Microsoft's Activision acquisition and bets on Al yield high quarterly revenue

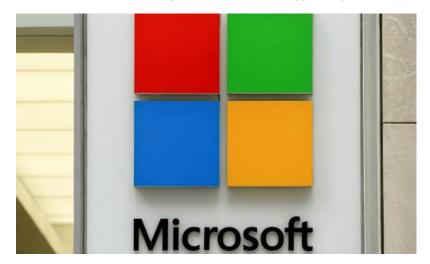
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Microsoft beat analyst expectations on Tuesday as its heavy bets on artificial intelligence bore fruit, particularly for its Azure cloud computing unit. The software giant reported revenue of \$62bn, up 18% year-over-year, surpassing anticipated earnings of \$61.1bn. Its year-over-year net income rose 33% to \$21.9bn. CEO Satya Nadella said: "We've moved from talking about AI to applying AI at scale. By infusing AI across every layer of our tech stack, we're winning new customers and helping drive new benefits and productivity gains across every sector." Microsoft Cloud revenue rose 24% year-over-year. Revenue from its Xbox content and services division increased 61% driven by the Activision Blizzard acquisition, according to the earnings report. Activision boosted the company's overall revenue by 4%. Microsoft, which recently overtook Apple as the world's most valuable company, last week became only the second business in history to reach a stock market valuation of \$3tn. Microsoft is seen as a leading player in the realm of AI, both via its own efforts and its close ties to ChatGPT maker OpenAI, of which it is the largest shareholder. In November, Microsoft CEO Satya Nadella played a key role in the return of Sam Altman as CEO of OpenAI after Altman's stunning ouster. Microsoft holds an observer seat on OpenAl's board. "The company's recent financial performance, marked by a remarkable 18% revenue surge in today's earnings release, signals a potent blend of innovation and strategic foresignt." said Insider Intelligence/eMarketer senior director of briefings Jeremy Goldman. "While peers like Alphabet and Meta navigate the Allandscape, Microsoft is firmly establishing itself as a frontrunner in the Allrace." Microsoft's influence on the development of AI has grown so guickly as to attract scrutiny from regulators and those outside the tech industry. Investors shrugged off concerns over the growing headwinds as shares rose 10% over the past month. The US Federal Trade Commission announced last week that it had begun an investigation into the company's \$10bn investment in OpenAI, as well as deals made by Google, Amazon and AI startup Anthropic. The United Kingdom's Competition and Markets Authority is likewise examining the deal. European Union regulators have said they may open similar investigations. The New York Times sued OpenAl and Microsoft in early December, alleging copyright infringement by ChatGPT. This quarter also marks the first time Microsoft reported earnings with Activision Blizzard, the A-list gaming studio behind hits like Call of Duty and World of Warcraft, under its roof. In October, Microsoft completed its acquisition of the video game maker for \$69bn following a lengthy back-and-forth with regulators. Citing redundancies within the two companies, Microsoft laid off 1,900 employees last week across its gaming division, including Activision employees as well as some working on the Xbox console.