

Analyzing Microsoft's Financial Performance Demo Script

In this demo, a Microsoft Financial Analyst is going to ask a series of questions to examine Microsoft's financial performance, focusing on key metrics and trends.

The questions will escalate in complexity from Easy to Medium then Hard. Since LLMs are non-deterministic, answers can vary slightly from the ones listed below but they key metrics, values or indicators should be inline with the below answers.

- **Question 1 (Easy):** What was Microsoft's revenue in fiscal year 2022?
- **Expected Answer 1:** Microsoft's revenue in fiscal year 2022 was \$198.27 billion.
- **Question 2 (Easy):** What was Microsoft's revenue in the third quarter of fiscal year 2023?
- **Expected Answer 2:** Microsoft's revenue in the third quarter of fiscal year 2023 (January 1, 2023 - March 31, 2023) was \$52.857 billion.
- **Question 3 (Medium):** How did Microsoft's operating income trend from 2022 to 2024?
- **Expected Answer 3:**

Microsoft's operating income showed an upward trend from fiscal year 2022 to fiscal year 2024:

- In fiscal year 2022, the operating income was \$83.383 billion.
- In fiscal year 2023, the operating income increased to \$88.523 billion, representing a growth of approximately 6%.
- In fiscal year 2024, the operating income further increased to \$109.433 billion, marking a growth of approximately 24% compared to the previous year.

- **Question 4 (Hard):** Can you analyze the compound quarterly growth rate (CQGR) for Microsoft's Intelligent Cloud segment from Q3 2022 to Q3 2024?
- **Expected Answer 4:**

To calculate the Compound Quarterly Growth Rate (CQGR) for Microsoft's Intelligent Cloud segment from Q3 FY 2022 (January 1, 2022 - March 31, 2022) to Q3 FY 2024 (January 1, 2024 - March 31, 2024), we use the following formula:

$$\left[\text{CQGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\frac{1}{n}} - 1 \right]$$

where:

- Ending Value is the revenue for Q3 FY 2024.

- Beginning Value is the revenue for Q3 FY 2022.
- (n) is the number of quarters between the two periods.

From the data:

- Revenue for Q3 FY 2022: \$19.051 billion 1
- Revenue for Q3 FY 2024: \$26.708 billion 2
- Number of quarters (n) : 8

Plugging in the values:

$$\text{CQGR} = \left(\frac{26.708}{19.051} \right)^{\frac{1}{8}} - 1$$

$$\text{CQGR} = (1.401)^{0.125} - 1$$

$$\text{CQGR} \approx 0.043 \text{ or } 4.3\%$$

The Compound Quarterly Growth Rate for Microsoft's Intelligent Cloud segment from Q3 FY 2022 to Q3 FY 2024 is approximately 4.3%.

- **Question 5 (Hard):** What were the most significant changes in Microsoft's financial performance in fiscal year 2024 compared to previous years?

- **Expected Answer 5:**

In fiscal year 2024, Microsoft experienced several significant changes in its financial performance compared to previous years:

1. Revenue Growth: Microsoft's total revenue increased by \$33.2 billion or 16%, reaching \$245.122 billion. This growth was driven by increases across all segments, with Intelligent Cloud revenue increasing by 20%, Productivity and Business Processes by 12%, and More Personal Computing by 13%.

2. Operating Income: Operating income rose by \$20.9 billion or 24%, totaling \$109.433 billion. This increase was attributed to growth across all segments.

3. Net Income: Net income increased by 22% to \$88.136 billion, reflecting strong operational performance.

4. Microsoft Cloud Revenue: Microsoft Cloud revenue grew by 23% to \$137.4 billion, highlighting the continued expansion and demand for cloud services.

5. Impact of Acquisitions: The acquisition of Activision Blizzard significantly impacted the More Personal Computing segment, contributing to a 39% increase in Gaming revenue.

6. Gross Margin: Gross margin increased by \$25.0 billion or 17%, driven by growth across all segments. The gross margin percentage increased slightly, with improvements in More Personal Computing offsetting a slight decrease in Microsoft Cloud gross margin percentage.

These changes reflect Microsoft's strategic focus on cloud services, gaming, and productivity solutions, as well as the impact of strategic acquisitions.