Offshore Stocks

A Subsidiary of SCBX Group

COMPANY UPDATE | EARNINGS BRIEF

31 January 2024

Microsoft Corp.

MSFT.US

Bloomberg	MSFT.US
Reuters	MSFT.OQ

Microsoft offers optimistic outlook and predicts sustained growth in cloud services.

Earnings Result

In comparing the previous and current quarter summaries of Microsoft's financial reports, it is evident that the company continues to focus on delivering new products and enhancements through significant research and development investments. Microsoft also emphasizes its commitment to Environmental, Social, and Governance (ESG) efforts. Additionally, the current quarter summary highlights the provision of non-GAAP financial measures related to costs incurred, aiming to provide additional insight into the company's operational performance.

Net profit growth QoQ and YoY

Microsoft's earnings in F2Q24 exceeded expectation. The net profit growth was 33% (GAAP) and 26% (non-GAAP) in constant currency. The YoY net profit growth was 33% (GAAP) and 26% (non-GAAP) in constant currency.

Revenue growth of each business

The company reported a revenue of $62.0 billion, surpassing the anticipated $61.14 billion in F2Q24. This success was attributed to strong performance in its personal computing segment and its Productivity and Business Processes division. The revenue growth for each business segment is as follows: - Productivity and Business Processes: Revenue increased by 13% ($19.2 billion) compared to the previous year. - Intelligent Cloud: Revenue increased by 20% ($25.9 billion) compared to the previous year. - More Personal Computing: Revenue increased by 19% ($16.9 billion) compared to the previous year.

Operating margin

For the three months ended December 31, 2023, the operating margin for Productivity and Business Processes was approximately 53%, for Intelligent Cloud was approximately 48%, and for More Personal Computing was approximately 25%. These figures indicate the profitability of each segment and can be used to assess the company's operational efficiency.

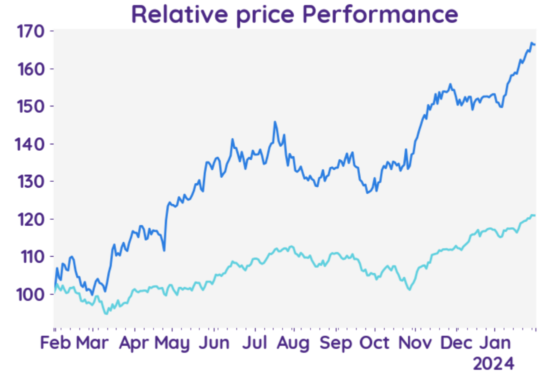
Business Outlook

Microsoft's Guidance Shows Mixed Outlook by Segment: Productivity and Business Processes project a slight revenue increase above expectations, while the Intelligent Cloud unit forecasts strong growth surpassing consensus. More Personal Computing expects lower than anticipated revenues due to soft PC demand. Overall, operating margin is predicted to improve despite increased cloud and AI investments.

Risks and concerns

The current risks that Microsoft is facing include legal and regulatory requirements, potential legal disputes, uncertainties with government customers, additional tax liabilities, intellectual property infringement claims, damage to reputation, adverse economic or market conditions, disruptions from catastrophic events or geopolitical conditions, exposure to economic uncertainties from operating globally, and dependence on attracting and retaining talented employees.

REVENUE - %CHG YOY	3Q23	4Q23	1Q24	2Q24	3Q24E
Productivity & Business Processes	10.9%	10.2%	12.9%	13.2%	11.7%
Intelligent Cloud	15.9%	14.7%	19.4%	20.3%	17.1%
More Personal Computing	-8.7%	-3.1%	2.5%	18.6%	5.8%



SENTIMENT	3Q23	4Q23	1Q24	2Q24
net profit	Positive	Neutral	Positive	Positive
margin	Neutral	Negative	Positive	Positive
revenue	Positive	Positive	Positive	Positive

STOCK DATA	
Market Cap (USD Million)	3036.00
Beta	1.12
Last close	408.59
12-m Low / High	242.9 / 413.1
Target price	433.50
Return Potential	6.1 %
% of Buy / Sell rating	92.0 % / 0.0 %

VALUATION DATA	12M FORWARD	5-YR AVERAGE
P/E	34.86	32.12
P/B	10.64	12.23
P/S	12.44	10.57
EV/EBITDA	24.60	19.96
Dividend Yield	0.0 %	

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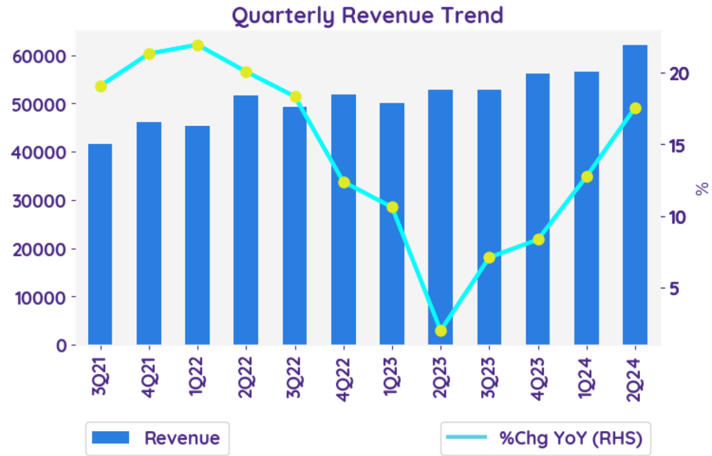
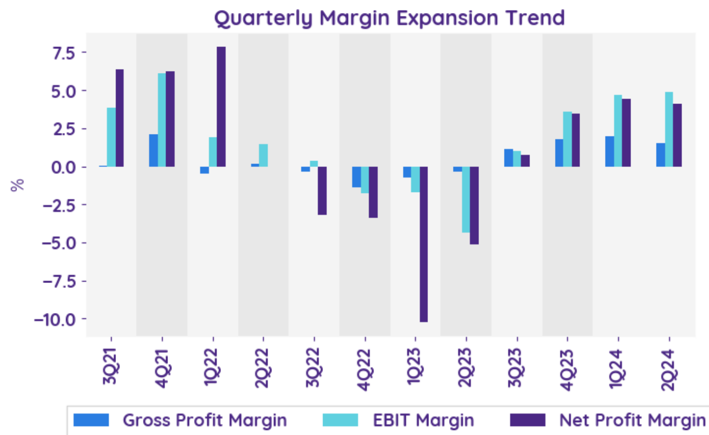
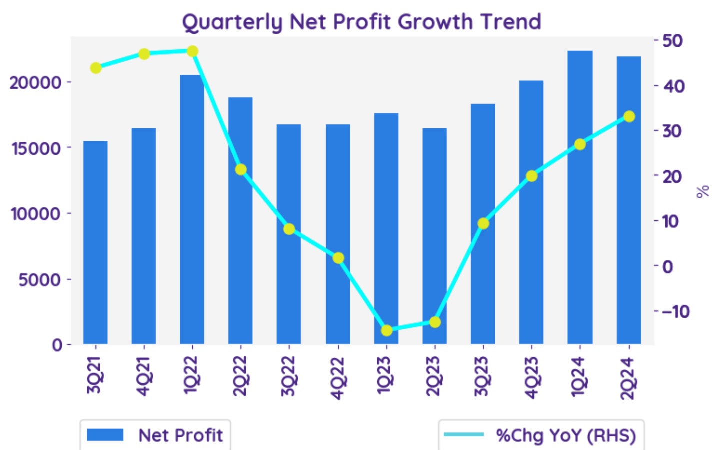
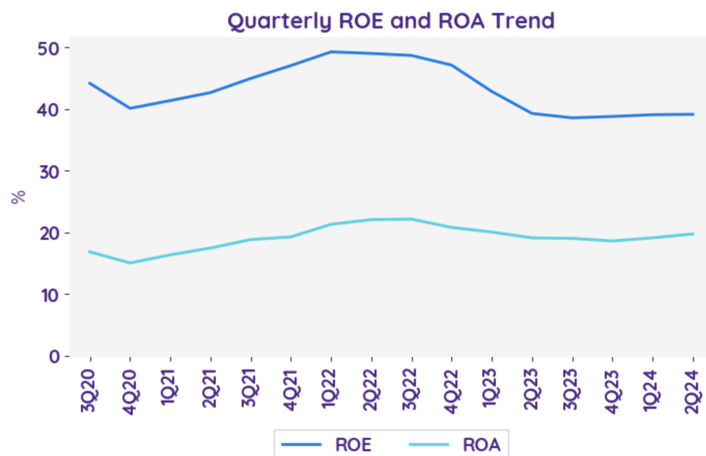
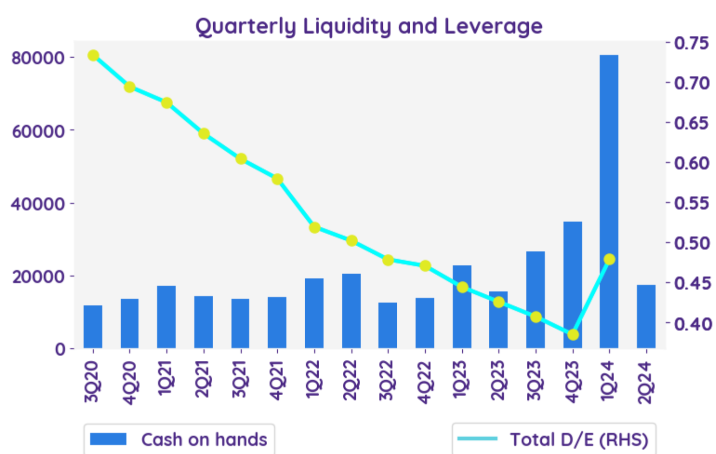
Microsoft Corporation operates as a software company. The Company offers applications, extra cloud storage, and advanced security solutions. Microsoft serves customers worldwide.

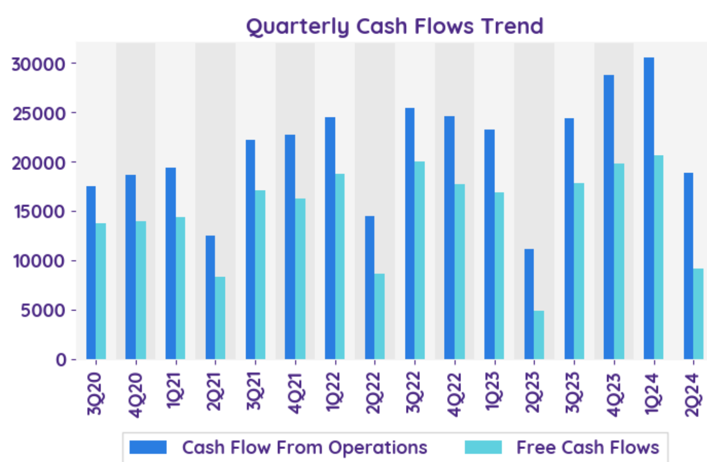












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