

Microsoft 3Q earnings beat Street

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Microsoft's revenue and net income surged in the latest quarter, but much the gains were due to the recognition of sales that occurred before the launch of the latest versions of Windows and Office, the company said Thursday.

The software company's net income was \$6.1 billion, or 72 cents per share, in its fiscal third quarter, which ended in March. That was up from \$5.1 billion, or 60 cents per share, a year ago, and beat the forecast of analysts polled by FactSet, at 68 cents.

Adjusting for deferred revenue and a \$733 million fine levied by the European Commission, Microsoft Corp. earned 65 cents per share.

Revenue was \$20.5 billion, up 18 percent from a year ago and matching analyst forecasts. Adjusted for deferred revenue, it rose 8 percent.

The Redmond, Washington-based company's shares rose 66 cents, or 2.3 percent, to \$29.45 in extended trading, after the release of the report.

Microsoft said Chief Financial Officer Peter Klein is leaving at the end of the fiscal year, in June. He has been in his current role for four years and at the company for 11 years. The company plans to name a new CFO from its finance team in the next few weeks.

Microsoft's Windows division posted a 23 percent increase in revenue to \$5.7 billion, but adjusting for the recognition of deferred revenue related to the launch of Windows 8, revenue was flat.

For Windows 7 PCs purchased June 2 or later, Microsoft offered a \$15 upgrade to Windows 8. It wasn't able to start recognizing the full value of the software licenses until these offers were redeemed or expired. In the latest quarter, Microsoft was able to recognize \$1.1 billion of such deferred revenue.

Microsoft launched Windows 8 in October, hoping to make PCs work more like tablets. But the reception has been mixed, and research firm IDC said last week that Windows 8 was partly to blame for a record 14 percent drop in global PC shipments in the January to March quarter, as consumers found the new interface daunting.

At the company's largest division, Business, revenue rose 8 percent from a year ago to \$6.3 billion. The increase was 5 percent adjusting for upgrade offers for the new Office suite.

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