

Microsoft profit climbs as cloud grows

20 July 2018, by Glenn Chapman



Microsoft chief executive Satya Nadella says the tech giant's investments in cloud computing and other areas have paid off in recent quarterly earnings

Microsoft on Thursday said its revenue and profit climbed in the recently ended quarter, getting results from its bets on cloud computing services and artificial intelligence.

The US tech giant reported its net income increased 10 percent to \$8.8 billion on [revenue](#) that was up 17 percent to \$30.1 billion when compared with the same period last year.

Microsoft saw revenue gains across its full range of businesses including business services, gaming, internet search ads, its consumer software including Windows and Office and LinkedIn, the recently acquired professional social network.

Shares were up more than three percent to \$107.80 in after-hours trading following the release of earnings for the quarter ending the fiscal year quarter for Microsoft.

"We had an incredible year," chief executive Satya Nadella said in a release.

"Our early investments in the intelligent cloud and intelligent edge are paying off, and we will continue to expand our reach in large and growing markets with differentiated innovation."

Microsoft executives told analysts they expected another year of growth, with demand for computing on the rise and the technology giant well-positioned in that market.

"We're investing aggressively to build Azure as the world's computer," Nadella said, referring to Microsoft's cloud computing platform that competes with services run by Amazon and Google.

"We expanded our global data center footprint to 54 regions, more than any other cloud provider."

Despite continuing to invest in promising trends from cloud computing and [artificial intelligence](#) to gaming, Microsoft expected its profit margins to improve.

'Super solid'

Revenue in a productivity and business processes category that included career-focused social network LinkedIn was up 13 percent in the quarter to \$9.7 billion, according to Microsoft.

LinkedIn revenue increased 37 percent as usage soared, the earnings release indicated. LinkedIn has seen record levels of postings seeking employees due to a robust US job market, according to Microsoft chief financial officer Amy Hood.

Microsoft bought LinkedIn two years ago in a deal valued at \$26.2 billion.

Global Equities Research analyst Trip Chowdhry described Microsoft earnings and its financial path as "super solid," noting that revenue and earnings per share beat market expectations.

Microsoft reported [net income](#) of \$16.6 billion for

the fiscal year on revenue that rose 14 percent to \$110.4 billion.

Analyst Patrick Moorhead at Moor Insights & Strategy said Microsoft's results showed healthy growth.

"The company drove double-digit revenue growth in every business, which demonstrates to me the firm's balance," Moorhead said. "Satya Nadella and team are hitting on all cylinders at this point."

In a major deal announced this week, Microsoft and Walmart unveiled a strategic partnership to help the retail giant ramp up its efforts against Amazon. © 2018 AFP

"I'm especially proud that Walmart chose Azure and Microsoft 365 to accelerate its digital transformation for their associates and customers," Nadella said during the earnings call.

Microsoft has announced technology partnerships with other major firms in recent months including General Electric, Starbucks, Bayer, Spain's Telefonica and sports organizations such as the NBA and PGA.

Outside the Windows

Moves into [business services](#) and [cloud computing](#) have reduced Microsoft's dependence on Windows, the dominant software for personal computers that has been overtaken in the consumer market by mobile devices powered by Google or Apple software.

Microsoft has taken to offering software such as Office as subscription services hosted online, even providing applications for Android or Apple mobile devices.

Nadella said Office 365 has more than 135 million users, and that a mobile version of Outlook is used on more than 100 million devices powered by Android or Apple software.

Microsoft 365 is now a multibillion dollar business, according to Nadella.

Microsoft expected that by the end of this calendar

year it would close a \$7.5-billion stock acquisition of software development platform GitHub.

Created in 2008, GitHub allows developers to cooperatively manage software and has more than 28 million users around the world.

"With GitHub we recognize the increasingly vital role the developers play in value creation and growth in the area of the intelligent cloud and intelligent edge," Nadella said.

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