France I 2021

MICROSOFT - VENDOR PROFILE - FRANCE

SITSI I Vendor Analysis I Vendor Profile

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COMPANY OVERVIEW AND PAC'S ANALYSIS

Company Overview and PAC's Analysis

COMPANY BACKGROUND	TOP CUSTOMERS
Microsoft France has nearly 1,600 employees and 150 developers in Paris. It is a subsidiary of Microsoft Corporation and was established in 1983. It has been an important subsidiary for years now, with many French executives taking on positions at international level, such as Jean-Philippe Courtois (EVP & President, heading Global Sales, Marketing & Operations for Microsoft International), Vahé Torossian (President Microsoft Western Europe, Corporate Vice President and Business Applications Microsoft Europe). PAC ranks Microsoft as the number one provider of Software and Cloud Platforms, ahead of SAP and IBM, with strong growth of 17% and a market share of 20.1%. In July 2021, Corine de Bilbao took over as President of Microsoft France from Carlo Purassanta. In October 2021, Microsoft France announced the appointment of Virginie Infanti as Director of the Business Applications unit. Her mission will be to help companies innovate through the deployment of solutions such as Dynamics 365 and Power Platform (Power BI, Power Apps, Power Automate, Power Virtual Agent). Microsoft is also working hard to maintain its close relationships with local research and educational organizations as well as local start-ups. With the goal of becoming a preferred partner for start-ups, Microsoft has launched two programs, Microsoft for Startups (in France, Microsoft supports 300 French start-ups, particularly in the fields of health, new energies, and retail) and the AI Factory at Station F (7 start-ups are already hosted).	All major French accounts use Microsoft solutions such as Office and Office 365 (80% of CAC 40 companies are Office 365 customers), Windows and Windows Server & tools, plus more and more Azure-based services. However, in September 2021, the government issued a statement saying that the different government bodies would no longer be able to use Office 365 due to data sovereignty concerns. In the SMB segment, many organizations run one or multiple Dynamics applications, accounting for a €300+ million C&SI business. In addition, multiple companies embed Microsoft products (such as Dynamics or SQL Server) in their own products. Major accounts include: • **Banking**: Société Générale, BPI France, BPCE • **Insurance**: Axa, Humanis. In April 2021, AXA and Microsoft extended their collaboration to a digital platform to create a virtual health system open to all. The platform will leverage Microsoft Cloud for Healthcare technologies, including the Azure API for Fast Healthcare Interoperability Resources (FHIR), to ensure that patient privacy is not compromised. • **Public sector**: Ministry of Defense, Ministry of Education, CHRU of Nancy, CHU of Lille, AP-HP • **Manufacturing**: Rexel, Schneider Electric, Louis Vuitton, Pernod Ricard, Renault-Nissan-Mitsubishi, Michelin, Total • **Retail**: Carrefour, Fnac-Darty, Intermarché, Etam, Klabi, Leroy Merlin • **Transport**: La Poste • **Utilities**: Engie, EDF ENR, BP

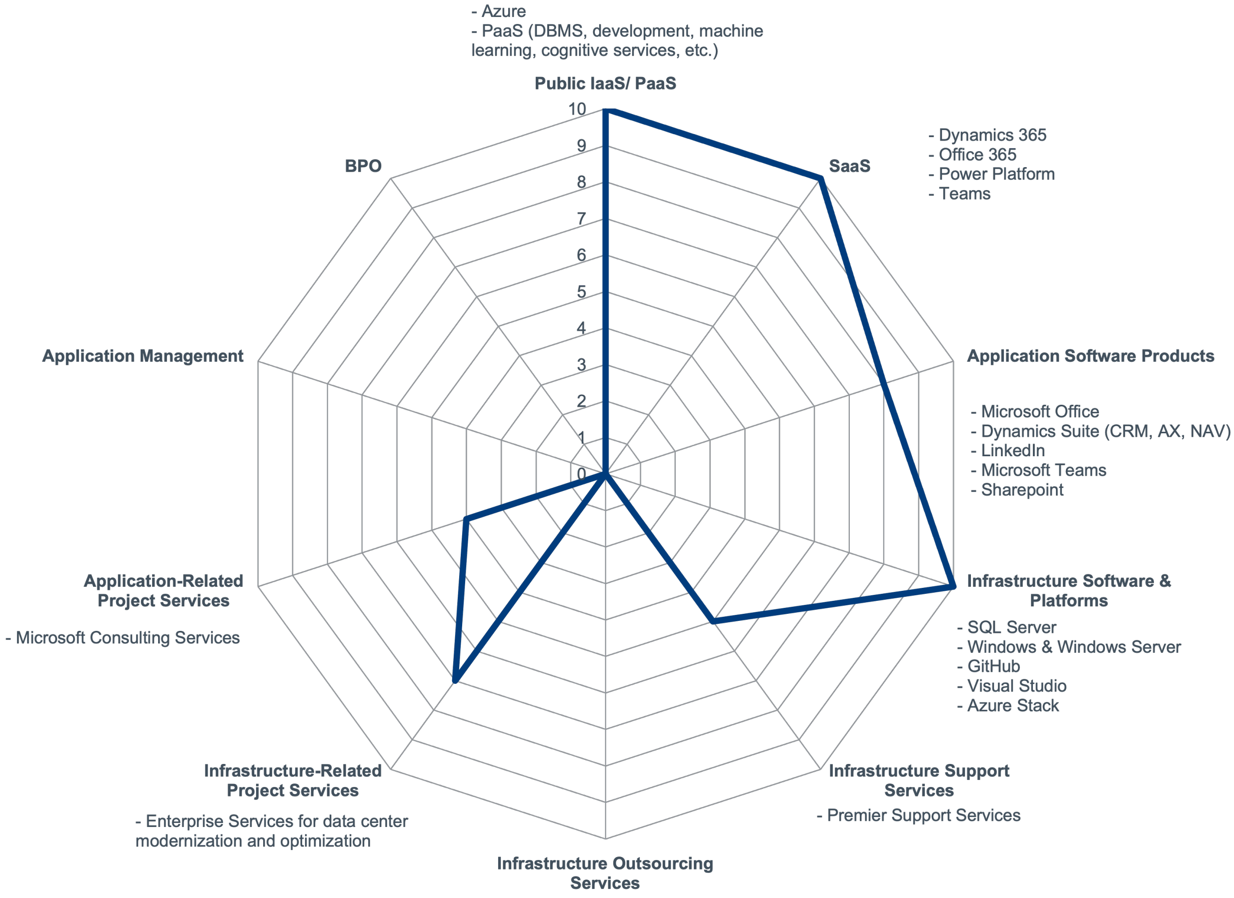
POSITIONING & STRATEGY	PAC’S OPINION
General - Microsoft is the worldwide leading provider of enterprise software, dominant in desktop software products and #1 in systems infrastructure software. The company is positioned in all segments of enterprise applications and has been moving very fast in three directions: 1/ cloud, with Office 365, its SaaS-based software suite, and Azure, its brand for cloud infrastructure software (IaaS/PaaS), which includes multiple technologies, such as AI, IoT, etc.; 2/ enterprise and business applications, with the Dynamics offering, mainly Dynamics CRM and the new cloud-based Dynamics 365; and 3/ its collaboration offerings (Microsoft Teams, Yammer, the Microsoft 365 platform and, more recently, Microsoft Viva), which have been given a boost by the Covid-19 crisis. **SaaS** - Microsoft has transformed its on-premises software business into cloud applications and platforms, its Office 365 & Dynamics 365 suites. It has since worked to combine these applications with cloud-based collaboration tools, including Microsoft Teams and LinkedIn. In February 2021, Microsoft launched Microsoft Viva, a platform that focuses on the employee experience. Integrated with Microsoft 365 and Microsoft Teams, Viva is designed to accelerate business collaboration and foster engagement, learning, and knowledge sharing. Viva is broken down into different functions: Viva Connections (to engage each employee), Viva Topics (for quick access to internal information), Viva Insight (to strengthen the well-being and agility of teams), and Viva Learning (for professional training and skills development).	The breadth of Microsoft's portfolio has led to the creation of several business units, each with its own sales targets. This approach proved to be quite effective for some products and segments (such as BI, security, CRM, cloud). However, Microsoft competes with specific vendors in each segment - large ones like Oracle in databases and middleware, IBM in the information management space, as well as niche and independent players in BI, for example. Microsoft promotes its vision to deal with customer problems and underlines how its portfolio can solve them. It has a very comprehensive portfolio of software and cloud services that are increasingly being combined to better meet business needs. Microsoft is no longer seen as a cloud follower but as a leader with its Azure IaaS/PaaS platform and its Dynamics 365 (ERP plus CRM) and Microsoft 365 (Office, Windows) SaaS solutions. This broad offering allows Microsoft to fully benefit from the transition of enterprise workloads to the cloud, including SAP workloads. To fully benefit from cloud migration, Microsoft has strengthened its position by opening four data centers in France (Paris region and Marseille). Azure was chosen as cloud platform by Bleu, the sovereign cloud joint venture of Capgemini and Orange. While Microsoft currently mainly offers horizontal solutions for companies in different sectors, it intends to enhance its portfolio of industry-specific solutions with "Industry Clouds". These Industry Clouds will bring together Azure, horizontal solutions such as Microsoft 365 and Dynamics 365, and other, more industry-specific solutions from Microsoft and its partners. In 2021, Microsoft began to make Industry Clouds available for retail, financial services, manufacturing, healthcare, and the non-profit segment.

POSITIONING & STRATEGY	PAC'S OPINION
Azure - After Office, the most important asset in Microsoft's portfolio is certainly Azure. Microsoft has bet on the cloud, and it is paying off. Today, Azure is the second largest cloud platform in the world behind AWS, and n° 1 in France. In **PaaS/IaaS,** Microsoft is a leading provider of software development tools with capabilities around the Internet of Things (IoT), machine learning, big data analytics, and AI. Microsoft has also been building a tactical alliance to foster innovation in the areas of AI and predictive analytics to improve the customer experience. Microsoft is also strengthening its expertise in supporting digital transformation projects. For example, Lectra chose Azure for the development of some of its solutions, in particular Kubix Link, which reinforces a collaborative approach to support their customers in the fashion industry with cutting-edge Industry 4.0 technologies, including AI, IoT, big data, and the cloud. In February 2021, Nexans worked with Microsoft on its digitalization strategy and will use Azure technology (AI, analytics, etc.) to design, test, and prototype new digital services. Finally, Azure can also be used to develop and run cloud applications as well as to deploy business applications such as SAP. Microsoft and SAP recently extended their global partnership as part of the "Embrace" program to simplify and accelerate the migration of companies to S/4HANA in the cloud. **ERP/CRM** - Microsoft is a leading provider of software platforms for system integrators to help customers transform existing Windows environments to the cloud, but also to deploy ERP and CRM applications. In other words, Microsoft is itself a powerful ERP and CRM software provider with its Microsoft Dynamics portfolio (365, AX, NAV, and CRM). In particular, with Dynamics CRM, Microsoft is one of the top five CRM application providers in France, together with Salesforce and SAP.	To help fuel its growth, Microsoft has successfully built a large and growing ecosystem of hardware manufacturers, independent service providers, and Microsoft Certified Partners. This partner ecosystem has created products and support services that extend its reach into vertical, sub-vertical, and technology segments. Finally, Microsoft's broad range of AI APIs, as well as its attitude towards personal data and privacy, make it a strong partner for developing AI-based solutions. All in all, with strong positions in SaaS, cloud, analytics, and other fast-growing segments, Microsoft is well-positioned to continue posting above-average growth.

POSITIONING & STRATEGY	PAC'S OPINION
Cyber security is another major horizontal topic to which Microsoft is committed. In France, the group advocates a zero-trust approach and wants to develop employees' cyber security skills through a LinkedIn Learning course entitled "Microsoft Cybersecurity: Securing Active Directory against today's threats". It has appointed Paul Dominjon as Director of Cybersecurity Solutions. He will be responsible for promoting solutions as professionals transition to the cloud. There are three categories of solutions: threat prevention (Microsoft 365 Defender), data protection (Microsoft 365 E5 Compliance), and security monitoring (Azure Sentinel and Azure Defender) **Environmental sustainability solutions -** Microsoft has set itself ambitious sustainability goals. In recent years, the IT services company has made significant commitments to reducing or even eliminating its carbon footprint. As part of this effort, Microsoft has launched Microsoft Cloud for Sustainability, a SaaS solution that integrates CSR data and reporting to automate carbon accounting and help organizations achieve their sustainability goals. In March 2021, Total opted for Microsoft's Azure platform for its Total Digital Factory in order to accelerate its IT transformation. Finally, as part of its commitment to a more inclusive and accessible digital world, Microsoft has made a five-year commitment to promoting the inclusion of people with disabilities in society and the workplace. The plan will be broken down into 3 priorities: stimulate the development of more accessible technologies, make the labor market more inclusive, and improve inclusion at work and in the professional world.	

PORTFOLIO ANALYSIS

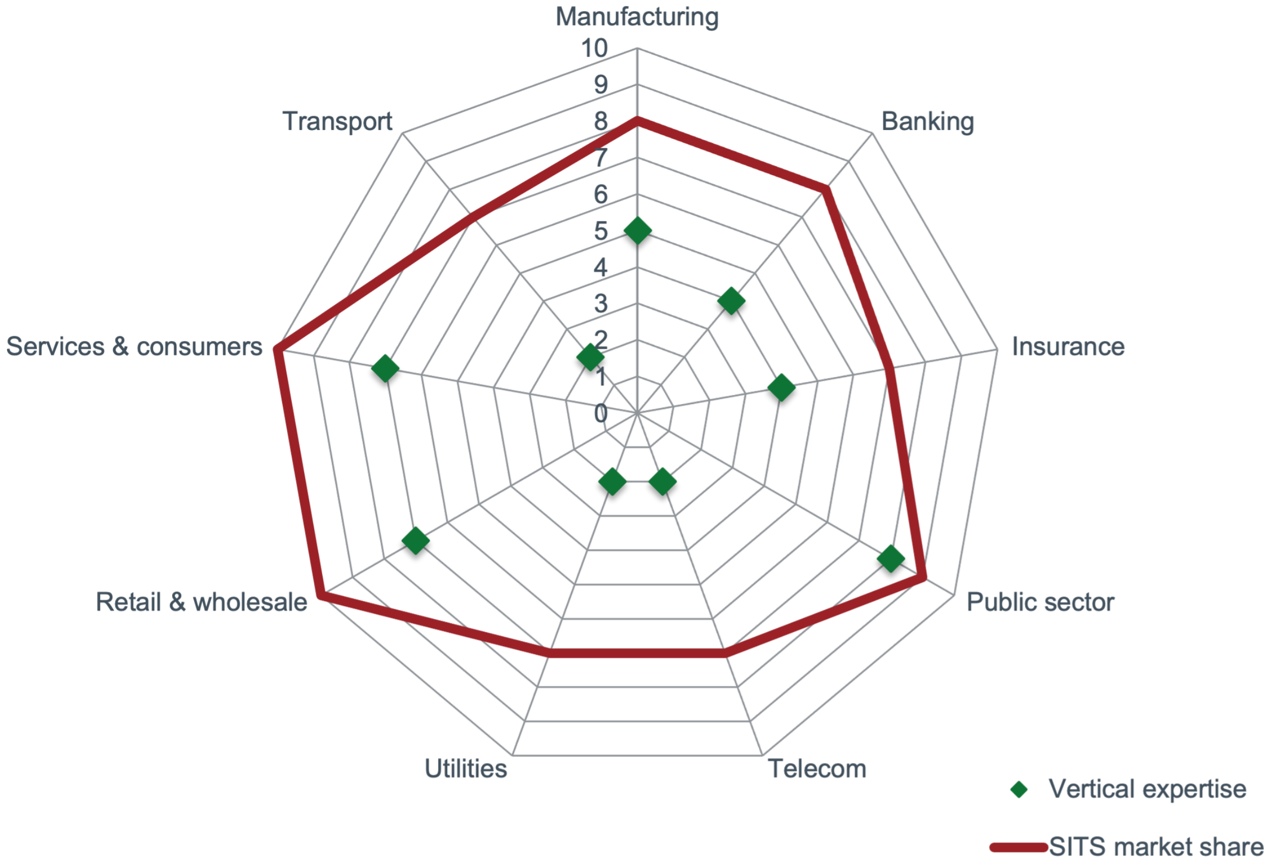
Analysis by Products & Services



Horizontal Expertise of Microsoft

Cross-sectoral assessment considering the market shares in the respective segments. Scale: 10 = > 10%, 9 = 7.5 to 10%, 8 = 5 to 7.5%, 7 = 2.5 to 5%, 6 = 1 to 2.5%, 5 = 0.5 to 1%, 4 = 0.25 to 0.5%, 3 = 0.1 to 0.25%, 2 = 0.05 to 0.1%, 1 = < 0.05%, empty space = company not present in the respective segment.

Analysis by Vertical Expertise



Vertical Expertise of Microsoft

Vertical Expertise: Sector-specific assessment considering individual solutions & resources. Scale: 9-10 = very strong sector-specific expertise, 7-8 = strong sector-specific expertise, 5-6 = medium sector-specific expertise, 3-4 = weak sector-specific expertise, 1-2 = cross-vertical expertise only, 0 = company not present in the respective segment.
SITS Market Share: Sector-specific assessment considering the SITS market shares in the respective sectors. Scale: 10 = > 10%, 9 = 7.5 to 10%, 8 = 5 to 7.5%, 7 = 2.5 to 5%, 6 = 1 to 2.5%, 5 = 0.5 to 1%, 4 = 0.25 to 0.5%, 3 = 0.1 to 0.25%, 2 = 0.05 to 0.1%, 1 = < 0.05%, empty space = company not present in the respective segment.

PERFORMANCE ANALYSIS

Breakdown of Local Revenue

Microsoft	Currency: EUR		Growth	USD
	FY ended June 30, 2020	FY ended June 30, 2021	FY20/21	FY ended June 30, 2021
French revenue* (in millions)	4,640	5,200	12%	6,206
Employees** - France	1,550	1,600	3%	1,600
Revenue per employee (in thousands)	2,994	3,250	9%	3,878
French total SITS*** revenue (in millions)	3,716	4,085	10%	4,875

*Local revenue refers to revenue with customers in the country; customers in the country include both national-headquartered companies and domestic subsidiaries of foreign companies

**Local employees refers to the total number of employees in the country; it includes both permanent employees serving customers in the country as well as offshore resources based in the country and serving customers abroad; however it excludes “landed offshore”, i.e. employees temporary based in the country

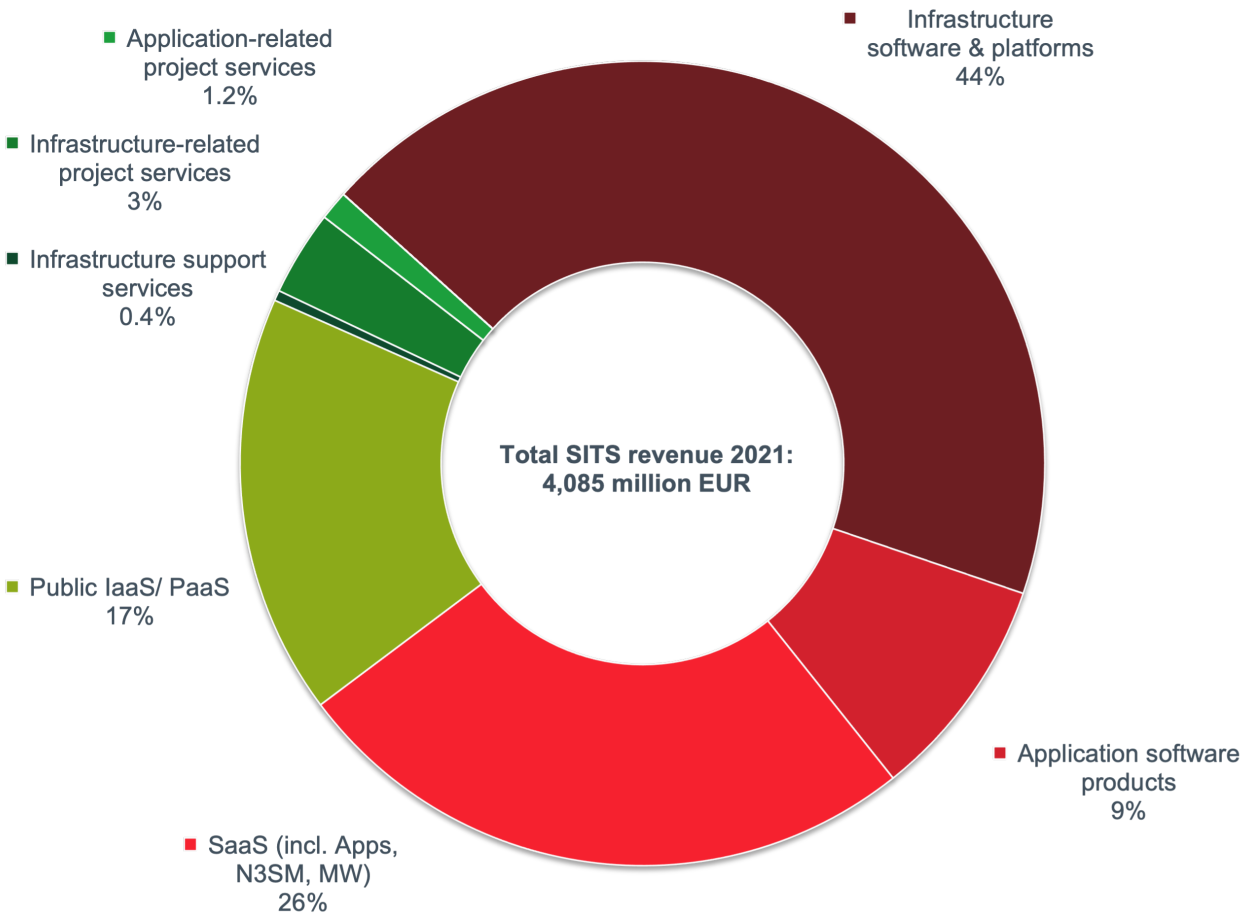
***comprising total software and total IT services

Exchange Rate: 1 EUR = 1.19338 USD

Local Revenue (PAC estimates)

Breakdown of Local SITS Revenue by Market Segments

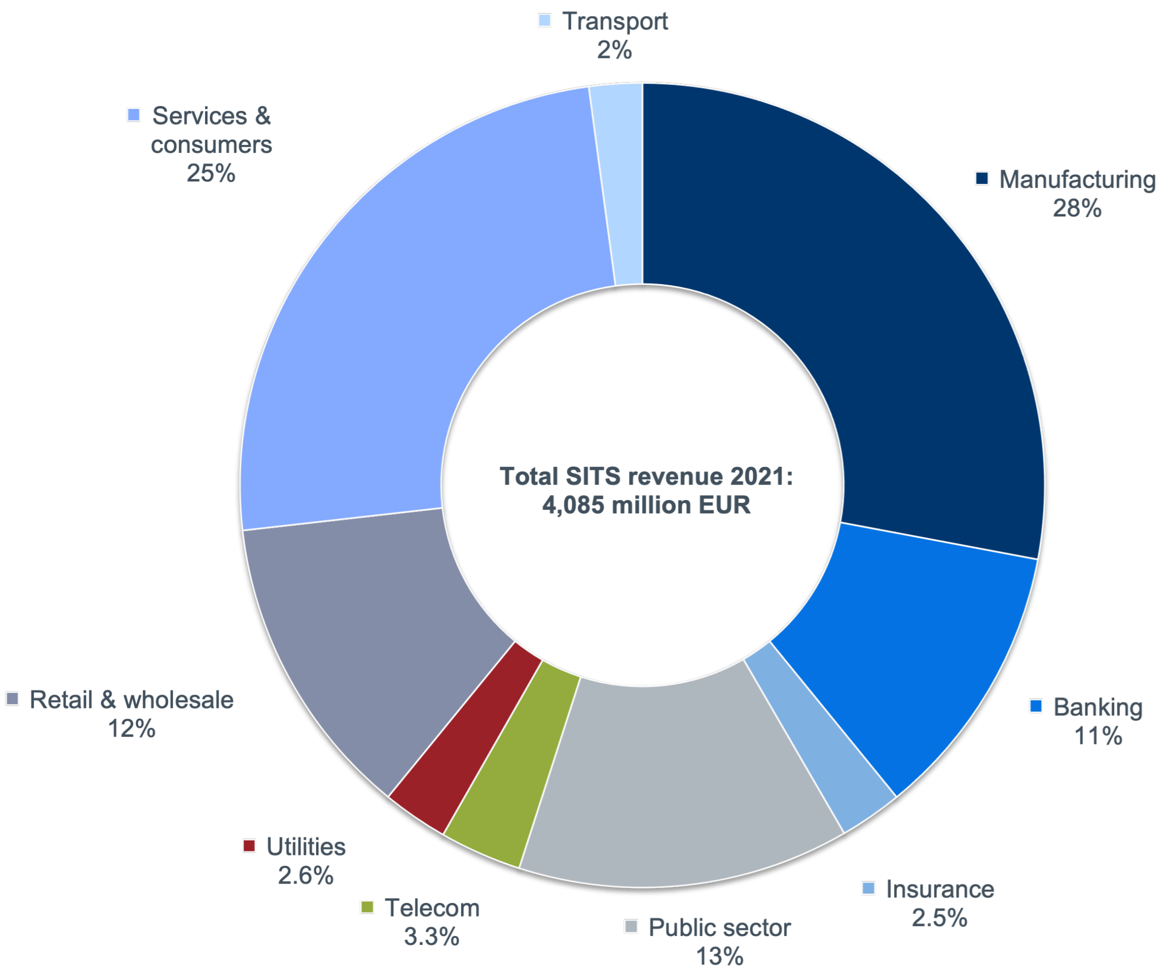
For detailed figures, please refer to the Company Figures file (Excel).



Total SITS Revenue by Segments - Shares (PAC estimates)

Breakdown of Local SITS Revenue by Vertical Sectors

For detailed figures, please refer to the Company Figures file (Excel).



Total SITS Revenue by Vertical Sectors - Shares (PAC estimates)

ABOUT TEKNOWLOGY GROUP

teknowlogy Group is your partner of choice for European focused IT market data, insights and advice. It brings together the expertise of two research and advisory firms, each with a strong history and local presence in the fragmented markets of Europe: CXP and PAC (Pierre Audoin Consultants).

We are a content-based company with strong consulting DNA. We are the preferred partner for European user companies to define IT strategy, govern teams and projects, and de-risk technology choices that drive successful business transformation.

We have a second-to-none understanding of market trends and IT users' expectations. We help software vendors and IT services companies better shape, execute and promote their own strategy in coherence with market needs and in anticipation of tomorrow's expectations.

Capitalizing on more than 40 years of experience, we operate out of seven countries with a network of 50 experts.

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