

Novell®

Business Applications Division Management Presentation

- I Overview - Jeff (1-7)
- II Mkt Dynamics (1-8-11) *Wendy*
- III Org. & Staffing (12-15)
- IV Financial (16-22)
- V Value (23, 24)
- VI Wrapup/Discussion (25)

Wendy
J. Thompson

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Plaintiff's Exhibit
8783
Comes V. Microsoft

Business Overview



- ▶ Leading provider of business applications and personal productivity software
- ▶ Installed base of 20+ million users
- ▶ 57% share in standalone word processing market
- ▶ FY1995 Revenues: \$394 million
- ▶ 1,265 direct employees located in Orem, UT; Scotts Valley, CA; the Netherlands; the UK; and Singapore

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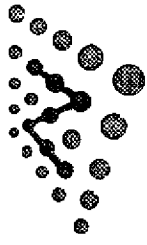
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History of the Business



- ▶ 1979 - Founded as Satellite Software Int'l
- ▶ 1980 - Introduction of *WordPerfect*
- ▶ 1986 - Annual sales top \$100 million
- ▶ 1989 - Separate Applications and GroupWare divisions formed
- ▶ 6/94 - Acquired by Novell, along with Borland's Quattro Pro spreadsheet product; Business Applications division formed
- ▶ 10/95 - Novell announces intention to focus on core networking business and sell Business Applications division

Products



WordPerfect

Worldwide standard in word processing

Quattro Pro

Powerful, graphical spreadsheet

Presentations

Full-featured presentation graphics package

InfoCentral

Personal information manager

PerfectOffice

Integrated, easy-to-use application suite

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Related Products



Envoy

- Portable document publishing & viewing
- Novell to retain ownership
- Broad licensing arrangement possible

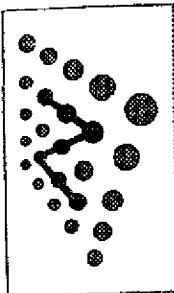
GroupWise

- Novell to retain as part of GroupWare div.
- OEM arrangement possible

Paradox

- Included in *PO Pro* under Borland license
- Ongoing relationship to be negotiated

Organization



JEFF WATSON
VP Applications
Novell

GLEN MELLA
VP and Acting GM
Novell Business Applications

BRUCE BRERETON
VP of Development

GLEN MELLA
VP of Marketing

KEVIN BUNKER
Director of Finance

DOROTHY WISE
VP of Quattro Pro

LANE HOWELL
Director of App. Support

JOHN FORD
Director of Corp. Dev.

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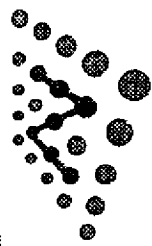
Market Dynamics



Historical Perspective

- ▶ Document processing evolved with computing hardware -- mainframes to minis to PCs
- ▶ Document processing apps evolved according to specific needs --word processors for text, spreadsheet for numbers, drawing packages for graphics
- ▶ WordPerfect dominated the word processing market
 - Peak market share of over 75%
 - Tremendous brand equity
 - “Best-selling word processor of all time”

Market Dynamics



Recent Developments

- ▶ MS initial application bundling leads to price erosion
- ▶ Standalone apps & bundles transition to full suites
 - 56% of 1994 WW word processing units sold in suites
 - 61% of 1994 WW spreadsheet units sold in suites
- ▶ Decline in (but not disappearance of) standalone applications market
- ▶ Novell/WP and IBM/Lotus the only real broad competitors to MS in applications space

Market Dynamics



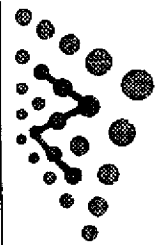
Current Situation

- ▶ Suite market is large, and growing rapidly
 - 1994 units grew 133%, to 8.3 million
 - 1994 revenues grew 79%, to \$1.7 billion
 - Projected growth to \$5B and 30 million units by 1999
- ▶ Market maturity changing the business model
 - Commoditization / "Feature Glut"
 - Mass distribution mechanisms (e.g., the Internet)
 - OEM pricing affecting retail pricing
- ▶ MS significantly influences competitors' destinies
 - Win95 release has stalled 16-bit product sales
 - OS ownership provides clear competitive advantage
 - Effects of Win96/97/98 uncertain

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Market Dynamics



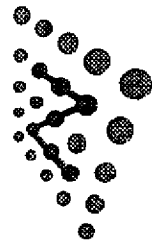
Future Directions

- ▶ Continued strong growth in suites, driven by overall PC unit growth (15% through 1999)
- ▶ Ongoing viability of standalone app marketplace -- despite decline, remains a \$2+ Billion market
- ▶ Application access to & integration with networks
 - Intra-company LANs and WANs
 - The Internet and World-Wide Web
 - On-line services
- ▶ More performance-, less feature-driven
- ▶ Focus on vertical markets and custom applications

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Organization Review



Research and Development

- ▶ 435 employees in Orem, UT and Scotts Valley, CA
 - 275 development; 115 testing; 45 documentation
 - Organized along product lines
- ▶ Feedback-driven development process
 - State-of-the-art usability testing laboratory
 - Marketing team research & customer support data
 - Direct input from customers
 - Testing with internal & external users of all skill levels
- ▶ Key technologies and ongoing technical foci
 - Core PerfectFit code base: integration, performance
 - Linguistics: PerfectSense, Natural Language Interface
 - Networks / the Internet
 - Components / objects

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Organization Review



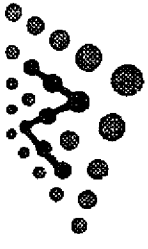
Marketing

- ▶ 75 employees in Orem, UT and Scotts Valley, CA
 - 18 in *WordPerfect & PerfectOffice*; 57 in other
 - Organized along product lines
- ▶ Multi-faceted marketing effort
 - Events: tradeshow, seminars, competitive forums
 - Advertising in various media: print, broadcast, online
 - Promotions: resellers, distributors, end-users
 - PR initiatives: analyst briefings, press tours, summits
 - Customer focus: user groups, executive briefings
- ▶ Strong overall market and marketing presence
 - Continued retail success - focus on end-user
 - Vertical strengths: government, education, legal

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Sales

- ▶ WordPerfect sales team merged into Novell's following the acquisition
- ▶ Currently no dedicated applications sales force
- ▶ Key elements remain
 - Original WordPerfect sales reps
 - Channel sales and marketing team
 - Sales force right-sizing
- ▶ Transition plan is top priority
- ▶ Opportunity to refocus and rescale sales model

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Customer Support

- ▶ 750 employees: Utah, UK, Netherlands & Singapore
 - Organized by product and product features
- ▶ Recognized industry leader
 - Numerous "World Class" and other awards
 - Enhanced customer loyalty; competitive advantage
- ▶ Multi-faceted support efforts
 - 10,000+ calls per weekday, plus nights & weekends
 - Direct response: mail, e-mail, fax-back and on-site
 - Electronic bulletin boards, on-line forums, WWW
- ▶ Careful cataloguing and analysis of customer input
 - Online database tracks bugs & enhancement requests
 - Direct feedback to development and marketing teams

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Financial Review



Historical P&L and Projections

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>Steady State</u>	<u>Steady State*</u>
Revenue	\$671	\$514	\$394	\$350	\$350
Cost of Sales**	<u>(165)</u>	<u>(134)</u>	<u>(166)</u>	<u>(134)</u>	<u>(115)</u>
Gross Profit	506	380	228	216	235
R&D	(100)	(83)	(81)	(62)	(62)
S&M	(235)	(202)	(123)	(112)	(102)
G&A	<u>(79)</u>	<u>(59)</u>	<u>(31)</u>	<u>(28)</u>	<u>(18)</u>
Op. Profit	\$92	\$36	(\$7)	\$14	\$53

* "Normalized Steady State" assumes application of typical software industry business model
** Includes Customer Support costs of \$59MM, \$53MM, \$61MM, \$45MM and \$45MM

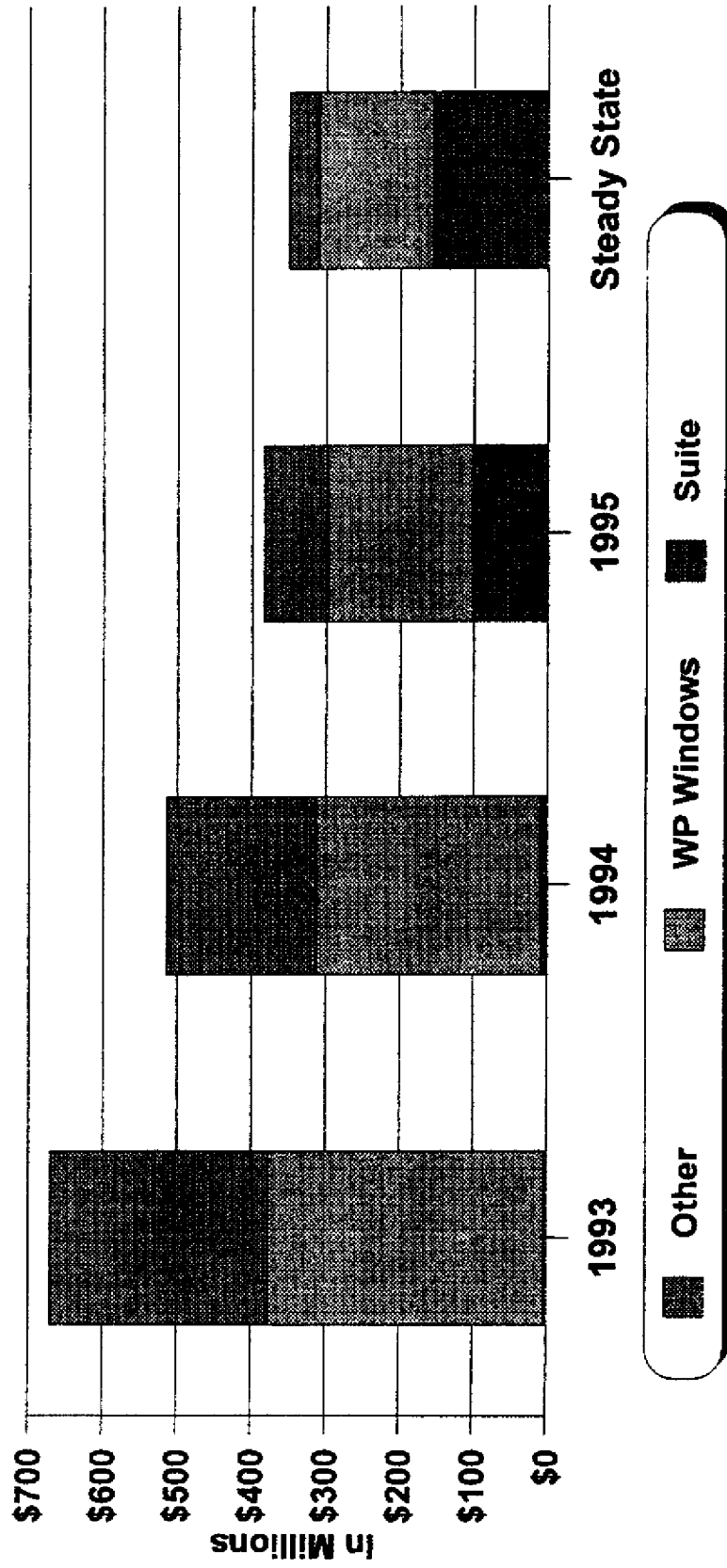
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Annual Revenues



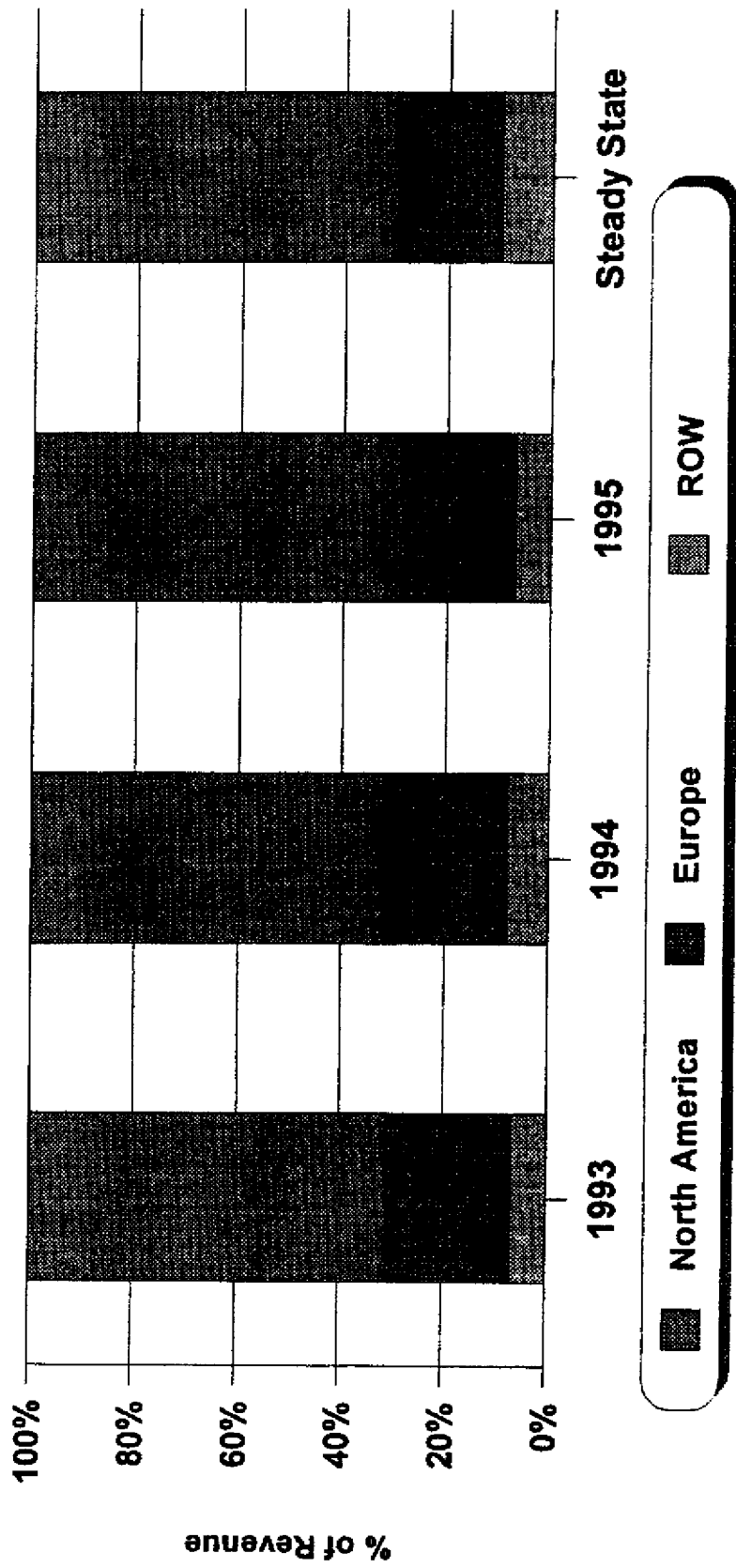
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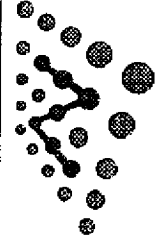
Revenue Breakdown by Geography



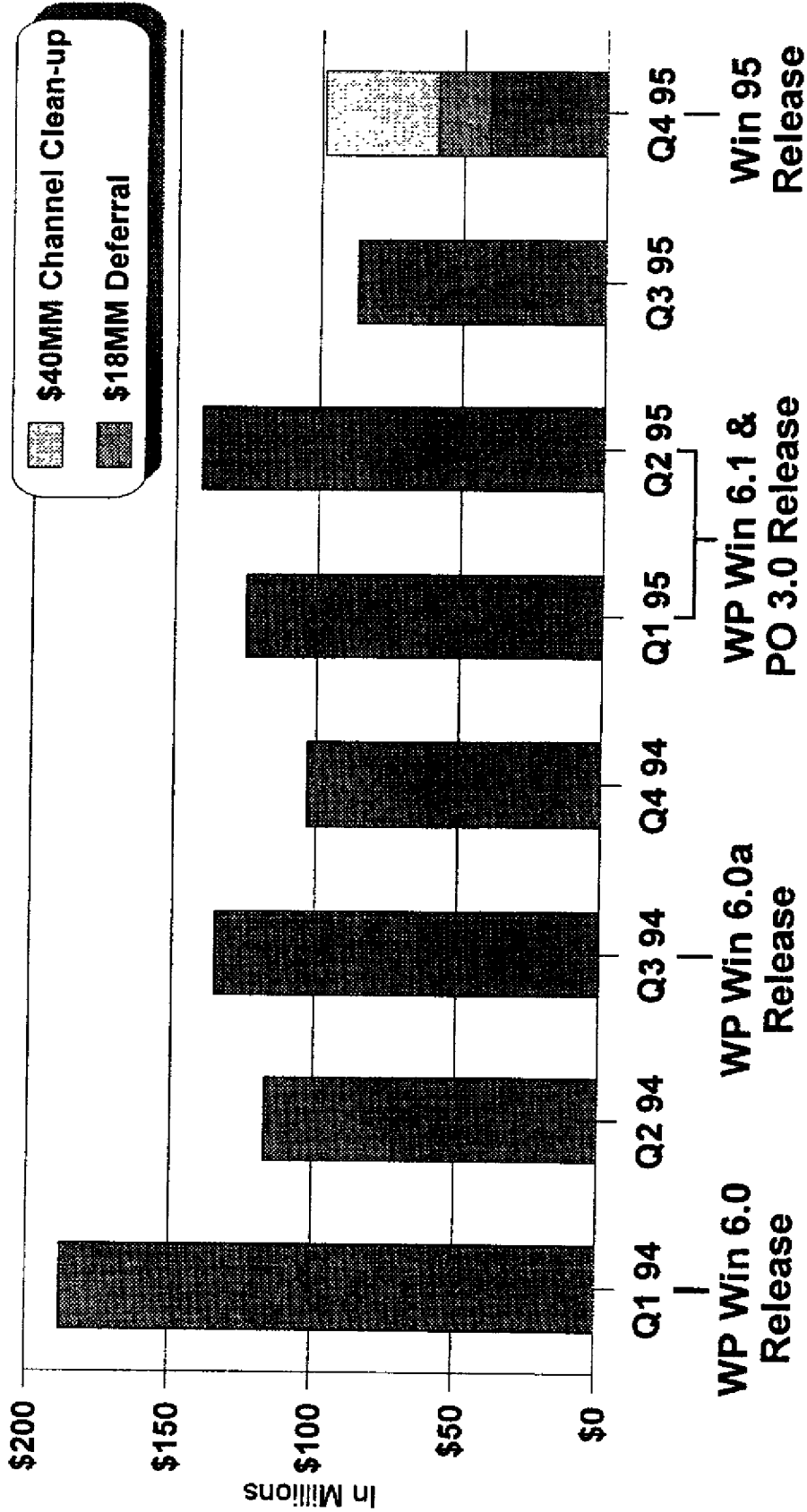
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Quarterly Revenue Trend



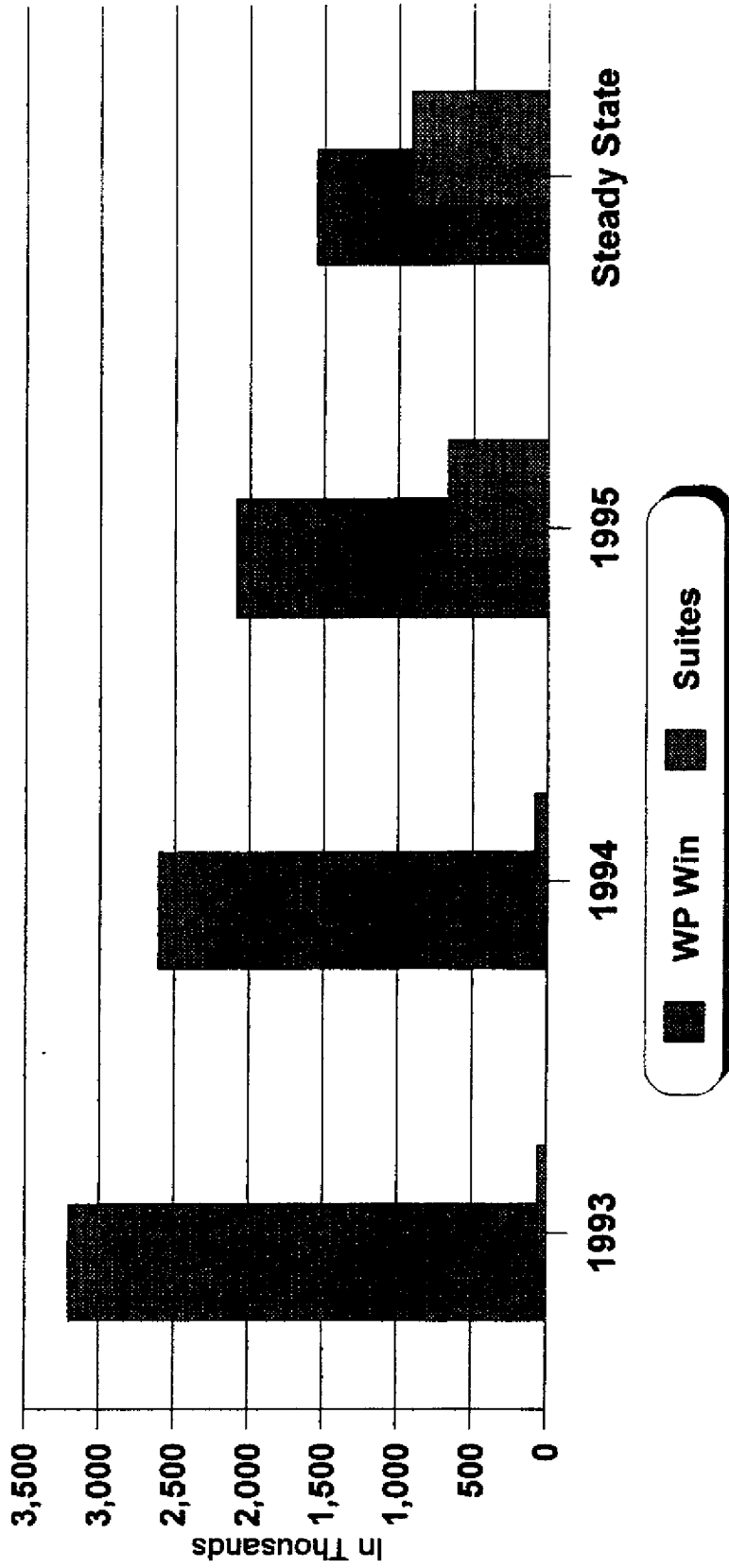
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Annual Unit Trend



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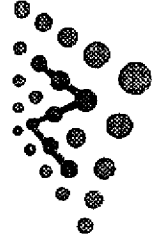


Direct Headcount and Costs - FY95

- ▶ R&D
 - Total personnel - 435 (\$64 million)
 - PerfectOffice/PerfectFit - 155 (\$23 million)
 - WP Win - 100 (\$15 million)
 - Quattro Pro - 60 (\$9 million)
 - Presentations - 60 (\$9 million)
 - Other - 60 (\$9 million)
- ▶ Marketing
 - Total personnel - 80 (\$12 million)
 - WP / PerfectOffice - 20 (\$3 million)
 - Other - 60 (\$9 million)
- ▶ Customer/technical support
 - Total personnel - 750 (\$55 million)

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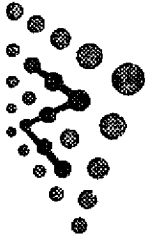
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Allocated Corporate Costs

- ▶ Sales -- \$55 million
- ▶ Operations -- \$14 million
- ▶ Localization -- \$15 million
- ▶ Corporate Marketing -- \$10 million
- ▶ General & Administrative -- \$31 million
- ▶ Approximately 650 full-time equivalent employees

Compelling Value Proposition



- ▶ Installed base of 20+ million users
 - Key corporate accounts: Chrysler, GTE, Marriott
 - Key segments: government, education, legal
- ▶ Equity in *WordPerfect* brand name
- ▶ Strength of products' technology and integration
- ▶ Continued market leadership
 - 57% market share in standalone word processing
 - 36% share of ALL Windows 3.1 desktop app units
 - 29% share of ALL Win3.1 + Win95 desktop app units
- ▶ Full 32-bit suite begins Beta testing in next 30 days
- ▶ Customer support reputation
- ▶ International presence

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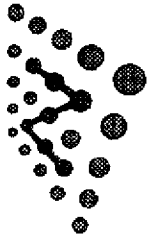
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Compelling Value Proposition



- ▶ Strong overall market growth, coupled with opportunity to grow market share
 - “Rising tide carries all boats”
 - 1% market share increase = \$20 million in 1995 revenues and \$50 million in 1999 revenues
- ▶ Significant opportunities for upgrade sales
 - Continued harvesting of DOS installed base
 - Win3.1 to Win95: hype -vs- expected gradual adoption
- ▶ Operational efficiencies yet to be exploited
- ▶ Early adoption of network-centric focus

Wrap-Up Discussion

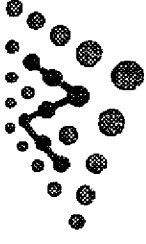


- ▶ Ongoing relationship with Novell
 - GroupWise
 - Envoy
 - Key technologies, e.g. QuickFinder, NDS
 - Linguistics laboratory and technologies
 - Key relationships, e.g. Netscape, FileNet, Borland
- ▶ Novell transaction requirements
- ▶ Next Steps
- ▶ Q & A



WordPerfect 6.1

- ▶ **Product Focus: Automation**
 - **Quick Formatting, PerfectSense, "Make it Fit"**
 - **Templates, Coaches, Experts**
 - **Context-sensitivity; right mouse support**
- ▶ **Product Focus: Integration**
 - **PerfectFit, QuickTasks**
 - **OLE 2, DDE, ODBC, ODMA, data conversions**
- ▶ **Product Focus: Collaboration**
 - **Internet publishing**
 - **MAPI support**
 - **Cross-platform strategy**
- ▶ **Total 1995 WordPerfect revenues: \$227 million**



Quattro Pro 6.0

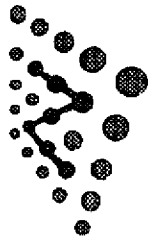
- ▶ **Product Focus: Automation**
 - **Coaches, Experts**
 - **Data modeling desktop**
 - **Smart Graphs, SpeedFormat, SpeedFill**
 - **Context sensitivity; right mouse support**
- ▶ **Product Focus: Integration**
 - **PerfectFit, QuickTasks**
 - **OLE2, OLE automation**
- ▶ **Product Focus: Collaboration**
 - **Database importing/exporting**
 - **Text and data importing**
 - **MAPI support**



Presentations 3.0

- ▶ **Product Focus: Automation**
 - **Coaches, Experts, presentation templates**
 - **Context-sensitivity; right mouse support**
- ▶ **Product Focus: Integration**
 - **PerfectFit**
 - **OLE 2.0**
 - **File importing/exporting**
- ▶ **Complete multi-media support**
 - **Sound, video, scanned images, 3-D images**
 - **Advanced charting, special effects**
 - **TWAIN support**
 - **Full bitmap editing**

Product Review



Envoy 1.0a

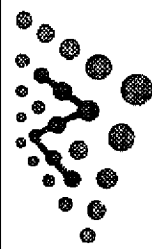
- ▶ Electronic document publishing and viewing
- ▶ Annotation
- ▶ Hypertext links
- ▶ Fast, lean, small footprint

InfoCentral 1.1

- ▶ PIM with patented *I-Connect* technology
- ▶ OLE2 support
- ▶ Database import/export

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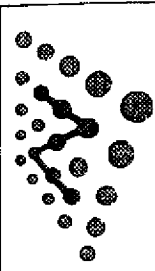
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PerfectOffice 3.0

- ▶ **Product Focus: Automation**
 - **Cross-application QuickTasks**
 - **PerfectSense linguistic tools**
 - **PerfectScript cross-application macro language**
- ▶ **Product Focus: Integration**
 - **PerfectFit (common code, tools, dialogues, look&feel)**
 - **PerfectLinks 3rd-party product integration**
 - **OLE 2 support**
- ▶ **Product Focus: Collaboration**
 - **Electronic publishing/viewing**
 - **MAPI support**

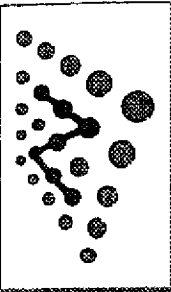
Product Review



PerfectOffice 3.0 (cont'd)

- ▶ **Transition Tools**
 - **Upgrade Expert**
 - **Easy conversion from competitive products**

- ▶ **PerfectOffice Select**
 - **“Create your own suite”**
 - **Shop, try and buy**
 - **Includes 3rd-party products**
 - **Volume pricing**



PerfectOffice 7 for Win95

- ▶ **Make the most of Windows 95**
 - **Multitasking, multithreaded, full 32-bit**
 - **Seamless conversions from all leading suites**
 - **Enhanced performance**

- ▶ **Finish faster with less effort**
 - **Expanded QuickTasks**
 - **PerfectExpert (with Natural Language Interface)**
 - **Hot spots**
 - **Additional linguistic capabilities**



PerfectOffice 7 for Win95 (cont'd)

- ▶ **Connect to the networked world**
 - **HTML/SGML Internet solutions**
 - **Workflow and document routing (FileNet)**
 - **Full support for Notes FX**
 - **NDS-based address for Notes book**
 - **“NetWire” access for on-line help**
 - **Easy network installation, distribution, management and metering**

- ▶ **Build better custom solutions**
 - **OLE Automation support**
 - **Full support of Borland Delphi**
 - **PerfectFit SDK and PerfectFit Partners Program**