

Cloud computing gains drive up profit for Microsoft

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Microsoft reported Wednesday that quarterly profits rose on the back of its thriving cloud computing business which has become a core focus for the US technology giant.

Profits rose 21 percent to \$10.7 billion in the recently ended quarter as revenue increased 14 percent to \$33.1 billion compared with the same period a year earlier.

"The world's leading companies are choosing our cloud to build their digital capability," said Microsoft chief executive Satya Nadella.

Revenue from [cloud services](#) sold to businesses was up more than a third in the quarter to \$11.6 billion, according to chief financial officer Amy Hood.

"Microsoft did for (the quarterly) earnings what it has done so many times before, and that is to crush it with cloud and SaaS growth," said analyst Patrick Moorhead of Moor Insights and Strategy, using an acronym for software-as-a-service.

"I attribute this quite simply to the investments it has made in the cloud and its ability to uniquely serve the needs of multinational corporations."

Microsoft is finding success with offering [online services](#) or platforms that combine datacenter computing power, artificial intelligence and capabilities of smartphones or other devices at the user "edge" of experiences, according to Nadella.

The tactic is a major switch from the way the Redmond-based company

built its empire selling packaged software to computer users and Windows operating systems powering machines.

Microsoft still licenses Windows to computer makers and expected to see revenue from sales in the unit rise through the end of the year as it stops providing updates and support for a Windows 7 version.

Technical support and software updates such as security patches are to stop being available in mid-January of next year, according to Microsoft.

Meanwhile, revenue from its career-centric social network LinkedIn was up 25 percent, Microsoft reported.

Microsoft shares were up essentially a fraction of a percent in after-market trades that followed release of the earnings figures.

Playing into the cloud

Nadella has moved Microsoft to focus on cloud computing and other business services, helping the company's valuation grow to \$1 trillion and draw even with rival Apple in terms of market value.

While the quarterly earnings, overall, beat market expectations, there was a sign that revenue growth in Microsoft's cloud unit Azure might be slowing.

Microsoft reported that it saw no growth in revenue from Xbox software or services, and that sales were drooping of the latest generation Xbox console that debuted nearly six years ago because there is a successor on the horizon.

Microsoft in June gave the world a first glimpse of a powerful next-generation Xbox that it aims to release late next year.

The new Xbox was promised to be released in time for the Christmas holiday shopping season in 2020.

Xbox battles in the console gaming arena with Sony, which is working on a new generation PlayStation.

Microsoft last week started trials of an "xCloud" project that allows subscribers to stream play from the cloud, Nadella said.

Google plans to open the virtual doors to a Stadia streaming game service on November 19.

Stadia allows video game play on any internet-connected device, eliminating the need for game consoles.

Streaming real-time game play from the cloud promised to shake up a mushrooming market worth an estimated \$135 billion globally last year, according to analysts—with mobile platforms accounting for about half.

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