We start with Infrastructure as a Service, often just pronounced IaaS.

Infrastructure refers to actual servers (being virtual ones) that are provided by Azure.

It is "as a service" because you don't have to go out and buy physical servers.

You can scale up and down quickly, provisioning more servers as you need them, and only paying for what you use. Whilst you don't manage any infrastructure, you do purchase install, configure, and manage your own software, operating systems, middleware, and applications.

On Azure, the IaaS offering includes virtual machines, storage, networking components, firewall, and the physical hardware everything runs on.