Microsoft’s key to earnings success in one word

Investors are gearing up for Microsoft's latest quarterly report, and will focus on this key factor: operating expenditures.

"Some of the head-count reduction they have done in the last calendar year … can drive some upside in the opex side,"Stifel Nicolaus analyst Brad Reback told CNBC.com.

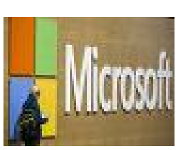
Microsoft, which is expected to post fiscal third-quarter results Thursday after the bell, has been a beacon for financial discipline recently.

In a note Monday, analysts at Stifel said the company has beaten Wall Street's expenses forecast or come in below the midpoint of the company's guidance every quarter since Amy Hood took over as CFO in May 2013.

Analysts polled by Reuters expect earnings per share of 64 cents on revenue of $22.1 billion.

The tech giant expects operating expenditures to range between $7.7 billion and $7.8 billion.

"The bottom line is we expect this cost discipline to continue, all while the company prioritizes opex spend toward higher growth areas (e.g., commercial cloud) and areas where Microsoft can differentiate," Stifel said.



Investors will also pay attention to Microsoft's cloud business, as the company continues its transition from a primarily PC-based company, incorporating products such as Azure and Office 365 into its enterprise business.

Analysts at Nomura said in a note last Thursday that "Azure adoption is rising and as customers look increasingly to the cloud, we believe Microsoft can leverage its existing relationship with enterprise customers to sell more premium workloads and services in the cloud."

Last quarter, revenue in Microsoft's Intelligent Cloud business grew 5 percent (11 percent on a constant currency basis) to $6.34 billion. That slightly topped Wall Street's expectations for $6.29 billion, according to StreetAccount.

Within that category, Microsoft said its server products and cloud services revenue increased 10 percent in constant currency, and Azure revenue saw massive 140 percent constant-currency growth. More than one-third of all Fortune 500 companies chose Microsoft's Enterprise Mobility solutions, the company said.

However, not everyone is as optimistic about Microsoft's cloud business.

"It's very hard for a company that size to move the needle," Randy Warren, CIO at Warren Financial, told CNBC.com on Tuesday. "I don't know if the cloud will be enough."

The company also had to deal with further deceleration in the PC market.

On April 11, research firm Gartner said worldwide PC shipments declined 9.6 percent year over year in the first quarter, marking the sixth-straight quarter of PC shipment falls.

Still, Warren said the company has done very well recently. "Clearly they've got a tremendous franchise that [has brought them a lot of money]."

Microsoft shares are only up 1.6 percent in 2016, but have spiked 11 percent in the last three months and 18 percent over the past six months.

Microsoft in last 6 months

"I do expect the stock to continue to outperform the broader market," Stifel's Reback said. "The pace of gain may moderate, given the multiple expansion, but as far as these mega-cap legacy stocks [are concerned], this is one of the best out there."

Last quarter, Microsoft reported earnings per share of 78 cents and $25.69 billion in revenue, easily beating Wall Street's estimates.

—CNBC's Everett Rosenfeld contributed to this report.

Disclosures: Stifel is a market maker for Microsoft. Nomura has received compensation for non-investment banking products or services from Microsoft in the past 12 months. Warren Financial owns Microsoft stock.