



FY25 Investor Metrics

August 2024

This presentation contains forward-looking statements, which are any predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in the Risk Factors section and other sections of our Form 10-K, Forms 10-Q, and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update forward-looking statements.

Agenda

Disclosure framework

Updates for FY25

- Segment changes
- Metric changes
- FY25 Q1 Outlook updates

Disclosure framework

To enhance investor understanding of our business, Microsoft regularly discloses supplemental financial information, business highlights, and key performance indicators

SEC filings (10-Qs and 10-K)

Earnings press release and slides

- Business highlights and comparative view of performance (GAAP and constant currency)

Investor metrics

- Enable investors to evaluate progress against our ambitions
- Provide transparency into performance trends
- Reflect the continued evolution of our products and services

Earnings commentary

- Momentum and innovation from a product, customer, and partner perspective

Updates for FY25 – Segment structure

FY24 Segment structure

Productivity and Business Processes

Office products and cloud services	Office Commercial products and cloud services
	Office Consumer products and cloud services
Dynamics products and cloud services	Dynamics 365
	Dynamics products
LinkedIn	

Intelligent Cloud

Server products and cloud services	Azure and other cloud services
	Server products
Enterprise and partner services	

More Personal Computing

Windows	Windows OEM
	Windows Commercial products and cloud services
	Windows other
Devices	
Search and news advertising	
Gaming	Xbox content and services
	Xbox hardware

FY25 Segment structure

Productivity and Business Processes

Microsoft 365 Commercial products and cloud services	Microsoft 365 Commercial cloud
	Microsoft 365 Commercial products
Microsoft 365 Consumer products and cloud services	Microsoft 365 Consumer cloud
	Office Consumer products
Dynamics products and cloud services	Dynamics 365
	Dynamics products
LinkedIn	

Intelligent Cloud

Server products and cloud services	Azure and other cloud services
	Server products
Enterprise and partner services	

More Personal Computing

Windows and Devices	Windows OEM and Devices
	Windows other
Search and news advertising	
Gaming	Xbox content and services
	Xbox hardware

Updates for FY25 – Segment changes

Key segment change – Microsoft 365 Commercial

- We have brought revenue from the commercial components of Microsoft 365 together in the Productivity and Business Processes (“PBP”) segment to align to how the business is managed. “Microsoft 365 Commercial products and cloud services” will now be reported in SEC filings and our KPIs have been adjusted as well. Microsoft 365 Commercial products and cloud services now includes:
 - Office Commercial products and cloud services revenue, already in the PBP segment
 - Enterprise Mobility + Security (“EMS”) and Power BI per-user revenue, previously reported in Azure within the Intelligent Cloud (“IC”) segment
 - Windows Commercial products and cloud services revenue, previously reported in Windows within the More Personal Computing (“MPC”) segment
- The cloud portion of Microsoft 365 Commercial will be reported as “Microsoft 365 Commercial cloud” and the on-premises portion will be reported as “Microsoft 365 Commercial products”

Other segment changes

- Copilot Pro revenue has moved from Office Consumer products and cloud services in our PBP segment to Search and news advertising in our MPC segment to align to how the business is managed. We then renamed “Office Consumer products and cloud services” to “Microsoft 365 Consumer products and cloud services” given the current branding of the product.
- Nuance Enterprise revenue has moved from Server products and cloud services in the IC segment to Dynamics products and cloud services in the PBP segment. Nuance Healthcare revenue remains in Server products and cloud services. These changes better align to how the businesses are managed.
- Windows revenue (now excluding Windows Commercial revenue as noted above) and Devices revenue will now be reported together in SEC filings to bring revenue from PC market-driven businesses together
- Revenue moved from Search and news advertising in the MPC segment to Azure in the IC segment, and therefore will be included in Microsoft Cloud metrics, to better align with similar commercial services

Metric changes

FY25 Investor metrics

Commercial metrics

- Commercial bookings growth
- Commercial remaining performance obligation
- Commercial revenue annuity mix
- Microsoft Cloud revenue and revenue growth
- Microsoft Cloud gross margin percentage

Productivity & Business Processes; Intelligent Cloud

- Microsoft 365 Commercial cloud revenue growth
- Microsoft 365 Commercial seat growth
- Microsoft 365 Consumer cloud revenue growth
- Microsoft 365 Consumer subscribers
- Dynamics 365 revenue growth
- LinkedIn revenue growth
- Azure and other cloud services revenue growth

More Personal Computing

- Windows OEM and Devices revenue growth
- Xbox content and services revenue growth
- Search and news advertising revenue (ex TAC) growth

Microsoft 365 Commercial cloud metric

What changes and why?

- As a result of the Microsoft 365 Commercial segment change, “Microsoft 365 Commercial cloud revenue growth” metric created in the PBP segment to align to how the business is managed. The metric is comprised of:
 - Office 365 Commercial revenue
 - EMS revenue and Power BI per-user revenue, previously in the Azure metric within the IC segment
 - Cloud portion of Windows Commercial revenue, previously in the Windows Commercial metric within the MPC segment
- With EMS revenue and Power BI per-user revenue moved into Microsoft 365 Commercial cloud metric, Azure metric now more closely aligns to consumption business
- “Office 365 Commercial seat growth” renamed to “Microsoft 365 Commercial seat growth” to align with product branding

What does not change?

- Definition and calculation previously used for Office 365 Commercial seat growth remains unchanged for Microsoft 365 Commercial seat growth

Microsoft 365 Commercial cloud metric change

FY24 Segment structure		
Productivity and Business Processes		
Office products and cloud services	Office Commercial products and cloud services	Office 365 Commercial
		Office Commercial products
	Office Consumer products and cloud services	
Dynamics products and cloud services	Dynamics 365	
	Dynamics products	
LinkedIn		
Intelligent Cloud		
Server products and cloud services	Azure and other cloud services	Azure consumption
		EMS & Power BI per-user
		Other cloud services
	Server products	
Enterprise and partner services		
More Personal Computing		
Windows	Windows OEM	
	Windows Commercial products and cloud services	Windows Commercial cloud
		Windows Commercial products
	Windows other	
Devices		
Search and news advertising		
Gaming	Xbox content and services	
	Xbox hardware	

FY25 Segment structure		
Productivity and Business Processes		
Microsoft 365 Commercial products and cloud services	Microsoft 365 Commercial cloud	Office 365 Commercial
		EMS & Power BI per-user
		Windows Commercial cloud
	Microsoft 365 Commercial products	Office Commercial products
		Windows Commercial products
Microsoft 365 Consumer products and cloud services	Microsoft 365 Consumer cloud	
	Office Consumer products	
Dynamics products and cloud services	Dynamics 365	
	Dynamics products	
LinkedIn		
Intelligent Cloud		
Server products and cloud services	Azure and other cloud services	Azure consumption
		Other cloud services
	Server products	
Enterprise and partner services		
More Personal Computing		
Windows and Devices	Windows OEM and Devices	
	Windows other	
Search and news advertising		
Gaming	Xbox content and services	
	Xbox hardware	

Other metric changes

What changes and why?

- Copilot Pro subscribers removed from Microsoft 365 Consumer subscribers metric to align with the corresponding Copilot Pro revenue movement out of Microsoft 365 Consumer
- Windows OEM revenue growth and Devices revenue growth metrics replaced by "Windows OEM and Devices revenue growth" metric to align to how the PC market-driven businesses are managed
- We elevated our cloud revenue growth metrics for Microsoft 365 Commercial, Microsoft 365 Consumer, Dynamics 365, and Azure to be KPIs, which have replaced the former "products and cloud services" KPIs. This elevation aligns to our strategic focus on cloud growth. Changes are as follows:

FY24 Metrics		FY25 Metrics
Office Commercial products and cloud services revenue growth	➔	Microsoft 365 Commercial cloud revenue growth
Office Consumer products and cloud services revenue growth		Microsoft 365 Consumer cloud revenue growth
Dynamics products and cloud services revenue growth		Dynamics 365 revenue growth
Server products and cloud services revenue growth		Azure and other cloud services revenue growth

FY25 Investor metrics restated

Restated metrics with significant impact from changes in this presentation

Investor Metrics	FY24 As reported					FY24 Restated				
	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY24	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY24
Microsoft 365 Commercial cloud revenue growth (y/y) ¹	Not previously reported					20% / 19%	20% / 18%	17%	15% / 16%	18%
Azure and other cloud services revenue growth (y/y) ^{1, 2, 3}	29% / 28%	30% / 28%	31%	29% / 30%	30%	31% / 30%	33% / 31%	35%	34% / 35%	33%
AI services point contribution to Azure	3pts	6pts	7pts	8pts	6pts	5pts	9pts	10pts	11pts	9pts
Windows OEM and Devices revenue growth (y/y) ⁴	Not previously reported					(5)%	4%	2%	(1)% / 0%	0%
Search and news advertising revenue (ex TAC) growth (y/y) ³	10% / 9%	8% / 7%	12%	19%	12%	8% / 7%	6% / 4%	8%	15% / 16%	9%

Quarterly growth rates include non-GAAP CC growth (GAAP % / CC %).

Metric changes in this presentation: (1) Microsoft 365 Commercial metric change noted on slide 9; (2) Nuance Enterprise change noted on slide 6; (3) Search metric changes noted on slide 6; (4) Windows OEM and Devices metric change noted on slide 6

FY25 Q1 Outlook updates

FY25 Q1 Outlook updated

We will report our FY25 Q1 results in the structure discussed on the prior slides. Therefore, we have provided mechanical updates only to our outlook as provided on July 30, 2024 for the changes discussed in this presentation.

	As provided on July 30, 2024	Updated outlook
Foreign currency impact	<ul style="list-style-type: none"> Decrease to revenue growth at the total company and all individual segment levels of less than 1 point Decrease to COGS growth of less than 1 point and no meaningful impact to Opex growth 	<ul style="list-style-type: none"> No change
Productivity and Business Processes	<ul style="list-style-type: none"> Revenue of \$20.3 to \$20.6 billion 	<ul style="list-style-type: none"> Revenue of \$27.75 to \$28.05 billion
Intelligent Cloud	<ul style="list-style-type: none"> Revenue of \$28.6 to \$28.9 billion 	<ul style="list-style-type: none"> Revenue of \$23.80 to \$24.10 billion
More Personal Computing	<ul style="list-style-type: none"> Revenue of \$14.9 to \$15.3 billion 	<ul style="list-style-type: none"> Revenue of \$12.25 to \$12.65 billion
Cost of revenue	<ul style="list-style-type: none"> COGS of \$19.95 to \$20.15 billion including approximately \$0.7 billion of purchase accounting adjustments, as well as integration and transaction-related costs from the Activision acquisition 	<ul style="list-style-type: none"> No change
Operating expenses	<ul style="list-style-type: none"> Expenses of \$15.2 to \$15.3 billion including approximately \$0.2 billion of purchase accounting adjustments, as well as integration and transaction-related costs from the Activision acquisition 	<ul style="list-style-type: none"> No change
Other income and expense	<ul style="list-style-type: none"> Expected to be roughly \$(650) million 	<ul style="list-style-type: none"> No change
Effective tax rate	<ul style="list-style-type: none"> Approximately 19% 	<ul style="list-style-type: none"> No change

FY25 Q1 Outlook updated

Mechanical updates for KPI changes in this presentation only

As provided on July 30, 2024

Commercial Business

Commercial bookings	Healthy growth on a growing expiry base
Microsoft Cloud gross margin percentage	Roughly 70%

Productivity and Business Processes

Office 365 Commercial revenue	Growth of approximately 14% in constant currency
Office Commercial products revenue	Decline in mid- to high-teens
Office Consumer products and cloud services revenue	Growth in low-to mid-single digits
LinkedIn revenue	Growth in high-single digits
Dynamics products and cloud services revenue	Growth in low- to mid-teens

Intelligent Cloud

Azure and other cloud services revenue	Growth of 28% to 29% in constant currency
Server products revenue	Decline in low-single digits
Enterprise and partner services revenue	Decline in low-single digits

More Personal Computing

Windows OEM revenue	Relatively flat year-over-year
Devices revenue	Growth in low- to mid-single digits
Windows Commercial products and cloud services revenue	Growth in mid-single digits
Gaming revenue	Growth in mid-30s including approximately 40 points* of net impact from the Activision acquisition
Xbox content and services revenue	Growth in low- to mid-50s
Search and news advertising revenue (ex TAC)	Growth in mid- to high-teens

*The net impact from the Activision acquisition includes adjusting for the movement of Activision content from third-party to first-party.

Updated outlook

Commercial Business

Commercial bookings	No change
Microsoft Cloud gross margin percentage	No change

Productivity and Business Processes

Microsoft 365 Commercial cloud revenue	Growth of approximately 15% in constant currency
Microsoft 365 Commercial products revenue	Decline in mid-single digits
Microsoft 365 Consumer products and cloud services revenue	No change
LinkedIn revenue	No change
Dynamics products and cloud services revenue	No change

Intelligent Cloud

Azure and other cloud services revenue	Growth of approximately 33% in constant currency, sequentially lower by 1 to 2 points
Server products revenue	No change
Enterprise and partner services revenue	No change

More Personal Computing

Windows OEM and Devices revenue	Growth in low-single digits
Included in the Microsoft 365 Commercial cloud and products revenue outlook above	
Gaming revenue	No change
Xbox content and services revenue	No change
Search and news advertising revenue (ex TAC)	Growth in mid-teens

Appendix

FY25 Investor metric definitions

Commercial metrics

Commercial bookings growth: for commercial products and cloud services, sum of revenue growth, plus change in balance of unearned revenue plus the change in contracted not billed balance

Commercial remaining performance obligation: commercial portion of revenue allocated to remaining performance obligations, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods

Commercial revenue annuity mix: percentage of sales where revenue is recognized over more than one period

Microsoft Cloud revenue and revenue growth: revenue from Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, Dynamics 365, and other commercial cloud properties

Microsoft Cloud gross margin percentage: gross margin percentage for our Microsoft Cloud business

FY25

Investor metric definitions

Productivity & Business Processes; Intelligent Cloud

Microsoft 365 Commercial cloud revenue growth: revenue from Microsoft 365 Commercial subscriptions, comprising Microsoft 365 Commercial, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Microsoft Viva, and Copilot for Microsoft 365

Microsoft 365 Commercial seat growth: the number of Microsoft 365 Commercial seats at end of period where seats are paid users covered by a Microsoft 365 Commercial subscription

Microsoft 365 Consumer cloud revenue growth: revenue from Microsoft 365 Consumer subscriptions and other consumer services

Microsoft 365 Consumer subscribers: the number of Microsoft 365 Consumer subscribers at end of period

Dynamics 365 revenue growth: revenue from Dynamics 365, including a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate

LinkedIn revenue growth: revenue from LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions

Azure and other cloud services revenue growth: revenue from Azure and other cloud services, including cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services

FY25 Investor metric definitions

[More Personal Computing](#)

Windows OEM & Devices revenue growth: revenue from sales of Windows Pro and non-Pro licenses sold through the OEM channel and sales of first-party Devices, including Surface, HoloLens, and PC accessories

Xbox content and services revenue growth: revenue from Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, third-party disc royalties, and other cloud services

Search and news advertising revenue (ex TAC) growth: revenue from search and news advertising excluding traffic acquisition costs ("TAC") paid to Bing Ads network publishers and news partners

