

# Microsoft profit rises on shift to cloud computing

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Microsoft on Thursday reported that its quarterly earnings was lifted on the back of its shift to focusing on computing services hosted in the internet cloud.

The US technology giant said it made a profit of \$6.5 billion in the

recently ended quarter as revenue rose to \$23.3 billion.

Microsoft shares—which closed the official trading day at a new all-time high of \$74.22—leapt after release of the earnings figures, only to come back down and even slip a bit in after-market trades to \$73.65.

About \$7.4 billion of the revenue in the quarter came from "intelligent cloud" offerings that are part of Microsoft shedding its legacy of packaged software and embracing a future in which computing power is hosted online as a service.

"Innovation across our cloud platforms drove strong results this quarter," Microsoft chief executive Satya Nadella said in a statement.

Microsoft uses the term "intelligent cloud" to refer to services that let businesses take advantage of computing power online in its data centers, coupled with insights or analysis by [artificial intelligence software](#).

Microsoft also said cloud-based products like Office 365 rose in the quarter, with the number of Office 365 subscribers climbing to 27 million.

The quarterly profit figure topped Wall Street expectations, while revenue was roughly in line.

## **Trimming jobs**

During an earnings call, Microsoft executives sidestepped providing details about recently disclosed plans to cut jobs, evidently while reorganizing its global sales operations to better hawk cloud products.

The pioneering software firm had more than 121,000 employees worldwide at the end of March, according to its website.

It is seeking to be a first port-of-call for businesses relying on cloud computing, as the industry moves away from packaged software.

Microsoft's cloud computing platform will be used outside China for collaboration by members of a self-driving car alliance formed by Chinese internet search giant Baidu, the companies announced this week.

The US software powerhouse is one of more than 50 entities to join the Apollo alliance created by Baidu in April.

Microsoft will enable alliance members to collaborate, share information and tap into its Azure cloud computing service, according to the companies.

Azure faces competition from technology titans Amazon and Google.

Each of the companies has also been investing in artificial intelligence, which can make services hosted in the [internet cloud](#) more intuitive when it comes to handling data and meeting user needs.

## **'Intelligent edge'**

Microsoft, which is based in Redmond, Washington, has announced thousands of jobs cuts in recent years, the most severe being 18,000 positions eliminated in 2014 linked to the company's acquisition of Nokia and failed efforts in the smartphone market.

Cloud, business and productivity offerings were bright spots for Microsoft in the recently ended quarter, while matters appeared dimmer in the world of personal computing software that was long a money-making stronghold, according to J. Gold Associates principal analyst Jack Gold.

Revenue essentially doubled from Azure, which has an advantage over rivals operated by Amazon and Google because huge numbers of businesses are already using Microsoft software in-house, the analyst said.

Microsoft also saw impressive growth at Dynamics, its cloud service for managing sales teams that competes with the likes of Salesforce.

"Clearly, the money and growth going forward is not in the personal computing area, it is in the other areas," Gold said, adding: "which is why it is so important for Microsoft to be in the cloud."

Microsoft is also looking to the cloud to rebound from failure in the smartphone market.

The company remains a part of the mobile landscape with applications, digital assistants and other offerings.

Enhancements to the widely used Windows operating system to roll out later this year are designed to make applications built on Microsoft technology work more harmoniously across an array of internet-linked devices, according to demonstrations at the company's developers conference.

Windows 10 will be able to integrate with a wide range of devices, including smartphones, tablets and virtual or augmented reality gear, a strategy Microsoft refers to as its "intelligent edge."

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