From: Kumar Mehta
Sent: Friday, February 06, 1998 3:29 PM
To: Brad Chase; Randy Haas
Cc: Lora Shiner; Yusuf Mehdi
Subject: RE: Browser Model for 3YO

the only data i am not confident in is the stand alone win16 share; however; combined with AOL; i think we are ok. Win 16 share (including AOL) is 36% for us and 62% for netscape. I have been getting high fluctuations between IE and AOL the last couple of months; although nscp share is roughly constant.

i don't think bill will find any holes; if he thinks one assumption is whacky; it can be changed easily. but then again i am sure he will find the one thing that none of us thought of.

this thing is really as rock solid as "soft-data" can get. Randy has really done an awesome job of taking all the intelligence we gather and plugging it into excel to to be able pivot around any variable.

—Original Message—
From: Brad Chase
Sent: Friday, February 06, 1998 3:00 PM
To: Randy Haas
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: RE: Browser Model for 3YO

why not include just what you have below?

so what holes will bill find in the model?

—Original Message—
From: Randy Haas
Sent: Friday, February 06, 1998 2:49 PM
To: Brad Chase
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: RE: Browser Model for 3YO

I knocked down the IE run rate and cut the switcher rate in half and the effect is to lower total US share from 65% to 59%. You can see the effect of a high and low case on the chart below. I suggest we go with the original assumptions to avoid opening ourselves up to criticism. If you still want to have me make the change, let me know...its a 2 second job.
<< OLE Object: Picture (Metafile) >>
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Randy
Within Microsoft, visit http://aicgweb/finance/iccd.htm

—Original Message—
From: Kumar Mehta
Sent: Friday, February 06, 1998 1:25 PM
To: Brad Chase; Randy Haas
Cc: Lora Shiner; Yusuf Mehdi
Subject: RE: Browser Model for 3YO

We assumed web growth at 1 million per month; which is not only what we have seen historically, but is also consistemnt with most others who say the US web market will be approx 75 million by the end of the century.

The most important point in this model; as Randy has highlighted; is that no matter how much you change the assumptions; our share in 3 years is going to be between a conservative estimate of 60% to an aggressive estimate of 68% or so. This is of course barring something radically different happening in the market.

We have tried playing with improving and decreasing switch rates; run rates etc; but the model is pretty constant in staying in the 60%+ range.

—Original Message—
From: Brad Chase
Sent: Friday, February 06, 1998 12:18 PM
To: Randy Haas
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: RE: Browser Model for 3YO

this is a great exercise. i am excited about the model. feedback below

—Original Message—
From: Randy Haas

PENGAD-Bayonne, N. J.
GOVERNMENT EXHIBIT
515A

Sent: Friday, February 06, 1998 11:58 AM
To: Brad Chase
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: Browser Model for 3YO
Importance: High

Since we delayed the meeting yesterday to discuss the Browser Share Model, I just wanted to send the top level summary of its results and confirm this is ok to use in the 3YO slide deck.

Here are the key assumptions that drive the growth in IE browser share:

- Growth of users on the web at 1 million/month based on historical data.

>> are we really confident this will continue for three years?

- Current IE run rate of new users on the web = 62% overall from calldowns
  - 75% Home, kept constant over 3 years
  - 41% Work, ramping to 60% due to IE standardization

>> i think you need to lower this now that nscp is free

- Switching rate from NSCP to IE is 7%-points higher than IE to NSCP

>> i think you need to lower this now that nscp is free

- As of 12/97, IE4 is 40% of IE installed base. NSCP4 is 35% of NSCP installed base based on hits to top web sites (skewed slightly high)

The implications from our modeling exercise were the following:

- A critical success factor in gaining browser share is continued focus on ISP's, OEM's and corporate deployments to target the growth of new users.
- Marketing emphasis will need to shift from targeting switchers to customer retention/brand loyalty as Microsoft's browser share and installed base eclipse Netscape.
- Surpassing 70% market share in the US by FY01 is difficult since it would require very high IE run rates and switching rates. Even assumptions of higher growth of users on the internet than currently modeled only slightly affects browser share.

Here's the browser share chart that we've included in the 3YO slide deck:
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Randy
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From: Brad Chase
Sent: Saturday, February 07, 1998 12:25 PM
To: Randy Haas
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: RE: Browser Model for 3YO

show what you have below

no one should count netscape out and in fact i suspect they will get cash and energy from someone in the near future. plus they are free

you better make sure i understand the model well before the meeting

-----Original Message-----
From: Randy Haas
Sent: Friday, February 06, 1998 3:57 PM
To: Brad Chase
Cc: Lora Shiner; Yusuf Mehdi; Kumar Mehta
Subject: RE: Browser Model for 3YO

We can show the high/base/low slide instead of the base alone. This allows anyone to use whatever assumptions they want. The criticism we could be exposed to from dropping run rate and switch assumptions could arise from such arguments as:

- we have momentum
- we should be able to maintain or increase run rate as a result of synergy gained from even greater integration and distribution with Win98
- NSCP's long term viability and commitment is being called into question in light of their recent financial disappointment and buy-out rumors
- Corporate deployments have lagged behind standardization so the switching foundation has been laid and won't trail off in that segment

As you pointed out, working against our ability to maintain run rate and switch rate is the impact of NSCP being free. Showing all cases is probably best.

Randy
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