

Microsoft blames economic woes for missing profit targets

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People walk past a Microsoft office on Nov. 10, 2016, in New York. Microsoft on Tuesday, July 26, 2022, reported fiscal fourth-quarter profit of \$16.7 billion, or \$2.23 per share, a rare disappointment from the tech giant that has consistently beat Wall Street expectations in recent years. Credit: AP Photo/Swayne B. Hall, File

Microsoft on Tuesday reported fiscal fourth-quarter profit of \$16.7 billion, or \$2.23 per share, falling short of analyst expectations for \$2.29 per share—a rare disappointment from the tech giant that has consistently beat Wall Street expectations in recent years.

It posted revenue of \$51.9 billion in the April-June period, up 12% from last year. Analysts had been looking for revenue of \$52.94 billion, according to FactSet.

The company blamed a number of "evolving macroeconomic conditions and other unforeseen items" for affecting its [financial performance](#), including pandemic-related production shutdowns in China, a deteriorating [personal computer market](#), lowered spending on advertisements and the war in Ukraine, which led Microsoft to scale down its operations in Russia.

The company had already lowered its profit and sales estimates in early June based on what it described as "unfavorable" changes in the foreign exchange rate as the U.S. dollar surged.

A tough season for computer sales—blamed on supply chain disruptions and geopolitical instability—put pressure on Microsoft's personal computing business, which relies on licensing revenue from PC manufacturers who install its Windows operating system on their products.

Sales from those licenses dropped 2% from the same time last year, Microsoft reported Tuesday. That, along with a 6% drop in sales of Microsoft's Xbox gaming-related content, dragged down the company's broader personal computing business segment, which grew just 2% to \$14.4 billion for the quarter.

The market research firm Gartner recently said global PC shipments

declined 12.6% in the second calendar quarter of 2022 from the same time last year, the sharpest decline in nine years. Another report by International Data Corp. estimates PC shipments declined 15.3% during that April-June period, the second consecutive quarter of lower shipments after two years of growth.

Growth of Microsoft's cloud computing business made up for some of its shortfalls elsewhere. Microsoft's cloud-based segment sold \$20.9 billion for the quarter, up 20% from last year.

Microsoft's work-related software segment, which includes its Office suite of products, grew 13% to \$16.6 billion for the quarter. That included a 26% increase in revenue from its career-focused social network LinkedIn, despite lower spending on ads on the service.

Microsoft is currently aiming to close on a \$68.7 billion purchase of video game company Activision Blizzard, in what could be the largest-ever tech industry acquisition. The deal, announced in January, awaits approval from antitrust authorities in the U.S. [and the United Kingdom](#).

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