



Third Quarter Fiscal Year 2024 Results

Satya Nadella
Amy Hood
Brett Iversen

April 25, 2024

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 subject to risks and uncertainties. Actual results could materially differ 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 not undertake any duty to update forward-looking statements.

Agenda

Financial Summary and Highlights

Quarterly Business Highlights

Segment Financial Overview

Appendix

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

FY24 Q3 Financial Summary

(\$ in billions, except per share amounts)

	FY24 Q3	Growth	CC Growth
Productivity and Business Processes	\$19.6	12%	11%
Intelligent Cloud	\$26.7	21%	21%
More Personal Computing	\$15.6	17%	17%
Revenue	\$61.9	17%	17%
Gross margin	\$43.4	18%	18%
Gross margin percentage	70%	1 pt	
Operating income	\$27.6	23%	23%
Operating income percentage	45%	2 pts	
Net income	\$21.9	20%	20%
Diluted earnings per share	\$2.94	20%	20%

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

Quarterly Commercial Highlights

Investor Metrics	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY2
Commercial bookings growth (y/y)	11% / 12%	(2)% / (1)%	14% / 17%	17% / 9%	29%
Commercial remaining performance obligation (<i>in billions</i>)	\$196	\$224	\$212	\$222	\$222
Commercial revenue annuity mix	96%	97%	96%	96%	96%
Microsoft Cloud revenue (<i>in billions</i>)	\$28.5	\$30.3	\$31.8	\$33.7	\$33.7
Microsoft Cloud revenue growth (y/y)	22% / 25%	21% / 23%	24% / 23%	24% / 22%	24% / 22%
Microsoft Cloud gross margin percentage	72%	72%	73%	72%	72%

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

Commercial business

- Commercial bookings increased 29% (up 31% CC) year-over-year driven by growth from large, long-term Azure contracts and strong executive annuity sales motions
- Commercial remaining performance obligation of \$235 billion, up 20% (up 21% CC) year-over-year
- Commercial revenue annuity mix of 97%, up 1 point year-over-year with continued shift to the cloud

Microsoft Cloud

- Microsoft Cloud revenue of \$35.1 billion, up 23% year-over-year
- Microsoft Cloud gross margin percentage decreased slightly year-over-year to 72%. Excluding the impact of the latest change in accounting rules, gross margin percentage increased slightly driven by improvement in Azure and Office 365, inclusive of scaling our AI infrastructure, product mix shift to Azure.

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 indicated.

FY24 Q3 Other Financial Highlights

Cash returned to shareholders	<ul style="list-style-type: none">Returned \$8.4 billion to shareholders with \$5.6 billion in dividends and \$2.8 billion in share repurchases
Operating expenses	<ul style="list-style-type: none">Operating expenses were \$15.8 billion, up 10% year-over-year driven by 9 points from the Acquisition
Other income and expense	<ul style="list-style-type: none">Other income and expense was \$(854) million driven by interest expense and net losses on investments under the equity method, partially offset by interest income
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 \$14.0 billion to support cloud and AI offerings. Cash paid for property and equipment was \$11.0 billion.
Cash flow	<ul style="list-style-type: none">Cash flow from operations was \$31.9 billion, up 31% year-over-year driven by strong cloud billingsFree cash flow was \$21.0 billion, up 18% year-over-year reflecting higher capital expenditures to support AI and cloud initiatives

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 Q3 Business Highlights

 Productivity and Business Processes	<ul style="list-style-type: none">Office Commercial products and cloud services revenue increased 13% (up 12% CC) driven by Commercial revenue growth of 15%Office Consumer products and cloud services revenue increased 4% and Microsoft 365 Consumer grew to 80.8 millionLinkedIn revenue increased 10% (up 9% CC)Dynamics products and cloud services revenue increased 19% (up 17% CC) driven by Dynamic growth of 23% (up 22% CC)	
 Intelligent Cloud	<ul style="list-style-type: none">Server products and cloud services revenue increased 24% driven by Azure and other cloud services growth of 31%	
 More Personal Computing	<ul style="list-style-type: none">Windows revenue increased 11% with Windows OEM revenue growth of 11% and Windows Cloud and cloud services revenue growth of 13% (up 12% CC)Devices revenue decreased 17% (down 16% CC)Xbox content and services revenue increased 62% (up 61% CC) driven by 61 points of net impact from Activision acquisitionSearch and news advertising revenue excluding traffic acquisition costs increased 12%	

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 indicated.



Productivity and Business Processes

Overview

Investor Metrics

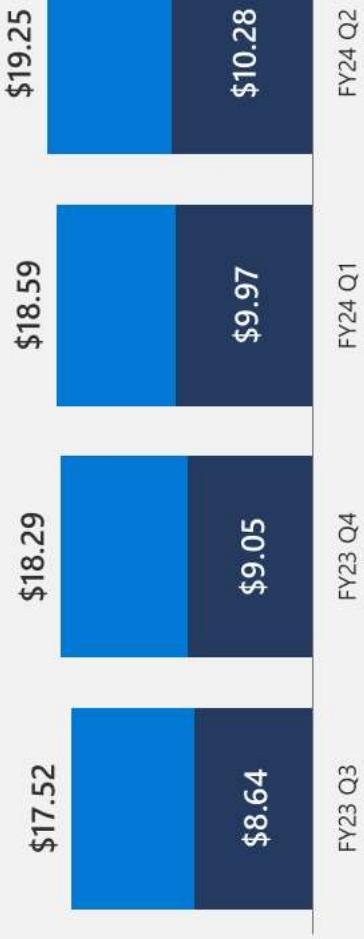
	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2
Office Commercial products and cloud services revenue growth (y/y)	13% / 17%	12% / 14%	15% / 14%	15% / 13%
Office Consumer products and cloud services revenue growth (y/y)	1% / 4%	3% / 6%	3% / 4%	5% / 4%
Office 365 Commercial seat growth (y/y)	11%	11%	10%	9%
Microsoft 365 Consumer subscribers (in millions)	70.8	74.9	76.7	78.4
Dynamics products and cloud services revenue growth (y/y)	17% / 21%	19% / 21%	22% / 21%	21% / 19%
LinkedIn revenue growth (y/y)	8% / 11%	6% / 8%	8%	9% / 8%

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

Total Revenue

- Revenue grew 12% (up 11% CC) driven by Office 365

\$ in billions



Operating Income

- Gross margin dollars grew 11% and gross margin percentage decreased slightly. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage increased slightly driven by improvement in Office 365.

- Operating expenses grew 1% with investments in cloud engineering
- Operating income grew 17% (up 16% CC)



*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 indicated.*



Productivity and Business Processes

Highlights

Office Commercial

- Office Commercial products and cloud services revenue grew 13% (up 12% CC)
- Office 365 Commercial revenue grew 15% with Office 365 Commercial seat growth of 8%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Office Commercial products revenue declined 20% (down 18% CC) reflecting continued customer shift to cloud offerings

LinkedIn

- LinkedIn revenue grew 10% (up 9% CC) driven by growth business – Talent Solutions, Premium Subscriptions, Mac Sales Solutions
- LinkedIn sessions grew 11% with record engagement

Office Consumer

- Office Consumer products and cloud services revenue grew 4%
- Microsoft 365 Consumer subscribers grew 14% to 80.8 million

Dynamics

- Dynamics products and cloud services revenue grew 19%
- Dynamics 365 revenue grew 23% (up 22% CC) driven by workloads

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 indicated.



Intelligent Cloud Overview

Investor Metrics

	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Server products and cloud services revenue growth (y/y)	17% / 21%	17% / 18%	21%	22% / 20%	

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

Total Revenue

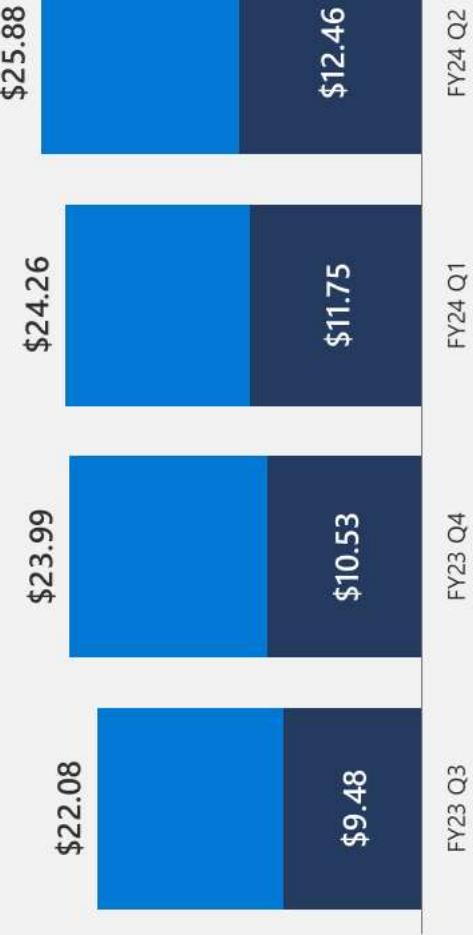
- Revenue grew 21% driven by Azure

Operating Income

- Gross margin dollars grew 20% and gross margin percentage decreased slightly. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage increased slightly primarily driven by improvement in Azure, inclusive of scaling our AI infrastructure, partially offset by sales mix shift to Azure.

- Operating expenses grew 1% driven by investments in Azure
- Operating income grew 32%

\$ in billions



■ Revenue ■ Operating Income

*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 stated.*

FY24 Q1

FY24 Q2

FY24 Q3

FY23 Q3

FY23 Q4

FY24 Q1

FY24 Q2

FY24 Q3



Intelligent Cloud

Highlights

Server Products and Cloud Services

- Server products and cloud services revenue grew 24%
- Azure and other cloud services revenue grew 31% driven by demand for our consumption-based services with 7 points from our AI services
- Server products revenue grew 6% driven by continued demand for our hybrid solutions, including Windows Server and SQL Server running in multi-cloud environments
- Enterprise Mobility installed base grew 10% to over 274 million seats

Trended Revenue Growth

	FY23 Q4	FY23 Q3	FY23 Q2	FY24 Q1
Azure and other cloud services (y/y)	27% / 31%	26% / 27%	29% / 28%	
Server products (y/y)	(2)% / 0%	(1)% / 0%	2%	

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

Enterprise and Partner Services

- Enterprise and partner services revenue declined 9% on a strong prior year comparable for Enterprise Support Services

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 indicated.



More Personal Computing

Overview

Investor Metrics

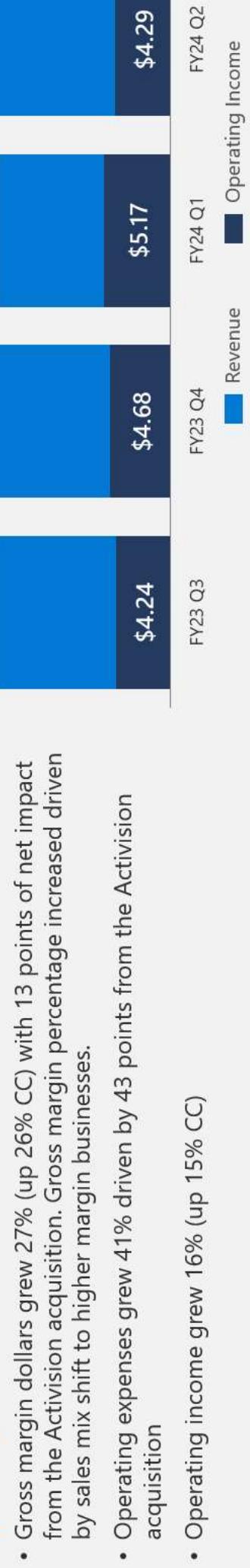
	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2
Windows OEM revenue growth (y/y)	(28)%	(12)%	4%	11%
Windows Commercial products and cloud services revenue growth (y/y)	14% / 18%	2% / 3%	8%	9% / 7%
Devices revenue growth (y/y)	(30)% / (26)%	(20)% / (18)%	(22)%	(9)% / (10)%
Xbox content and services revenue growth (y/y)	3% / 5%	5% / 6%	13% / 12%	61% / 60%
Search and news advertising revenue (ex TAC) growth (y/y)	11% / 13%	8% / 9%	10% / 9%	8% / 7%

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

Total Revenue

- Revenue grew 17% driven by 15 points of net impact from the Activision acquisition

Operating Income



*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 indicated.*

Net impact from the Activision acquisition

FY24 Q3
(\$ in billions)

Revenue

**Net Impact from
Activision**

\$1.97

Purchase accounting adjustments,
integration and transaction-related costs

Other cost of revenue

Cost of revenue

\$0.67

\$0.31

\$0.98

Gross margin

\$0.99

Purchase accounting adjustments,
integration and transaction-related costs

Other operating expenses

Operating expenses

\$0.27

\$1.07

\$1.34

Operating income (loss)

$\$(0.35)$

Activision Acquisition Details

The net impact from the Activision acquisition
for the movement of Activision content from
party



More Personal Computing

Highlights

Windows

- Windows OEM revenue grew 11% against a low prior year comparable, with PC market volumes continuing at pre-pandemic levels
- Windows Commercial products and cloud services revenue grew 13% (up 12% CC) driven by demand for Microsoft 365

Gaming

- Gaming revenue grew 51% (up 50% CC) including 55 points from the Activision acquisition
- Xbox content and services revenue grew 62% (up 61% of net impact from the Activision acquisition)
- Xbox hardware revenue declined 31% (down 30% CC)

Devices

- Devices revenue declined 17% (down 16% CC) as we continue to focus on higher margin premium products

Search and News Advertising

- Search and news advertising revenue excluding traffic and 12% 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 otherwise indicated.

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of third-quarter financial results 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 March 31,		
	(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses
				Operating Income
2023 As Reported (GAAP)		\$52,857	\$36,729	\$14,377
2024 As Reported (GAAP)		\$61,858	\$43,353	\$15,772
Percentage Change Y/Y (GAAP)		17%	18%	10%
Constant Currency Impact		\$189	\$184	\$17
Percentage Change Y/Y Constant Currency		17%	18%	10%
				23%
				20%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. This information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the 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 March 31,

	(\$ in millions)	Productivity and Business Processes	Intelligent Cloud
2023 As Reported (GAAP)		\$17,516	\$22,081
2024 As Reported (GAAP)		\$19,570	\$26,708
Percentage Change Y/Y (GAAP)		12%	21%
Constant Currency Impact		\$85	\$65
Percentage Change Y/Y Constant Currency		11%	21%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. This information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the 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

	Three Months Ended March 31, 2024	
	Percentage Change Y/Y (GAAP)	Constant Currency Impact
Segment Gross Margin		
Productivity and Business Processes	11%	0%
Intelligent Cloud	20%	0%
More Personal Computing	27%	(1)%
Segment Operating Expense		
Productivity and Business Processes	1%	0%
Intelligent Cloud	1%	0%
More Personal Computing	41%	0%
Segment Operating Income		
Productivity and Business Processes	17%	(1)%
Intelligent Cloud	32%	0%
More Personal Computing	16%	(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. This information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the 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

Selected Product and Service Information

Three Months Ended March 31, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percent Change Constant Currency Impact
Commercial bookings	29%	2%	2%
Commercial remaining performance obligation	20%	1%	1%
Microsoft Cloud revenue	23%	0%	(1)%
Office Commercial products and cloud services revenue	13%	0%	(1)%
Office 365 Commercial revenue	15%	2%	2%
Office Commercial products revenue	(20)%	0%	0%
Office Consumer products and cloud services revenue	4%	0%	(1)%
LinkedIn revenue	10%	(2)%	(2)%
Dynamics products and cloud services revenue	19%	(1)%	(1)%
Dynamics 365 revenue	23%	0%	0%
Server products and cloud services revenue	24%	0%	0%
Azure and other cloud services revenue	31%	0%	0%
Server products revenue	6%	0%	0%
Enterprise and partner services revenue	(9)%	0%	0%
Windows revenue	11%	0%	0%
Windows OEM revenue	11%	0%	0%
Windows Commercial products and cloud services revenue	13%	(1)%	(1)%
Devices revenue	(17)%	1%	1%
Gaming revenue	51%	(1)%	(1)%
Xbox content and services revenue	62%	(1)%	(1)%
Xbox hardware revenue	(31)%	1%	1%
Search and news advertising revenue excluding traffic acquisition costs	12%	0%	0%

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 using the average exchange rates from the 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 March 31,

	2024	2023	Per Ch
Net Cash from Operations (GAAP)	\$31,917	\$24,441	
Additions to Property and Equipment	\$(10,952)	\$(6,607)	
Free Cash Flow	\$20,965	\$17,834	

(\$ in millions)

*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.



© Copyright Microsoft Corporation. All rights reserved.