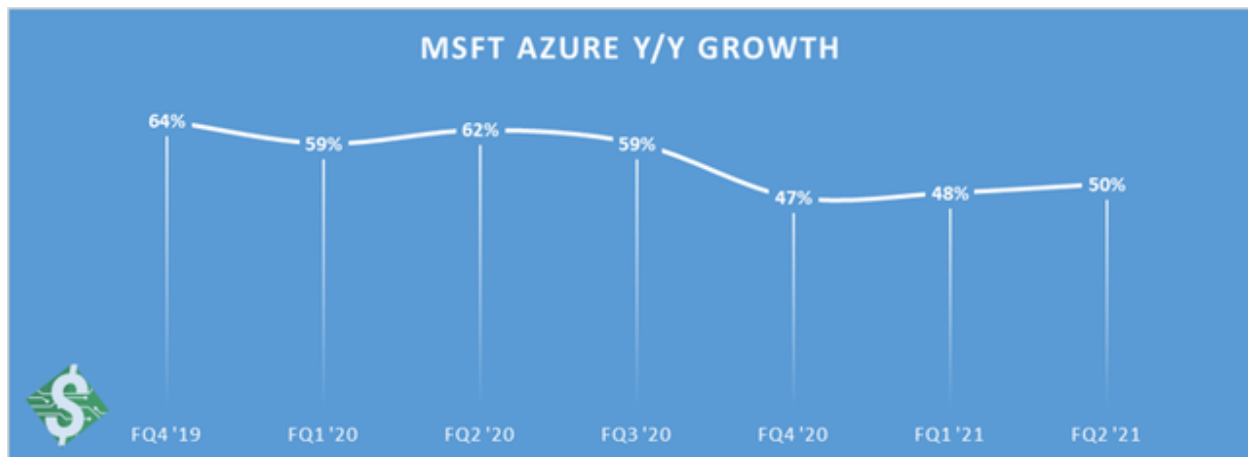


Inside Microsoft: Last Quarter's Progress.

Feb. 5, 2020

Microsoft reported an absolutely fantastic quarter, beating Wall Street's revenue expectations by perhaps the largest amount in company history and recording the highest revenue growth (17%) since September 2018, with nearly every single business unit growing. CEO Nadella described last quarter as "the beginning of a second wave of digital transformation sweeping every company and every industry". More companies are realizing remote work is here to stay in some form, and some industries that only began to recover from the pandemic shutdowns last quarter are now getting into the game.

Microsoft's cloud business, which has led the company's transformation over the past 5-6 years, had a very successful quarter. Commercial cloud revenue was up 34%, and Azure grew 50%, reaccelerating over the last couple of quarters, as the graph below shows. It remains the leader in hybrid cloud capabilities, offering companies the ability to use multiple different clouds and integrate the cloud into on-site workloads. The fact that Azure's growth accelerated and Amazon Web Services' growth (its main competitor) decreased last quarter suggests that Microsoft is gaining market share in the cloud space.



Other notable highlights from the quarter include:

- Gaming revenue up 50%, led by the launch of Xbox Series X and Series S, which turned into the most successful launch in company history. It is still hard to get your hands on one of these consoles today.
- Advertising revenue began to return to pre-COVID levels, helping LinkedIn revenue rise 23%.
- Microsoft's Power Platform is becoming the leader in low or no code application development. It built a Vaccination Registration and Administration Solution on the platform, helping the Australian government and several state governments manage the vaccination process.
- Personal computer usage remains strong. Microsoft added more Windows 10 devices this quarter than ever before.
- Its security business is up 40% from last year. Security continues to be a top priority for all companies, especially in light of the recent SolarWinds attack, which provided the hackers access to US cybersecurity firm FireEye.

It's quite clear that digital transformation of the workplace is stronger than ever and set to continue. 2021 looks bright for Microsoft.