

Cloud Drives Wall Street-Beating Microsoft Results

Written by Marco Attard
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Microsoft concludes fiscal 2016 on a positive note, with GAAP net profit for the quarter ending 30 June reaching \$3.1 billion, an improvement from the \$3.2bn loss seen on the same period last year.



Revenues for the quarter total \$20.6bn, a -7% Y-o-Y drop. For the full year, GAAP revenues are down by -9% to \$85.3bn, while net profit is up by 38% to \$16.8bn. Driving such results is the Azure cloud business, not to mention a lack of the \$8.4bn Nokia writedown and restructuring.

"This past year was pivotal in both our own transformation and in partnering with our customers who are navigating their own digital transformations," CEO Satya Nadella says. "The Microsoft Cloud is seeing significant customer momentum and we are well positioned to reach new opportunities in the year ahead."

As mentioned earlier cloud is the main Microsoft driver, with server products and cloud services revenues growing by 5% Y-o-Y to \$253 million. The Azure division sees revenue growth of 102% for the same quarter, leading to the company stating it is still on track to reach commercial cloud revenues worth \$20bn by fiscal 2018 (July 2017 - June 2018).

Such cloud results also offset falling hardware results-- Q4 devices revenues are down by -35%, something the company blames on mobile sales declining by -71%. Microsoft is currently scaling back its hardware ambitions after the sale of the Nokia consumer brand, and drop in smartphone sales has also led the company to admit it will not reach its ambition of having Windows 10 on 1 billion by 2018.

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However the Surface tablet is something of a bright spot, with annual revenues increasing by 9% to \$76m thanks to a strong push in the channel.

"Microsoft's family of Surface devices continues to drive category growth, and we are reaching more commercial customers of all sizes with the support of our channel partners," Nadella says. "We recently announced new Surface enterprise initiatives with IBM and Booz Allen Hamilton to enable more customer segments. Also in the past year, we grew our commercial Surface partner channel from over 150 to more than 10000."

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