

Microsoft delivers earnings surprise, stock rises (Update)

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Microsoft CEO Satya Nadella delivers the keynote address during the 2016 Microsoft Build Developer Conference on March 30, 2016 in San Francisco, California

Microsoft said Tuesday it posted a profit of \$3.1 billion in the just-ended quarter, swinging into the black a year after hefty charges from writing off mobile phone assets.

The profit in the tech giant's fourth fiscal quarter was nearly identical to the loss from a year earlier, when it took charges of more than \$7 billion to reflect the lower value of the Nokia mobile phone division it had acquired.

Revenue dipped to \$20.6 billion from \$22.2 billion in the same period a year ago.

"This past year was pivotal in both our own transformation and in partnering with our customers who are navigating their own digital transformations," said chief executive Satya Nadella.

Nadella told a conference call that "we're proud of what we achieved and particularly how we are positioned for new growth."

Overall, the results were better than most forecasts and sparked an after-hours gain of more than three percent for the company, which is seeking to shift its emphasis to cope with declining sales of personal computers.

Under Nadella, Microsoft is trying to reduce its dependence on software sales, and boost its role in services and cloud computing, with some contributions from its Xbox gaming platform and Surface tablets.

Nadella said in a statement that "the Microsoft Cloud is seeing significant customer momentum and we're well positioned to reach new opportunities in the year ahead."

Microsoft closed out its fiscal year with a 38 percent rise in profit to \$16.8 billion.

Growing the cloud

Over the past quarter, Microsoft boosted revenue in its "Productivity and

Business Processes" unit which includes Office, the software suite which has been largely moved to the internet cloud.

The company's "Intelligent Cloud" operations also grew, driven by revenue growth from Azure, Microsoft's platform for business cloud computing.

In June, Microsoft announced a \$26 billion acquisition of LinkedIn, the biggest-ever deal for a social media company, which is expected to help the tech giant increase its cloud offerings for business.

Microsoft saw a slight drop in revenue from the "More Personal Computing" division, which includes the Windows operating system as well as devices such as Surface.

Microsoft, which has for the most part dropped its smartphone business, said phone revenue slid 71 percent from a year ago, while Surface saw a nine percent revenue gain from the release of Surface Pro 4 and Surface Book.

Sales of gaming revenue decreased nine percent, amid lower Xbox sales, but that was offset by gains from its Xbox Live subscription service.

Microsoft said its search advertising revenue rose 54 percent from a year ago, helped by the use of Bing, the primary search engine for Windows 10.

Earlier this month, Microsoft it will take longer than initially expected for Windows 10 to reach a billion devices due to the lack of traction in its smartphone business.

The company had set an ambitious goal of having a billion gadgets running on Windows 10 monthly when the latest generation operating

software was release nearly a year ago.

The US technology giant said Windows 10 is already powering more than 350 million devices monthly in what it described as "the hottest start in history."

Microsoft will mark the one-year anniversary of Windows 10 with a major update to the software.

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