

Cloud Drives Microsoft Fiscal Q1

Written by Marco Attard
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Microsoft revenues reach \$29.1 billion in fiscal Q1 2019 (ending 30 September 2018)-- a 19% Y-o-Y increase, with net income reaching \$8.8bn, up 34% Y-o-Y, on operating income of \$10bn, a 29% Y-o-Y increase.



"We are off to a great start in fiscal 2019, a result of our innovation and the trust customers are placing in us to power their digital transformation," CEO Satya Nadella says. "We're excited to help our customers build the digital capability they need to thrive and grow, with a business model that is fundamentally aligned to their success."

The Windows Maker sees growth across the three main divisions, namely Productivity and Business Processes, Intelligent Cloud and More Personal Computing. Productivity and Business Processes covers Office, LinkedIn and Dynamics products and services, and has revenues grow by 19% Y-o-Y to \$9.8bn, with all segments seeing growth. For instance, Office commercial revenues are up by 17% Y-o-Y, while Office consumer revenues are up by 16% Y-o-Y. LinkedIn also sees impressive 33% Y-o-Y revenue growth, with record levels of engagement.

The highest growth-- 24% Y-o-Y on revenues worth \$8.6bn-- comes from self descriptive Intelligent Cloud division. Server products and cloud services revenues are up by 28% Y-o-Y, as driven by Azure revenue growth of 76%, while enterprise services revenue shows 6% Y-o-Y growth. While cloud revenues are on the up, Microsoft says the short term future is in hybrid cloud, since hybrid is the end game for at least some businesses.

"We don't think of hybrid as some stop-gap on a move to the cloud," Nadella tells investors. "We think about it [as] the coming together of distributed computing where the cloud and the edge work together for not just the old workloads, but most importantly for new workloads."

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The More Personal Computing division also shows growth, since revenues are up by 15% Y-o-Y to reach \$10.7bn. Windows OEM revenue shows 3% Y-o-Y growth, driven by OEM Pro revenue growth of 8% Y-o-Y. Window commercial product and cloud services revenue increased by 12% Y-o-Y thanks to an increase in multi-year agreements, while search advertising revenue (excluding traffic acquisition costs) is up by 17% Y-o-Y.

On the consumer side, the Surface is successful this quarter with 14% Y-o-Y revenue growth, while gaming revenue is up by 45% Y-o-Y with Xbox software and services revenue growing by 36% Y-o-Y thanks to strong 3rd party software.

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