



First Quarter Fiscal Year 2024 Results

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This presentation contains forward-looking statements, which are a predictions, projections, or other statements about future events. The statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ from those expected because of factors discussed in today's earnings press release, in the comments made during the conference call, and in the Risk Factors section and other sections of our Form 10-K, Forms 10-Q, and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update forward-looking statements.

Agenda

Financial Summary and Highlight

Quarterly Business Highlights

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FY24 Q1 Financial Summary

(\$ in billions, except per share amounts)

	FY24 Q1	Growth	CC Growth
Productivity and Business Processes	\$18.6	13%	12%
Intelligent Cloud	\$24.3	19%	19%
More Personal Computing	\$13.7	3%	2%
Revenue	\$56.5	13%	12%
Gross margin	\$40.2	16%	15%
Gross margin percentage	71%	2 pts	
Operating income	\$26.9	25%	24%
Operating income percentage	48%	5 pts	
Net income	\$22.3	27%	26%
Diluted earnings per share	\$2.99	27%	26%

* See Appendix for reconciliation of GAAP and non-GAAP measures, including constant currency ("CC").

All growth comparisons in this presentation relate to the corresponding period of last fiscal year unless otherwise noted. Numbers may not foot due to rounding.

Quarterly Commercial Highlights

Investor Metrics

	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4	FY23
Commercial bookings growth (y/y)	(3)% / 16%	7% / 4%	11% / 12%	(2)% / (1)%	14%
Commercial remaining performance obligation (<i>in billions</i>)	\$180	\$189	\$196	\$224	\$
Commercial revenue annuity mix	96%	96%	96%	97%	9
Microsoft Cloud revenue (<i>in billions</i>)	\$25.7	\$27.1	\$28.5	\$30.3	\$3
Microsoft Cloud revenue growth (y/y)	24% / 31%	22% / 29%	22% / 25%	21% / 23%	24%
Microsoft Cloud gross margin percentage	73%	72%	72%	72%	7

Growth rates include non-GAAP CC growth (GAAP % / CC %).

Commercial business

- Commercial bookings increased 14% (up 17% CC) year-over-year primarily driven by strong execution across our core annuity sales motion
- Commercial remaining performance obligation of \$212 billion, up 18% year-over-year
- Commercial revenue annuity mix of 96% was relatively unchanged year-over-year

Microsoft Cloud

- Microsoft Cloud revenue of \$31.8 billion, up 24% (up 23% CC) year-over-year
- Microsoft Cloud gross margin percentage increased slightly year-over-year to 73%. Excluding the impact of the latest change in accounting lives, gross margin percentage increased roughly 2 points driven by improvement in Azure and other cloud services and Office 365.

Microsoft Cloud includes Azure and other cloud services, Office 365 Commercial, the commercial portion of LinkedIn, Dynamics 365, and other cloud properties. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY24 Q1 Other Financial Highlights

Cash returned to shareholders	<ul style="list-style-type: none">Returned \$9.1 billion to shareholders with \$3.6 billion in share repurchases and \$5.6 billion in dividends
Operating expenses	<ul style="list-style-type: none">Operating expenses were \$13.3 billion, up 1% year-over-year driven by marketing, LinkedIn, and other, partially offset by Devices
Other income and expense	<ul style="list-style-type: none">Other income and expense was \$389 million driven by interest income, partially offset by interest losses on investments
Effective tax rate	<ul style="list-style-type: none">Effective tax rate of 18%
Capital expenditures	<ul style="list-style-type: none">Capital expenditures including assets acquired under finance leases were \$11.2 billion to support cloud and AI offerings. Cash paid for property and equipment was \$9.9 billion.
Cash flow	<ul style="list-style-type: none">Cash flow from operations was \$30.6 billion, up 32% year-over-year, driven by strong cloud billingsFree cash flow was \$20.7 billion, up 22% year-over-year

Includes non-GAAP constant currency ("CC") growth and free cash flow. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent

FY24 Q1 Business Highlights



Productivity and Business Processes

- Office Commercial products and cloud services revenue increased 15% (up 14% CC) driven by Commercial revenue growth of 18% (up 17% CC)
- Office Consumer products and cloud services revenue increased 3% (up 4% CC) and Microsoft subscribers grew to 76.7 million
- LinkedIn revenue increased 8%
- Dynamics products and cloud services revenue increased 22% (up 21% CC) driven by Dynamics growth of 28% (up 26% CC)



Intelligent Cloud

- Server products and cloud services revenue increased 21% driven by Azure and other cloud services growth of 29% (up 28% CC)



More Personal Computing

- Windows revenue increased 5% with Windows OEM revenue growth of 4% and Windows Commercial and cloud services revenue growth of 8%
- Devices revenue decreased 22%
- Xbox content and services revenue increased 13% (up 12% CC)
- Search and news advertising revenue excluding traffic acquisition costs increased 10% (up 9% CC)

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



Productivity and Business Processes

Overview

Investor Metrics

	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4	FY23
Office Commercial products and cloud services revenue growth (y/y)	7% / 13%	7% / 14%	13% / 17%	12% / 14%	11%
Office Consumer products and cloud services revenue growth (y/y)	7% / 11%	(2)% / 3%	1% / 4%	3% / 6%	1%
Office 365 Commercial seat growth (y/y)	14%	12%	11%	11%	11%
Microsoft 365 Consumer subscribers (in millions)	65.1	67.7	70.8	74.9	74.9
Dynamics products and cloud services revenue growth (y/y)	15% / 22%	13% / 20%	17% / 21%	19% / 21%	20%
LinkedIn revenue growth (y/y)	17% / 21%	10% / 14%	8% / 11%	6% / 8%	8%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

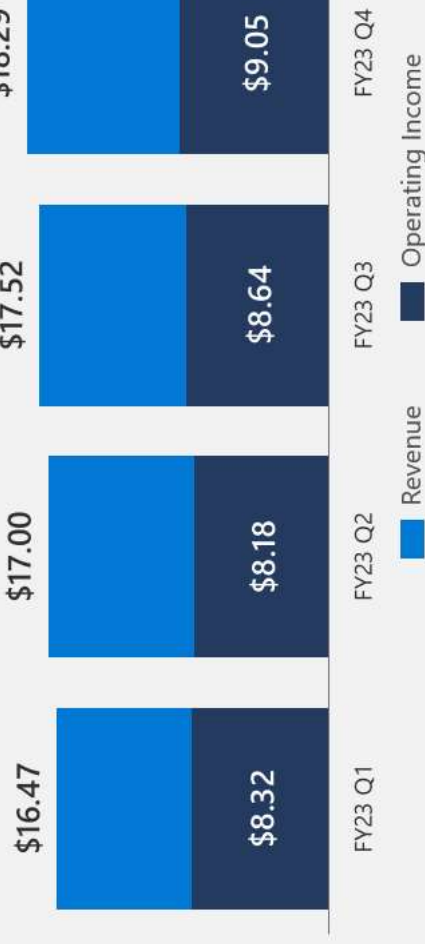
Total Revenue

- Revenue grew 13% (up 12% CC) driven by Office 365

Operating Income

- Gross margin dollars grew 13% and gross margin percentage increased slightly. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage increased roughly 1 point driven by improvement in Office 365.
- Operating expenses grew 2% primarily driven by LinkedIn
- Operating income grew 20% (up 19% CC)

\$ in billions



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business.

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



Productivity and Business Processes Highlights

Office Commercial

- Office Commercial products and cloud services revenue grew 15% (up 14% CC)
- Office 365 Commercial revenue grew 18% (up 17% CC) with Office 365 Commercial seat growth of 10%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Office Commercial products revenue declined 17% reflecting continued customer shift to cloud offerings

LinkedIn

- LinkedIn revenue grew 8% primarily driven by growth in LinkedIn Premium
- LinkedIn sessions grew 12% with record engagement

Office Consumer

- Office Consumer products and cloud services revenue grew 3% (up 4% CC)
- Microsoft 365 Consumer subscribers grew 18% to 76.7 million

Dynamics

- Dynamics products and cloud services revenue grew 22%
- Dynamics 365 revenue grew 28% (up 26% CC)

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Investor Metrics

Server products and cloud services revenue growth (y/y)	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4	FY23
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Growth rates include non-GAAP CC growth (GAAP % / CC %).

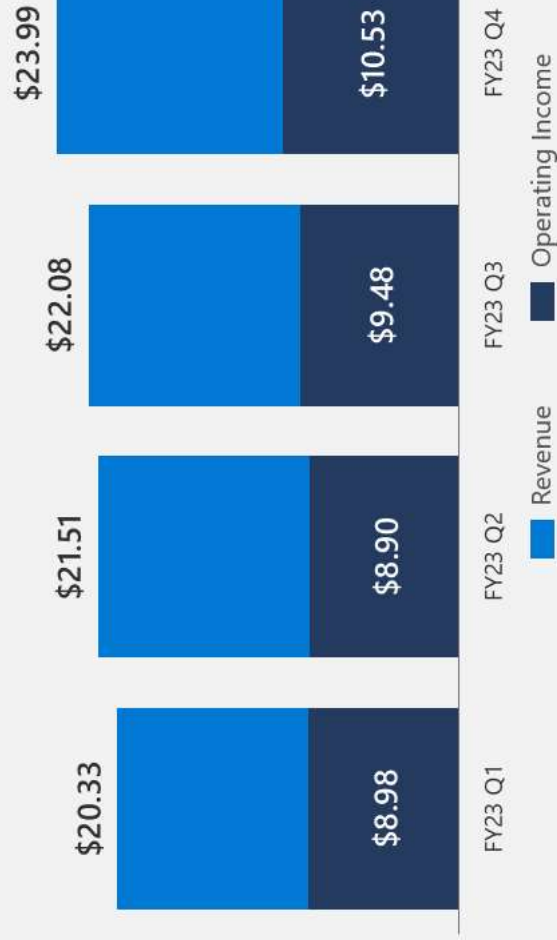
Total Revenue

- Revenue grew 19% driven by Azure and other cloud services

Operating Income

- Gross margin dollars grew 20% (up 19% CC) and gross margin percentage increased slightly. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage increased roughly 2 points driven by improvement in Azure and other cloud services.
- Operating expenses grew 2% (up 1% CC) primarily driven by investments in Azure
- Operating income grew 31% (up 30% CC)

\$ in billions



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Server Products and Cloud Services

- Server products and cloud services revenue grew 21%
- Azure and other cloud services revenue grew 29% (up 28% CC) driven by strong demand for our consumption-based services
- Server products revenue grew 2% driven by demand for Windows Server and SQL Server running in multi-cloud environments, partially offset by continued customer shift to cloud offerings
- Enterprise Mobility installed base grew 11% to over 259 million seats

Enterprise and Partner Services

- Enterprise and partner services revenue grew 1% (relatively unchanged CC) driven by growth in Enterprise Support Services, partially offset by a decline in Industry Solutions

Trended Revenue Growth

	FY23 Q1	FY23 Q2	FY23 Q3
Azure and other cloud services (y/y)	35% / 42%	31% / 38%	27% / 31%
Server products (y/y)	0% / 4%	(2)% / 2%	(2)% / 0%

Growth rates include non-GAAP CC growth (GAAP % / CC %).



More Personal Computing

Overview

Investor Metrics

	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4
Windows OEM revenue growth (y/y)	(15)%	(39)%	(28)%	(12)%
Windows Commercial products and cloud services revenue growth (y/y)	8% / 15%	(3)% / 3%	14% / 18%	2% / 3%
Devices revenue growth (y/y)	2% / 8%	(39)% / (34)%	(30)% / (26)%	(20)% / (18)%
Xbox content and services revenue growth (y/y)	(3)% / 1%	(12)% / (8)%	3% / 5%	5% / 6%
Search and news advertising revenue (ex TAC) growth (y/y)	16% / 21%	11% / 15%	11% / 13%	8% / 9%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

Total Revenue

- Revenue grew 3% (up 2% CC) driven by Gaming and Windows, partially offset by Devices

Operating Income

- Gross margin dollars increased 13% (up 12% CC) and gross margin percentage increased primarily driven by sales mix shift to higher margin businesses
- Operating expenses decreased 1% primarily driven by Devices, partially offset by investments in Gaming
- Operating income grew 23% (up 22% CC)

\$ in billions



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business.

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



More Personal Computing Highlights

Windows

- Windows OEM revenue grew 4%
- Windows Commercial products and cloud services revenue grew 8% driven by demand for M365

Gaming

- Gaming revenue grew 9% (up 8% CC)
- Xbox content and services revenue grew 13% (up 12% in first-party content and Xbox Game Pass
- Xbox hardware revenue declined 7% (down 8% CC)

Devices

- Devices revenue declined 22%

Search and News Advertising

- Search and news advertising revenue excluding traffic a 10% (up 9% CC) driven by higher search volume

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of first-quarter performance includes non-GAAP financial measures. The following slides provide reconciliation of the GAAP and non-GAAP financial measures presented:

- Constant currency reconciliation
- Cash flow reconciliation

Constant Currency Reconciliation

Three Months Ended September 30,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income
2022 As Reported (GAAP)	\$50,122	\$34,670	\$13,152	\$21,518	\$17,518
2023 As Reported (GAAP)	\$56,517	\$40,215	\$13,320	\$26,895	\$22,215
Percentage Change Y/Y (GAAP)	13%	16%	1%	25%	27%
Constant Currency Impact	\$301	\$247	\$43	\$204	\$144
Percentage Change Y/Y Constant Currency	12%	15%	1%	24%	26%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. Information presented in this table is not audited. The constant currency information is derived from the constant currency reconciliation table. The constant currency information is presented in United States dollars using the same exchange rates as the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Revenue

Three Months Ended September 30,

(\$ in millions)	Productivity and Business Processes		Intelligent Cloud	
	2022 As Reported (GAAP)	\$16,465	2022 As Reported (GAAP)	\$20,325
2023 As Reported (GAAP)		\$18,592	2023 As Reported (GAAP)	\$24,259
Percentage Change Y/Y (GAAP)		13%		19%
Constant Currency Impact		\$79		\$156
Percentage Change Y/Y Constant Currency		12%		19%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. Information presented in this table is not intended to be a substitute for the information presented in our financial statements. The non-GAAP financial measures presented should not be considered superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Gross Margin

Three Months Ended September 30, 2023

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percent Const
Productivity and Business Processes	13%	0%	
Intelligent Cloud	20%	(1)%	
More Personal Computing	13%	(1)%	

Segment Operating Expense

Three Months Ended September 30, 2023

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percent Const
Productivity and Business Processes	2%	0%	
Intelligent Cloud	2%	(1)%	
More Personal Computing	(1)%	0%	

Segment Operating Income

Three Months Ended September 30, 2023

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percent Const
Productivity and Business Processes	20%	(1)%	
Intelligent Cloud	31%	(1)%	
More Personal Computing	23%	(1)%	

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. Information presented in this table is not audited. The non-GAAP financial measures presented should not be considered superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Selected Product and Service Information

Three Months Ended September 30, 2023

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (GAAP)
Commercial bookings	14%	3%	
Commercial remaining performance obligation	18%	0%	
Microsoft Cloud revenue	24%	(1)%	
Office Commercial products and cloud services revenue	15%	(1)%	
Office 365 Commercial revenue	18%	(1)%	
Office Commercial products revenue	(17)%	0%	
Office Consumer products and cloud services revenue	3%	1%	
LinkedIn revenue	8%	0%	
Dynamics products and cloud services revenue	22%	(1)%	
Dynamics 365 revenue	28%	(2)%	
Server products and cloud services revenue	21%	0%	
Azure and other cloud services revenue	29%	(1)%	
Server products revenue	2%	0%	
Enterprise and partner services revenue	1%	(1)%	
Windows revenue	5%	0%	
Windows OEM revenue	4%	0%	
Windows Commercial products and cloud services revenue	8%	0%	
Devices revenue	(22)%	0%	
Gaming revenue	9%	(1)%	
Xbox content and services revenue	13%	(1)%	
Xbox hardware revenue	(7)%	(1)%	
Search and news advertising revenue excluding traffic acquisition costs	10%	(1)%	

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period. Actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Cash Flow Reconciliation

Three Months Ended September 30,

(\$ in millions)		
	2023	2022
Net Cash from Operations (GAAP)	\$30,583	\$23,198
Additions to Property and Equipment	\$(9,917)	\$(6,283)
Free Cash Flow	\$20,666	\$16,915

*Not meaningful.

Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and help clarify trends affecting our financial measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

