



First Quarter Fiscal Year 2025 Results

Satya Nadella
Amy Hood
Brett Iversen

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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 Q1 Financial Summary

(\$ in billions, except per share amounts)

	FY25 Q1	Growth	CC Growth*
Productivity and Business Processes	\$28.3	12%	13%
Intelligent Cloud	\$24.1	20%	21%
More Personal Computing	\$13.2	17%	17%
Revenue	\$65.6	16%	16%
Gross margin	\$45.5	13%	14%
Gross margin percentage	69%	(2) pts	
Operating income	\$30.6	14%	14%
Operating income percentage	47%	(1) pt	
Net income	\$24.7	11%	10%
Diluted earnings per share	\$3.30	10%	10%

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

Quarterly Commercial Highlights

Investor Metrics	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY25 Q1
Commercial bookings growth (y/y)	14% / 17%	17% / 9%	29% / 31%	17% / 19%	30% / 23%
Commercial remaining performance obligation (<i>in billions</i>)	\$212	\$222	\$235	\$269	\$259
Commercial revenue annuity mix	96%	96%	97%	97%	98%
Microsoft Cloud revenue (<i>in billions</i>)	\$31.9	\$33.7	\$35.2	\$36.9	\$38.9
Microsoft Cloud revenue growth (y/y)	24% / 23%	24% / 22%	24% / 23%	22% / 23%	22%
Microsoft Cloud gross margin percentage	73%	72%	72%	70%	71%

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

Commercial business

- Commercial bookings increased 30% (up 23% CC) year-over-year driven by strong execution across our core annuity sales motions and growth from large, long-term Azure contracts
- Commercial remaining performance obligation of \$259 billion, up 22% (up 21% CC) year-over-year
- Commercial revenue annuity mix of 98%, up 2 points year-over-year with continued shift to cloud

Microsoft Cloud

- Microsoft Cloud revenue of \$38.9 billion, up 22% year-over-year
- Microsoft Cloud gross margin percentage decreased year-over-year to 71% driven by scaling our AI infrastructure

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 Q1 Other Financial Highlights

Cash returned to shareholders	Returned \$9.0 billion to shareholders with \$6.2 billion in dividends and \$2.8 billion in share repurchases
Operating expenses	Operating expenses were \$14.9 billion, up 12% year-over-year driven by 9 points from the Activision acquisition as well as investments in cloud engineering
Other income and expense	Other income and expense was \$(283) million driven by net losses on investments accounted for under the equity method, partially offset by net gains on foreign currency remeasurement and interest income net of interest expense
Effective tax rate	Effective tax rate of 19%
Capital expenditures	Capital expenditures including assets acquired under finance leases were \$20.0 billion to support demand in our cloud and AI offerings. Of our cloud and AI capital expenditures, roughly half was for long-lived assets. Cash paid for property and equipment was \$14.9 billion.
Cash flow	- Cash flow from operations was \$34.2 billion, up 12% year-over-year driven by strong cloud billings and collections, partially offset by higher supplier, employee and tax payments - Free cash flow was \$19.3 billion, down 7% year-over-year reflecting higher capital expenditures to support our cloud and AI offerings

FY25 Q1 Business Highlights



Productivity and Business Processes

- Microsoft 365 Commercial products and cloud services revenue increased 13% (up 14% CC) driven by Microsoft 365 Commercial cloud revenue growth of 15% (up 16% CC)
- Microsoft 365 Consumer products and cloud services revenue increased 5% (up 6% CC) driven by Microsoft 365 Consumer cloud revenue growth of 6% (up 7% CC)
- LinkedIn revenue increased 10% (up 9% CC)
- Dynamics products and cloud services revenue increased 14% driven by Dynamics 365 revenue growth of 18% (up 19% CC)



Intelligent Cloud

- Server products and cloud services revenue increased 23% driven by Azure and other cloud services revenue growth of 33% (up 34% CC)



More Personal Computing

- Windows OEM and Devices revenue increased 2%
- Xbox content and services revenue increased 61% driven by 53 points of net impact from the Activision acquisition
- Search and news advertising revenue excluding traffic acquisition costs increased 18% (up 19% CC)



Productivity and Business Processes

Overview

Investor Metrics

	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY25 Q1
Microsoft 365 Commercial cloud revenue growth (y/y)	20% / 19%	20% / 18%	17%	15% / 16%	15% / 16%
Microsoft 365 Commercial seat growth (y/y)	10%	9%	8%	7%	8%
Microsoft 365 Consumer cloud revenue growth (y/y)	8% / 9%	8%	8%	7%	6% / 7%
Microsoft 365 Consumer subscribers (in millions)	76.7	78.4	80.8	82.4	84.4
LinkedIn revenue growth (y/y)	8%	9% / 8%	10% / 9%	10% / 9%	10% / 9%
Dynamics 365 revenue growth (y/y)	27% / 26%	26% / 23%	22% / 21%	19% / 20%	18% / 19%

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

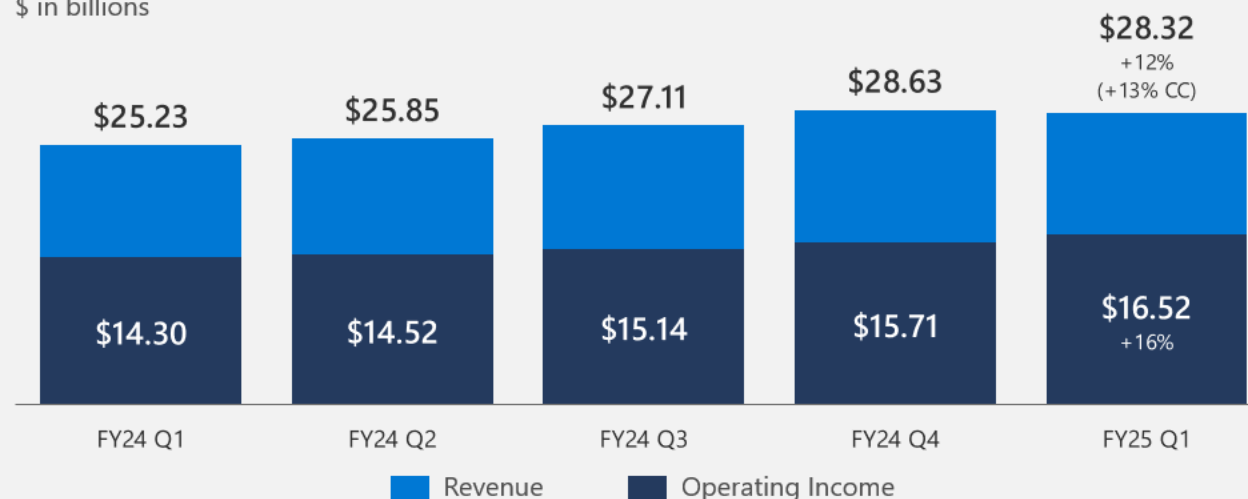
Total Revenue

- Revenue grew 12% (up 13% CC) driven by Microsoft 365 Commercial cloud

Operating Income

- Gross margin dollars grew 11% (up 12% CC) and gross margin percentage decreased slightly driven by scaling our AI infrastructure
- Operating expenses grew 2% primarily driven by investments in commercial sales and cloud engineering
- Operating income grew 16%

\$ 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 13% (up 14% CC)
- Microsoft 365 Commercial cloud revenue grew 15% (up 16% CC) with Microsoft 365 Commercial seat growth of 8%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Microsoft 365 Commercial products revenue grew 2% (up 3% CC) driven by the on-premises components of Microsoft 365 suite sales, partially offset by continued shift from Office Commercial products to Microsoft 365 Commercial cloud

Microsoft 365 Consumer

- Microsoft 365 Consumer products and cloud services revenue grew 5% (up 6% CC)
- Microsoft 365 Consumer cloud revenue grew 6% (up 7% CC) with Microsoft 365 Consumer subscriber growth of 10% to 84.4 million

LinkedIn

- LinkedIn revenue grew 10% (up 9% CC) driven by growth across all lines of business – Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions
- LinkedIn sessions grew 11% with record engagement

Dynamics

- Dynamics products and cloud services revenue grew 14% driven by growth in Dynamics 365, partially offset by a decline in Dynamics on-premises products
- Dynamics 365 revenue grew 18% (up 19% CC) driven by growth across all workloads



Intelligent Cloud

Overview

Investor Metrics

	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY25 Q1
Azure and other cloud services revenue growth (y/y)	31% / 30%	33% / 31%	35%	34% / 35%	33% / 34%

Trended Revenue Growth

Server products revenue growth (y/y)	2%	3% / 2%	6%	2% / 3%	(1)%
Enterprise and partner services revenue growth (y/y)	1% / 0%	1% / 0%	(9)%	(7)%	(1)% / 0%

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

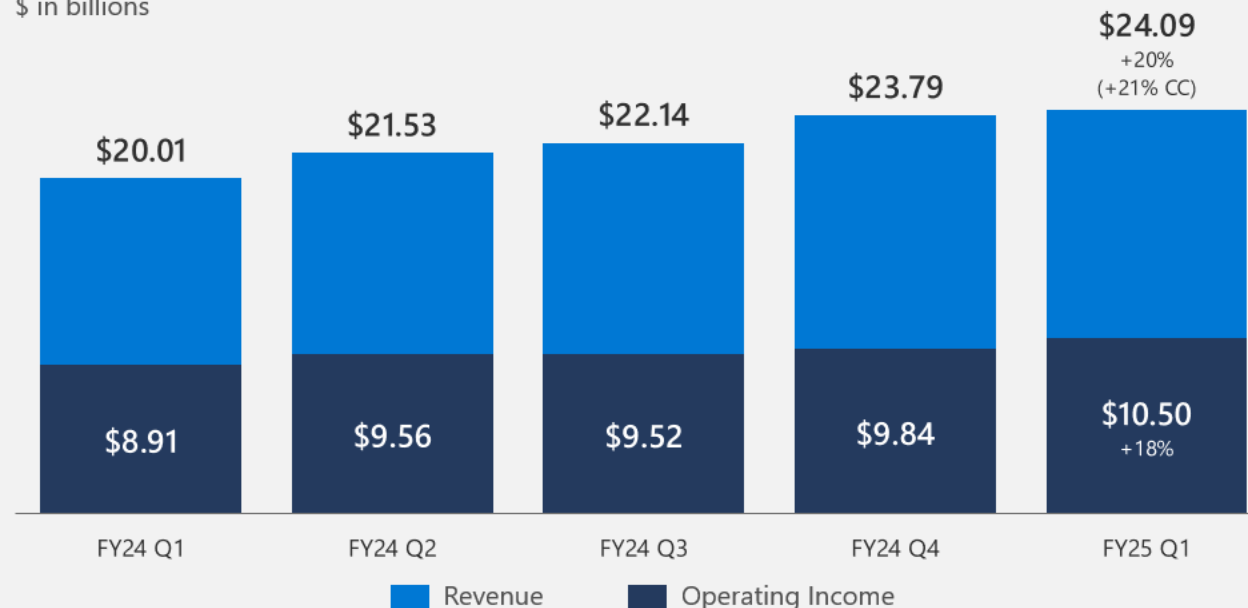
Total Revenue

- Revenue grew 20% (up 21% CC) driven by Azure

Operating Income

- Gross margin dollars grew 15% and gross margin percentage decreased driven by scaling our AI infrastructure
- Operating expenses grew 8% driven by investments in Azure
- Operating income grew 18%

\$ 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.



Intelligent Cloud Highlights

Server Products and Cloud Services

- Server products and cloud services revenue grew 23%
- Azure and other cloud services revenue grew 33% (up 34% CC) driven by demand for our portfolio of services, including 12 points from our AI services
- Server products revenue declined 1% driven by lower transactional purchasing ahead of the Windows Server 2025 launch as well as lower purchasing of licenses running in multi-cloud environments

Enterprise and Partner Services

- Enterprise and partner services revenue declined 1% (relatively unchanged CC)



More Personal Computing

Overview

Investor Metrics

	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY25 Q1
Windows OEM and Devices revenue growth (y/y)	(5)%	4%	2%	(1)% / 0%	2%
Xbox content and services revenue growth (y/y)	13% / 12%	61% / 60%	62% / 61%	61%	61%
Search and news advertising revenue (ex TAC) growth (y/y)	8% / 7%	6% / 4%	8%	15% / 16%	18% / 19%

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

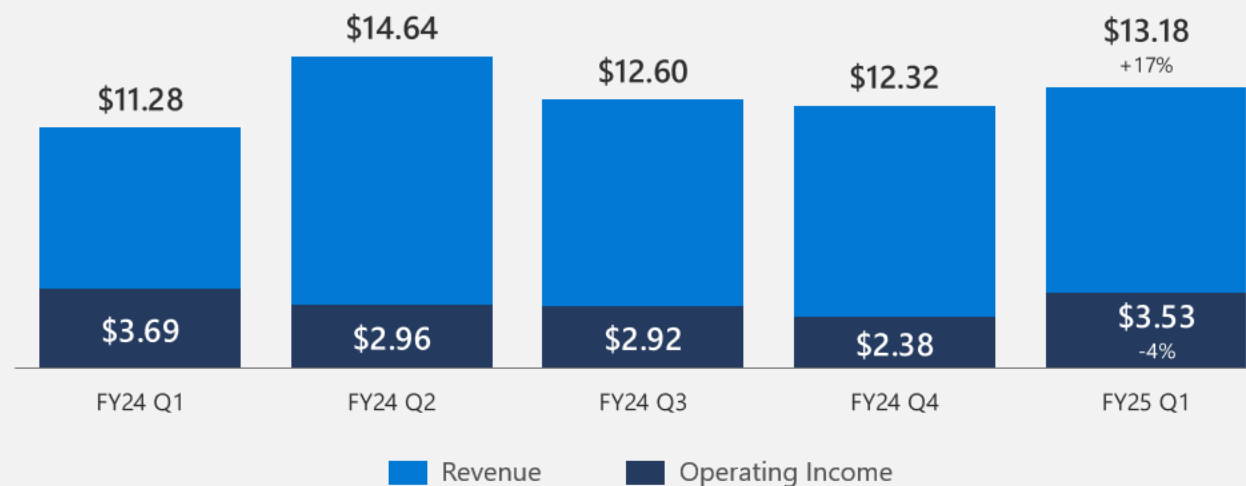
Total Revenue

- Revenue grew 17% driven by 15 points of net impact from the Activision acquisition

Operating Income

- Gross margin dollars grew 16% (up 17% CC) with 12 points of net impact from the Activision acquisition. Gross margin percentage was relatively unchanged as improvement in Gaming and Search and news advertising was offset by sales mix shift to those businesses.
- Operating expenses grew 49% driven by 51 points from the Activision acquisition
- Operating income decreased 4%

\$ 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.

Net impact from the Activision acquisition

FY25 Q1

(\$ in billions)

Net Impact from
Activision

Revenue	\$1.69
Purchase accounting adjustments, integration and transaction-related costs	\$0.68
Other cost of revenue	\$0.28
Cost of revenue	\$0.96
Gross margin	\$0.73
Purchase accounting adjustments, integration and transaction-related costs	\$0.23
Other operating expenses	\$0.94
Operating expenses	\$1.17
Operating income (loss)	\$(0.44)

Activision Acquisition Details

The net impact from the Activision acquisition includes adjusting for the movement of Activision content from third-party to first-party



More Personal Computing Highlights

Windows OEM and Devices

- Windows OEM and Devices revenue grew 2% driven by growth in Windows OEM, partially offset by a decline in Devices

Gaming

- Gaming revenue grew 43% (up 44% CC) including 43 points of net impact from the Activision acquisition
- Xbox content and services revenue grew 61% including 53 points of net impact from the Activision acquisition
- Xbox hardware revenue declined 29%

Search and News Advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 18% (up 19% CC) driven by higher search volume and higher revenue per search

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of first-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 September 30,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
2023 As Reported (GAAP)	\$56,517	\$40,215	\$13,320	\$26,895	\$22,291	\$2.99
2024 As Reported (GAAP)	\$65,585	\$45,486	\$14,934	\$30,552	\$24,667	\$3.30
Percentage Change Y/Y (GAAP)	16%	13%	12%	14%	11%	10%
Constant Currency Impact	\$(217)	\$(186)	\$(5)	\$(181)	\$78	\$0.01
Percentage Change Y/Y Constant Currency	16%	14%	12%	14%	10%	10%

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 September 30,

(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2023 As Reported (GAAP)	\$25,226	\$20,013	\$11,278
2024 As Reported (GAAP)	\$28,317	\$24,092	\$13,176
Percentage Change Y/Y (GAAP)	12%	20%	17%
Constant Currency Impact	\$(128)	\$(72)	\$(17)
Percentage Change Y/Y Constant Currency	13%	21%	17%

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Constant Currency Reconciliation

Segment Gross Margin

Three Months Ended September 30, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	11%	1%	12%
Intelligent Cloud	15%	0%	15%
More Personal Computing	16%	1%	17%

Segment Operating Expense

Three Months Ended September 30, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	2%	0%	2%
Intelligent Cloud	8%	0%	8%
More Personal Computing	49%	0%	49%

Segment Operating Income

Three Months Ended September 30, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	16%	0%	16%
Intelligent Cloud	18%	0%	18%
More Personal Computing	(4)%	0%	(4)%

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 September 30, 2024

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	30%	(7)%	23%
Commercial remaining performance obligation	22%	(1)%	21%
Microsoft Cloud revenue	22%	0%	22%
Microsoft 365 Commercial products and cloud services revenue	13%	1%	14%
Microsoft 365 Commercial cloud revenue	15%	1%	16%
Microsoft 365 Commercial products revenue	2%	1%	3%
Microsoft 365 Consumer products and cloud services revenue	5%	1%	6%
Microsoft 365 Consumer cloud revenue	6%	1%	7%
LinkedIn revenue	10%	(1)%	9%
Dynamics products and cloud services revenue	14%	0%	14%
Dynamics 365 revenue	18%	1%	19%
Server products and cloud services revenue	23%	0%	23%
Azure and other cloud services revenue	33%	1%	34%
Server products revenue	(1)%	0%	(1)%
Enterprise and partner services revenue	(1)%	1%	0%
Windows OEM and Devices revenue	2%	0%	2%
Gaming revenue	43%	1%	44%
Xbox content and services revenue	61%	0%	61%
Xbox hardware revenue	(29)%	0%	(29)%
Search and news advertising revenue excluding traffic acquisition costs	18%	1%	19%

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 September 30,

(\$ in millions)	2024	2023	Percentage Change Y/Y
Net Cash from Operations (GAAP)	\$34,180	\$30,583	12%
Additions to Property and Equipment	\$(14,923)	\$(9,917)	*
Free Cash Flow	\$19,257	\$20,666	(7)%

**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.

