

EARNINGS PREVIEW

Microsoft Earnings Poised for Growth: What to Watch

Cloud computing set to underpin company's results



Microsoft is expected to report higher earnings per share Wednesday. PHOTO: EVERETT KENNEDY BROWN/SHUTTERSTOCK

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Microsoft Corp. [MSFT 0.64% ▲](#) is set to report first-quarter earnings after the market closes Wednesday. Although it just ceded its title as the world's most valuable public company to Apple Inc., the software giant has been riding high for the last few years, driven by its fast-growing commercial cloud business. Here's what to look for:

EARNINGS FORECAST: Microsoft is expected to report earnings per share of \$1.24, up from \$1.14 for the same period last year, according to analysts surveyed by FactSet. The company is expected to post net income of \$9.61 billion, up from \$8.82 billion for the year-ago period.

REVENUE FORECAST: Microsoft is expected to report \$32.15 billion in sales, up 10.6% from last year.

WHAT TO WATCH:

CLOUD WARS: Amazon.com Inc. AMZN -0.20% ▼ remains the leader in the commercial cloud business, but Microsoft's Azure is closing the gap. The company's commercial cloud business, which includes Azure, Office 365 tools and other cloud services, surpassed \$38 billion in sales in the last fiscal year. Investors will be looking at how much momentum that business can maintain, while also looking for signs if Microsoft is grabbing existing cloud business from Amazon.

IT SPEND: Investors have grown anxious that macroeconomic concerns could slow corporate IT spending on cloud services and other items in the coming year. Microsoft is poised to provide its outlook for the current quarter. While its numbers may not reflect any such market weakness, analysts are likely to be sensitive to any comments executives make that suggest IT investment demand is slowing beyond 2019.

WINDOWS OUTLOOK: Companies still are upgrading to Windows 10, which should underpin Microsoft earnings growth. The last quarter's numbers should benefit from an easing of a chip-supply bottleneck that hampered computer shipments in previous quarters. Microsoft, early next year, will stop supporting the older Windows 7, so investors are curious what that means for Windows 10 over coming months.