

Agenda



Financial Summary and Highlights

Quarterly Business Highlights

Segment Financial Overview

Appendix



Q4 Financial Summary

FY20 Q4	GAAP results		Non-GAAP results		
	(billions, except per share, GM% and OI%)	Growth	(billions, except per share, GM% and OI%)	Growth	CC growth
Productivity and Business Processes	\$11.8	6%	\$11.8	6%	8%
Intelligent Cloud	\$13.4	17%	\$13.4	17%	19%
More Personal Computing	\$12.9	14%	\$12.9	14%	16%
Revenue	\$38.0	13%	\$38.0	13%	15%
Gross margin	\$25.7	10%	\$25.7	10%	12%
Gross margin percentage	68%	(2) pts	68%	(2) pts	
Operating income	\$13.4	8%	\$13.4	8%	12%
Operating income percentage	35%	(2) pts	35%	(2) pts	
Net income	\$11.2	(15)%	\$11.2	5%	8%
Diluted earnings per share	\$1.46	(15)%	\$1.46	7%	9%

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

Non-GAAP growth rates exclude the net tax impact of \$2.6 billion related to the transfer of intangible properties in FY19-Q4.

All growth comparisons in this presentation relate to corresponding period of last fiscal year unless otherwise noted. Numbers may not foot due to rounding.



Quarterly Commercial Highlights

Investor Metrics	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Commercial bookings growth (y/y)	22% / 25%	30% / 35%	31% / 30%	7% / 12%	12%
Commercial remaining performance obligation (in billions)	\$87	\$86	\$90	\$89	\$107
Commercial revenue annuity mix	90%	91%	89%	92%	94%
Commercial cloud revenue (in billions)	\$11.0	\$11.6	\$12.5	\$13.3	\$14.3
Commercial cloud gross margin percentage	65%	66%	67%	67%	66%

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

Commercial business

- Commercial bookings growth of 12% year-over-year driven by strong renewal execution and an increase in the number of larger, long-term Azure contracts
- Commercial remaining performance obligation \$107 billion, up 23% year-over-year
- Commercial revenue annuity mix of 94%, up 4 points year-over-year with continued shift to cloud

Commercial cloud

- Commercial cloud revenue \$14.3 billion, up 30% (up 32% CC) year-over-year
- Commercial cloud gross margin percentage of 66%, up 1 point year-over-year primarily driven by improvement in Azure gross margin, partially offset by sales mix shift to Azure

Commercial cloud includes Office 365 Commercial, Azure, the commercial portion of LinkedIn, Dynamics 365, and other cloud properties.

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.



Other Financial Highlights

Cash returned to shareholders	<ul style="list-style-type: none">Returned \$8.9 billion to shareholders, up 16% year-over-year, with \$5.1 billion in share repurchases and \$3.9 billion in dividends
Operating expenses	<ul style="list-style-type: none">Operating expenses were \$12.3 billion, up 13% year-over-year, driven by continued investments in cloud engineering, charges from the closing of Microsoft Store physical locations, and an increase in bad debt expense
Other income and expense	<ul style="list-style-type: none">Other income was \$15 million driven by interest income and net gains on derivatives, investments, and foreign currency remeasurements, mostly offset by interest expense
Effective tax rate	<ul style="list-style-type: none">Effective tax rate of 17%
Capital expenditures	<ul style="list-style-type: none">Capital expenditures including assets acquired under finance leases were \$5.8 billion to support growth in our cloud offerings. Cash paid for property and equipment was \$4.7 billion
Cash flow	<ul style="list-style-type: none">Cash flow from operations was \$18.7 billion, up 16% year-over-year, driven by strong cloud billings and collectionsFree cash flow of \$13.9 billion, up 16% year-over-year

Quarterly Business Highlights



Productivity and Business Processes

- Office Commercial products and cloud services revenue increased 5% (up 7% CC) driven by Office 365 Commercial revenue growth of 19% (up 22% CC)
- Office Consumer products and cloud services revenue increased 6% (up 7% CC) with continued growth in Office 365 Consumer subscribers to 42.7 million
- LinkedIn revenue increased 10% (up 11% CC)
- Dynamics products and cloud services revenue increased 13% (up 15% CC) driven by Dynamics 365 revenue growth of 38% (up 40% CC)



Intelligent Cloud

- Server products and cloud services revenue increased 19% (up 21% CC) driven by Azure revenue growth of 47% (up 50% CC)
- Enterprise Services revenue was relatively unchanged (up 2% CC)



More Personal Computing

- Windows OEM revenue increased 7%
- Windows Commercial products and cloud services revenue increased 9% (up 11% CC)
- Xbox content and services revenue increased 65% (up 68% CC)
- Surface revenue increased 28% (up 30% CC)
- Search advertising revenue excluding traffic acquisition costs decreased 18% (down 17% CC)



Productivity and Business Processes

Overview

Investor Metrics	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Office Commercial products and cloud services revenue growth (y/y)	14% / 16%	13% / 15%	16% / 18%	13% / 15%	5% / 7%
Office Consumer products and cloud services revenue growth (y/y)	6% / 8%	5% / 6%	19% / 20%	15% / 17%	6% / 7%
Office 365 Commercial seat growth (y/y)	23%	21%	21%	20%	15%
Office 365 Consumer subscribers (in millions)	34.8	35.6	37.2	39.6	42.7
Dynamics products and cloud services revenue growth (y/y)	12% / 15%	14% / 16%	12% / 15%	17% / 20%	13% / 15%
LinkedIn revenue growth (y/y)	25% / 28%	25% / 26%	24% / 26%	21% / 22%	10% / 11%

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

Total Revenue

- Revenue grew 6% (up 8% CC) driven by Office 365

Operating Income

- Gross margin dollars were relatively unchanged (up 3% CC). Gross margin percentage decreased driven by increased usage of Office 365 Commercial and an increased mix of cloud offerings
- Operating expenses grew 10% (up 11% CC) driven by Teams marketing and investments in cloud engineering
- Operating income declined 9% (down 5% CC)



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

Office Commercial

- Office Commercial products and cloud services revenue grew 5% (up 7% CC) on a strong prior year comparable
- Office 365 Commercial revenue grew 19% (up 22% CC) driven by Office 365 Commercial seat growth, up 15%, and growth in revenue per user
- Office Commercial products revenue declined 34% (down 33% CC) reflecting continued customer shift to cloud offerings from on-premises annuity and a slowdown in transactional licensing, particularly in small and medium businesses ("SMB")

Office Consumer

- Office Consumer products and cloud services revenue grew 6% (up 7% CC) driven by Office 365 Consumer subscription revenue, partially offset by a slowdown in transactional licensing
- Office 365 Consumer subscribers increased 23% to 42.7 million with increased demand from remote work and learn scenarios

LinkedIn

- LinkedIn revenue grew 10% (up 11% CC)
- LinkedIn sessions grew 27%

Dynamics

- Dynamics products and cloud services revenue grew 13% (up 15% CC)
- Dynamics 365 revenue grew 38% (up 40% CC)



Intelligent Cloud

Overview

Investor Metrics	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Server products and cloud services revenue growth (y/y)	22% / 24%	30% / 33%	30% / 32%	30% / 32%	19% / 21%
Enterprise Services revenue growth (y/y)	4% / 6%	7% / 8%	6% / 7%	6% / 7%	0% / 2%

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

Total Revenue

- Revenue grew 17% (up 19% CC) driven by server products and cloud services

Operating Income

- Gross margin dollars grew 19% (up 21% CC). Gross margin percentage increased slightly with improvement in Azure, partially offset by an increased mix of cloud offerings
- Operating expenses grew 19% driven by investments in Azure
- Operating income grew 19% (up 22% CC)



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 19% (up 21% CC)
- Azure revenue grew 47% (up 50% CC), primarily driven by growth in our consumption-based services
- Server products revenue was relatively unchanged (up 1% CC) with growth in hybrid and premium solutions, offset by a slowdown in transactional licensing
- Enterprise Mobility installed base grew 26% to over 147 million seats

Enterprise Services

- Enterprise Services revenue was relatively unchanged (up 2% CC)

Trended Revenue Growth

	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Azure (y/y)	64% / 68%	59% / 63%	62% / 64%	59% / 61%	47% / 50%
Server products (y/y)	5% / 7%	12% / 14%	10% / 12%	11% / 12%	0% / 1%

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



More Personal Computing

Overview

Investor Metrics	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Windows OEM Pro revenue growth (y/y)	18%	19%	26%	5%	(4)%
Windows OEM non-Pro revenue growth (y/y)	(8)%	(7)%	4%	(10)%	34%
Windows Commercial products and cloud services revenue growth (y/y)	13% / 16%	26% / 29%	25% / 27%	17% / 18%	9% / 11%
Surface revenue (in millions)	\$1,350	\$1,136	\$1,976	\$1,340	\$1,724
Xbox content and services revenue growth (y/y)	(3)% / (1)%	0% / 1%	(11)% / (9)%	2%	65% / 68%
Search advertising revenue (ex TAC) growth (y/y)	9% / 10%	11% / 13%	6% / 7%	1%	(18)% / (17)%

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

Total Revenue

- Revenue grew 14% (up 16% CC) driven by Gaming

Operating Income

- Gross margin dollars grew 12% (up 15% CC). Gross margin percentage decreased driven by mix shift to lower margin businesses
- Operating expenses increased 10% driven by charges from the closing of Microsoft Store physical locations, partially offset by the redeployment of engineering resources
- Operating income grew 15% (up 19% CC)



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

- Windows OEM Pro revenue declined 4% driven by weakness in SMB, more than offsetting the benefit in April from unfulfilled Q3 demand
- Windows OEM non-Pro revenue grew 34% driven by consumer demand from remote work and learn scenarios including the benefit in April from unfulfilled Q3 demand
- Windows Commercial products and cloud services revenue grew 9% (up 11% CC) driven by increased demand for Microsoft 365, slightly offset by a slowdown in transactional licensing

Devices

- Surface revenue grew 28% (up 30% CC) driven by increased demand from remote work and learn scenarios

Gaming

- Gaming revenue grew 64% (up 66% CC)
- Xbox content and services revenue grew 65% (up 68% CC) driven by record engagement, including strength from third-party titles, as stay-at-home guidelines continued

Search

- Search advertising revenue excluding traffic acquisition costs declined 18% (down 17% CC), with reduced customer advertising spend

Reconciliation of GAAP and Non-GAAP Financial Measures

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

- Net tax impact of the transfer of intangible properties in the prior year
- Constant currency reconciliations
- Free cash flow reconciliation

Net Tax Impact of the Transfer of Intangible Properties in the Prior Year

Three Months Ended June 30,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Effective Tax Rate	Net Income	Diluted Earnings per Share
2019 As Reported (GAAP)	\$33,717	\$23,305	\$10,900	\$12,405	(5)%	\$13,187	\$1.71
Net Tax Impact of the Transfer of Intangible Properties	\$0	\$0	\$0	\$0	21%	\$(2,567)	\$(0.34)
2019 As Adjusted (non-GAAP)	\$33,717	\$23,305	\$10,900	\$12,405	16%	\$10,620	\$1.37
2020 As Reported (GAAP)	\$38,033	\$25,694	\$12,287	\$13,407	17%	\$11,202	\$1.46
Percentage Change Y/Y (GAAP)	13%	10%	13%	8%	21%	(15)%	(15)%
Percentage Change Y/Y (non-GAAP)	13%	10%	13%	8%	1%	5%	7%

The non-GAAP measures exclude the net tax impact related to the transfer of intangible properties in 2019 and are included as additional clarifying items to aid readers of the financial statements in further understanding the Company's fourth-quarter performance and the impact that this item had on the financial results. These non-GAAP financial measures should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Constant Currency Reconciliation

Three Months Ended June 30,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
2019 As Reported (GAAP)	\$33,717	\$23,305	\$10,900	\$12,405	\$13,187	\$1.71
2019 As Adjusted (non-GAAP)	\$33,717	\$23,305	\$10,900	\$12,405	\$10,620	\$1.37
2020 As Reported (GAAP)	\$38,033	\$25,694	\$12,287	\$13,407	\$11,202	\$1.46
Percentage Change Y/Y (GAAP)	13%	10%	13%	8%	(15)%	(15)%
Percentage Change Y/Y (non-GAAP)	13%	10%	13%	8%	5%	7%
Constant Currency Impact	\$(598)	\$(509)	\$(55)	\$(454)	\$(314)	\$(0.04)
Percentage Change Y/Y (non-GAAP) Constant Currency	15%	12%	13%	12%	8%	9%

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 June 30,		
(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2019 As Reported (GAAP)	\$11,047	\$11,391	\$11,279
2020 As Reported (GAAP)	\$11,752	\$13,371	\$12,910
Percentage Change Y/Y (GAAP)	6%	17%	14%
Constant Currency Impact	\$(209)	\$(238)	\$(151)
Percentage Change Y/Y (non-GAAP) Constant Currency	8%	19%	16%

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 Gross Margin

Three Months Ended June 30, 2020			
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	0%	3%	3%
Intelligent Cloud	19%	2%	21%
More Personal Computing	12%	3%	15%

Segment Operating Expense

Three Months Ended June 30, 2020			
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	10%	1%	11%
Intelligent Cloud	19%	0%	19%
More Personal Computing	10%	0%	10%

Segment Operating Income

Three Months Ended June 30, 2020			
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	(9)%	4%	(5)%
Intelligent Cloud	19%	3%	22%
More Personal Computing	15%	4%	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

Selected Product and Service Information

	Three Months Ended June 30, 2020		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Commercial bookings	12%	0%	12%
Commercial remaining performance obligation	23%	0%	23%
Commercial cloud revenue	30%	2%	32%
Office Commercial products and cloud services revenue	5%	2%	7%
Office 365 Commercial revenue	19%	3%	22%
Office Commercial products revenue	(34)%	1%	(33)%
Office Consumer products and cloud services revenue	6%	1%	7%
LinkedIn revenue	10%	1%	11%
Dynamics products and cloud services revenue	13%	2%	15%
Dynamics 365 revenue	38%	2%	40%
Server products and cloud services revenue	19%	2%	21%
Azure revenue	47%	3%	50%
Server products revenue	0%	1%	1%
Enterprise Services revenue	0%	2%	2%
Windows OEM revenue	7%	0%	7%
Windows OEM Pro revenue	(4)%	0%	(4)%
Windows OEM non-Pro revenue	34%	0%	34%
Windows Commercial products and cloud services revenue	9%	2%	11%
Gaming revenue	64%	2%	66%
Xbox content and services revenue	65%	3%	68%
Surface revenue	28%	2%	30%
Search advertising revenue excluding traffic acquisition costs	(18)%	1%	(17)%

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.

Free Cash Flow Reconciliation

(\$ in millions)	Three Months Ended June 30,
2019 Net Cash From Operations	\$16,108
Additions to Property and Equipment	\$(4,051)
2019 Free Cash Flow	\$12,057
2020 Net Cash From Operations	\$18,673
Additions to Property and Equipment	\$(4,744)
2020 Free Cash Flow	\$13,929
Free Cash Flow Percentage Change Y/Y	16%

Free cash flow is included as an additional clarifying item to aid readers of the financial statements in further understanding the Company's performance. 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.