



# Fourth Quarter Fiscal Year 2025 Results

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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.

# Agenda

Financial Summary and Highlights

Quarterly Business Highlights

Segment Financial Overview

Appendix

*All growth comparisons in this presentation relate to the corresponding period of last fiscal year unless otherwise noted. We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Numbers may not foot due to rounding.*

# FY25 Q4 Financial Summary

(\$ in billions, except per share amounts)

	FY25 Q4	Growth	CC Growth*
Productivity and Business Processes	\$33.1	16%	14%
Intelligent Cloud	\$29.9	26%	25%
More Personal Computing	\$13.5	9%	9%
<b>Revenue</b>	<b>\$76.4</b>	<b>18%</b>	<b>17%</b>
<b>Gross margin</b>	<b>\$52.4</b>	<b>16%</b>	<b>15%</b>
Gross margin percentage	69%	(1) pt	
<b>Operating income</b>	<b>\$34.3</b>	<b>23%</b>	<b>22%</b>
Operating income percentage	45%	2 pts	
<b>Net income</b>	<b>\$27.2</b>	<b>24%</b>	<b>22%</b>
<b>Diluted earnings per share</b>	<b>\$3.65</b>	<b>24%</b>	<b>22%</b>

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

# Quarterly Commercial Highlights

## Investor Metrics

	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Q4
Commercial bookings growth (y/y)	17% / 19%	30% / 23%	67% / 75%	18% / 17%	37% / 30%
Commercial remaining performance obligation ( <i>in billions</i> )	\$269	\$259	\$298	\$315	\$368
Commercial revenue annuity mix	97%	98%	97%	98%	98%
Microsoft Cloud revenue ( <i>in billions</i> )	\$36.9	\$38.9	\$40.9	\$42.4	\$46.7
Microsoft Cloud revenue growth (y/y)	22% / 23%	22%	21%	20% / 22%	27% / 25%
Microsoft Cloud gross margin percentage	70%	71%	70%	69%	68%

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

## Commercial business

- Commercial bookings increased 37% (up 30% CC) year-over-year driven by strong execution across our core annuity sales motions
- Commercial remaining performance obligation of \$368 billion, up 37% (up 35% CC) year-over-year
- Commercial revenue annuity mix of 98%, up 1 point year-over-year with continued shift to cloud

## Microsoft Cloud

- Microsoft Cloud revenue of \$46.7 billion, up 27% (up 25% CC) year-over-year
- Microsoft Cloud gross margin percentage decreased year-over-year to 68% driven by the impact of scaling our AI infrastructure, partially offset by efficiency gains primarily in Azure and Microsoft 365 Commercial cloud

Microsoft Cloud includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365.

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.

# FY25 Q4 Other Financial Highlights

Cash returned to shareholders	<ul style="list-style-type: none"> <li>Returned \$9.4 billion to shareholders with \$6.2 billion in dividends and \$3.2 billion in share repurchases</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Operating expenses were \$18.1 billion, up 6% (up 5% CC) year-over-year with investments in cloud and AI engineering. Operating expenses were inclusive of employee severance.</li> </ul>
Other income and expense	<ul style="list-style-type: none"> <li>Other income and expense was \$(1.7) billion primarily driven by our share of the loss from OpenAI, which is accounted for under the equity method</li> </ul>
Effective tax rate	<ul style="list-style-type: none"> <li>Effective tax rate of 17%</li> </ul>
Capital expenditures	<ul style="list-style-type: none"> <li>Capital expenditures including assets acquired under finance leases were \$24.2 billion, up 27% year-over-year to support demand in our cloud and AI offerings, with more than half for long-lived assets. Finance leases were \$6.5 billion and are recognized at the time of lease commencement.</li> <li>Cash paid for property and equipment was \$17.1 billion, up 23% year-over-year, lower than capital expenditures primarily due to finance leases</li> </ul>
Cash flow	<ul style="list-style-type: none"> <li>Cash flow from operations was \$42.6 billion, up 15% year-over-year driven by strong cloud billings and collections, partially offset by higher supplier payments</li> <li>Free cash flow was \$25.6 billion, up 10% year-over-year reflecting higher capital expenditures to support our cloud and AI offerings</li> </ul>

*Includes non-GAAP constant currency ("CC") growth and free cash flow. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.*

# FY25 Q4 Business Highlights



## Productivity and Business Processes

- Microsoft 365 Commercial products and cloud services revenue increased 16% (up 15% CC) driven by Microsoft 365 Commercial cloud revenue growth of 18% (up 16% CC)
- Microsoft 365 Consumer products and cloud services revenue increased 21% driven by Microsoft 365 Consumer cloud revenue growth of 20%
- LinkedIn revenue increased 9% (up 8% CC)
- Dynamics products and cloud services revenue increased 18% (up 17% CC) driven by Dynamics 365 revenue growth of 23% (up 21% CC)



## Intelligent Cloud

- Server products and cloud services revenue increased 27% driven by Azure and other cloud services revenue growth of 39%



## More Personal Computing

- Windows OEM and Devices revenue increased 3%
- Xbox content and services revenue increased 13% (up 12% CC)
- Search and news advertising revenue excluding traffic acquisition costs increased 21% (up 20% CC)



# Productivity and Business Processes

## Overview

### Investor Metrics

	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Q4
Microsoft 365 Commercial cloud revenue growth (y/y)	15% / 16%	15% / 16%	16% / 15%	12% / 15%	18% / 16%
Microsoft 365 Commercial seat growth (y/y)	7%	8%	7%	7%	6%
Microsoft 365 Consumer cloud revenue growth (y/y)	7%	6% / 7%	8%	10% / 12%	20%
Microsoft 365 Consumer subscribers (in millions)	82.4	84.4	86.3	87.7	89.0
LinkedIn revenue growth (y/y)	10% / 9%	10% / 9%	9%	7% / 8%	9% / 8%
Dynamics 365 revenue growth (y/y)	19% / 20%	18% / 19%	19% / 18%	16% / 18%	23% / 21%

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

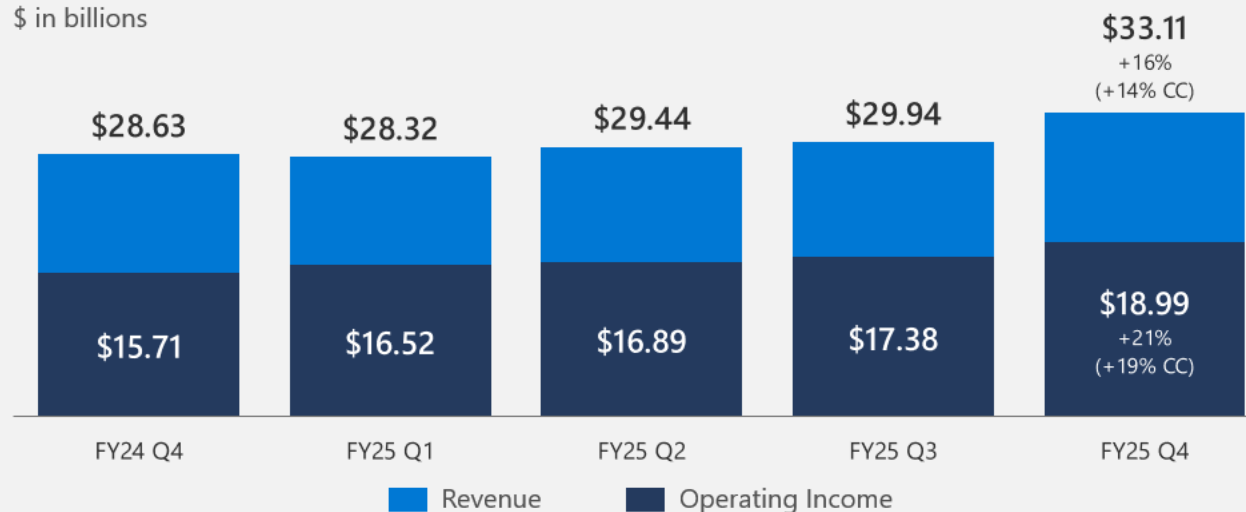
### Total Revenue

- Revenue grew 16% (up 14% CC) driven by Microsoft 365 Commercial cloud

### Operating Income

- Gross margin dollars grew 16% (up 15% CC) and gross margin percentage increased slightly driven by efficiency gains in Microsoft 365 Commercial cloud even with the impact of scaling our AI infrastructure
- Operating expenses grew 7% (up 6% CC) with investments in cloud and AI engineering
- Operating income grew 21% (up 19% CC)

\$ in billions



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

### Microsoft 365 Commercial

- Microsoft 365 Commercial products and cloud services revenue grew 16% (up 15% CC)
- Microsoft 365 Commercial cloud revenue grew 18% (up 16% CC) with growth in revenue per user driven by E5 and M365 Copilot, as well as some benefit from in-period revenue recognition. Microsoft 365 Commercial seats grew 6% driven by small and medium business and frontline worker offerings.
- Microsoft 365 Commercial products revenue grew 9% (up 7% CC) driven by the Windows Commercial on-premises components of Microsoft 365 suite sales and an increase in Office 2024 transactional purchasing

### Microsoft 365 Consumer

- Microsoft 365 Consumer products and cloud services revenue grew 21%
- Microsoft 365 Consumer cloud revenue grew 20% driven by growth in revenue per user from the January price increase, as well as Microsoft 365 Consumer subscriber growth of 8% to 89.0 million

### LinkedIn

- LinkedIn revenue grew 9% (up 8% CC) with growth across all lines of business
- LinkedIn sessions grew 7% with record engagement

### Dynamics

- Dynamics products and cloud services revenue grew 18% (up 17% CC) driven by growth in Dynamics 365, partially offset by a decline in Dynamics on-premises products
- Dynamics 365 revenue grew 23% (up 21% CC) with growth across all workloads



# Intelligent Cloud

## Overview

### Investor Metrics

	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Q4
Azure and other cloud services revenue growth (y/y)	34% / 35%	33% / 34%	31%	33% / 35%	39%

### Trended Revenue Growth

Server products revenue growth (y/y)	2% / 3%	(1)%	(3)%	(6)% / (4)%	(2)% / (3)%
Enterprise and partner services revenue growth (y/y)	(7)%	(1)% / 0%	(1)%	5% / 6%	7% / 6%

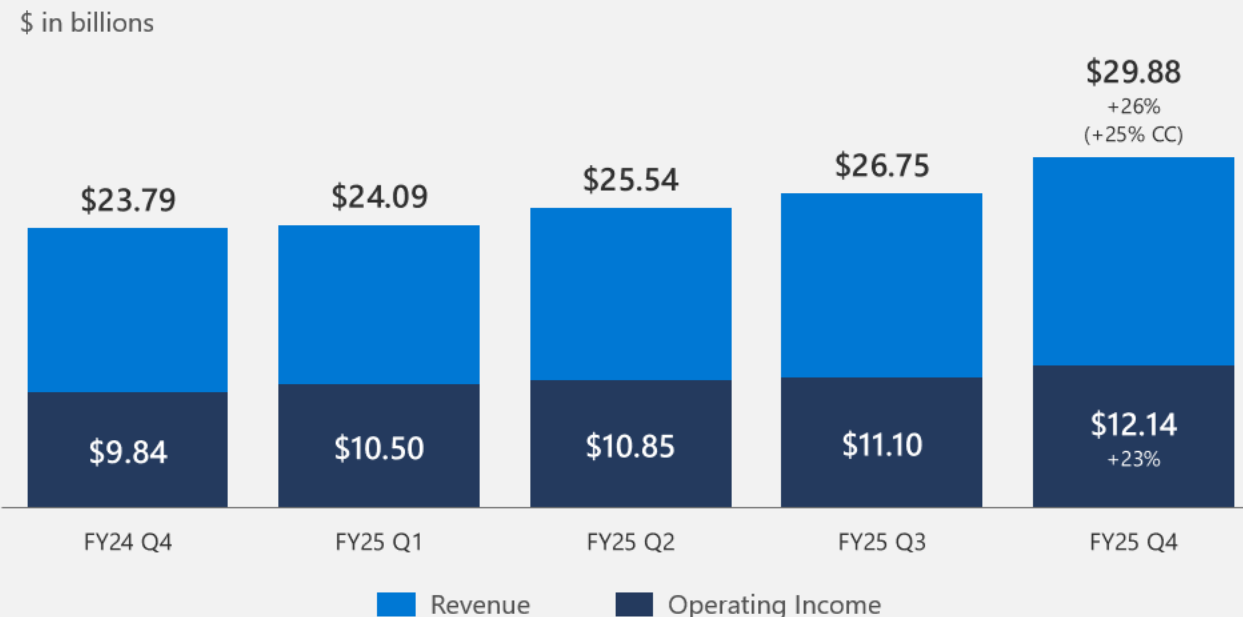
Growth rates include non-GAAP CC growth (GAAP % / CC %).

### Total Revenue

- Revenue grew 26% (up 25% CC) driven by Azure

### Operating Income

- Gross margin dollars grew 17% (up 16% CC) and gross margin percentage decreased driven by the impact of scaling our AI infrastructure, partially offset by efficiency gains in Azure
- Operating expenses grew 6% (up 4% CC) with investments in cloud and AI engineering
- Operating income grew 23%



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 27%
- Azure and other cloud services revenue grew 39% driven by demand for our portfolio of services with growth across all workloads
- Server products revenue declined 2% (down 3% CC) primarily driven by continued customer shift to cloud offerings

### Enterprise and Partner Services

- Enterprise and partner services revenue grew 7% (up 6% CC) with growth in Enterprise Support Services, partially offset by a decline in Industry Solutions



## More Personal Computing

### Overview

#### Investor Metrics

	FY24 Q4	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Q4
Windows OEM and Devices revenue growth (y/y)	(1)% / 0%	2%	4%	3%	3%
Xbox content and services revenue growth (y/y)	61%	61%	2%	8% / 9%	13% / 12%
Search and news advertising revenue (ex TAC) growth (y/y)	15% / 16%	18% / 19%	21% / 20%	21% / 23%	21% / 20%

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

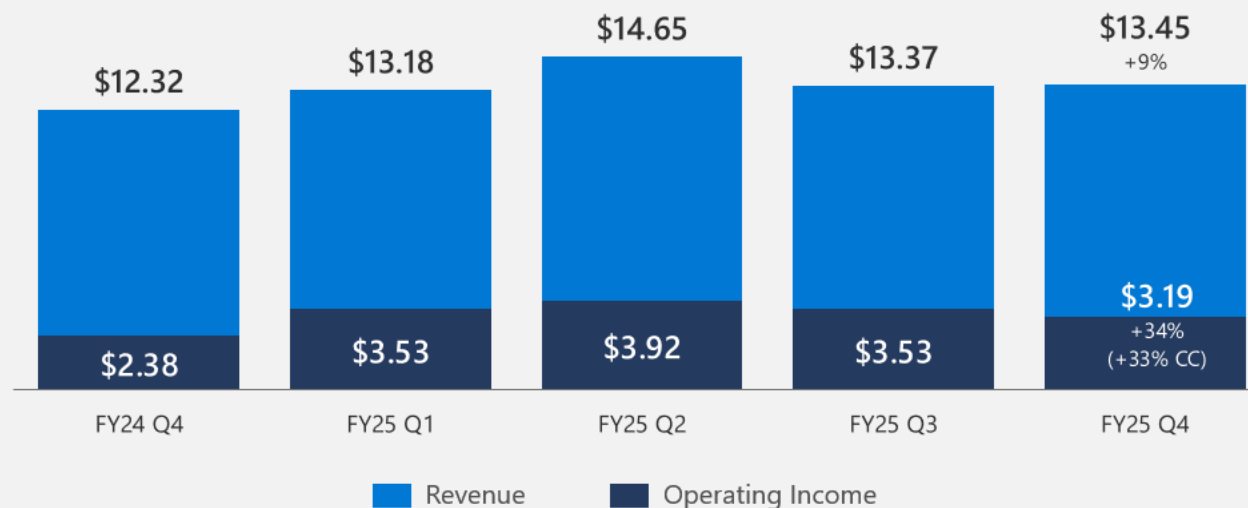
#### Total Revenue

- Revenue grew 9% driven by Search and news advertising and Gaming

#### Operating Income

- Gross margin dollars grew 15% and gross margin percentage increased with improvement across all businesses
- Operating expenses grew 4% (up 3% CC) with investments in Search and news advertising
- Operating income grew 34% (up 33% CC)

\$ in billions



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 OEM and Devices

- Windows OEM and Devices revenue grew 3% driven by growth in Windows OEM with inventory levels remaining elevated

### Gaming

- Gaming revenue grew 10%
- Xbox content and services revenue grew 13% (up 12% CC) driven by growth in first-party content and Xbox Game Pass
- Xbox hardware revenue declined 22%

### Search and News Advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 21% (up 20% CC) with higher search volume and revenue per search, as well as continued benefit from third-party partnerships

# Appendix

# 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:

- Constant currency reconciliations
- Cash flow reconciliation

# 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
<b>2024 As Reported (GAAP)</b>	<b>\$64,727</b>	<b>\$45,043</b>	<b>\$17,118</b>	<b>\$27,925</b>	<b>\$22,036</b>	<b>\$2.95</b>
<b>2025 As Reported (GAAP)</b>	<b>\$76,441</b>	<b>\$52,427</b>	<b>\$18,104</b>	<b>\$34,323</b>	<b>\$27,233</b>	<b>\$3.65</b>
Percentage Change Y/Y (GAAP)	18%	16%	6%	23%	24%	24%
<b>Constant Currency Impact</b>	<b>\$619</b>	<b>\$484</b>	<b>\$158</b>	<b>\$326</b>	<b>\$356</b>	<b>\$0.05</b>
Percentage Change Y/Y Constant Currency	17%	15%	5%	22%	22%	22%

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
2024 As Reported (GAAP)		\$28,627	\$23,785	\$12,315
2025 As Reported (GAAP)		\$33,112	\$29,878	\$13,451
Percentage Change Y/Y (GAAP)		16%	26%	9%
Constant Currency Impact		\$368	\$184	\$67
Percentage Change Y/Y Constant Currency		14%	25%	9%

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# Constant Currency Reconciliation

## Segment Gross Margin

Three Months Ended June 30, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	16%	(1)%	15%
Intelligent Cloud	17%	(1)%	16%
More Personal Computing	15%	0%	15%

## Segment Operating Expense

Three Months Ended June 30, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	7%	(1)%	6%
Intelligent Cloud	6%	(2)%	4%
More Personal Computing	4%	(1)%	3%

## Segment Operating Income

Three Months Ended June 30, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	21%	(2)%	19%
Intelligent Cloud	23%	0%	23%
More Personal Computing	34%	(1)%	33%

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, 2025

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	37%	(7)%	30%
Commercial remaining performance obligation	37%	(2)%	35%
Microsoft Cloud revenue	27%	(2)%	25%
Microsoft 365 Commercial products and cloud services revenue	16%	(1)%	15%
Microsoft 365 Commercial cloud revenue	18%	(2)%	16%
Microsoft 365 Commercial products revenue	9%	(2)%	7%
Microsoft 365 Consumer products and cloud services revenue	21%	0%	21%
Microsoft 365 Consumer cloud revenue	20%	0%	20%
LinkedIn revenue	9%	(1)%	8%
Dynamics products and cloud services revenue	18%	(1)%	17%
Dynamics 365 revenue	23%	(2)%	21%
Server products and cloud services revenue	27%	0%	27%
Azure and other cloud services revenue	39%	0%	39%
Server products revenue	(2)%	(1)%	(3)%
Enterprise and partner services revenue	7%	(1)%	6%
Windows OEM and Devices revenue	3%	0%	3%
Gaming revenue	10%	0%	10%
Xbox content and services revenue	13%	(1)%	12%
Xbox hardware revenue	(22)%	0%	(22)%
Search and news advertising revenue excluding traffic acquisition costs	21%	(1)%	20%

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.

# Cash Flow Reconciliation

Three Months Ended June 30,

(\$ in millions)	2025	2024	Percentage Change Y/Y
<b>Net Cash from Operations (GAAP)</b>	<b>\$42,647</b>	<b>\$37,195</b>	<b>15%</b>
Additions to Property and Equipment	\$(17,079)	\$(13,873)	*
<b>Free Cash Flow</b>	<b>\$25,568</b>	<b>\$23,322</b>	<b>10%</b>

*\*Not meaningful.*

*Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. 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.*

