

Microsoft profit hurt by Nokia, but revenues jump (Update)

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Microsoft CEO Satya Nadella speaks during his keynote address at the Microsoft Worldwide Partner Conference 2014 at the Verizon Center in Washington, DC on July 16, 2014

Microsoft said Tuesday profits took a hit from its newly acquired Nokia phone division but that revenues got a strong lift from cloud services.

The US tech giant's new chief executive Satya Nadella said the results suggested that Microsoft's shift to services amid declining personal computer sales was starting to pay off.

Net profit for the three months ending June 30 dipped seven percent from a year earlier to \$4.6 billion, below market expectations.

But revenues grew a strong 17.5 percent, lifted by the cloud services.

"We are galvanized around our core as a productivity and platform company for the mobile-first and cloud-first world, and we are driving growth with disciplined decisions, bold innovation, and focused execution," said Nadella.

"I'm proud that our aggressive move to the cloud is paying off—our commercial cloud revenue doubled again this year to a \$4.4 billion annual run rate."

The earnings came just days after Microsoft announced its biggest job cuts ever with Nadella calling for a new focus at the US tech giant while integrating the Nokia phone division acquired this year.

The company said it would slash 18,000 jobs from its global workforce over the next year, the majority from the Nokia handset unit.

The cuts represent about 14 percent of Microsoft's global payroll of some 127,000. The company will take a charge of between \$1.1 billion and \$1.6 billion for costs related to the layoffs.

In the latest earnings, Microsoft said revenues from its Windows division rose three percent from a year ago, in a sign of some stabilization in the PC market and upgrades to devices with the newer operating systems.

The company saw a 40 percent jump in advertising revenues from its Bing search engine and gains from subscribers to its online Office 365.

The new Nokia phone division acquired this year added some \$2 billion to revenues but dragged on profits, the company said.

The Nokia unit subtracted some \$692 million from the Microsoft's bottom line, the company said.

Paul Ausick at 24/7 Wall Street said Microsoft remains dependent on Windows despite claims to the contrary.

"Microsoft's results continue to depend on Windows which in itself is no surprise. What is surprising is how hard it is for Microsoft to make any significant change in its dependence on Windows," he said in

a blog post.

Despite the weaker profit, investors appeared encouraged by the increase in revenues. Shares in Microsoft gained 0.8 percent to \$45.19 in electronic trading after the results.

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