

## Microsoft CEO Satya Nadella Lays Out the Technologies He's Betting Will Take the Company Past its \$1 Trillion Valuation

By Gayatri Raghunandan, LL.M. Candidate 2020 | November 6, 2019

With a \$10.7 billion profit on a \$33.1 billion revenue, Microsoft has achieved a \$1 trillion valuation. It is the third US-based company to exceed this market cap and has since seen its stock price surge by over four percent within a month. The company attributes its growth to its Azure cloud business, a key strategic area that has transformed the company into a [cloud computing leader](#).

According to CFO Amy Hood, Microsoft's Azure cloud computing business had material growth in \$10 million-plus contracts. In addition, the overall commercial cloud business, which includes Azure, Office 365, and other cloud services, [has increased quarterly earnings](#) by nearly 36% to reach \$11.6 billion. Customers like Walgreens Boots Alliance have bought packages from Microsoft that include Azure Cloud and other AI offerings with cloud-based subscriptions to Microsoft Office. This hybrid cloud approach allows companies to use a single set of tools for data stored on their own servers, as well as on shared space. [According to Microsoft CEO, Satya Nadella](#), the company has a "very competitive and growing footprint" in business applications: "even when you think about something like Microsoft 365, we never participated in spite of our past success with all the first-line work and now we get to participate in it."

Interestingly, the commercial cloud business isn't the only area of focus for Microsoft. Hood says that the company would invest in areas like security, compliance, communication, workflow and business-process reinvention. The aim is to look for areas where there is room for durable and expansive growth. Services like LinkedIn have noticed a growth spike as an increased number of recruiters and job seekers have utilized the service. Along with Office and Dynamics, these three services [brought in \\$10.2 billion](#) in quarterly earnings. Even the company's gaming business saw strong growth, which is attributed to the rise of the online video game, Fortnite.

There is no doubt that the cloud space is a source of Microsoft's growing value, but in order to keep growing, the offering must maintain its profitability. This will require long-term growth stemming from selling more services and products to customers — that is, Microsoft gaining a bigger share of how much companies and agencies spend on technology overall.

Many have regarded the \$1 trillion valuation as a significant feat for the company and investors are paying close attention amidst fears of a slowing global economy. Despite outperforming the estimates, senior leadership isn't quite fazed by it. According to Chris Capossela, Microsoft's Chief Marketing Officer, "this is a metric that nobody on the senior leadership team is tracking."

