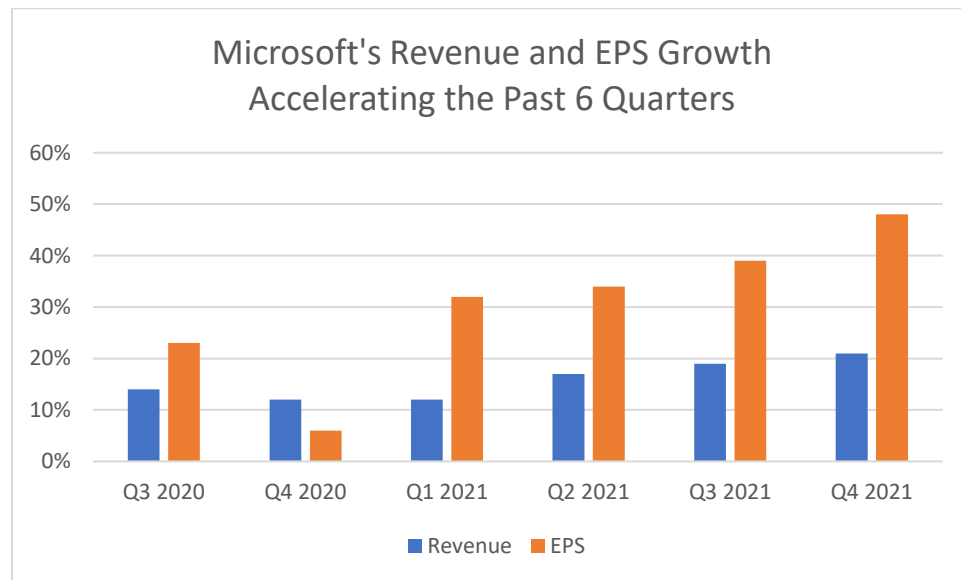


Inside Microsoft: Last Quarter's Progress.

Aug. 2, 2021

Microsoft continued the acceleration that started once the pandemic triggered “virtual everything” over a year ago, with revenue increasing 21% and earnings increasing 48%. Every business area grew, with the exception of its Surface tablet and Xbox console businesses, which struggled due to the global chip shortage.



*Microsoft's past quarter was fiscal Q4 2021 (actually calendar Q2 2021)

Microsoft's main growth driver continues to be its cloud business, which is really what has transformed the company over the last decade. For the full year, its commercial cloud revenue exceeded \$69 billion in revenue, up 34%. It remains the only cloud provider to support multi-cloud, hybrid, and edge needs of a company. AT&T chose Microsoft to be the cloud provider for its 5G network, an area where Microsoft expects lots of opportunities in the near future. An impressive 75% of Fortune 500 companies use Microsoft's cloud services. The number of companies signing cloud contracts with Microsoft worth more than \$10 million grows each quarter. This is happening, said CEO Nadella, because more and more capabilities are being added to the cloud all the time; and because companies are happy enough with the product that they are signing up for multi-year agreements.

While the cloud continues to impress, Microsoft has done a great job diversifying its portfolio as well. This past year, the number of business segments that brought it over \$10 billion in revenue grew, including LinkedIn, purchased in 2016. Since the purchase, LinkedIn revenue has tripled, usage increased 30% in the past year, and advertising revenue passed \$1 billion this past quarter, growing 3 times faster than the overall advertising industry.

When asked whether Microsoft could keep today's momentum going, CEO Satya Nadella said, "I always think about one thing: 5% of world GDP is technology spending today, but that percent should double in the years ahead. If we get our share of that, we'll keep growing fast." At Outlook we suspect he is right.

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