

Hardware revenue makes a comeback for Microsoft, but cloud is still the king



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Hardware sales for Microsoft Corp. (Nasdaq: MSFT) are rebounding after recent product launches, but the company's server and business cloud products carried it to a record revenue — again.

The Redmond-based software maker's cloud division Azure and suite of Office products have been the company's cash cows over the last few fiscal years, and have outstripped divisions like Surface, Xbox and LinkedIn. Over the Covid-19 pandemic, Microsoft has reported that year-over-year hardware sales have suffered due to supply chain constraints and the comedown of heightened demand in early 2020.

But even though the [gap in revenue is still widening](#) between hardware and cloud sales, Microsoft brought in \$51.7 billion of revenue and \$18.8 billion of profit in its second quarter of 2022, with respective year-over-year increases of 20% and 21%. Wall Street [analysts predicted](#) \$50.9 billion in revenue.

Hardware's growth was better than in the final fiscal year 2021 quarters, but was tepid compared to cloud sales. Xbox had a 10% increase, while Surface revenue increased 8%, following a slate of revamped and newly launched products in the fall.

"Digital technology is the most malleable resource at the world's disposal to overcome constraints and reimagine everyday work and life," Microsoft CEO Satya Nadella said in a news release. "As tech as a percentage of global GDP continues to increase, we are innovating and investing across diverse and growing markets, with a common underlying technology stack and an operating model that reinforces a common strategy, culture, and sense of purpose."

Revenue for business and productivity services, which includes LinkedIn, surged as well, a sign that more businesses and industries are transitioning workspaces to the cloud. It accounted for \$15.9 billion in revenue, while Intelligent Cloud, which is made up of Azure public cloud, SQL Server and GitHub, brought in \$18.3 billion.

Adam Mansfield, an adviser for consulting firm UpperEdge, guessed business service growth would be bolstered by higher adoption of Microsoft 365 E5, an "all-in cloud bundle with the most features, and security and voice being the differentiator with Microsoft 365 E3. Moving customers to this most robust bundle along with seat growth will increase Microsoft cloud revenue. Which is hugely important to Microsoft to show."