

Microsoft profits rise despite weak PC market (Update)

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The Microsoft logo is seen at the Electronic Entertainment Expo on June 7, 2011 in Los Angeles, California. US technology giant Microsoft on Thursday reported an 19 percent year-on-year increase in profit to \$6.06 billion for the quarter ending March 31.

US technology giant Microsoft on Thursday reported a 19 percent year-on-year increase in profit despite contending with the fast-declining personal computer market.

Microsoft said profits came in at \$6.06 billion for the quarter ending

March 31, on revenues of \$20.49 billion. That was up from \$5.11 billion in profits on revenues of \$17.41 billion in the year-earlier period.

The company's earnings per share came in at 72 cents per share—above the 68 cents per share forecast by analysts.

Revenues were higher for Microsoft's online services division, as well as its server and tools, and entertainment and devices units.

Microsoft's Windows system has been a defining element of PC systems and the Windows division reported a 23 percent increase in revenues compared with last year.

But Microsoft said the division's revenues in the recent quarter of \$5.70 billion was essentially flat when compared with the previous quarter, and attributed that revenue trend to the "evolving device market."

Microsoft has come under scrutiny in recent weeks after industry reports showed a steep decline in personal computer sales, on account of the rise of tablets and smartphones.

Chief financial officer Peter Klein said the company is working to beef up its exposure to the growing tablet and smartphone markets. But he noted the transition was "complicated" given Microsoft's enormous size.

"Consumers and businesses are increasingly shifting their focus to touch and mobility and as a result they want touch enabled computing devices that are ultra thin, lightweight and have long battery life," Klein said.

"Windows is transforming to the new era of computing."

Asked to quantify the decline in the PC market, Klein cited third-party reports that have estimated double-digit declines for the most recent

quarter.

Microsoft also announced that Klein will leave the company after the current fiscal year, with a new CFO to be named from its finance leadership team in the coming weeks.

Thursday's results pushed Microsoft shares 2.8 percent higher in after-hours trading.

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