

Microsoft Corporation

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Microsoft shares slip on second quarter revenue miss

Shares in computer giant Microsoft Corp (NASDAQ:MSFT) shares slipped in pre-market trading in the US on Thursday after its second-quarter revenues missed expectations.

The results, which came in after-hours on Wednesday, reported revenues of US\$32.47bn, up 12% year-on-year (YoY) but just a touch below analysts' expectations of US\$32.51bn, while the company swung to a US\$8.42bn profit from a US\$6.2bn loss a year ago, which was connected to a new tax law enacted in December 2017.

READ: Microsoft tops 1Q estimates; analysts weigh in on its Azure cloud business

The revenue miss was partially attributed to a shortage of computer chips, which the company said had dented the expected sales of its Windows operating system in the quarter and was expected to also affect sales in the coming months as Microsoft's computer-making customer suffered a 5% drop in revenue over the period.

However, the company is relying more and more on its Azure cloud-computing business to drive growth, with the division boasting a 76% expansion in the quarter replicating the previous three-month period.

The firm's capital expenditure, which is now used largely to build massive data centres supporting Azure, jumped YoY to US\$3.9bn from US\$2.7bn.

Social networking site LinkedIn, which Microsoft bought for US\$27bn back in 2016, also saw revenues climb 29% in the quarter.

Revenue for the firm's productivity and business processes arm, which includes LinkedIn as well as its Office365 subscription earnings, was up 13% at US\$10.1bn while gaming revenues were up 8% in the holiday quarter.

Analysts upbeat on cloud prospects

In a note, analysts at broker Wedbush were upbeat about the company's prospects going forward, saying that while the second quarter results were not a "clean beat", the firms "positive outlook for the March quarter and strong underlying cloud, Office 365/Azure, and enterprise demand trends for 2019 speaks to a company still in the middle innings of a renaissance of growth".

"We are bullish on MSFT into 2019 given our thesis that Azure's cloud momentum is still in its early days of playing out with the company's massive installed base, Office 365 transition on consumer/enterprise providing growth tailwinds for the next 12 to 18 months at least, and newer integrated product initiatives around consumers and cloud services (LinkedIn) are still playing out."

Wedbush added that despite Amazon Inc (NASDAQ:AMZN) being a "major force" in the cloud computing shift, they believed Microsoft "with its army of partners and dedicated sales force have a major window of opportunity in 2019 to

Price: 213.86

Market Cap: \$1.62 trillion

1 Year Share Price Graph



Share Information

Code: MSFT

Listing: NASDAQ

52 week	High	Low
	232.85	132.53

Sector: Software & services

Website: www.microsoft.com

Company Synopsis:

Microsoft Corporation is engaged in developing, manufacturing, licensing, and supporting a range of software products and services for different types of computing devices.

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convert enterprises to the Azure/cloud platform".

In pre-market trading, Microsoft shares were down 2.2% at US\$104.

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