



From: David Parker  
 Sent: Monday, March 31, 1997 2:51 PM  
 To: APPS Comm/Richard Fade's Direct Reports, Jonre's Direct Reports  
 Cc: Bill Gates, Bob Herbold; Pete Higgins, Paul Maritz, Steve Schiro, Brad Silverberg, Chris Peters, Steve Ballmer; Rick Devenuti, Bob Norton, Jonathan Schwarz, Michael Lucarelli, LaShaun Bellamy, Matthew Pnce, Arvind Bhat, Ingrid Fitzgerald, Keri Stack, John O'Rourke, Peggy Angevine; James King, Ben Waldman; Bill Benack, John MacLellan, Greg Maffer's Direct Reports, Platforms Finance All, David Kress, James Douglas  
 Subject: DAD March Revenue Flash

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**SUMMARY.**

- DAD completed its largest sales quarter in history with gross revenues of \$484 million in March, 28% over plan and 46% over prior year March. The third quarter total of \$1.58 billion was 18% ahead of budget and 51% growth over the prior year Q3. Year to date revenue totals \$3.96 billion, 13% over plan and 22% higher than last year at this time.

**DAD March Gross Revenue Results**  
*Vanances & Year-to-year Growth*

	Actual		Budget		Variance		FY96		Growth	
	\$	%	\$	%	\$	%	\$	%	\$	%
March	\$ 483,985		\$ 379,273		\$ 104,712	28%	\$ 273,202		\$ 210,783	77%
QTD	\$ 1,575,893		\$ 1,335,215		\$ 240,678	18%	\$ 1,042,860		\$ 533,033	51%
YTD	\$ 3,958,195		\$ 3,504,346		\$ 453,849	13%	\$ 3,240,133		\$ 718,062	22%

*Note: These results (FY97 and FY96) reflect the new DAD organization (incl. Consumer Productivity), and the new Re/Sum accounting for maintenance.*

The primary performance drivers in the month of March include:

- The launch of the Kanji version of Office 97 led to \$119 million in sales this month in Japan, 102% over budget
- Non-Maintenance Select revenue worldwide was 96% over plan at \$95 million, with Europe (\$46 million or 80% over plan) and North America (\$36 million, or 218% over plan) leading the way. New Maintenance revenue totaled \$60 million, 186% over plan
- Full Packaged Product sales outside of the Far East region were 17% under budget, with North America 19% under plan due in part to the impact of \$14 million in Office 95 returns
- OEM/ROEM channel revenue was \$19 million, versus a plan of \$7 million

**DRILLDOWN**

**CHANNEL.**

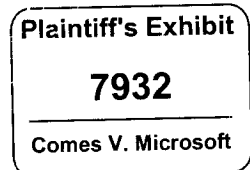
- Finished Goods** revenue for March was \$465 million or 25% over plan. YTD Finished Goods revenue totals \$3.65 billion, 12% over plan.
- OEM** revenue for the month was \$15 million, with the Retail OEM (DSP) channel adding another \$3 million. For the quarter OEM/ROEM channel sales totaled \$116 million, 35% over plan but down slightly from the \$119 million talked in Q2. YTD OEM/ROEM revenue totals \$310 million, 27% over plan.
- USFG self-through** revenue for February was \$138 million, up 28% from November (the last comparable month in the Select cycle). Retail and DMR self-through in February totaled \$47 million, down from \$61 million in January (the Office 97 launch month), but well ahead of the \$29 million in sales that these channels averaged for the first half of the fiscal year.
- US Retail market share** for surtes in January from PC Data shows Microsoft with 74% unit share and 88% revenue share, up 19% and 12% respectively from December due to the launch of Office 97. While the share gains are dramatic, they came as a result of us growing the size of the total market as opposed to taking sales away from our competitors since Corel retail unit sales were basically flat from December to January. Contact Robert Doi (rdo) for further market share data.

**PLATFORM.**

- The continued Office97 sell-in pushed the **32bit apps** revenue mix this month to 75% of the total, vs. 23% for 16 bit and 2% for Mac. YTD sell-in mix of 32 bit apps now stands at 62%, compared to 29% for all of FY96. In the Select program, 32 bit sales for the month were also 75% of the revenue mix, boosting the YTD mix up to 59%. Note that cross-platform sku sales are currently included in the 16 bit total - so actual 32 bit app usage is higher. (Cross-Platform sales in March represent 5% of the revenue total)
- Mac** revenue for the month was 8% below plan at \$7.4 million, and YTD totals \$114 million, 42% over plan but 21% below the total last year at this time. The YTD Mac total includes approximately \$10 in OEM licensing to Apple.

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**GEOGRAPHY (Finished Goods only):**

- The **United States** was 8% over finished goods plan for the month, with strength in Select (239% over plan), Academic (106% over) and MOLP (56% over) \$14 million in Office 95 returns pulled FPP sales 19% under budget, and some large Maintenance credits booked this month led to **Recognized Maintenance** actually netting to negative \$9,000 versus a budget of \$17 million USFG sales for Q3 were \$490 million, 11% over plan and 2% higher than the mid-year review forecast for Q3 **Canada** was 1% under budget this month, but still finished the third quarter 34% over plan with \$51 million
- Europe** was 17% over plan for the month, with Select and New Maintenance sales leading the way for the region and most of the large subs coming in over budget. The **United Kingdom** was 76% over plan for the month, thanks largely to the large British Telecom maintenance deal cited above. This offset FPP sales which were 52% under budget for the month. **Germany** also tallied a large Select total (\$19 million, 244% over plan), leading to a total \$35 million, or 38% over plan for the month. **Sweden** was 39% under plan in March, with FPP sales off after launching Office 97 last month
- Japan** launched Office 97 in March, and as a result more than doubled their budget, with \$119 million in sales, \$75 million of it coming from FPP. This offset the fact that the Word/Excel OEM bundle was 25% under plan and Select sales were 14% under plan. The massive sales in March pushed Japan 45% over budget for Q3, and 19% over YTD. Other **Far East** subsidiary totals for March: Taiwan 54% over plan, Hong Kong 39% under, Korea 26% under, and China 60% under
- Sales of FPP in **Australia** picked up a bit in March, but at \$3.1 million were still 43% under plan. Australia finished the month 17% under plan, with Select (79% over plan) and Academic (93% over) helping to offset those low FPP sales. PTY Q3 total of \$20 million was 47% below budget
- Excluding Australia, the rest of **ICON** finished the month 13% over plan. Sales were especially strong in Brazil (29% over plan), Mexico (28% over) and Argentina (59% over).

Finished Goods	March	Variance	Q3-97	Variance	FYTD	Variance	Growth
	Actual	%	Actual	%	Actual	%	from FY96
United States	128,857	6%	459,844	11%	1,355,306	10%	23%
Canada	13,895	-1%	51,171	34%	110,101	18%	28%
North America Total	142,752	7%	511,015	13%	1,465,407	11%	23%
Germany	35,468	38%	129,166	22%	272,143	8%	-4%
United Kingdom	45,349	76%	110,480	26%	256,248	27%	25%
France	18,759	2%	84,177	48%	220,542	25%	20%
Italy	10,606	4%	44,623	12%	99,465	9%	21%
Sweden	5,311	-39%	24,740	16%	60,178	11%	2%
Switzerland	4,147	-16%	25,473	-1%	59,787	9%	-5%
Netherlands	10,527	49%	36,813	35%	68,454	33%	55%
Belgium	3,667	-23%	20,992	14%	44,053	30%	36%
Other Europe	22,135	-21%	76,277	3%	207,050	7%	14%
Europe Total	155,968	17%	552,740	21%	1,288,221	16%	13%
Australia	7,495	-17%	20,241	-47%	70,013	-24%	-6%
Brazil	4,522	79%	16,529	10%	45,144	-3%	41%
Mexico	3,422	28%	11,640	50%	28,585	30%	64%
South Africa	2,333	-15%	10,434	26%	27,081	24%	34%
Other ICON	23,551	12%	60,622	-8%	174,249	2%	47%
ICON Total	41,323	6%	121,466	11%	345,072	-3%	32%
Japan	119,199	101%	225,642	45%	493,585	19%	29%
Other Far East	5,849	-22%	16,569	-5%	55,735	1%	19%
Far East Total	125,048	88%	244,211	39%	549,320	17%	28%
FG Total	465,091	25%	1,455,433	17%	3,648,020	12%	21%
OEM/ROEM Total	18,894	169%	116,461	35%	310,175	27%	42%
Grand Total	483,985	28%	1,571,894	18%	3,958,195	13%	22%

**PRODUCT:**

- Due to the Japan launch and strong Select month, finished goods sales of **all Office products** (Standard, Pro, Pro/Mouse bundle, and SBE) totaled \$376 million, 34% over plan. Upgrade product accounted for 36% of the all Office license mix this month, about even with the mix percentage in February, but up significantly from the 25% upgrade mix average for the first half of the fiscal year.
- Including the OfficePro/Intellimouse bundle, the **OfficePro to Office Standard** FG license mix for the month was 52%/48% overall, and 77%/23% in the FPP pricing level. The latter number driven by the Japan Office 97 launch, which in March sold 226k units of FPP Office Pro compared to 4 thousand units of Office. In the US, the FPP license mix for Office Pro was 64% in March (excluding Academic units).
- The **Individual Office Apps** as a whole were 18% under plan worldwide during March, this despite a big sales spike of them for the launch in Japan (159% over plan there). YTD (finished goods single apps sales worldwide total \$364 million, 11% below plan)
- Project** revenue for the month was 19% below plan at \$14 million, while units were 9% under plan. Strong sales of Select (127% over plan) offset weakness in FPP (50% under plan). **Team Manager** sales for March were 64% under plan at \$0.4 million.
- FrontPage** sales continue to grow, in March totaling nearly 100,000 units and \$10.2 million, 360% over plan and 67% higher than February. For the year, FrontPage is 92% over their revenue plan with \$45 million in sales.
- Home Essentials 97** launched in France and the UK during March, leading to European sales of 40,000 units for about \$4 million. North America Home Essentials sales in March were 19,000 units for \$1.6 million (34% over plan).
- Works** finished goods sales are likely being cannibalized by Home Essentials, and in March were \$3.2 million, 25% under plan. OEM Works sales for Q3, however, are 45% over plan with \$25 million and 3.3 million units.
- Publisher 97** sales in the US rebounded a bit during March after weakness in January and February due to high channel inventory levels. North America FG sales were \$2.3 million, 4% over plan, while the worldwide total of \$3.6 million was 3% below budget. YTD WW Publisher sales remain 20% over plan.

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- **Greetings Workshop** sales were low during March (\$0.5 million, 34% under plan) but remain well over budget year to date due to strong sales back in the holiday season. **Picture It!** sell-through continues to be disappointing and once again it's revenue for the month was net negative due to returns in the US.

**DAD FY97 Year-to-Date WW Revenue and License Variance**

Product Family	Act Rev	Variance	Act Lic	Variance	Act Rev/Lic	Variance
<b>Finished Goods</b>						
Office	1,398,753	0%	7,622,795	9%	\$ 153	3%
Office Professional	1,437,377	30%	6,813,805	33%	\$ 208	-2%
Office Pro/Intellimouse	91,130	83%	294,344	75%	\$ 310	5%
Office Small Bus Ed	10,029	-79%	41,059	51%	\$ 244	13%
Excel	115,029	-8%	927,830	-12%	\$ 124	5%
Word	152,463	-13%	1,442,534	-8%	\$ 108	-5%
Word/Excel Bundle	90,527	-4%	1,053,542	-9%	\$ 86	5%
Powerpoint	19,400	-22%	153,886	-19%	\$ 126	-4%
Access	77,807	-11%	601,729	-21%	\$ 129	12%
Project	147,062	-12%	616,413	-12%	\$ 239	0%
Works	32,854	-22%	846,820	-18%	\$ 39	-5%
Publisher	41,108	20%	739,124	20%	\$ 56	0%
FrontPage	45,013	192%	434,244	185%	\$ 104	3%
Home Essentials	16,198	8%	196,923	63%	\$ 82	-35%
Picture It!	4,580	-42%	81,347	-40%	\$ 58	-2%
Greetings Workshop	7,089	40%	399,775	84%	\$ 18	-24%
Other Desktop Apps	22,627	12%	436,594	33%	\$ 52	15%
Rec/Def Maintenance	(61,130)	18%	N/A	N/A	N/A	N/A
<b>Finished Goods Total</b>	<b>3,648,020</b>	<b>12%</b>	<b>22,802,858</b>	<b>11%</b>	<b>\$ 160</b>	<b>1%</b>
<b>OEM/ROEM</b>						
Office/Office Pro	201,972	22%	2,081,378	3%	\$ 97	18%
Works	61,508	28%	7,868,894	3%	\$ 8	25%
All Other	46,696	51%	3,856,157	134%	\$ 12	35%
<b>OEM Total</b>	<b>310,175</b>	<b>27%</b>	<b>13,804,429</b>	<b>22%</b>	<b>\$ 22</b>	<b>4%</b>
<b>Grand Total</b>	<b>3,958,195</b>	<b>13%</b>	<b>36,607,287</b>	<b>15%</b>	<b>\$ 108</b>	<b>-2%</b>

Note that sales and budget amounts for Team Manager have been reclassified from the Project line into the Other Desktop Apps line

Please feel free to contact me if you have any questions or comments.

Thanks,  
David

\* All revenue 'As Shipped', prior to inter product unit allocations, reserves and deferrals

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