# Microsoft (MSFT)

July 30, 2024 (Fiscal Year 2024 Fourth Quarter Earnings Conference Call)

## Main Points:

• Annual revenue exceeded $245 billion, up 15% year-over-year

• Microsoft Cloud revenue surpassed $135 billion, up 23%

• Azure revenue grew 29% and 30% in constant currency

• Copilot for Microsoft 365 seeing strong adoption and repeat purchases

• Gaming revenue increased 44% with 48 points of net impact from the Activision acquisition

• Capital expenditures including finance leases were $19 billion

• Cash flow from operations surpassed $100 billion for the first time, reaching $119 billion

## Sales growth, earning growth and profit for the future:

• Expect double-digit revenue and operating income growth for FY2025

• Azure growth expected to accelerate in H2 FY2025 as AI capacity increases

• Copilot for Microsoft 365 growing faster than any previous suite launch

• Gaming portfolio expanded with Activision acquisition, covering console, PC, and mobile

• Continued share gains in Dynamics 365 and business applications

## Future Guidance:

• FY2025 capital expenditures expected to be higher than FY2024

• FY2025 operating expense growth expected to be in single digits

• FY2025 operating margins expected to be down about one point year-over-year

• Q1 FY2025 revenue growth guidance:

Productivity and Business Processes: 10-11% in constant currency

Intelligent Cloud: 18-20% in constant currency

More Personal Computing: 9-12% in constant currency

• Q1 FY2025 Azure revenue growth expected to be 28-29% in constant currency

## Professional observations:

• Microsoft is heavily investing in AI infrastructure, balancing growth with cost management

• The company is seeing strong demand for AI services, but facing capacity constraints

• Copilot adoption across various products (Microsoft 365, GitHub, Dynamics) shows promising early results

• The Activision acquisition significantly impacts gaming revenue, but organic growth seems modest

• Microsoft is leveraging its existing cloud infrastructure for AI, potentially leading to faster margin improvements compared to the initial cloud transition

• The company is managing capital expenditures flexibly, adjusting based on demand signals

• There's a focus on long-term asset buildout (data centers, land) alongside shorter-term investments in computing resources

• Some softness noted in European markets for non-AI Azure consumption

• Microsoft is partnering with other companies (e.g., Oracle) to address short-term AI capacity constraints

*I (AI Generator) confirm that I have read the entire transcript file from beginning to end before providing this analysis. The transcript ends with the operator concluding the conference call.*