

## Portfolio Management Business Development Microsoft (MSFT)

**Ken Copley**

4920 Valley View Ln  
West Des Moines, IA 50265  
515-222-9102

[kencopley@capitalexecutive.net](mailto:kencopley@capitalexecutive.net)



### Local Services

Amazon entered the Local Services market last year. With AWS, Amazon offers an efficient, scalable platform to facilitate transactions between a service provider and a consumer. At the end of the day, the growth of this service will ultimately be determined by the level of satisfaction created between the consumer and the service provider by Amazon.

MSFT could very easily enter the Local Service market with a competitive advantage better than Amazon. Given the shear penetration of Windows into the Enterprise, MSFT could provide a seamless connection between the consumer and the service provider.

The following table reflects the portfolio management strategy at MSFT.

MSFT Portfolio Management - Investment Capital					
(\$ Millions)					
	June 2014		June 2015		
Recorded Basis		%		%	Growth
Cash & Equivalents	\$ 6,956	7.0%	\$ 5,686	5.2%	-18.3%
U.S. Gov Securities	\$ 67,026	67.9%	\$ 72,889	67.1%	8.7%
Foreign Gov Bonds	\$ 3,335	3.4%	\$ 5,456	5.0%	63.6%
Municipal Securities	\$ 332	0.3%	\$ 319	0.3%	-3.9%
Mortgaged Backed	\$ 1,019	1.0%	\$ 4,916	4.5%	382.4%
Corporate Debt	\$ 7,027	7.1%	\$ 7,252	6.7%	3.2%
Corporate Equity	\$ 11,911	12.1%	\$ 11,439	10.5%	-4.0%
Other	\$ 1,164	1.2%	\$ 597	0.5%	-48.7%
<b>Total</b>	<b>\$ 98,770</b>	<b>100%</b>	<b>\$ 108,554</b>	<b>100%</b>	<b>9.9%</b>

Instead of deploying so much investment capital into cash and government securities, MSFT could generate significant value in the market – if it deployed more investment capital towards business development.

There are many methods of business development. In this case, it means growing the business by developing deeper, (more collaborative), operating relationships with strategically, targeted organizations.

MSFT could develop these operating relationships by deploying more investment capital into the publicly-traded, equity markets. And by taking only a minority-interest, equity position, MFST could effectively take control of a strategically targeted organization.

[www.capitalexecutive.net](http://www.capitalexecutive.net)

An equity investment develops an operating relationship more effectively than any other method of business development, because it aligns the economic interests within the operating relationship. And an active, equity investment (even a minority interest position), opens the line of communication for closer collaboration within the operating relationship.

Specifically, with only a minority-interest, equity position, MSFT could effectively control both Yelp (YELP) and Angie's List (ANGI). Furthermore, the equity investment would lay the foundation for a significant penetration into the Local Services market.

Through Windows, MSFT offers the deepest penetration into the Enterprise, so why not offer the best connection between the service provider and the consumer, especially considering Amazon and AWS?

Both YELP and ANGI offer MSFT an efficient platform to quickly penetrate the Local Service market. Both have established infrastructure serving the market. And with only slight modifications to the platforms, MSFT could utilize these organizations to offer the best connection within Local Services.

MSFT could offer Local Services in the following segments: Retail, Entertainment, Dining, Home and Medical. No matter the location, a consumer should be able to find a service provider that creates a satisfying experience for the consumer. In other words, MSFT could create an efficient market to facilitate transactions between the consumer and the service provider. And MSFT could establish this market efficiency through the consumer review process.

For a more detailed analysis on MSFT, please visit the Capital Executive LLC website (Strategy/MSFT).

Sincerely,  
Ken Copley  
Capital Executive LLC

8/9/2015