

Microsoft cloud unit miss dulls bright earnings

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Microsoft CEO Satya Nadella says the company is focused on leading the way into the 'AI era'

Microsoft on Tuesday [reported strong quarterly earnings](#) but saw its shares slip on figures showing its crucial cloud computing unit did not

grow as strongly as expected.

Microsoft said it made a profit of \$22 billion on \$64.7 billion in [revenue](#) in the recently ended quarter, up from the same period a year earlier.

Cloud unit revenue of \$36.8 billion, however, disappointed investors and shares slid nearly three percent to \$411.40 in after-market trades.

Money brought in from cloud computing has driven blockbuster earnings quarter after quarter, and a hint that stellar growth may be slowing was enough to give investors pause.

"While there will be some knee-jerk reaction in Microsoft stock after hours, we believe the takeaways for the broader tech sector is this AI monetization story is real," Wedbush analyst Dan Ives said in a note to investors.

Microsoft is among the major contenders in the race to build out artificial intelligence systems, pouring billions of dollars into the technology in the hope it will pay off.

Microsoft is keen to monetize generative AI, having moved the fastest to implement it across all its products, and pouring \$13 billion into OpenAI, the start-up stalwart behind ChatGPT.

CFRA Research viewed the earnings results as "largely in line" across Microsoft's core businesses and believes that Microsoft is "incrementally improving" the money it makes from AI, according to senior equity analyst Angelo Zino.

"Still, we acknowledge that the better-than-expected cloud results from Alphabet last week had investors looking for more," Zino said.

Google cloud shines

Google-parent Alphabet reported profit and revenue that beat expectations as its AI-amped cloud and search ads businesses thrived.

Winning the big bet on AI is "crucial" for the group, said Jeremy Goldman of Emarketer, "but the market is willing to give them a level of patience."

The AI frenzy has helped Microsoft's [cloud computing](#) business grow in the double digits, which analysts said could be hard to sustain.

Microsoft's big stake in OpenAI along with its own Copilot AI help it maintain a leadership position in AI, according to Emarketer senior analyst Gadjó Sevilla.

Revenue from Microsoft's AI-infused "Intelligent Cloud" unit was \$28.5 billion, a 19-percent increase from the same quarter a year earlier, according to the earnings figures.

Microsoft CEO Satya Nadella said on an earnings call that use of its AI offerings is ramping up, from workplace software to Bing search and Copilot AI relied on by developers.

"I'm energized about the opportunities ahead," Nadella said. "We are investing for the long term in our fundamentals, in our innovation and in our people."

Microsoft's Azure platform drove a strong increase in revenue from server products and [cloud services](#), according to the company.

Nadella said the company is "focused on meeting the mission-critical needs of our customers across our at-scale platforms today, while also

ensuring we lead the AI era."

Microsoft reported a net income of \$88.1 billion for its fiscal year on revenue of \$245.1 billion, up 22 percent and 16 percent respectively.

Money taken in by Microsoft's Xbox video game unit leaped 61 percent, boosted by the acquisition of Activision, according to earnings figures.

Microsoft said costs to attract visitors to its search and news services rose 19 percent, as it pressed to compete with Google.

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