



# Fourth 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 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 Q4 Financial Summary

(\$ in billions, except per share amounts)

	<b>FY24 Q4</b>	<b>Growth</b>	<b>CC Growth</b>
Productivity and Business Processes	\$20.3	11%	12%
Intelligent Cloud	\$28.5	19%	20%
More Personal Computing	\$15.9	14%	15%
<b>Revenue</b>	<b>\$64.7</b>	<b>15%</b>	<b>16%</b>
<b>Gross margin</b>	<b>\$45.0</b>	<b>14%</b>	<b>15%</b>
Gross margin percentage	70%	(1) pt	
<b>Operating income</b>	<b>\$27.9</b>	<b>15%</b>	<b>16%</b>
Operating income percentage	43%	-	
<b>Net income</b>	<b>\$22.0</b>	<b>10%</b>	<b>11%</b>
<b>Diluted earnings per share</b>	<b>\$2.95</b>	<b>10%</b>	<b>11%</b>

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

# Quarterly Commercial Highlights

Investor Metrics	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3	FY2
Commercial bookings growth (y/y)	(2)% / (1)%	14% / 17%	17% / 9%	29% / 31%	17%
Commercial remaining performance obligation ( <i>in billions</i> )	\$224	\$212	\$222	\$235	\$235
Commercial revenue annuity mix	97%	96%	96%	97%	97%
Microsoft Cloud revenue ( <i>in billions</i> )	\$30.3	\$31.8	\$33.7	\$35.1	\$35.1
Microsoft Cloud revenue growth (y/y)	21% / 23%	24% / 23%	24% / 22%	23%	21%
Microsoft Cloud gross margin percentage	72%	73%	72%	72%	66%

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

## Commercial business

- Commercial bookings increased 17% (up 19% CC) year-over-year core annuity sales motions
- Commercial remaining performance obligation of \$269 billion, up 20% (up 21% CC) year-over-year
- Commercial revenue annuity mix of 97% was relatively unchanged year-over-year

## Microsoft Cloud

- Microsoft Cloud revenue of \$36.8 billion, up 21% (up 22% CC) year-over-year
- Microsoft Cloud gross margin percentage decreased year-over-year to 69%. Excluding the impact of the latest change in accounting estimates, gross margin percentage decreased slightly driven by sales mix shift to Azure, partially offset by improvement in Azure, inclusive of scaling of

*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 Q4 Other Financial Highlights

<b>Cash returned to shareholders</b>	<ul style="list-style-type: none"><li>Returned \$8.4 billion to shareholders with \$5.6 billion in dividends and \$2.8 billion in share repurchases</li></ul>
<b>Operating expenses</b>	<ul style="list-style-type: none"><li>Operating expenses were \$17.1 billion, up 13% year-over-year driven by 9 points from the Active cloud and investments in cloud engineering</li></ul>
<b>Other income and expense</b>	<ul style="list-style-type: none"><li>Other income and expense was \$(675) million driven by interest expense and net losses on investments under the equity method, partially offset by interest income</li></ul>
<b>Effective tax rate</b>	<ul style="list-style-type: none"><li>Effective tax rate of 19%</li></ul>
<b>Capital expenditures</b>	<ul style="list-style-type: none"><li>Capital expenditures including assets acquired under finance leases were \$19.0 billion to support cloud and AI offerings. Cash paid for property and equipment was \$13.9 billion.</li></ul>
<b>Cash flow</b>	<ul style="list-style-type: none"><li>Cash flow from operations was \$37.2 billion, up 29% year-over-year driven by strong cloud billings</li><li>Free cash flow was \$23.3 billion, up 18% year-over-year reflecting higher capital expenditures and AI offerings</li></ul>

*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 Q4 Business Highlights

 <b>Productivity and Business Processes</b>	<ul style="list-style-type: none"><li>Office Commercial products and cloud services revenue increased 12% (up 13% CC) driven by Commercial revenue growth of 13% (up 14% CC)</li><li>Office Consumer products and cloud services revenue increased 3% (up 4% CC) and Microsoft subscribers grew to 82.5 million<ul style="list-style-type: none"><li>LinkedIn revenue increased 10% (up 9% CC)</li><li>Dynamics products and cloud services revenue increased 16% driven by Dynamics 365 revenue 20% CC)</li></ul></li></ul>
 <b>Intelligent Cloud</b>	<ul style="list-style-type: none"><li>Server products and cloud services revenue increased 21% (up 22% CC) driven by Azure and Office 365 revenue growth of 29% (up 30% CC)</li></ul>
 <b>More Personal Computing</b>	<ul style="list-style-type: none"><li>Windows revenue increased 7% (up 8% CC) with Windows OEM revenue growth of 4% and Windows products and cloud services revenue growth of 11% (up 12% CC)</li><li>Devices revenue decreased 11% (down 9% CC)<ul style="list-style-type: none"><li>Xbox content and services revenue increased 61% driven by 58 points of net impact from the Xbox acquisition</li><li>Search and news advertising revenue excluding traffic acquisition costs increased 19%</li></ul></li></ul>

*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

Investor Metrics	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4
Office Commercial products and cloud services revenue growth (y/y)	12% / 14%	15% / 14%	15% / 13%	13% / 12%	1
Office Consumer products and cloud services revenue growth (y/y)	3% / 6%	3% / 4%	5% / 4%	4%	
Office 365 Commercial seat growth (y/y)	11%	10%	9%	8%	
Microsoft 365 Consumer subscribers (in millions)	74.9	76.7	78.4	80.8	
Dynamics products and cloud services revenue growth (y/y)	19% / 21%	22% / 21%	21% / 19%	19% / 17%	
LinkedIn revenue growth (y/y)	6% / 8%	8%	9% / 8%	10% / 9%	1

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

### Total Revenue

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

\$ in billions



### Operating Income

- Gross margin dollars grew 9% (up 10% CC) and gross margin percentage decreased. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage decreased slightly driven by Office 365 as we scale our AI infrastructure.
- Operating expenses grew 5% driven by investments in cloud engineering, commercial sales and LinkedIn
- Operating income grew 12% (up 13% 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 12% (up 13% CC)
- Office 365 Commercial revenue grew 13% (up 14% CC) with Office 365 Commercial seat growth of 7%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Office Commercial products revenue declined 9% (down 7% CC) reflecting continued customer shift to cloud offerings

#### LinkedIn

- LinkedIn revenue grew 10% (up 9% CC) driven by growth business – Talent Solutions, Marketing Solutions, Premium Sales Solutions
- LinkedIn sessions grew 13% with record engagement

#### Office Consumer

- Office Consumer products and cloud services revenue grew 3% (up 4% CC)
- Microsoft 365 Consumer subscribers grew 10% to 82.5 million

#### Dynamics

- Dynamics products and cloud services revenue grew 16%
- Dynamics 365 revenue grew 19% (up 20% 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

Server products and cloud services revenue growth (y/y)

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

Investor Metrics	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4
Server products and cloud services revenue growth (y/y)	17% / 18%	21%	22% / 20%	24%	21%

### Total Revenue

- Revenue grew 19% (up 20% CC) driven by Azure

\$ in billions

### Operating Income

- Gross margin dollars grew 16% and gross margin percentage decreased. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage decreased slightly driven by sales mix shift to Azure, partially offset by improvement in Azure, inclusive of scaling our AI infrastructure.

- Operating expenses grew 5% with investments in Azure

- Operating income grew 22% (up 23% CC)



■ 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.*

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FY24 Q1

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FY24 Q1

FY23 Q4



# Intelligent Cloud

## Highlights

### Server Products and Cloud Services

- Server products and cloud services revenue grew 21% (up 22% CC)
- Azure and other cloud services revenue grew 29% (up 30% CC) driven by demand for our consumption-based services with 8 points from our AI services
- Server products revenue grew 2% (up 3% CC) driven by continued demand for our hybrid solutions
- Enterprise Mobility installed base grew 10% to over 281 million seats

### Trended Revenue Growth

	FY23 Q4	FY24 Q1	FY24 Q2
Azure and other cloud services (y/y)	26% / 27%	29% / 28%	30% / 28%
Server products (y/y)	(1)% / 0%	2%	3% / 2%

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

### Enterprise and Partner Services

- Enterprise and partner services revenue declined 7% 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 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Windows OEM revenue growth (y/y)	(12)%	4%	11%	11%
Windows Commercial products and cloud services revenue growth (y/y)	2% / 3%	8%	9% / 7%	13% / 12%
Devices revenue growth (y/y)	(20)% / (18)%	(22)%	(9)% / (10)%	(17)% / (16)%
Xbox content and services revenue growth (y/y)	5% / 6%	13% / 12%	61% / 60%	62% / 61%
Search and news advertising revenue (ex TAC) growth (y/y)	8% / 9%	10% / 9%	8% / 7%	12%

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

#### Total Revenue

- Revenue grew 14% (up 15% CC) driven by 12 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*

# Net impact from the Activision acquisition

## FY24 Q4

(\$ in billions)

### Net Impact from Activision

#### Revenue

\$1.68

Purchase accounting adjustments,  
integration and transaction-related costs

Other cost of revenue

#### Cost of revenue

\$0.69

\$0.21

\$0.90

#### Gross margin

\$0.78

Purchase accounting adjustments,  
integration and transaction-related costs

Other operating expenses

#### Operating expenses

\$0.25

\$1.10

\$1.35

#### Operating income (loss)

\$(0.57)

## 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 4% as PC market volumes continue at pre-pandemic levels
- Windows Commercial products and cloud services revenue grew 11% (up 12% CC) driven by demand for Microsoft 365

#### Gaming

- Gaming revenue grew 44% including 48 points of net impact from the Activision acquisition
- Xbox content and services revenue grew 61% including impact from the Activision acquisition
- Xbox hardware revenue declined 42% (down 41% CC)

#### Devices

- Devices revenue declined 11% (down 9% CC) as we continue to focus on higher margin premium products

#### Search and News Advertising

- Search and news advertising revenue excluding traffic and 19% driven by higher search volume and higher revenue

*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 fourth-quarter includes non-GAAP financial measures 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 June 30,

(\$ in millions, except per share amounts)	<b>Revenue</b>	<b>Gross Margin</b>	<b>Operating Expenses</b>	<b>Operating Income</b>	<b>Non-GAAP Income</b>
<b>2023 As Reported (GAAP)</b>	<b>\$56,189</b>	<b>\$39,394</b>	<b>\$15,140</b>	<b>\$24,254</b>	<b>\$20,000</b>
<b>2024 As Reported (GAAP)</b>	<b>\$64,727</b>	<b>\$45,043</b>	<b>\$17,118</b>	<b>\$27,925</b>	<b>\$22,000</b>
Percentage Change Y/Y (GAAP)	15%	14%	13%	15%	10%
<b>Constant Currency Impact</b>	<b><u><math>(\\$345)</math></u></b>	<b><u><math>(\\$272)</math></u></b>	<b><u><math>(\\$54)</math></u></b>	<b><u><math>(\\$218)</math></u></b>	<b><u><math>(\\$26,000)</math></u></b>
Percentage Change Y/Y Constant Currency	16%	15%	13%	16%	11%

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 (\$ in millions)	Three Months Ended June 30,
<b>Productivity and Business Processes</b>	<b>Intelligent Cloud</b>
<b>2023 As Reported (GAAP)</b>	<b>\$18,291</b>
<b>2024 As Reported (GAAP)</b>	<b>\$20,317</b>
Percentage Change Y/Y (GAAP)	11%
<b>Constant Currency Impact</b>	<b>\$(106)</b>
Percentage Change Y/Y Constant Currency	12%
	20%

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# Constant Currency Reconciliation

Segment Gross Margin		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact
Productivity and Business Processes	9%	1%
Intelligent Cloud	16%	0%
More Personal Computing	21%	0%

  

Segment Operating Expense		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact
Productivity and Business Processes	5%	0%
Intelligent Cloud	5%	0%
More Personal Computing	43%	0%

  

Segment Operating Income		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact
Productivity and Business Processes	12%	1%
Intelligent Cloud	22%	1%
More Personal Computing	5%	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 June 30, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percent Change Constant Currency Impact
Commercial bookings	17%	2%	
Commercial remaining performance obligation	20%	1%	
Microsoft Cloud revenue	21%	1%	
Office Commercial products and cloud services revenue	12%	1%	
Office 365 Commercial revenue	13%	1%	
Office Commercial products revenue	(9)%	2%	
Office Consumer products and cloud services revenue	3%	1%	
LinkedIn revenue	10%	(1)%	
Dynamics products and cloud services revenue	16%	0%	
Dynamics 365 revenue	19%	1%	
Server products and cloud services revenue	21%	1%	
Azure and other cloud services revenue	29%	1%	
Server products revenue	2%	1%	
Enterprise and partner services revenue	(7)%	0%	
Windows revenue	7%	1%	
Windows OEM revenue	4%	0%	
Windows Commercial products and cloud services revenue	11%	1%	
Devices revenue	(11)%	2%	
Gaming revenue	44%	0%	
Xbox content and services revenue	61%	0%	
Xbox hardware revenue	(42)%	1%	
Search and news advertising revenue excluding traffic acquisition costs	19%	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 June 30,

(\$ in millions)	2024	2023	Per Ch
<b>Net Cash from Operations (GAAP)</b>	<b>\$37,195</b>	<b>\$28,770</b>	
Additions to Property and Equipment	\$(13,873)	\$(8,943)	
<b>Free Cash Flow</b>	<b>\$23,322</b>	<b>\$19,827</b>	

\*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.



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