

'Cloud' lifts Microsoft earnings above expectations

October 23 2014, by Glenn Chapman



Microsoft on Thursday reported that its quarterly profit dipped to \$4.5 billion while revenue rose above \$23 billion

Microsoft on Thursday reported quarterly profits ahead of most expectations, as revenues got a boost from its Xbox consoles and Internet "cloud" services for enterprises.

Net profit in the quarter dipped to \$4.5 billion from \$5.2 billion in the

same period a year ago, but topped most analyst forecasts.

Revenue rose above \$23 billion, its best ever for the fiscal first quarter.

The better-than-expected results pushed shares of the US technology titan up 2.75 percent to \$46.30 in after-hours trade.

"We are innovating faster, engaging more deeply across the industry, and putting our customers at the center of everything we do, all of which positions Microsoft for future growth," Microsoft chief executive Satya Nadella said in a release.

Microsoft said revenue hit a record high for its first fiscal quarter, aided by the popularity of its Xbox video game consoles and Surface tablet computers, along with businesses turning to software offered as services in the Internet "cloud."

"Customers are embracing our latest technologies from Surface Pro 3 and Office 365 to ("cloud"-based) Azure and SQL Server" for corporate customers, Microsoft chief operating officer Kevin Turner said.

Revenue in Microsoft's Devices and Consumer unit grew 47 percent to \$10.96 billion, with the company bringing in nearly \$1 billion from sales of its Surface Pro 3 tablet computer.

Xbox sales more than doubled to 2.4 million in the quarter, which saw the newest version of the console release in 28 new markets.

Revenue was up 10 percent when it came to commercial offerings, with "cloud" services such as Office 365 and Azure growing 128 percent, according to Microsoft.

Pumping up the 'cloud'

At a press briefing in San Francisco this week, Nadella detailed the latest moves in Microsoft's strategy to entice businesses with the ability to tap into the power of colossal online data centers as needed.

Microsoft's event spotlighted how the company is playing on its strengths with software used by businesses to capitalize on a trend toward renting computing power, storage or software as services hosted at data-centers in the Internet "cloud."

"The Microsoft cloud is the most complete cloud offering that empowers every business across every industry in every geography," Nadella boasted.

Microsoft is on track to bring in \$4.4 billion this year from "cloud" services, but is spending about \$4.5 billion annually on major investments such as huge data centers packed with computing equipment, executives said at the briefing.

Microsoft's main rivals in the "cloud" computing space are Google and Amazon Web Services.

But the US software giant is seen as having the advantage of experience, relationships and established products when it comes to working with business computer network needs.

It has "cloud" data centers in 19 regions around the world, and some of the facilities are large enough to hold a pair of jumbo jets.

Microsoft's "cloud" will handle demanding computing loads for businesses and let them better extract valuable insights from their data, along with public "cloud" power to augment private in-house systems.

The earnings results include the newly acquired handset division of

Finland's Nokia, whose Windows-based smartphones are struggling in a market dominated by Google Android devices and Apple's iPhones.

Revenue from phone hardware was more than \$2.6 billion in the quarter, according to Microsoft.

"You have to look at the whole story as quite positive here," Gartner vice president of research Merv Adrian said.

He applauded Microsoft for playing on its strengths to adapt to customers increasingly shifting to smartphones, tablets and services hosted at data centers online.

"Everywhere you look, Microsoft seems to be executing quite nicely."

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