



# Third Quarter Fiscal Year 2025 Results

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This presentation contains forward-looking statements, which are any predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are 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 do 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 fiscal year unless otherwise noted. We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Numbers may not foot due to rounding.*

# FY25 Q3 Financial Summary

(\$ in billions, except per share amounts)

	FY25 Q3	Growth	CC Growth*
Productivity and Business Processes	\$29.9	10%	13%
Intelligent Cloud	\$26.8	21%	22%
More Personal Computing	\$13.4	6%	7%
<b>Revenue</b>	<b>\$70.1</b>	<b>13%</b>	<b>15%</b>
<b>Gross margin</b>	<b>\$48.1</b>	<b>11%</b>	<b>13%</b>
Gross margin percentage	69%	(1) pt	
<b>Operating income</b>	<b>\$32.0</b>	<b>16%</b>	<b>19%</b>
Operating income percentage	46%	1 pt	
<b>Net income</b>	<b>\$25.8</b>	<b>18%</b>	<b>19%</b>
<b>Diluted earnings per share</b>	<b>\$3.46</b>	<b>18%</b>	<b>19%</b>

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

# Quarterly Commercial Highlights

## Investor Metrics

	FY24 Q3	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3
Commercial bookings growth (y/y)	29% / 31%	17% / 19%	30% / 23%	67% / 75%	18% / 17%
Commercial remaining performance obligation ( <i>in billions</i> )	\$235	\$269	\$259	\$298	\$315
Commercial revenue annuity mix	97%	97%	98%	97%	98%
Microsoft Cloud revenue ( <i>in billions</i> )	\$35.2	\$36.9	\$38.9	\$40.9	\$42.4
Microsoft Cloud revenue growth (y/y)	24% / 23%	22% / 23%	22%	21%	20% / 22%
Microsoft Cloud gross margin percentage	72%	70%	71%	70%	69%

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

## Commercial business

- Commercial bookings increased 18% (up 17% CC) year-over-year driven by an Azure commitment from OpenAI as well as consistent execution across our core annuity sales motions
- Commercial remaining performance obligation of \$315 billion, up 34% (up 33% CC) year-over-year
- Commercial revenue annuity mix of 98%, up 1 point year-over-year with continued shift to cloud

## Microsoft Cloud

- Microsoft Cloud revenue of \$42.4 billion, up 20% (up 22% CC) year-over-year
- Microsoft Cloud gross margin percentage decreased year-over-year to 69% driven by the impact of scaling our AI infrastructure

Microsoft Cloud includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365.

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.

# FY25 Q3 Other Financial Highlights

Cash returned to shareholders	<ul style="list-style-type: none"> <li>Returned \$9.7 billion to shareholders with \$6.2 billion in dividends and \$3.5 billion in share repurchases</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Operating expenses were \$16.1 billion, up 2% (up 3% CC) year-over-year driven by investments in cloud and AI engineering</li> </ul>
Other income and expense	<ul style="list-style-type: none"> <li>Other income and expense was \$(623) million driven by our share of the loss from OpenAI, which is accounted for under the equity method, partially offset by net gains on derivatives and investments</li> </ul>
Effective tax rate	<ul style="list-style-type: none"> <li>Effective tax rate of 18%</li> </ul>
Capital expenditures	<ul style="list-style-type: none"> <li>Capital expenditures including assets acquired under finance leases were \$21.4 billion to support demand in our cloud and AI offerings. Of our cloud and AI capital expenditures, roughly half was for long-lived assets. Cash paid for property and equipment was \$16.7 billion.</li> </ul>
Cash flow	<ul style="list-style-type: none"> <li>Cash flow from operations was \$37.0 billion, up 16% year-over-year driven by strong cloud billings and collections, partially offset by higher tax payments</li> <li>Free cash flow was \$20.3 billion, down 3% year-over-year reflecting higher capital expenditures to support our cloud 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 unless otherwise noted.*

# FY25 Q3 Business Highlights



## Productivity and Business Processes

- Microsoft 365 Commercial products and cloud services revenue increased 11% (up 14% CC) driven by Microsoft 365 Commercial cloud revenue growth of 12% (up 15% CC)
- Microsoft 365 Consumer products and cloud services revenue increased 10% (up 12% CC) driven by Microsoft 365 Consumer cloud revenue growth of 10% (up 12% CC)
- LinkedIn revenue increased 7% (up 8% CC)
- Dynamics products and cloud services revenue increased 11% (up 13% CC) driven by Dynamics 365 revenue growth of 16% (up 18% CC)



## Intelligent Cloud

- Server products and cloud services revenue increased 22% (up 24% CC) driven by Azure and other cloud services revenue growth of 33% (up 35% CC)



## More Personal Computing

- Windows OEM and Devices revenue increased 3%
- Xbox content and services revenue increased 8% (up 9% CC)
- Search and news advertising revenue excluding traffic acquisition costs increased 21% (up 23% CC)



# Productivity and Business Processes

## Overview

### Investor Metrics

	FY24 Q3	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3
Microsoft 365 Commercial cloud revenue growth (y/y)	17%	15% / 16%	15% / 16%	16% / 15%	12% / 15%
Microsoft 365 Commercial seat growth (y/y)	8%	7%	8%	7%	7%
Microsoft 365 Consumer cloud revenue growth (y/y)	8%	7%	6% / 7%	8%	10% / 12%
Microsoft 365 Consumer subscribers (in millions)	80.8	82.4	84.4	86.3	87.7
LinkedIn revenue growth (y/y)	10% / 9%	10% / 9%	10% / 9%	9%	7% / 8%
Dynamics 365 revenue growth (y/y)	22% / 21%	19% / 20%	18% / 19%	19% / 18%	16% / 18%

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

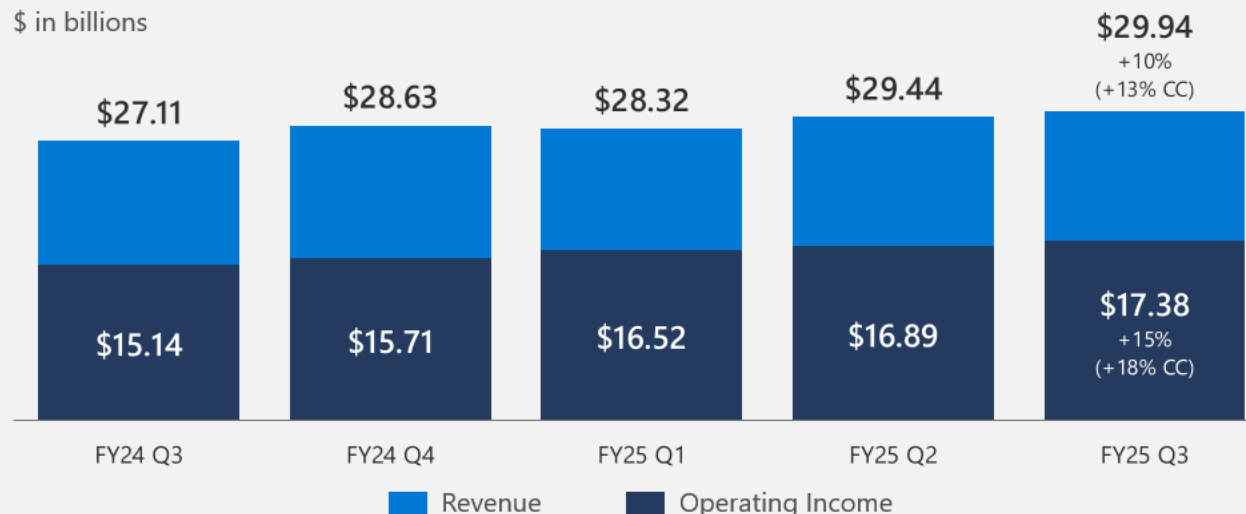
### Total Revenue

- Revenue grew 10% (up 13% CC) driven by Microsoft 365 Commercial cloud

### Operating Income

- Gross margin dollars grew 10% (up 13% CC) and gross margin percentage was relatively unchanged even with the impact of scaling our AI infrastructure
- Operating expenses grew 1% (up 2% CC) primarily driven by investments in cloud and AI engineering
- Operating income grew 15% (up 18% CC)

\$ in billions



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

### Microsoft 365 Commercial

- Microsoft 365 Commercial products and cloud services revenue grew 11% (up 14% CC)
- Microsoft 365 Commercial cloud revenue grew 12% (up 15% CC) with Microsoft 365 Commercial seat growth of 7% which was driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Microsoft 365 Commercial products revenue grew 5% (up 8% CC) driven by the Windows Commercial on-premises components of Microsoft 365 suite sales and an increase in Office transactional purchasing

### Microsoft 365 Consumer

- Microsoft 365 Consumer products and cloud services revenue grew 10% (up 12% CC)
- Microsoft 365 Consumer cloud revenue grew 10% (up 12% CC) driven by Microsoft 365 Consumer subscriber growth of 9% to 87.7 million, as well as growth in revenue per user from the January price increase partially offset by continued mix shift to Microsoft 365 Basic

### LinkedIn

- LinkedIn revenue grew 7% (up 8% CC) with growth across all lines of business
- LinkedIn sessions grew 9% with record engagement

### Dynamics

- Dynamics products and cloud services revenue grew 11% (up 13% CC) driven by growth in Dynamics 365, partially offset by a decline in Dynamics on-premises products
- Dynamics 365 revenue grew 16% (up 18% CC) with growth across all workloads



## Intelligent Cloud

### Overview

#### Investor Metrics

	FY24 Q3	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3
Azure and other cloud services revenue growth (y/y)	35%	34% / 35%	33% / 34%	31%	33% / 35%

#### Trended Revenue Growth

Server products revenue growth (y/y)	6%	2% / 3%	(1)%	(3)%	(6)% / (4)%
Enterprise and partner services revenue growth (y/y)	(9)%	(7)%	(1)% / 0%	(1)%	5% / 6%

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

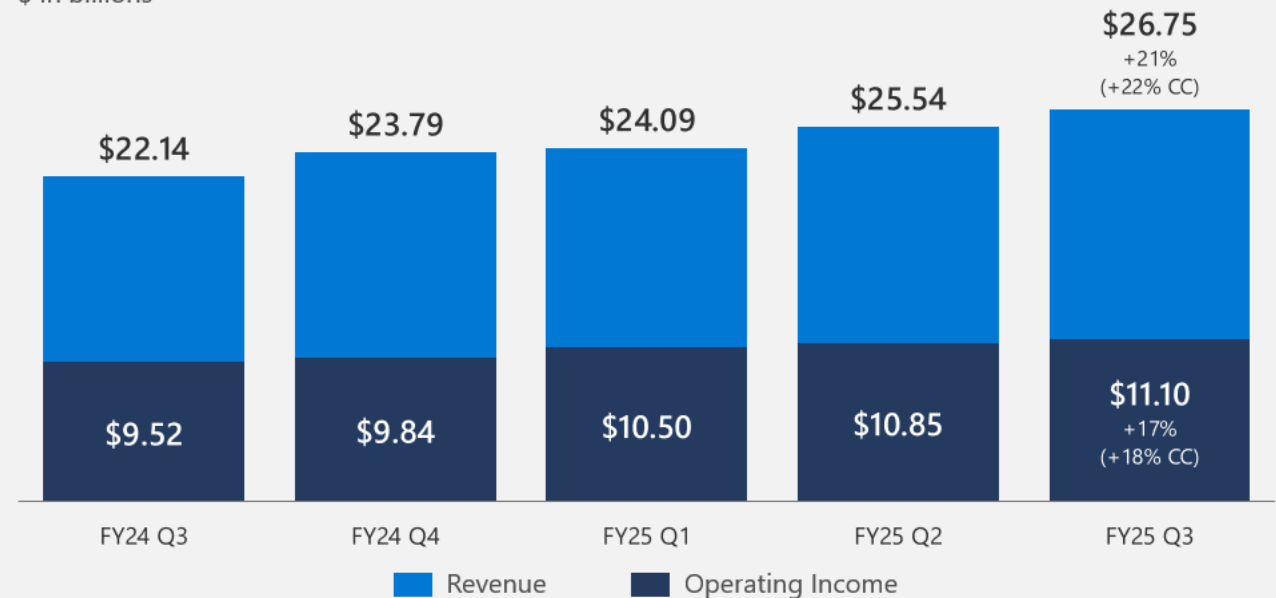
#### Total Revenue

- Revenue grew 21% (up 22% CC) driven by Azure

#### Operating Income

- Gross margin dollars grew 13% (up 14% CC) and gross margin percentage decreased driven by the impact of scaling our AI infrastructure
- Operating expenses grew 6% (up 7% CC) driven by investments in cloud and AI engineering
- Operating income grew 17% (up 18% CC)

\$ in billions



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.



## Intelligent Cloud Highlights

### Server Products and Cloud Services

- Server products and cloud services revenue grew 22% (up 24% CC)
- Azure and other cloud services revenue grew 33% (up 35% CC) driven by demand for our portfolio of services, including 16 points from our AI services
- Server products revenue declined 6% (down 4% CC) primarily driven by a decrease in transactional purchasing with continued customer shift to cloud offerings

### Enterprise and Partner Services

- Enterprise and partner services revenue grew 5% (up 6% CC) with growth in Enterprise Support Services partially offset by a decline in Industry Solutions



## More Personal Computing

### Overview

#### Investor Metrics

	FY24 Q3	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3
Windows OEM and Devices revenue growth (y/y)	2%	(1)% / 0%	2%	4%	3%
Xbox content and services revenue growth (y/y)	62% / 61%	61%	61%	2%	8% / 9%
Search and news advertising revenue (ex TAC) growth (y/y)	8%	15% / 16%	18% / 19%	21% / 20%	21% / 23%

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

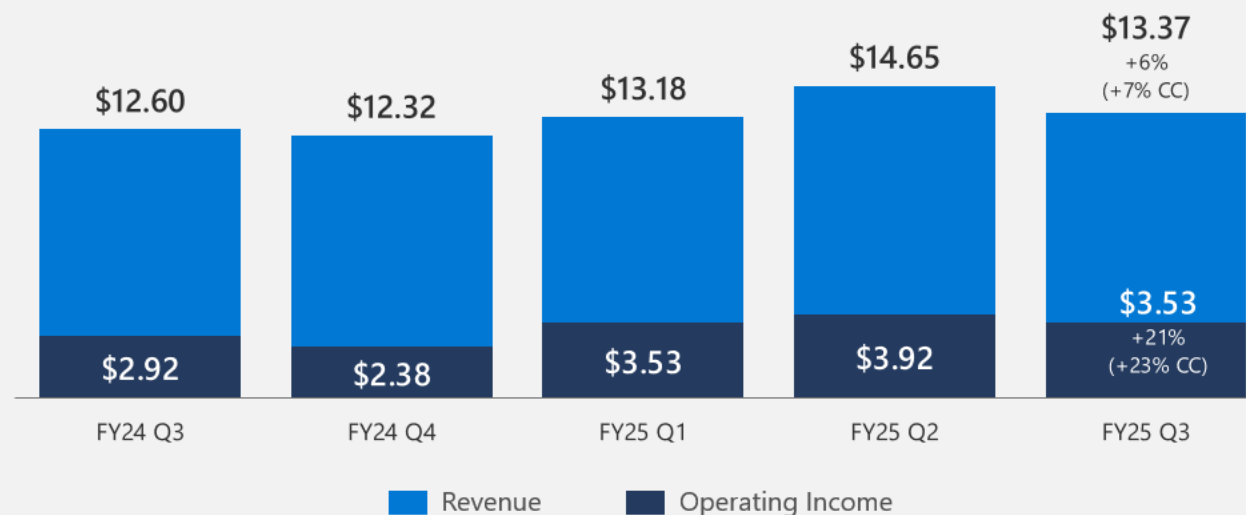
#### Total Revenue

- Revenue grew 6% (up 7% CC) driven by Search and news advertising

#### Operating Income

- Gross margin dollars grew 9% (up 11% CC) and gross margin percentage increased driven by improvement in Search and news advertising and Gaming
- Operating expenses grew 1%
- Operating income grew 21% (up 23% CC)

\$ in billions



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 OEM and Devices

- Windows OEM and Devices revenue grew 3% driven by growth in Windows OEM with inventory levels remaining elevated due to tariff uncertainty

### Gaming

- Gaming revenue grew 5% (up 6% CC)
- Xbox content and services revenue grew 8% (up 9% CC) driven by growth in Xbox Game Pass, Call of Duty, and Minecraft
- Xbox hardware revenue declined 6% (down 5% CC)

### Search and News Advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 21% (up 23% CC) driven by higher revenue per search and higher search volume

# Appendix

# Reconciliation of GAAP and Non-GAAP Financial Measures

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

- Constant currency reconciliations
- Cash flow reconciliation

# Constant Currency Reconciliation

Three Months Ended March 31,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
<b>2024 As Reported (GAAP)</b>	<b>\$61,858</b>	<b>\$43,353</b>	<b>\$15,772</b>	<b>\$27,581</b>	<b>\$21,939</b>	<b>\$2.94</b>
<b>2025 As Reported (GAAP)</b>	<b>\$70,066</b>	<b>\$48,147</b>	<b>\$16,147</b>	<b>\$32,000</b>	<b>\$25,824</b>	<b>\$3.46</b>
Percentage Change Y/Y (GAAP)	13%	11%	2%	16%	18%	18%
<b>Constant Currency Impact</b>	<b>\$(1,059)</b>	<b>\$(820)</b>	<b>\$(117)</b>	<b>\$(703)</b>	<b>\$(392)</b>	<b>\$(0.05)</b>
Percentage Change Y/Y Constant Currency	15%	13%	3%	19%	19%	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. To present 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 average exchange rates from 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 as a substitute for, or 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	More Personal Computing
2024 As Reported (GAAP)	\$27,113	\$22,141	\$12,604
2025 As Reported (GAAP)	\$29,944	\$26,751	\$13,371
Percentage Change Y/Y (GAAP)	10%	21%	6%
Constant Currency Impact	\$(626)	\$(308)	\$(125)
Percentage Change Y/Y Constant Currency	13%	22%	7%

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# Constant Currency Reconciliation

## Segment Gross Margin

Three Months Ended March 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	10%	3%	13%
Intelligent Cloud	13%	1%	14%
More Personal Computing	9%	2%	11%

## Segment Operating Expense

Three Months Ended March 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	1%	1%	2%
Intelligent Cloud	6%	1%	7%
More Personal Computing	1%	0%	1%

## Segment Operating Income

Three Months Ended March 31, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	15%	3%	18%
Intelligent Cloud	17%	1%	18%
More Personal Computing	21%	2%	23%

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 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 average exchange rates from 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 as a substitute for, or 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, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	18%	(1)%	17%
Commercial remaining performance obligation	34%	(1)%	33%
Microsoft Cloud revenue	20%	2%	22%
Microsoft 365 Commercial products and cloud services revenue	11%	3%	14%
Microsoft 365 Commercial cloud revenue	12%	3%	15%
Microsoft 365 Commercial products revenue	5%	3%	8%
Microsoft 365 Consumer products and cloud services revenue	10%	2%	12%
Microsoft 365 Consumer cloud revenue	10%	2%	12%
LinkedIn revenue	7%	1%	8%
Dynamics products and cloud services revenue	11%	2%	13%
Dynamics 365 revenue	16%	2%	18%
Server products and cloud services revenue	22%	2%	24%
Azure and other cloud services revenue	33%	2%	35%
Server products revenue	(6)%	2%	(4)%
Enterprise and partner services revenue	5%	1%	6%
Windows OEM and Devices revenue	3%	0%	3%
Gaming revenue	5%	1%	6%
Xbox content and services revenue	8%	1%	9%
Xbox hardware revenue	(6)%	1%	(5)%
Search and news advertising revenue excluding traffic acquisition costs	21%	2%	23%

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 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 average exchange rates from 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 as a substitute for, or 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.

# Cash Flow Reconciliation

Three Months Ended March 31,

(\$ in millions)	2025	2024	Percentage Change Y/Y
<b>Net Cash from Operations (GAAP)</b>	<b>\$37,044</b>	<b>\$31,917</b>	<b>16%</b>
Additions to Property and Equipment	\$(16,745)	\$(10,952)	*
<b>Free Cash Flow</b>	<b>\$20,299</b>	<b>\$20,965</b>	<b>(3)%</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 business. This non-GAAP financial measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.*

