

Ahead of the Bell: Microsoft

New York (AP) — Microsoft shares jumped 6 percent before the opening bell Friday after reporting better-than-expected quarterly results, marking a strong start for a major overhaul at the world's largest software company.

Conditions in the PC industry, according to Citigroup's Walter Pritchard, might not look as bad as they previously did.

Pritchard backed his "Buy" rating after results were released late Thursday.

The Redmond, Wash., company's third-quarter net income and revenue easily beat Wall Street predictions. Microsoft also said that it's feeling good about sales of its Surface tablets heading into the holiday season.

Revenue from the tablets hit \$400 million, representing a gain in revenue and more than a doubling of unit sales from the quarter that ended in June, helped by a price cut to its slimmed down Surface RT model in July.

Profitability in the division that houses Surface fell, mainly because the cost of making Surface tablets rose by \$645 million from a year ago.

The company launched its latest models, Surface 2 and Surface Pro 2, on Tuesday.

Revenue from its flagship Windows operating system from manufacturing partners declined, while enterprise software business grew.

Janney Capital Markets analyst Yun Kim, who backed a "Neutral" rating for the stock, called the quarterly results "encouraging," saying that the company is showing signs of stabilizing. But the analyst warned that Microsoft's profits will remain under pressure as it continues its transformation into a devices and services company.

Shares of Microsoft Corp. rose \$2.14 to \$35.88.

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