

Microsoft profit beats on strong Windows 7 sales

(Reuters) - Microsoft Corp posted a bigger-than-expected 60 percent jump in quarterly profit, helped by strong sales of Windows 7, and said it expected business technology spending to recover this year.

The world's biggest software maker said on Thursday that net profit came to \$6.7 billion, or 74 cents per share, for its fiscal second quarter, versus \$4.2 billion, or 47 cents per share, a year ago.

Analysts were expecting 59 cents per share, according to Thomson Reuters I/B/E/S.

Microsoft's stock rose 1 percent in after-hours trading, a relatively muted reaction that analysts attributed in part to a run-up in the stock following the launch of the Windows 7 operating system in October.

"Make no mistake, these were very good results out of Microsoft. Expectations were heightened ever the last few weeks, given Q4 PC shipments and good numbers from Intel," said Andy Miedler, analyst at Edward Jones.

Others also pointed to confusion over the earnings numbers because Microsoft included the effects of deferred revenue from pre-sales of Windows 7 to PC makers and retailers, and its free upgrade program.

Excluding that revenue, profit was 60 cents per share.

"It was a pretty clean, blowout beat," said Sid Parakh, an analyst at McAdams Wright Ragen. "All the Street models should have reflected that deferred revenue because it's not a surprise."

Microsoft stopped making specific profit or revenue forecasts in January 2009, citing market volatility.

"We didn't see enterprise spending growth in our fiscal second quarter just ended," Chief Financial Officer Peter Klein told Reuters.

"However, our general view is a recovery will occur starting this calendar year and gradually over the next several years," he added.

Windows 7 has proved to be Microsoft's strongest-selling operating system to date after the disappointing Vista. PC sales grew 15.2 percent last quarter.

Microsoft's revenue rose 14 percent to \$19.02 billion, including \$1.71 billion of deferred revenue from the Windows 7 launch in October. Excluding that, sales were \$17.31 billion.

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Microsoft shares rose to \$29.42 in after-hours trading from their Nasdaq close of \$29.16. At the close, The stock has risen 62 percent over the past 12 months, outstripping a 40 percent gain in the Nasdaq.

"Last year the stock was a big outperformer. A lot of people think the stock has already had its run," said Jane Snorek, technology analyst at First American Funds. "But I think with PCs doing this well and a new Office coming in June, that the stock can still outperform. I think Office can be a big hit."

Rivals International Business Machines Corp, Google Inc and Apple Inc have all beaten average Wall Street estimates this quarter, but saw their stocks fall or gain only slightly afterward.

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