

# Financial and Strategic Analysis of Microsoft Corporation in Technology Industry

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**Abstract.** In recent years, the global technology industry has experienced rapid growth driven by digital transformation and emerging technologies. As a leader in the industry, Microsoft Corporation has maintained a strong market position through continuous innovation and strategic expansion. This study aims to provide a comprehensive analysis of Microsoft's financial performance and strategic initiatives over the past few years. By utilizing macroeconomic data, industry trends and company-specific financial indicators, it provides an in-depth exploration of Microsoft's operational efficiency, risk profile and growth potential. In terms of research methodology, a combination of qualitative and quantitative analyses is adopted, which is conducive to providing more comprehensive and in-depth solutions to practical problems. The results of the study show that despite the fluctuations in the macroeconomic environment and the intensification of competition in the industry, Microsoft has maintained solid revenue growth and profit enhancement, as well as sustained its competitive advantages in the global market and achieved leapfrog development.

**Keywords:** Microsoft corporation; financial analysis; strategic management; technology industry.

## 1. Introduction

The technology industry has always been at the forefront of global economic growth, with the deepening of digital transformation and the rise of emerging technologies such as artificial intelligence, the industry has demonstrated a strong development trend, while at the same time, competition in the industry has become increasingly fierce, the major technology companies have to consolidate their market position through technological innovation and strategic layout, in such a context, Microsoft Corporation, as a leader in the industry, its performance in the global market Microsoft, as a leader in the industry, has been attracting a lot of attention.

The purpose of this paper is to provide a comprehensive analysis of Microsoft Corporation's industry background, financial situation and business strategy, and to explore the competitive advantages and future development potential of Microsoft Corporation in the industry through a detailed interpretation of macroeconomic data, industry development and corporate financial data.

The rest of the paper is arranged as follows: section two is the author's summary and conclusion of the existing research results, which is the basis for in-depth understanding and analysis of the research questions; section three will explore the development of the industry it operates in under the macroeconomic environment; section four and five will analyse Microsoft's financial statements in detail, assessing Microsoft's profitability and exploring the company's financial stability; section five will examine its market performance Finally, section six will summarise the key findings of the financial analysis and present forecasts and recommendations for Microsoft's future development.

## 2. Literature Review

As a leading company in the global technology industry, Microsoft Corporation's financial situation and strategic management have been the focus of academic research. With the advancement of technology and changes in the market, many scholars have explored the financial performance of Microsoft Corporation and its industry position from different perspectives. Scholar Moeller proposes an analytical framework for understanding the functioning of the firm in the field of education. He emphasizes that financial management plays a key role in the expansion and success of the firm.

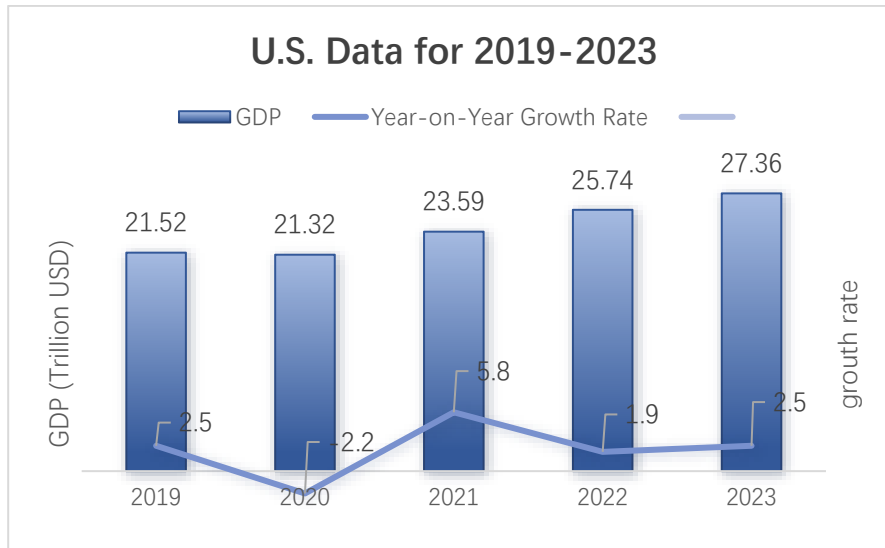
Although his research focuses on the education sector, the framework is equally applicable to multinational technology companies such as Microsoft, demonstrating how Microsoft has consolidated its market position through financial strategies [1]. Rossi et al. examined the support of corporate venture capital for the financing of disruptive technologies and found that Microsoft maintains its technological superiority through corporate venture capital and has achieved a leading position in the changing industry. Their study showed that Microsoft not only enhanced its technological prowess through direct investment, but also realized both financial and innovative returns through venture capital [2].

In addition there are Booth and Rakita discussed in detail the impact of financial management on the long-term development of the company. They point out that Microsoft's ability to maintain stable financial performance in a competitive market is mainly due to its careful management of capital structure and capital utilization. Their study provides theoretical support for understanding how Microsoft enhances its market competitiveness through effective financial management [3]. Kaligis et al. studied how SMEs can develop financial applications using the VBA function of Microsoft Excel, and although their study was targeted at SMEs, they emphasized the wide application of Microsoft products in various types of enterprises around the globe, demonstrating Microsoft's role in financial management tool development. The importance of Microsoft in the development of financial management tools is demonstrated.

### 3. Fundamental Analysis

In recent years, the U.S. economy has remained dominant globally, but has also experienced the impact of the new crown epidemic and other global economic uncertainties. Over the past five years, U.S. GDP has shown some volatility. As shown in Figure 1, from 2019 to 2023, U.S. GDP in current dollars shows a year-on-year trend, but with a change in the growth rate. In 2019, U.S. GDP was \$21.32 trillion; in 2020, due to the global epidemic, GDP fell to \$21.52 trillion, with a year-on-year growth rate of minus 2.2. Despite this, the U.S. economy rebounded strongly in 2021 with GDP reaching \$27.36 trillion and a year-over-year growth rate of 5.8%, the highest in recent years. This rapid growth is largely due to the positive impact of the government's massive economic stimulus and vaccine rollout. In 2023, GDP rises further to \$23.59 trillion, but the growth rate picks up again to 2.5 per cent. The US economy is expected to grow at a faster rate of 2.5 per cent year-on-year than the previous year.

In terms of overall trends, despite the decline in U.S. GDP during the epidemic, it has remained generally high over the past five years, with a particularly notable rebound in 2021. This demonstrates the resilience of the U.S. economy and reflects its strong resilience and continued economic vigour. However, growth rates slowed in 2022 and 2023 as stimulus policies were phased out and global economic uncertainty increased. The U.S. economy is expected to continue to be influenced by the global macro environment and domestic policies in the coming years. For investors in the capital markets, it is particularly important to keep an eye on the potential impact of macroeconomic factors on market valuations as a result of this series of changes [4-5].

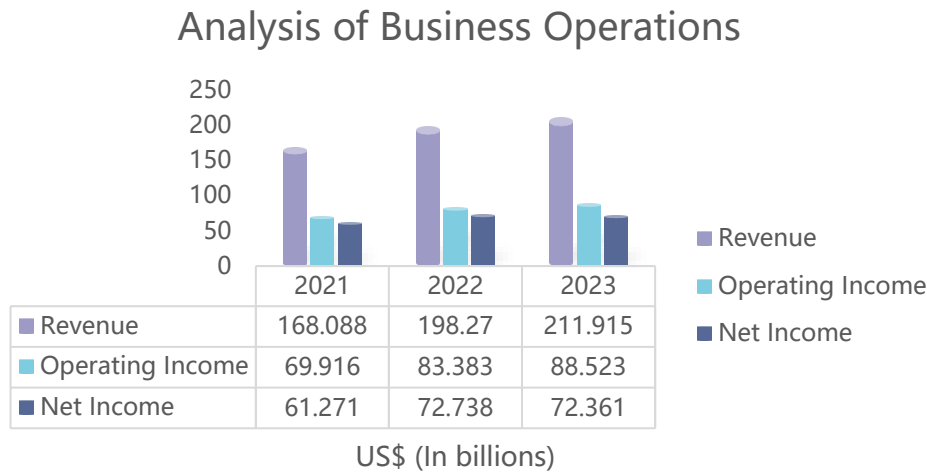


**Fig. 1** U.S. Data for 2019-2023

The global software and technology services industry has continued to grow in recent years, becoming a core driver of the modern economy. According to the latest market data, the total size of the global software market is expected to exceed \$6 trillion in 2024, with an annual growth rate of around 5 per cent. The rapid growth of the industry is attributed to technological advancements, digital transformation, and the popularity of cloud computing. In particular, the increasing demand for data analytics, artificial intelligence (AI), and machine learning among enterprises is driving the diversification of software products and services. With the maturity of Internet of Things (IoT) and 5G technologies, the application scenarios for software and technology services are becoming more widespread, further fuelling the expansion of the market [6]. In addition, the global technology services market is also undergoing structural transformation from traditional IT services to integrated solutions and business process outsourcing (BPO) to meet the demand for comprehensive services from enterprises (Figure 1).

The U.S. government has also taken proactive measures in terms of policies to promote the development of the computer industry. In recent years, the U.S. has implemented a series of policies to support technological innovation and industry development, such as the 2024 Artificial Intelligence Innovation and the National Digital Infrastructure Plan. These policies aim to promote research and development of computer technology, strengthen cybersecurity and protection, support the development of technology enterprises, and promote the cultivation of technical talents [7-9]. The government also encourages enterprises to carry out technological innovation and investment in the computer field through various funding schemes and tax incentives. These policies not only provide stable support for the development of the computer industry, but also promote the application and popularisation of emerging technologies, further consolidating the leading position of the United States in the global technology industry. Microsoft, as an important player in the global computer industry, has made full use of these policy opportunities to continuously promote its own technological progress and market expansion.

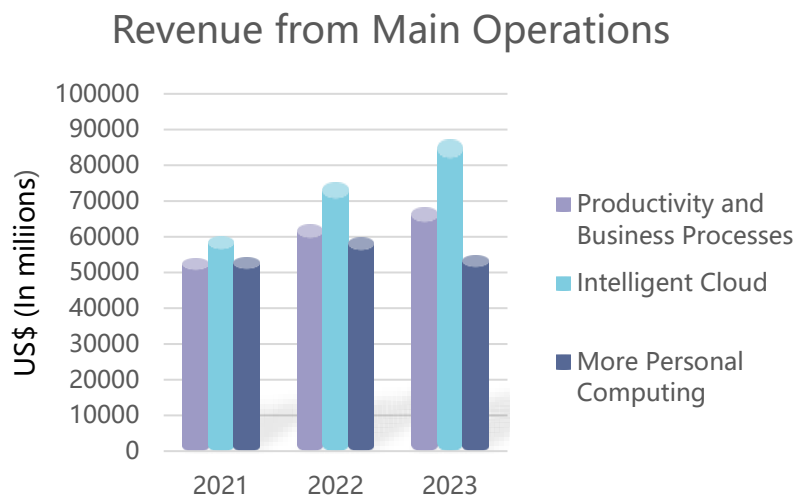
#### 4. Analysis of business operations



**Fig. 2** Analysis of Business Operations

As can be seen in Figure 2, the last three years of operations show a steady growth trend for the company. In 2021, the company reported total profits of \$1680.88 billion, operating income of \$699.16 billion, and net income of \$612.71 billion.

This year's performance laid a solid foundation for subsequent growth, demonstrating the company's strong competitiveness and stable profitability in the market. By 2022, the company continued its growth momentum, with gross profit rising to \$198.27 billion, an increase of around 18% over the previous year. At the same time, net income improved significantly to \$72,738 million, demonstrating the company's remarkable success in improving profitability. Marketing, selling and administrative expenses and research and development expenses increased during the year, reflecting the company's continued investment in expanding market share and technological innovation [10]. In 2023, the company continued to maintain its favourable performance in 2022, with all financial metrics essentially unchanged, with both operating income and net income remaining at the same level as in 2023, at \$885.23 million and \$723.61 million. Despite the slower growth rate, this demonstrates the company's ability to cope with market volatility and maintain stable operations. This trend indicates that the company is consolidating its established market position while laying the foundation for future growth (Figure 3).



**Fig. 3** Revenue from Main Operations

Productivity and Business Processes.

**Revenue:** The segment reported revenue of \$68,274 million in fiscal 2023, up 7.7% from \$63,364 million in the year-ago period. This growth was driven by continued growth in Office Business and Consumer Editions, particularly the number of Office 365 Business subscribers and average revenue per subscriber, as well as strong performance in LinkedIn and Dynamics business solutions. The popularity of Office 365 Business in SMBs and frontline workforce offerings, as well as LinkedIn Strong demand in the talent solutions area combined to drive revenue growth in this segment.

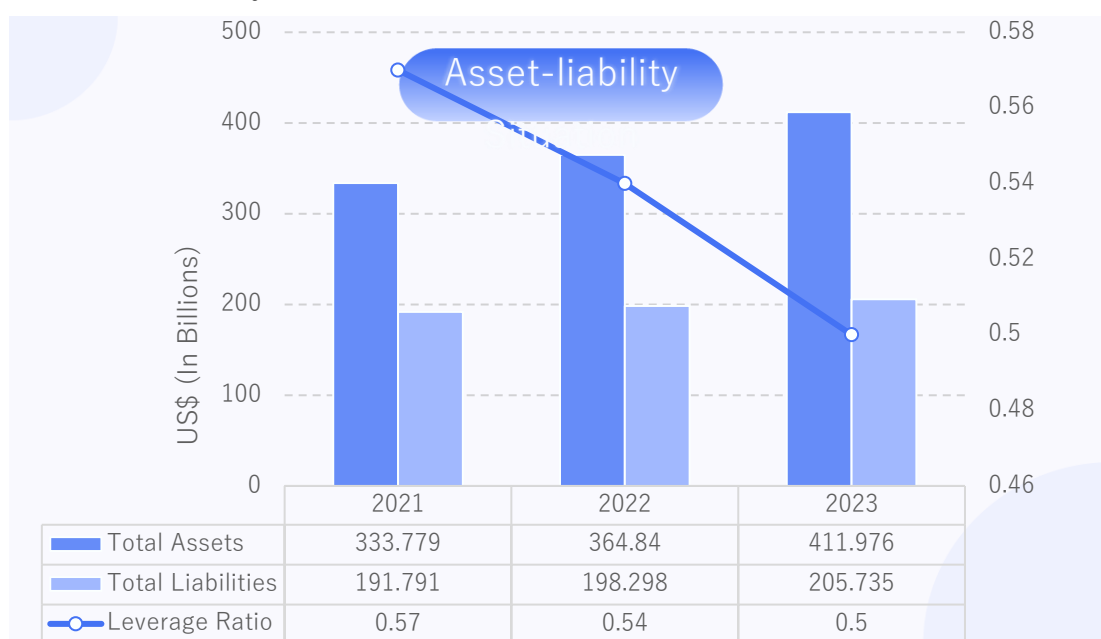
**Intelligent Cloud.**

**Revenue:** The Intelligent Cloud segment reported revenue of \$87,097 million in fiscal 2023, up 15.74% from \$75,251 million in the same period last year. This significant growth was primarily attributable to continued consumption growth of Azure cloud services and other cloud offerings. Azure cloud services, a key growth driver for the segment, continued to grow in consumption, while server product revenues declined slightly, but enterprise services revenues grew slightly, maintaining strong overall growth momentum.

**More Personal Computing.**

**Revenue:** The segment reported revenue of \$54,734 million in fiscal year 2023, a decrease of 9% from the same period a year earlier. This decrease was primarily driven by a decline in Windows OEM and device revenues. Declining global demand for personal computers and channel inventory backlogs led to a significant decline in Windows OEM and device revenues. Meanwhile, gaming revenues also declined slightly, impacted by declines in console hardware and game content and services revenues. However, search and news advertising revenue (excluding traffic acquisition costs) grew significantly, benefiting from higher search volumes and the Xandr acquisition.

## 5. Risk Profile Analysis



**Fig. 4** Asset-liability Situation

As can be seen from the data, Microsoft's total assets in 2021 will be \$333.779 billion and liabilities will be \$191.791 billion, with gearing declining to 57% from 60.74% in 2020. This suggests that the company may have taken steps to proactively reduce its liabilities in 2021 to optimize its financial structure and reduce the financial risks associated with high leverage. Microsoft's initiative to choose to reduce its debt in 2021 may be related to its strategic realignment, which aims to increase the company's resilience to economic volatility while enhancing its financial flexibility.

The 'leverage ratio' is generally defined as the ratio of a company's borrowed funds to the assets it owns, and it is an important financial indicator of a company to measure the debt it has accumulated in its production and operations. Looking at the data from the 2021 to 2023 interim reports, the

company's leverage ratio has declined despite the steady growth in total assets, which means that Microsoft relies less on debt financing and has a lower financial risk. However, it may also limit the company's ability to expand and profitability (Figure 4).

Microsoft Corporation's ROE (Return on Equity) data for the last three years shows the change in the company's profitability over time.

In 2021, Microsoft's ROE is 31.19%, which is a relatively high ratio indicating that Microsoft has strong profitability and good return on capital in 2021. By 2022, Microsoft's ROE significantly increases to 43.68%, which indicates a significant increase in the company's profitability. This increase can be attributed to a number of factors such as increased operating income, improved operational efficiency, cost reduction, or improved asset turnover. It also means that Microsoft is becoming more efficient in utilising shareholder investment. In 2023, Microsoft's ROE has declined but still remains at a relatively high level of 35.01%. Although it is a decline from 2022, the ROE of 35.01% still indicates that the company has maintained good profitability. Microsoft's ROE figures for the past three years show that despite fluctuations, the company has generally performed well in creating value for shareholders.

## 6. Business Growth Analysis

### 6.1. Strategic Level

Microsoft Corporation's layout at the strategic level has a profound impact on its future growth. In recent years, Microsoft has shifted its focus from the traditional software business to cloud computing and artificial intelligence, especially in the continued expansion of services such as the Azure cloud platform and Office 365. By increasing its investment in cloud computing infrastructure, Microsoft has not only consolidated its leadership position in the enterprise market, but has also significantly increased the diversity and stability of its revenues. In addition, Microsoft has aggressively acquired technology companies, such as GitHub, LinkedIn and Nuance Communications. These strategic acquisitions have helped Microsoft to rapidly enter emerging markets and enhance its competitiveness in the enterprise services and developer ecosystems, enabling the company to sustain growth and innovation in an ever-changing marketplace [8]. In addition, Microsoft has been actively promoting its products and services globally, expanding its presence in emerging markets through localization strategies and partnerships with governments and businesses to achieve continued market expansion.

### 6.2. Individual Analysis

Analyzed at the individual level, Microsoft's extensive product line layout, covering a wide range of areas from operating systems and office software to cloud computing, artificial intelligence and enterprise services, provides a solid foundation for the Company's market performance and future development. In the area of operating systems, Windows is still the world's most widely-used PC operating system, ensuring Microsoft's dominant position in the field of personal computing. In office software, the successful transition of Office 365 not only consolidated Microsoft's dominance in the office software market, but also boosted the company's recurring revenues through subscription [10]. The rapid growth of Azure, the cloud computing business, on the other hand, has become the main growth point of Microsoft's revenue, and with the acceleration of the digital transformation of enterprises, Azure's share of the global cloud computing market continues to expand. In addition, Microsoft's layout in the field of artificial intelligence has also laid the foundation for its future development, especially in the fields of natural language processing and machine learning, Microsoft's technological innovations enable it to occupy a favourable position in the future technological competition.

Looking ahead, Microsoft will continue to maintain its leading position in the global technology industry through its dual strategy of technological innovation and market expansion, and further explore the growth potential of emerging markets and technology areas.

## 7. Conclusion

In summary, Microsoft Corporation has maintained strong competitiveness in the global technology industry by virtue of its excellent strategic layout, continuous technological innovation and extensive product line layout. Analysis of financial data shows that despite fluctuations in the macroeconomic environment and intensified competition in the industry, Microsoft Corporation has achieved stable revenue growth and profit enhancement, which not only reflects the robustness of its business model but also demonstrates its dominant market position. Looking ahead, with the deepening of digital transformation and the continued development of emerging technologies, Microsoft is expected to continue to consolidate its leading position in the global market and drive the company's long-term sustainable development through continuous innovation.

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