

Microsoft to face many questions from analysts

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Amid the largest corporate restructuring in its nearly 40-year history, and what is viewed by many as a risky \$7 billion acquisition of Nokia Corp.'s mobile-handset business, Microsoft Corp. meets with Wall Street analysts on Thursday to discuss its finances and latest business efforts.

But the one item that almost no one expects Microsoft to clarify might be the biggest thing hanging over the [software giant](#): who will replace Chief Executive Steve Ballmer.

In August, Ballmer said he plans to retire within a year, and the combination of that, along with Microsoft's reorganization and acquisition of Nokia's handset business all in less than two months, has left many Microsoft watchers concerned about the company's direction and financial accounting practices.

Israel Hernandez, managing director with MKM Partners, said it's doubtful Microsoft will show its hand about what it will be looking for in a new CEO. But he said whoever gets the job, "his hands are going to be tied" by the recent moves of Ballmer.

"It would be nice to bring in someone who actually knows what the Internet is about," Hernandez said. "Regardless of who's running the company, Microsoft still faces the same secular pressure. Nobody's going to stop the momentum of Google, Apple or Samsung. They're not going to change the generational shift in consumer buying behavior."

Walter Pritchard, of Citigroup, said in a research note that instead of focusing on Ballmer's replacement, he expects Microsoft to take "the majority of the day to focus on (its) new organizational structure, its cloud businesses and the current Windows strategy."

Pritchard said he believes investors understand that Microsoft maintains a strong position in the enterprise market, but "this value remains shrouded by questions around (how) much of a drag Windows declines will be on this cash flow stream."

One topic that probably will get some attention is Microsoft's efforts to reward the patience of its investors by raising its quarterly dividend payment. On Tuesday, Microsoft said that it would increase its dividend payout by 22 percent, to 28 cents a share from 23 cents, and announced plans for a new \$40 billion stock buyback plan.

Historically, Microsoft has raised its dividend payment by 3 cents or 4 cents a share annually. Rick Sherlund, of Nomura Equity Research, said in a note to clients that the larger dividend payout is "further indication that things are changing at Microsoft, with respect to corporate governance, that we believe could benefit shareholders over the next six to 12 months."

But for the most part, analysts say Microsoft will likely spend the majority of Thursday's meeting answering questions about how it sees its recent moves as steering the company in the right direction for the next few years.

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