
From: Steven Sinofsky
Sent: Tuesday, May 14, 2002 10:20 AM
To: John Vait; Ken Myer
Subject: FW: XDocs prelim revenue swag and BPR
Attachments: XDocs BPR Backup v3.ppt

I'm not quite sure of the process going on here but want to try to bring some of the parts together.

I think we need some synergy in the pricing and strategy for xdocs, scribbler, frontpage, visio, publisher, project. They all might have different customers and different markets, but if we expect the penetration to go up customers need to have some sense that they are interchangeable at some level.

I definitely agree with judy's comments on RPL.

--- Original Message ---

From: Peter Pathe
Sent: Tuesday, May 14, 2002 10:09 AM
To: Steven Sinofsky
Subject: FW: XDocs prelim revenue swag and BPR

Do you have any thoughts about this?

Thanks.

--- Original Message ---

From: Peter Pathe
Sent: Tuesday, May 14, 2002 10:07 AM
To: Judy Lew; Don Gagne
Subject: RE: XDocs prelim revenue swag and BPR

The ERP doesn't bother me, but my gut tells me that our forecast RPL is too high, and by a lot. It took Adobe eight years, I think, to get their business to its current size. We say we'll be >150% of that in just two years.

Of course, what I really want to see is NO perpetual license, just an annual per-user fee. But since we don't have anybody in marketing working on this, I don't imagine we'll get any creative thinking behind us before the BPR.

Another set of useful comparisons would be the SQL CAL, or the VB Runtime price model. I know those don't really match what we are trying to do with XDocs, but they might shed some light on what people are willing to our solution runtime.

--- Original Message ---

From: Judy Lew
Sent: Monday, May 13, 2002 9:49 PM
To: Don Gagne; Peter Pathe
Subject: XDocs prelim revenue swag and BPR

Don/Peter, while the BPR will be focused on headcount issues this year, JeffR has requested that Finance pull together forecast financials for his group, including the new businesses. Given this request, Finance has pulled together the attached BPR back-up slide for XDocs based on their discussions with myself and marketing (they're

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doing this slide for all of the new categories). This revenue forecast swag will be included in the overall financials for their main deck. Given that a business model for XDocs (and overall Office 11) has not been finalized, the revenue numbers in the attached are based on the current plan of record where XDocs is sold standalone. The below assumptions are reflected in this preliminary model. I'll be working with finance and marketing to refine this model for post-BPR discussion based on our sizing research and the discussions that we're having re: the overall business model for Office 11 and the new businesses.

Preliminary model assumptions and comments:

- XDocs is sold as a standalone integrated application (e.g., editor and designer together); no reflection of potentially also selling the editor separately or packaging XDocs with any other Microsoft products.
- XDocs pricing at \$279 FPP ERP assumes higher perceived value than Adobe Acrobat at \$249 FPP ERP but takes into account that users are buying Word and Excel as part of Office and thus is not priced at the same level of the Office standalone apps at \$339 FPP ERP. Note that Adobe's revenues for their ePaper division (most of which is the Acrobat family) was \$292M for FY02 so our revenue forecast is not out of line.
- The Office attach rate is based on Office licenses forecast to be sold for that fiscal year (i.e., not to Office revenue for that year or to the total install base for that year).
- The Office attach rate reflects historical attach rates of Project and Visio (note that the attach rates in the "Timing/Comps" section is for the current fiscal year of these fully ramped products; XDocs would be fully ramped until FY07). Given that XDocs should have broader usage applicability than these products, our numbers are likely conservative.
- The Revenue Per License (RPL) number reflects a blended number based on ERP with subsequent waterfall pricing and weighting for each of the license segments (e.g., more heavily weighted to enterprise licensing).
- The current RPL for FrontPage, Project, and Visio reflects the upgrade pricing for these fully ramped products and is thus lower than the RPL being forecasted for XDocs prior to full ramp.

Let me know if you have any questions or issues with this.

Thanks, Judy

----- Original Message -----

From: Don Gagne
Sent: Wednesday, May 08, 2002 1:03 PM
To: Judy Lew; Peter Pathe
Subject: RE: BPR timeline

I thought this year BPR was going to focus mainly on headcount and not product direction? Did I misread something somewhere.

-----Original Message-----

From: Judy Lew
Sent: Wednesday, May 08, 2002 11:08 AM
To: Don Gagne; Peter Pathe
Subject: FW: BPR timeline

FYI. Peter, I assume you already have these dates. JohnVa and team are in the process of getting their business model swags/plans for Office in place for the upcoming JeffR review on 5/28 and subsequent SteveB on 6/4. I'm meeting with Michael (from Finance) and Christine this Friday to discuss where we are. We just got our sizing numbers in last night that I'm in the process of reviewing so as appropriate we'll incorporate. Will touch base with you later on this.

----- Original Message -----

From: Michael Ludwig
Sent: Wednesday, May 08, 2002 10:50 AM

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To: Judy Lew; Christine Chang
Subject: BPR timeline

FYI, here is BPR timeline – So really two important dates (May 14/15th – first draft) and then May 24th final slides due:

5/15/2002 12:00 PM
Checkpoint Slides due

5/16/2002 11:00 AM
KW BPR Check Point-Slide Owners Only

5/24/2002 12:00 PM
Final Internal BPR Slides Due

5/28/2002 9:00 AM
KW Internal BPR-By Invitation Only

5/31/2002 12:00 PM
Final SLT slides due

6/4/2002 9:00 AM
KW SLT BPR-By Invitation Only

-mwl
PBS Finance
703-8758

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XDocs: Emerging Product Overview

Market Situation

- Growing adoption of XML by enterprises at the database and application server levels; momentum behind Web services
- Many XML tools/applications are developer-focused and targeted at middleware
- Fragmented forms market focused mainly on business process automation and web authoring
- Leading vendors in publishing, forms, and XML development tools beginning to focus on end-user XML data creation

Preliminary Pricing

- Standalone Sku - One Price
 - \$279 FPP ERP
 - Standard waterfall applies
- Benchmark
 - Competitor \$249 (Acrobat)
 - Standalone Office apps \$339

Timing / Comps

- V.1 Launch Q4 FY03

Attach to Office L Comps FY02

Visio	5.5%
Project	6.6%
Access (Standalone)	1.0%

	FY03	FY04
Frontpage	\$91	\$70
Project	\$155	\$400
Visio	\$158	\$300
Sharepoint	\$23	\$40

Note: Adobe's 2001 Rev: ePaper division (the Acrobat family)
 • \$292M (24% of total revenue)

Model

- Ramp toward Project and Visio attach
 - Sizing research results pending
 - Further pricing discussions pending

Model (Rev in \$M)

	FY03	FY04	FY05
Revenue	\$29	\$266	\$467
Attach to L	0.2%	1.7%	3.1%
RPL	\$ 179	\$ 177	\$ 173

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