

Microsoft's heavy bet on AI pays off as it beats expectations in latest quarter

Publication Date: 2024-04-25

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Section: Technology

Tags: Microsoft, Artificial intelligence (AI), Computing, news

Article URL: <https://www.theguardian.com/technology/2024/apr/25/microsoft-earnings>



Profits at Microsoft beat Wall Street's expectations as its heavy bet on artificial intelligence continued to bear fruit in the latest quarter. The technology giant has invested billions of dollars into AI in a bid to turbocharge its growth, particularly of its cloud computing services. Its cloud computing revenue surged by more than 20%. Microsoft's AI tools "are orchestrating a new era of AI transformation, driving better business outcomes across every role and industry", said Satya Nadella, the chief executive of Microsoft. As the group races to integrate AI across its software and services, Nadella said its Azure cloud computing business saw the pace of deals worth \$100m and \$10m increase by double-digit percentages. It has also started selling its Copilot AI software add-on to small businesses. Total revenue at Microsoft increased 17% to \$61.86bn during the first three months of 2024, the third quarter of its financial year, surpassing analyst expectations of some \$60.88bn. Earnings per share increased 20% to \$2.94, ahead of the expected \$2.83. Shares in the group rose 4% during after-hours trading in New York on Thursday. With a stock market value of nearly \$3tn, Microsoft is the world's largest public company. Shares in the firm have increased by more than 30% over the past year – an impressive rise, although less than the rallies of Amazon and Google, whose stocks have risen by more than 60% and 40%, respectively. With a multibillion-dollar investment in the ChatGPT developer OpenAI, Microsoft has sought to position itself at the heart of AI's rise – and the destination for the industry's top talent. In March, the company announced it had hired a co-founder of Google's Deepmind AI subsidiary, Mustafa Suleyman, as well as a co-founder of \$4bn startup Inflection AI and several of its employees. In November, after OpenAI's board ousted its co-founder and chief executive, Sam Altman, he briefly said he would decamp to Seattle and join Microsoft in a major coup for Nadella. The majority of OpenAI's employees said they would join Altman, which would effectively obliterate the company. Altman was reinstated as chief executive days later. Microsoft is now trying to monetize its dominance in this space. The company reported in the final months of 2023 that AI contributed 6% of the revenue growth within its powerhouse Azure cloud computing division; up from 3% the previous quarter, according to Yahoo Finance. The company said on Thursday that AI-based additions to LinkedIn had increased engagement on the professional social network. Nadella highlighted LinkedIn's AI tools for writing posts and articles, which he said helped the number of LinkedIn sessions grow by 11%. Revenue from LinkedIn increased 10%, per Microsoft's press release. It has been signing a series of high-profile AI deals. Two days before this week's earnings report, Microsoft announced that Coca-Cola had signed a five-year, \$1.1bn contract with Azure for AI and cloud computing services. Last month, it announced a partnership with AI startup Mistral to offer access to the French company's models in Azure.