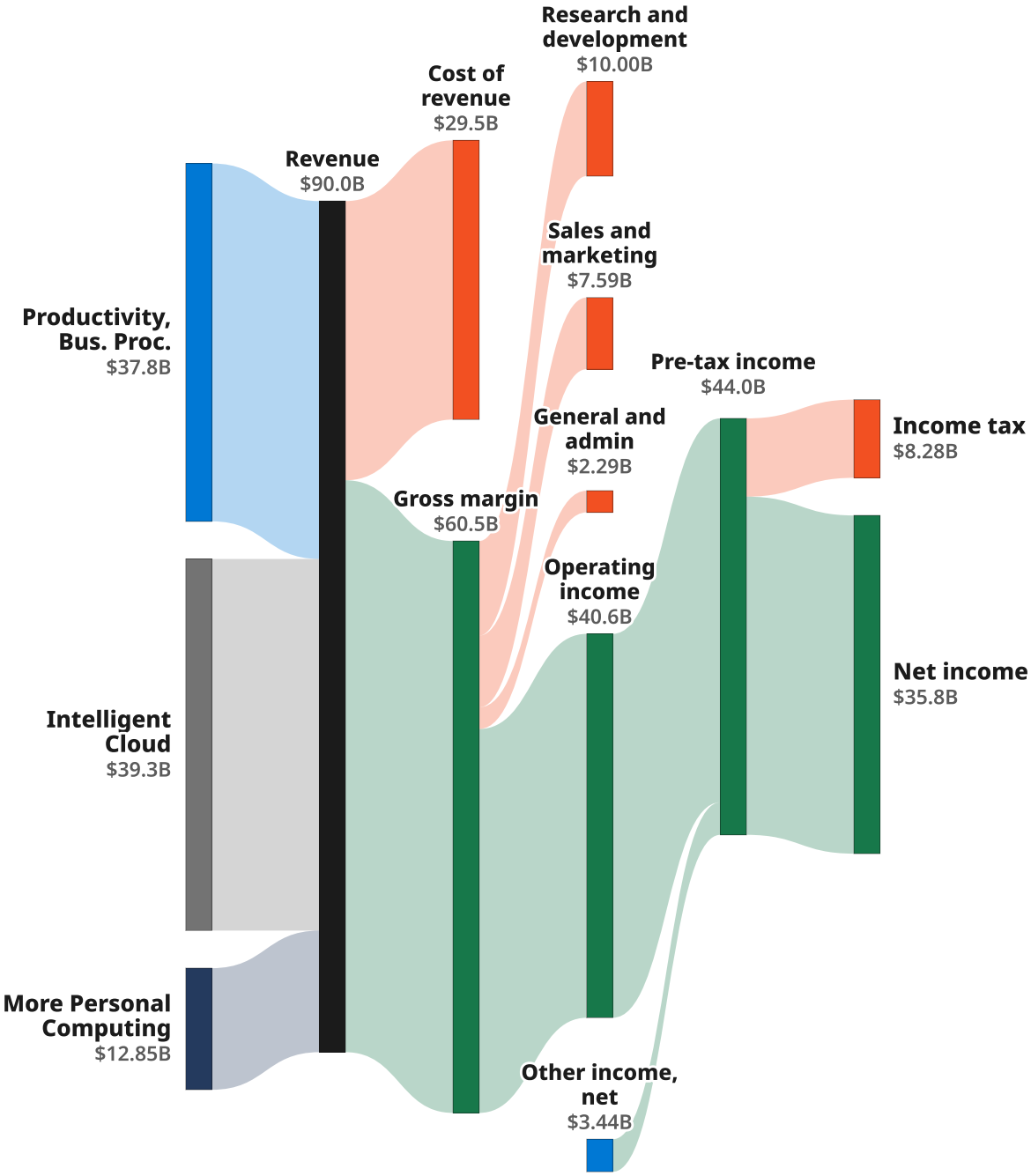
Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

INCOME STATEMENT FLOW

Of each dollar of FQ4 revenue, 45 cents became operating income.

FQ4 2026 income statement

US$ B · quarter ended 30 Jun 2026 · GAAP



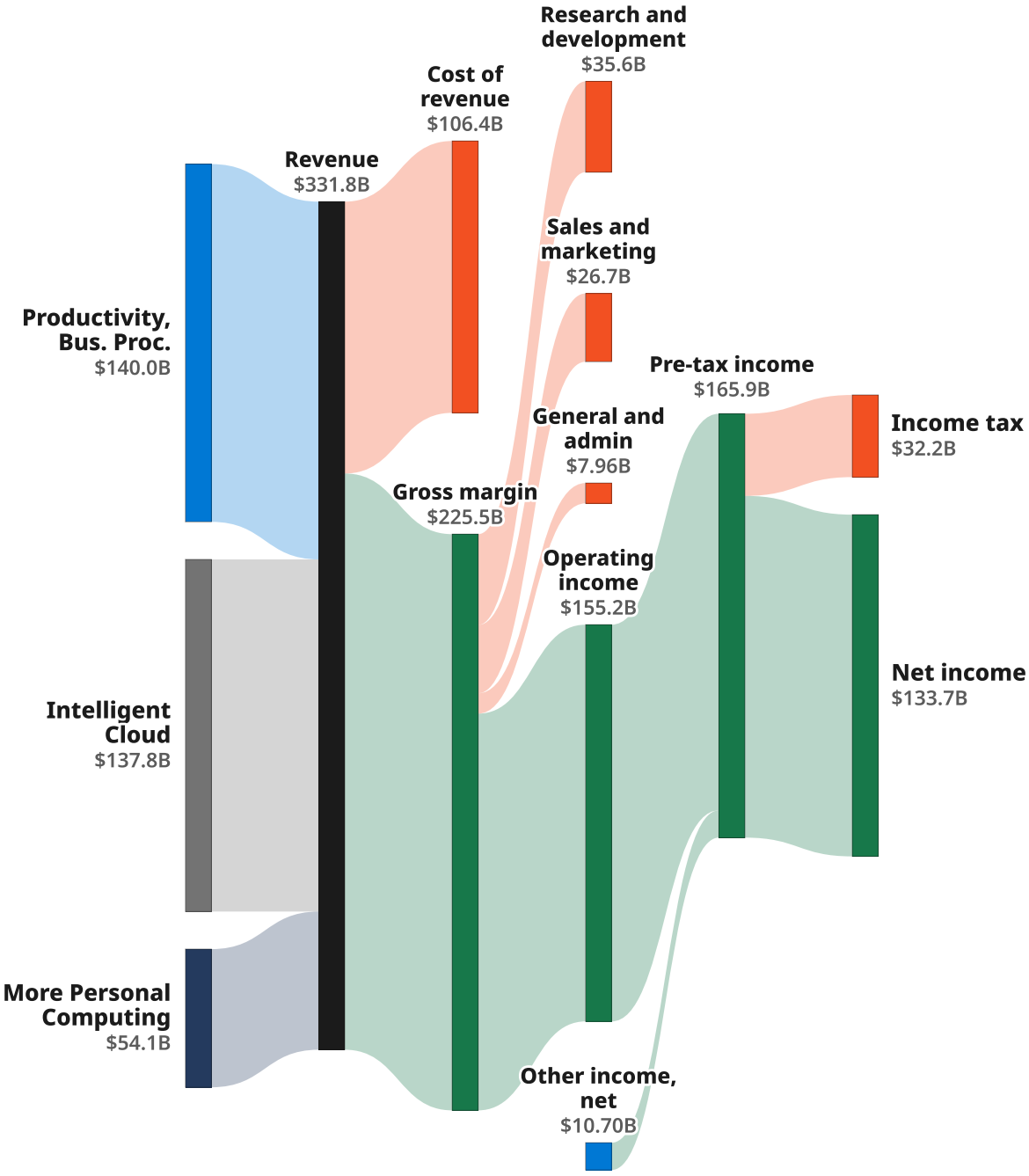
Source: Microsoft FQ4 2026 release (8-K EX-99.1). Ties to reported subtotals.
Chart: desk analysis. Lines as reported; no grouping.

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

Fiscal 2026 turned $331.8B of revenue into $133.7B of net income.

FY26 income statement (TTM)

US$ B · twelve months to 30 Jun 2026 · GAAP



Source: Microsoft FY26 release and Form 10-K (SEC). Fiscal year to 30 June 2026 equals the trailing twelve months.
Chart: desk analysis. Lines as reported; no grouping.

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

RISKS

Five exposures matter most, set against real strengths.

Return on capital

Cash capex $115.9B in FY26 (+79.6%, excl. finance leases); $329.1B of leases not yet started; FY27 consensus free cash flow is about half of FY26.

AI gross margin

Gross margin 67.2% vs 68.6%; Microsoft Cloud gross margin 66% for FY26 as AI infrastructure scales.

OpenAI and Anthropic

About 25% OpenAI stake, $24.1B revenue from OpenAI, $13.0B funding commitment; $3.2B Anthropic gain in FQ4 net income.

Backlog timing

Only about 30% of the $678B RPO is due within 12 months; customer concentration is not shown in the sections reviewed.

Valuation

30x trailing and 27x forward earnings with a 1.7% free cash flow yield; the price needs growth near 18% to persist.

Offsetting strengths

46.8% operating margin, $76.8B cash, Azure +43%, backlog +84% and 30M paid Copilot seats.

VALUATION

The published Street range runs from $440 to $870 against a $539.44 price.

Only the third-party analyst range is sourced; the Desk has no scenario model. This is not a Desk target.

Street range (third-party)

CASE	STREET TARGET	VERSUS CLOSE	SOURCE
Street low	**$440**	-18.4%	S and P Global MI, 56 analysts
Street average	**$596.22**	+10.5%	S and P Global MI
Street high	**$870**	+61.3%	S and P Global MI

Valuation inputs, 15 Oct 2026

METRIC	BASIS	VALUE	SOURCE
Market capitalisation	Oct 15 close	**$4.01T**	S and P Global MI
Trailing P/E	TTM	**30.1x**	S and P Global MI
Forward P/E	S and P	**27.3x**	S and P Global MI

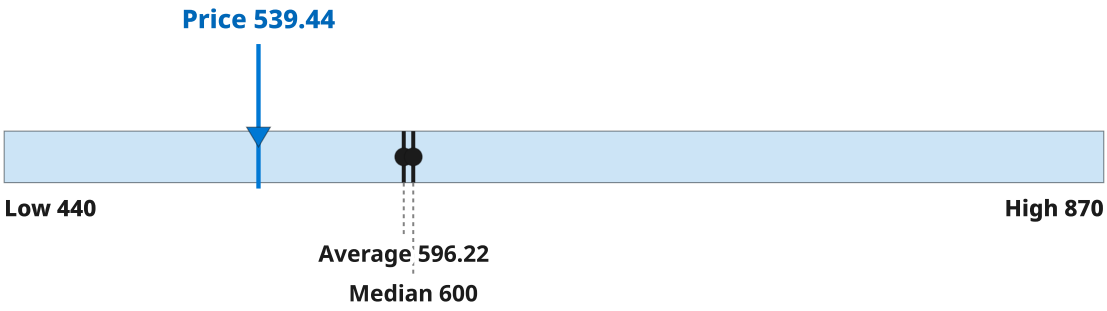
P/E on FY27 EPS $19.78Consensus, non-GAAP**27.3x** CALCULATEDCalculated: $539.44 / $19.78EV/EBITDATTM**20.9x**S and P Global MIFree cash flow yieldTTM**1.7%**S and P Global MI

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

METRIC	BASIS	VALUE	SOURCE
FY27 consensus revenue	Consensus	**$391.3B**	S and P Global MI

The price sits in the middle of a wide published range

US$ per share



Third-party analyst targets as polled by S and P Global; not a Desk view.
Source: stockanalysis.com forecast page, 15 Oct 2026.

CATALYSTS

One dated event: fiscal Q1 2027 results on 28 October.

28 OCT 2026 · KEY DATE
FQ1 2027 results (after close)
Date per S&P. Watch Azure growth, capex, gross margin, RPO and the guide; consensus FY27 revenue is $391.3B (+17.9%).

19 NOV 2026
Ex-dividend date
Per S&P; payment amount not checked.

UNDATED
Lease commencements and OpenAI funding
Leases start FY27 to FY33; $1.1B of OpenAI funding commitments remains unfunded at 30 Jun 2026; no dates sourced.

METHOD AND DATA QUALITY

How the numbers were checked

Tags: OK confirmed against the source, FIX corrected, PART partly supported, UNV not verified.

CLAIM	RESULT	NOTE
FQ1 to FQ4 2026 income statement, segment, cash flow and capex lines	OK	Tab ties to releases; four quarters sum to the FY26 10-K totals.
Flip tab MSFT product-line block, FQ4 2026 column	FIX	Repeats FQ3 (Server 32,592; M365 Commercial 25,593; total 82,886). Implied FQ4: Server 37,096, M365 27,914.
Flip tab MSFT other items	FIX	FQ2 2026 header dated 30 Oct 2025; a 0.51 RPO value sits in the M365 row; opex has decimals; headcount, dividends stale.
Tab Azure rows 131 and 132 (own estimate from a leak)	UNV	Not company-reported; not used. FY26 sum of about $107.7B is consistent with the over $100B statement.

Not financial advice. For information and discussion only · CA Accomplished Financial Holding BV · @CAAccomplished

CLAIM	RESULT	NOTE
TTM equals FY26 and matches S and P	OK	Revenue $331.84B, operating income $155.24B, net income $133.75B tie.
Share of RPO due within 12 months (about $203B)	PART	30% from the 10-K applied to $678B; calculated.
FQ1 2027 report date of 28 Oct 2026	UNV	From S and P, shown as confirmed; not checked on Microsoft investor relations.
Capex definition: cash PP&E vs incl. finance leases	OK	Report series is cash paid for PP&E ($35.8B FQ4); Microsoft's capex incl. finance leases was $41B in FQ4 (call). FY basis not re-derived.

Earnings 28 Oct and ex-dividend 19 Nov OK Company-confirmed (Microsoft Source 7 Oct and 15 Sep 2026).OpenAI funding, FY OpenAI revenue, $194.1B commitments, $76.8B cash UNV Taken from 10-K and release; not re-read in the fact-check.

Not sourced or not determinable

- Forward guidance for FQ1 2027 (given on the call).
- Share of RPO tied to OpenAI or other large customers.
- Azure revenue as a dollar figure by quarter (not disclosed).
- Legal and regulatory exposures (not reviewed in depth).

SOURCES & DISCLOSURE

Principal sources

1. **Microsoft FQ4 2026 earnings release (8-K EX-99.1)**
   sec.gov/Archives/edgar/data/789019/000119312526323632/msft-ex99_1.htm
2. **Microsoft FQ4 FY26 call: capex $41B incl. $5.6B finance leases; cash paid for PP&E $35.8B**
   microsoft.com/en-us/investor/events/fy-2026/earnings-fy-2026-q4
3. **Microsoft dividend announcement, 15 Sep 2026 (ex-dividend 19 Nov)**
   news.microsoft.com/source/2026/09/15/microsoft-announces-quarterly-dividend-increase-7/
4. **Microsoft FY2026 Form 10-K**
   sec.gov/Archives/edgar/data/789019/000119312526323660/msft-20260630.htm
5. **Microsoft FQ1 to FQ3 2026 releases (8-K EX-99.1)**
   sec.gov/Archives/edgar/data/789019/000119312526191457/msft-ex99_1.htm
6. **Valuation statistics, S and P Global MI via stockanalysis.com, 15 Oct 2026** (secondary)
   stockanalysis.com/stocks/msft/statistics/
7. **Analyst targets and estimates, S and P Global MI / TipRanks via stockanalysis.com** (secondary)
   stockanalysis.com/stocks/msft/forecast/
8. **Flip sheet, tab MSFT (read-only; history to FQ4 2026)** (secondary)
   docs.google.com/spreadsheets/d/1m3h9Xce3SRMaq20li2Qg4HuSZowwxQSd9FkQmeuI7Dw (Flip sheet, read-only)

NOT FINANCIAL ADVICE

This document is for information and discussion only. It is not investment advice, a recommendation, or an offer or solicitation regarding any security or instrument. Any stance expressed is a qualitative view, not a rating, and no price target is set by the author. Figures come from public filings and third-party sources believed reliable but not independently audited; secondary-source items are flagged. Calculated and estimated figures are marked as such and rest on stated assumptions. Prices and facts may have changed since the dates shown. Consult a licensed adviser before making investment decisions. Analyst targets shown are third-party figures, not a Desk view.

PUBLISHER

Published by CA Accomplished Financial Holding BV for the X account **@CAAccomplished**. Colours in this report are chosen for readability and to help readers tell reports apart. No company logos, wordmarks or trademarked marks are used, and no company has endorsed or reviewed this report.