

From: Information Worker Revenue Team
Sent: Friday, August 30, 2002 4:15 PM
To: Information Worker Revenue Flash
Cc: PBS Finance
Subject: Information Worker Revenue Flash August FY03

Information Worker Revenue Flash August FY03

NOTE: The purpose of this flash is to provide a high level review of revenue performance and key business issues for the products in the Information Worker P&L. Links are included to the individual product flashes. We continue to adapt and improve this flash. If you have any feedback please 'r' to IWREV.

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Product Flash Links: [Office](#) [Project](#) [Visio](#) [FrontPage](#) [MapPoint](#) [Publisher](#) [IW CALs](#) [SPS](#)

Executive Summary

- A record August of \$1.7B billed revenues drove adjusted revenues to \$1.02B. YTD billed revenues have reached \$2.8B (114% growth, 175% of plan) while adjusted revenues are \$1.8B (39% growth, 116% of plan). YTD the deferred balance has increased by \$979M compared to \$1.5B in all of FY02.
- Billed revenues are already 24% of full year plan while adjusted are 20% of full year plan. Recognition of revenue billings should guarantee \$3.8B in future FY03 periods, which with \$1.8B already booked means we are half way to the plan of \$11.2B adjusted revenue plan.
- Licensing 6.0 transition drove sales 18M UA, SA and L&SA licenses in the last 2 months vs 21M licenses in the whole of FY02. For Office FY03 represented 72% of FY02 full year sales, while Visio and Project UA and SA sales are 111% and 99% of FY02 totals respectively.
- EMEA YTD results were exceptionally strong across all products and price levels. EMEA was 60% of the worldwide August VUP/UA license spike for Office. Project Select new license growth was 50% YTD.
- Japan's PIPC revenues YTD have been disappointing down 12% yr/yr as Sell-In licenses declined.
- Corel announced partnerships with Dell and HP to begin shipping a "lite" version of WordPerfect Office 2002 in replace of Works and Works Suite

Financial Summary - Sell-In Revenue

August *Adjusted: \$1,020M, +61% y/y growth, 136% of monthly plan*
Billed: \$1,722M, +197% y/y growth, 256% of monthly plan

Plaintiff's Exhibit

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Sell-In Adjusted Revenues ('000\$)	August, 2002			FY02/YTD				Billed RPL	
	Actual	YTD % growth	% of Plan	Actual	YTD % growth	% of YTD Plan	Ratio	\$	YTD % Growth
Office									
FPP/MLP	30,080	152%	117%	54,608	182%	104%	3%	278	9%
Open	111,848	58%	132%	216,193	39%	118%	12%	225	-7%
Select	202,880	150%	232%	322,467	88%	142%	18%	185	-18%
EA	184,709	29%	110%	362,284	30%	109%	20%	90	-1%
Govt & Other	5,248	83%	173%	6,995	-26%	38%	0%	15	-72%
MNA/Named	54,873	34%	132%	82,833	2%	113%	5%	147	12%
System Builder	42,662	30%	116%	86,207	27%	118%	5%	212	3%
Office PIPC	28,871	1%	78%	84,518	-12%	93%	4%	115	5%
Academic	67,342	80%	166%	119,857	51%	147%	7%	42	20%
Total Office Suites	725,112	81%	139%	1,315,042	40%	118%	72%	132	21%
Project									
Project	48,134	109%	142%	79,286	62%	109%	4%	157	1%
Visio	25,206	78%	128%	43,068	28%	97%	2%	119	-28%
FrontPage	4,982	127%	115%	9,153	93%	102%	0%	10	114%
MapPoint	533	-18%	75%	1,251	21%	129%	0%	157	-14%
Data Analyzer	35	n/a	17%	74	n/a	195%	0%	129	n/a
Standalone/Other	24,815	58%	164%	43,435	10%	128%	2%	18	1300%
MCP	3,718	-17%	73%	7,262	-17%	73%	0%	1,398	63%
Total Other IW Apps	107,423	78%	136%	183,529	34%	108%	10%	48	1208%
Windows Server CAL	43,139	96%	154%	74,218	57%	139%	4%	15	-2%
Windows Terminal CAL	14,755	37%	115%	26,909	20%	113%	1%	50	-3%
Exchange CAL	45,672	177%	171%	72,990	103%	144%	4%	31	84%
BackOffice CAL	55,858	-14%	102%	112,393	-15%	101%	6%	26	-11%
Core CAL	14,987	n/m	74%	28,909	n/m	73%	2%	20	76%
SMS CALs	7,276	182%	159%	12,044	158%	133%	1%	14	-6%
Small Bus Server CAL	1,900	14%	91%	3,668	10%	90%	0%	36	2%
Sharepoint CAL	2,333	325%	107%	3,850	358%	91%	0%	33	51%
Total IW CAL	166,721	58%	123%	394,791	39%	113%	18%	22	-6%
Total IW Revs	1,020,256	61%	136%	1,894,262	39%	116%	100%	63	158%
Total IW Billed Revs	1,722,117	197%	256%	2,813,360	114%	175%			

Product:

Office August: \$726M, +61% y/y growth, 139% of plan
 FYTD: \$1,316M, +40% y/y growth, 118% of YTD plan
 August Billed revenue was \$1,219M, +190% y/y, and YTD billed revenue totaled \$2,009M, +112%. The strong revenue growth was the result UA and SA sales in Open & Select driven by the Licensing 6.0 deadline.

Project August: \$48M, +109% y/y growth, 142% of plan
 FYTD: \$79M, +62% y/y growth, 109% of YTD plan
 Billed revenue of \$107M for the month of August represented 386% growth over August 2001, while year-to-date Billed revenue of \$151M represents 210% growth y/y. FY03 year-to-date deferral amount of \$71.3M is just slightly behind the entire FY02 deferral of \$80.6M.

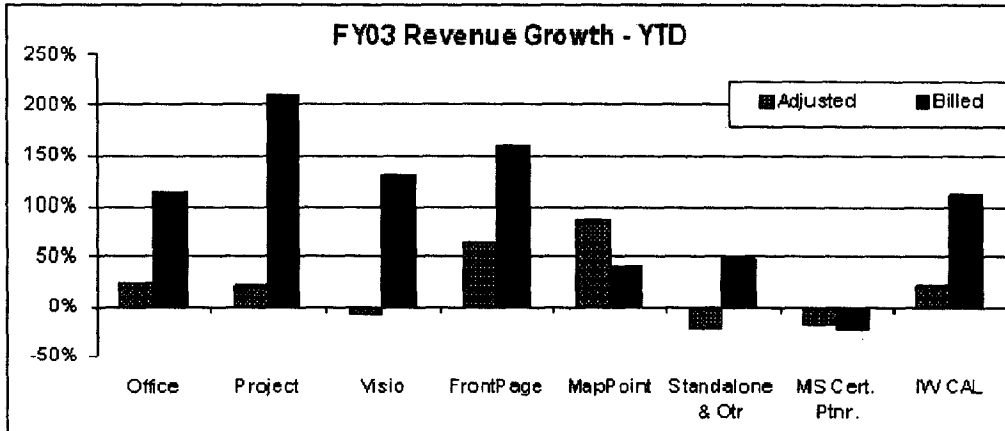
Visio August: \$25M, +78% y/y growth, 128% of plan
 FYTD: \$43M, +28% y/y growth, 97% of YTD plan
 FYTD sell-in billed and adjusted revenues reached \$73.6M and \$43.1M, respectively. Billed revenues in the first two months have already achieved 23% of the full FY03 plan of \$318.8M. Since the inception of UA in June 2001, Visio has sold a total of 463K UA licenses, 211K or 46% of those occurred just in the past two months alone.

FrontPage August: \$5M, +127% y/y growth, 115% of plan
 FYTD: \$9M, +93% y/y growth, 102% of YTD plan
 FPP revenue of \$3.6M, +274%, and 114% of plan YTD. Growth is driven by strong sales in the US in FY03, combined with a weak comparative period.

MapPoint August: \$533K, -18% y/y growth, 75% of plan
 FYTD: \$1.2M, +21% y/y growth, 129% of YTD plan
 MapPoint Client YTD adjusted revenue of \$1,251M; represents 21% growth y/y and 129% of plan.

IW CALs August: \$187M, +56% y/y growth, 123% of plan
 FYTD: \$335M, +38% y/y growth, 113% of YTD plan

Annuity mix matched last month @75% as UA, SA & L&SA licenses drove revenues. The upcoming release of Windows.Net Server may have enhanced the value proposition. Core CAL did not meet plan as EA volumes were lower and the attach rate of 6.0 slipped to 52%.



Licenses

Licenses (in 000s)*	FY03 YTD						YTD Growth						M	
	Lt. & SA	UAVUP	SA	EA	Sub	Total	Lt. & SA	UAVUP	SA	EA	Sub	Total		
Office	3,010	3,786	1,399	1,294	259	9,709	12%	516%	n/a	26%	13%	113%	33%	
Project	160	413	80	38	61	751	13%	98%	n/a	57%	126%	29%	3%	
Visio	160	213	78	17	61	629	29%	709%	n/a	-16%	138%	2%	2%	
FrontPage	44	36	19	2	3	105	63%	209%	n/a	-24%	59%	1%	225%	0%
MapPoint	8	0	1	0	0	9	44%	-100%	n/a	n/a	n/a	n/a	66%	0%
Standalone/Other	660	165	35	1	0	861	-52%	307%	n/a	200%	27%	9%	-39%	3%
Other IW Apps. Total	1,032	820	213	58	125	2,255	-38%	675%	n/a	21%	110%	2%	23%	8%
Windows Server CAL	2,404	4,360	1,634	631	39	9,057	78%	616%	n/a	317%	55%	1%	328%	30%
Windows Terminal CAL	308	154	130	4	5	700	27%	25%	n/a	4227%	-3%	3%	93%	2%
Exchange CAL	1,118	2,601	733	347	16	4,815	-11%	682%	n/a	320%	12%	3%	200%	16%
BackOffice CAL	2	46	(1)	1,180	23	1,252	-99%	-9%	n/a	-42%	-8%	4%	-48%	4%
Core CAL	14	0	11	354	124	503	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2%
SMS CALs	273	166	532	241	29	1,271	187%	405%	n/a	147%	n/a	n/a	449%	4%
Small Bus Server CAL	79	47	9	0	0	136	9%	171%	n/a	n/a	n/a	n/a	51%	0%
Sharepoint CAL	42	4	23	41	3	112	7%	87%	n/a	43%	n/a	n/a	81%	0%
IW CAL Total	4,330	7,400	3,080	2,797	238	17,846	31%	622%	n/a	17%	3%	1%	159%	60%
Total	8,372	12,012	4,662	4,140	622	29,808	10%	588%	n/a	10%	5%	4%	125%	100%
Mix	28%	40%	16%	14%	2%	100%								

*Excludes Academic Pricing Level, Other User Type, and all the recurring licenses

Licenses: The table above includes only new licenses and excludes Academic price level and Other user type. Licenses grew strongly across all products and price levels, driven by UAVUP license growth of +588% YTD, and 4.7M new SA licenses. UAVUP licenses accounted for 40% of new licenses, while SA licenses accounted for 16%.

Product	SA Attach Rate FY03 YTD		
	Open	Select	Total
Office	63%	166%	119%
Project	43%	85%	76%
Visio	41%	88%	78%
FrontPage	67%	115%	105%
MapPoint	58%	56%	57%
Data Analyzer	97%	67%	77%
Standalone/Other	23%	43%	34%
Windows Server CAL	56%	126%	94%
Windows Terminal CAL	37%	71%	53%
Exchange CAL	67%	120%	97%
BackOffice CAL	0%	0%	0%
Core CAL	206%	168%	179%
SMS CALs	117%	307%	277%
Small Bus Server CAL	29%	n/a	29%
Sharepoint CAL	47%	114%	99%
Total	57%	136%	101%

SA Attach Rates: SA attach is calculated by dividing total new SA and L&SA licenses by new standard licenses (L) plus L&SA licenses. Attach rates have climbed in FY03 as customers took advantage of the July 31st licensing deadline for prior versions for SA and strong growth for L&SA purchases. The year-to-date SA Attach Rate for all IW products was 57% for Open and 136% for Select.

Market Conditions

- **Corel** – Corel announced partnerships with Dell and HP to begin shipping a light version of WordPerfect Office 2002 priced at COGS replacing sockets formerly filled with Works and Works Suite.
- **StarOffice** – revised NPD retail data shows that StarOffice has 8% of retail FPP unit market share

Geographic

- U.S.** **August: \$420M, +53% y/y growth, 136% of plan**
FYTD: \$753M, +39% y/y growth, 109% of YTD plan
The US posted a strong August with VUP/UA purchases in Open & Select driving the billed revenue growth across all products.
- Canada/Lat** **August: \$58M, +47% y/y growth, +48% y/y C\$ growth, 123% of plan**
FYTD: \$112M, +39% y/y growth, +40% y/y C\$ growth, 116% of YTD plan
Canada/Lat billed revenues grew 201% y/y in August and are up 112% YTD. Canada accounts for 57% of billed revenue in the region and 72% of the YTD revenue growth.
- EMEA** **August: \$381M, +85% y/y growth, +70% y/y C\$ growth, 148% of plan**
FYTD: \$657M, +62% y/y growth, +51% y/y C\$ growth, 129% of YTD plan
EMEA posted strong August results with growth in all pricing levels, especially strong growth in Select for both Office and Project. EMEA was 60% of the Worldwide August VUP/UA license spike for Office. In August, Visio UK license growth of 393%, was driven by UA and SA licenses.

Japan

August: \$97M, +49% y/y growth, +43% y/y C\$ growth, 114% of plan
FYTD: \$187M, +7% y/y growth, +6% y/y C\$ growth, 105% of YTD plan

Japan's PIPC revenues YTD have been disappointing down 12% yr/yr as Sell-In licenses declined Project Adjusted Revenue was up +113% YTD, driven by strong FPP and Select sales due to the launch. Visio YTD Adjusted Revenue is down due to a hard comparison a year ago as a result of the launch of Visio 2002.

Asia

August: \$63M, +34% y/y growth, +30% y/y C\$ growth, 120% of plan
FYTD: \$124M, +11% y/y growth, +8% y/y C\$ growth, 118% of YTD plan

August Billed revenue of \$95M, represents 111% growth y/y. Australia & New Zealand account for 50% of the YTD I-Worker billed revenue in this region and 80% of the YTD growth. ANZ accounted for approx. 58% of total Project revenue in Asia Pac, and posted growth across all price levels.

Self-In Adjusted Revenues (000's)	August, 2002			FY03YTD					
	Actual	Y/Y Growth USD\$ %	% of Plan	Actual	Y/Y Growth USD\$ %	Y/Y Growth C\$ %	% of YTD Plan	% of Full Year Plan	% mix
United States	420,045	53%	136%	753,389	39%	39%	109%	17%	41%
Canada	28,019	71%	146%	53,213	68%	70%	144%	17%	3%
Brazil	8,806	20%	101%	17,690	11%	11%	98%	12%	1%
Other Americas	21,524	35%	110%	41,226	26%	26%	104%	14%	2%
Americas Total	478,394	52%	134%	865,519	39%	39%	111%	16%	47%
United Kingdom	85,210	114%	160%	135,839	74%	65%	129%	18%	7%
Germany	82,251	113%	161%	129,010	72%	56%	132%	20%	7%
France	42,430	107%	189%	75,171	96%	79%	163%	20%	4%
Italy	16,558	61%	125%	34,337	29%	18%	123%	14%	2%
Netherlands	26,162	120%	153%	45,761	101%	64%	132%	21%	2%
Switzerland	17,369	103%	155%	29,608	94%	75%	134%	18%	2%
Eastern Europe	17,503	36%	120%	34,642	32%	32%	122%	14%	2%
ME.A	21,597	10%	94%	41,340	6%	6%	94%	13%	2%
Nordic	40,870	61%	138%	72,164	53%	43%	121%	17%	4%
Other EMEA	31,212	71%	144%	59,316	62%	51%	134%	17%	3%
EMEA Total	381,163	85%	148%	657,188	62%	51%	129%	18%	36%
Japan	97,420	49%	114%	187,430	7%	6%	105%	13%	10%
Korea	6,948	18%	85%	13,761	-20%	-21%	86%	13%	1%
Taiwan	8,852	131%	161%	17,989	54%	53%	160%	30%	1%
Hong Kong	4,169	-47%	77%	8,248	-59%	-59%	80%	13%	0%
China	4,098	125%	116%	9,502	97%	97%	146%	16%	1%
South Asia	13,792	7%	91%	26,332	7%	7%	93%	13%	1%
Australia&NZ	25,422	69%	155%	48,291	43%	34%	139%	20%	3%
Asia Pac & Japan Totl	160,699	43%	116%	311,554	8%	7%	109%	14%	17%
GRAND TOTAL	1,020,256	61%	136%	1,834,262	39%	36%	116%	16%	100%