

Microsoft profit soars 33% on AI, cloud-computing investments

January 31 2024, by David Hamilton



The logo of Microsoft is displayed outside the headquarters in Paris, Friday, Jan. 8, 2021. Microsoft reports their earnings on Tuesday, Jan. 30, 2024. Credit: AP Photo/Thibault Camus, file

Microsoft Corp. said Tuesday that its profit for the October-December

quarter soared 33%, powered by its significant investments in artificial intelligence technology. The company said that increase largely reflected growth in its cloud-computing unit, where Microsoft focuses most of its AI investments.

The company reported net income for the quarter of \$21.87 billion, or \$2.93 per diluted share, beating Wall Street expectations of \$2.79 per share. The Redmond, Washington-based software maker posted [revenue](#) of \$62.02 billion in the quarter, up 18% from \$52.75 billion the previous year, also beating expectations.

"Microsoft is firmly establishing itself as a frontrunner in the AI race," said Jeremy Goldman, director of briefings at Insider Intelligence. In addition to other benefits, Goldman suggested that AI technology could help expand Microsoft's share of digital advertising. His firm anticipates that Microsoft's worldwide ad revenues will grow 12% this year to \$14.93 billion, but also notes that Google is expected to expand its much larger ad business by 10% in the same period.

Analysts polled by FactSet Research expected Microsoft to generate revenue of \$61.14 billion, and currently project revenue of \$60.97 billion for the January-March quarter. The results are the first to incorporate the finances of video-game maker Activision Blizzard, which Microsoft [formally acquired on Oct. 13 for \\$69 billion](#).



Microsoft CEO Satya Nadella speaks at an event at the Chatham House think tank in London, Jan. 15, 2024. Microsoft will publish second-quarter financial results after the close of the market on Tuesday, Jan. 30, 2024. Credit: AP Photo/Kin Cheung, File



A Microsoft Surface logo is seen before an NFL football AFC divisional playoff game between the Houston Texans and the Baltimore Ravens, on Jan. 20, 2024, in Baltimore. Microsoft will publish second-quarter financial results after the close of the market on Tuesday, Jan. 30, 2024. Credit: AP Photo/Matt Slocum, File

That merger boosted Microsoft's revenue growth by four points, according to James Ambrose, the company's director of investor relations. But it also shaved operating profits by roughly \$440 million as a result of purchase accounting adjustments and integration and transactions costs, he said.

Microsoft shares initially dropped in after-hours trading, falling almost 2% to \$400.86, although they later recovered much of that loss. Analysts

suggested that investors were initially concerned about Microsoft's continued aggressive investment plans.

Microsoft's cloud-focused business segment outgrew its other divisions, with revenue expanding 20% from the same time last year to \$25.88 billion for the quarter.

Revenue from the company's Office suite of email and other workplace products, plus the LinkedIn professional social network, grew 13% to \$19.25 billion for the quarter.

And the Windows-led personal computing business, which includes the company's Xbox video games and services, grew 19% to \$16.89 billion. Those figures reflected the huge impact of adding Activision Blizzard to the segment. Microsoft's Xbox-related revenues grew by 61% in the quarter, although the company attributed 55 points of that figure to the addition of Activision, known for producing the enormously successful Call of Duty series of games.

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Citation: Microsoft profit soars 33% on AI, cloud-computing investments (2024, January 31) retrieved 13 May 2024 from <https://techxplore.com/news/2024-01-microsoft-profit-soars-ai-cloud.html>

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