Lesley Halverson (LCA)
From: Richard Liotta
Sent: Wednesday, August 28, 1996 12:17 PM
To: Cameron Myhrvold
Cc: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

Cameron: Netscape provides a detailed list of ISP's that support Netscape products. Although support might not equate to distribution i thought it might be useful to your group. Please diregard if your group is already aware of location.

thanks, rick

Netscape Internet Service Prov...

From: Cameron Myhrvold
Sent: Wednesday, August 28, 1996 11:41 AM
To: Amar Nehru
Cc: Richard Liotta
Subject: RE: Netscape Revenue Breakdown

We are working on two things:

1.) A list (and stack rank) of top NetScape ISP customers
2.) NetScape's average price per unit through the ISP channel

We will of course be making estimates and assumptions but we will have at least anecdotal data points to back this up.

Cam

From: Amar Nehru
Sent: Wednesday, August 28, 1996 11:03 AM
To: Cameron Myhrvold
Cc: Richard Liotta
Subject: RE: Netscape Revenue Breakdown
Importance: High

Cam: Thank you for getting back to me. I agree this is a difficult question. Steveb is looking to understand where Netscape is making money. NSCP currently says ~32% of revenue is from OEMs/ISPs. We are trying to understand how much from each. Steveb is also not looking for complete accuracy, but a decent idea of what the dynamics are so he can "internalize" their revenue make-up. Dynamics = (1) units licensed/sold* (2) average price per unit (ARPU) (to back into the reported revenue) and (3) who the main buyers and customers are. I believe the only way to get this is, as you suggest, to have a decent idea on number of browsers sold or licensed across the major customers (through our intelligence or 3rd party sources) and then take an average ARPU and make assumptions on what is accounted for etc. As long as we have some good data for the major accounts and documented assumptions, I think we will be able to make a beginning. I agree that the time period is problematic, but we can possibly make some logical assumptions.

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GOVERNMENT EXHIBIT
969

Importantly, Richardl has a Netscape revenue model (a consensus analyst model). It might be useful if we could share this with you and get some ideas on how to approach this question then. We are looking for a 1/2 hour meeting. If you can spare the time, pls let us know and I will coordinate with Deborah to get on your schedule at your earliest convenience. Rick: can you add any thoughts?
thx amar

From: Cameron Myhrvold
Sent: Tuesday, August 27, 1996 6:33 PM
To: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

I'm not clear on what we should do? Try and count the number of browsers which ISPs have licensed from NetScape? This is very hard, especially if you want it for a given period of time (last quarter). Also, prices differ dramatically. U.S. West paid $19. Korea Telecom pays $11. Others pay $3-4 and I think Sprint pays less than $3 and maybe only $1.

Also, the structure of their deals I think calls for upfront fees. Does NetScape count this or not? In some cases it is not refundable so maybe they do...

Please advise.

Cam

From: Amar Nehru
Sent: Tuesday, August 27, 1996 6:28 PM
To: Deborah Willingham; Steve Schiro; Cameron Myhrvold; Joachim Kempin
Cc: Steve Ballmer; Richard Liotta; Amar Nehru; Greg Maffei; Brad Chase; Jeff Raikes; Mike Brown
Subject: FW: Netscape Revenue Breakdown
Importance: High

Steveb asked us to coordinate a drill-down on Netscape's browser revenues to understand where they make money and get back to him in 2 weeks. He suggested I contact all of you. I'd be grateful if your organizations could help us get data to answer this question.

In the latest quarter ended June 30, 1996 (Q2-96), Netscape browser revenues were $45mm worldwide. For FY 1997 (Jan 1-Dec 31), Netscape's browser revenue is projected at $270mm worldwide. Net, we are trying to categorize the $45mm and $270mm figures by channel and sub-channel to see how this can pencil out.

To do this, the following data points are needed:
(1) Taxonomy and definition of Netscape's *"revenue buckets"* or channels (ie. customer types included in the VAR, OEM, ISP, Retail and Direct channels. So, for example, when Netscape says VAR, what does it mean?). *@ bottom is current taxonomy we have on the revenue buckets, which is not precise.*
(2) Number of units sold in each revenue bucket (channel and sub-channel)
(3) Price/unit in each revenue bucket (channel and sub-channel)
(4) Partners/customer names - who are the big partners/vendor and who are the major customers within each revenue bucket (channel and sub-channel)

The suggested organizations to get the channel-specific breakdowns are:

ECU - VARS and corporate accounts
OEM - for the OEM portion
PNS - for the ISP portion
EUCU - for retail and perhaps Online

Current taxonomy for Netscape's revenue buckets is:

Channel	Sub-channel
Direct.....	- Corporate Accounts
	- Telesales
	- Online (ie. purchase from WEB site)
	- ?
VAR's.....	- ?
OEM/ISP.....	- OEM
	- ISP
	- ?
Retail.....	- ?

Please let me know if any questions. Thank you again for any help provided.
Thanks, amar