



Third Quarter Fiscal Year 2025 Outlook

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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.

Outlook

FY25 Q3

Foreign currency impact	<ul style="list-style-type: none"> Decrease to total revenue growth of 2 points, with 2 points in Productivity and Business Processes, 2 points in Intelligent Cloud, and roughly 1 point in More Personal Computing Decrease to COGS growth of approximately 2 points and Opex growth of approximately 1 point
Productivity and Business Processes	<ul style="list-style-type: none"> Revenue of \$29.4 to \$29.7 billion
Intelligent Cloud	<ul style="list-style-type: none"> Revenue of \$25.9 to \$26.2 billion
More Personal Computing	<ul style="list-style-type: none"> Revenue of \$12.4 to \$12.8 billion
Cost of revenue	<ul style="list-style-type: none"> COGS of \$21.65 to \$21.85 billion
Operating expenses	<ul style="list-style-type: none"> Expenses of \$16.4 to \$16.5 billion
Other income and expense	<ul style="list-style-type: none"> Expected to be roughly \$(1.0) billion
Effective tax rate	<ul style="list-style-type: none"> Approximately 18%

FY25 Full Year

Revenue	<ul style="list-style-type: none"> Total revenue expected to grow double digits
Operating expenses	<ul style="list-style-type: none"> Operating expenses expected to grow in the single digits
Operating income	<ul style="list-style-type: none"> Operating income expected to grow double digits Operating margins expected to be up slightly year-over-year
Effective tax rate	<ul style="list-style-type: none"> Between 18% and 19%

FY25 Q3 Outlook Detail

Commercial Business

Commercial bookings	Roughly flat year-over-year on a relatively flat expiry base
Microsoft Cloud gross margin percentage	Roughly 69%

Productivity and Business Processes

Microsoft 365 Commercial cloud revenue	Growth of 14% to 15% in constant currency
Microsoft 365 Commercial products revenue	Relatively flat year-over-year
Microsoft 365 Consumer cloud revenue	Growth in mid- to high-single digits
LinkedIn revenue	Growth in low- to mid-single digits
Dynamics 365 revenue	Growth in mid-teens

Intelligent Cloud

Azure and other cloud services revenue	Growth of 31% to 32% in constant currency
Server products revenue	Decline in mid-single digits
Enterprise and partner services revenue	Growth in low- to mid-single digits

More Personal Computing

Windows OEM and Devices revenue	Decline in low- to mid-single digits
Search and news advertising revenue (ex TAC)	Growth in mid-teens
Gaming revenue	Growth in low-single digits
Xbox content and services revenue	Growth in low- to mid-single digits

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

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

- Constant currency reconciliation

Constant Currency Reconciliation – FY25 Q3 Outlook

(\$ in billions)	Productivity and Business Processes Revenue		Intelligent Cloud Revenue		Cost of Revenue		Operating Expenses	
	Low	High	Low	High	Low	High	Low	High
FY24 Q3 As Reported (GAAP)	\$27.11		\$22.14		\$18.51		\$15.77	
FY25 Q3 Outlook (GAAP)	\$29.40	\$29.70	\$25.90	\$26.20	\$21.65	\$21.85	\$16.50	\$16.40
Percentage Change Y/Y (GAAP)	8%	10%	17%	18%	17%	18%	5%	4%
Constant Currency Impact	2%		2%		2%		1%	
Percentage Change Y/Y (non-GAAP) Constant Currency	11%	12%	19%	20%	19%	20%	6%	5%

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Numbers may not foot as unrounded expected foreign exchange rate impact is applied to US dollar guidance range to calculate growth rates in constant currency.

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.

