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Company profile

Apple Inc.

Company Overview

Overview

Apple Inc. is a registered with the U.S. Security and Exchange Commission. This page includes all SEC filing details as well as a list of any documents (S-1, Prospects, Current Reports, 8-K, 10K, Annual Reports) registered by Apple Inc.. Apple designs a wide variety of consumer electronic devices, including smartphones (iPhone), tablets (iPad), PCs (Mac), smartwatches (Apple Watch), and TV boxes (Apple TV), among others. The iPhone makes up the majority of Apple's total revenue. In addition, Apple offers its customers a variety of services such as Apple Music, iCloud, Apple Care, Apple TV+, Apple Arcade, Apple Card, and Apple Pay, among others. Apple's products run internally developed software and semiconductors, and the firm is well known for its integration of hardware, software and services. Apple's products are distributed online as well as through company-owned stores and third-party retailers. The company generates about 40% of its revenue from the Americas, with the remainder earned internationally.

Company Details

IRS Number (EIN)	942404110 (EIN # 94-2404110)
Reporting File Number	001-36743
State of Incorporation	CALIFORNIA
Fiscal Year End	09-26
SIC	3571 [ELECTRONIC COMPUTERS]
Business Address	ONE APPLE PARK WAY CUPERTINO CA 95014
Business Phone	(408) 996-1010
Mailing Address	ONE APPLE PARK WAY CUPERTINO CA 95014
NCAGE Code	4WRK5 APPLE, INC
LEI	HWUPKROMPOU8FGXBT394 APPLE INC.

Company Details

Ticker	XNAS:AAPL
Market Cap	1243.0Bil
Net Income	55.3Bil

Sales	260.2Bil
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Investor Relations

Telephone	+1 408 996-1010
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E-Mail	investor_relations@apple.com
Website	www.apple.com

Industry Codes

ISIC	2630: Manufacture of Communication Equipment
NAICS	334220: Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
SIC	3351: Telecommunication Equipment Industry Electronic Computers 3571

Insiders

Timothy D. Cook	Director and Chief Executive Officer	2019-12-18
Katherine L. Adams	Senior Vice President, General Counsel and Secretary	2019-12-18
Jeffery Williams	Chief Operating Officer	2019-12-18
Luca Maestri	Senior Vice President and Chief Financial Officer	2019-12-18
Chris Kondo	Senior Director of Corporate Accounting and Principal Accounting Officer	2019-12-18
Deirdre O'brien	Senior Vice President, Retail + People	2019-12-18

Company Profile (10-K)

Business

Item 1.Business

Company Background

The Company designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories, and sells a variety of related services. The Company's fiscal year is the 52- or 53-week period that ends on the last Saturday of September. The Company is a California corporation established in 1977.

Products

iPhone

iPhone® is the Company's line of smartphones based on its iOS operating system. In September 2019, the Company introduced three new iPhones: iPhone 11, iPhone 11 Pro and iPhone 11 Pro Max.

Mac

Mac® is the Company's line of personal computers based on its macOS® operating system. During 2019, the Company released a new version of MacBook Air® and a new Mac mini®, and introduced an updated Mac Pro®, which is expected to be available in the fall of 2019.

iPad

iPad® is the Company's line of multi-purpose tablets. iPad is based on the Company's iPadOS™ operating system, which was introduced during 2019. Also during 2019, the Company released two new versions of iPad Pro®, an iPad Air®, an updated iPad mini® and a new 10.2-inch iPad.

Wearables, Home and Accessories

Wearables, Home and Accessories includes AirPods®, Apple TV®, Apple Watch®, Beats® products, HomePod™, iPod touch® and other Apple-branded and third-party accessories. AirPods are the Company's wireless headphones that interact with Siri. In October 2019, the Company introduced AirPods Pro™. Apple Watch is a personal electronic device that combines the watchOS® user interface and other technologies created specifically for a smaller device. In September 2019, the Company introduced Apple Watch Series 5.

Services

Digital Content Stores and Streaming Services

The Company operates various platforms that allow customers to discover and download applications and digital content, such as books, music, video, games and podcasts. These platforms include the App Store®, available for iPhone and iPad, the Mac App Store, the TV App Store and the Watch App Store.

The Company also offers subscription-based digital content streaming services, including Apple Music®, which offers users a curated listening experience with on-demand radio stations, and Apple TV+, which offers exclusive original content, and is expected to be available in November 2019.

AppleCare

AppleCare® includes AppleCare + ("AC+") and the AppleCare Protection Plan, which are fee-based services that extend the coverage of phone support eligibility and hardware repairs. AC+ offers additional coverage for instances of accidental damage and is available in certain countries for certain products. Additionally, AC+ with theft and loss protection is available for iPhone in the U.S.

iCloud

iCloud® is the Company's cloud service, which stores music, photos, contacts, calendars, mail, documents and more, keeping them up-to-date and available across multiple Apple devices and Windows personal computers.

Licensing

The Company licenses the use of certain of its intellectual property, and provides other related services.

Other Services

The Company delivers a variety of other services available in certain countries, including Apple Arcade™, a game subscription service; Apple Card™, a co-branded credit card; Apple News+, a subscription news and magazine service; and Apple Pay, a cashless payment service.

Markets and Distribution

The Company's customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets. The Company sells its products and resells third-party products in most of its major markets directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force. The Company also employs a variety of indirect distribution channels, such as third-party cellular network carriers, wholesalers, retailers and resellers. During 2019, the Company's net sales through its direct and indirect distribution channels accounted for 31% and 69%, respectively, of total net sales.

No single customer accounted for more than 10% of net sales in 2019, 2018 and 2017.

Competition

The markets for the Company's products and services are highly competitive and the Company is confronted by aggressive competition in all areas of its business. These markets are characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of smartphones, personal computers, tablets and other electronic devices. Many of the Company's competitors that sell mobile devices and personal computers based on other operating systems seek to compete primarily through aggressive pricing and very low cost structures. Principal competitive factors important to the Company include price, product and service features (including security features), relative price and performance, product and service quality and reliability, design innovation, a strong third-party software and accessories ecosystem, marketing and distribution capability, service and support, and corporate reputation.

The Company is focused on expanding its market opportunities related to smartphones, personal computers, tablets and other electronic devices. These markets are highly competitive and include many large, well-funded and experienced participants. The Company expects competition in these markets to intensify significantly as competitors imitate features of the Company's products and applications within their products, or collaborate to offer solutions that are more competitive than those they currently offer. These markets are characterized by aggressive price competition, frequent product introductions, evolving design approaches and technologies, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses.

The Company's services also face substantial competition, including from companies that have significant resources and experience and have established service offerings with large customer bases. The Company competes with business models that provide content to users for free. The Company also competes with illegitimate means to obtain third-party digital content and applications.

The Company believes it offers superior innovation and integration of the entire solution, including hardware, software and services. Some of the Company's current and potential competitors have substantial resources and may be able to provide such products and services at little or no profit, or even at a loss, to compete with the Company's offerings.

Supply of Components

Although most components essential to the Company's business are generally available from multiple sources, certain components are currently obtained from single or limited sources. The Company also competes for various components with other participants in the markets for smartphones, personal computers, tablets and other electronic devices. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant commodity pricing fluctuations.

The Company uses some custom components that are not commonly used by its competitors, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, may be affected if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements.

The Company has entered into agreements for the supply of many components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in Asia, with some Mac computers manufactured in the U.S. and Ireland.

Research and Development

Because the industries in which the Company competes are characterized by rapid technological advances, the Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of competitive products, services and technologies to the marketplace. The Company continues to develop new technologies to enhance existing products and services, and to expand the range of its offerings through research and development ("R&D"), licensing of intellectual property and acquisition of third-party businesses and technology.

Intellectual Property

The Company currently holds a broad collection of intellectual property rights relating to certain aspects of its hardware devices, accessories, software and services. This includes patents, copyrights, trademarks, service marks, trade dress and other forms of intellectual property rights in the U.S. and various foreign countries. Although the Company believes the ownership of such intellectual property rights is an important factor in its business and that its success does depend in part on such ownership, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel.

The Company regularly files patent applications to protect innovations arising from its research, development and design, and is currently pursuing thousands of patent applications around the world. Over time, the Company has accumulated a large portfolio of issued patents, including utility patents, design patents and others. The Company also holds copyrights relating to certain aspects of its products and services. No single intellectual property right is solely responsible for protecting the Company's products. The Company believes the duration of its intellectual property rights is adequate relative to the expected lives of its products.

In addition to Company-owned intellectual property, many of the Company's products and services are designed to include intellectual property owned by third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, processes and services. While the

Company has generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all.

Business Seasonality and Product Introductions

The Company has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product and service introductions can significantly impact net sales, cost of sales and operating expenses. The timing of product introductions can also impact the Company's net sales to its indirect distribution channels as these channels are filled with new inventory following a product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction.

Employees

As of September 28, 2019, the Company had approximately 137,000 full-time equivalent employees.

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the Securities and Exchange Commission (the "SEC"). The Company is subject to the informational requirements of the Exchange Act and files or furnishes reports, proxy statements and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge at investor.apple.com/investor-relations/sec-filings/default.aspx when such reports are available on the SEC's website. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The Company periodically provides other information for investors on its corporate website, www.apple.com, and its investor relations website, investor.apple.com. This includes press releases and other information about financial performance, information on corporate governance and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-K is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

Selected Financial Data

The information set forth below for the five years ended September 28, 2019, is not necessarily indicative of results of future operations, and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes thereto included in Part II, Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below (in millions, except number of shares, which are reflected in thousands, and per share amounts).

	2019	2018	2017	2016	2015
Total net sales	\$260,174	\$265,595	\$229,234	\$215,639	\$233,715

Net income	\$55,256	\$59,531	\$48,351	\$45,687	\$53,394
Earnings per share:					
Basic	\$11.97	\$12.01	\$9.27	\$8.35	\$9.28
Diluted	\$11.89	\$11.91	\$9.21	\$8.31	\$9.22
Cash dividends declared per share	\$3.00	\$2.72	\$2.40	\$2.18	\$1.98
Shares used in computing earnings per share:					
Basic	4,617,834	4,955,377	5,217,242	5,470,820	5,753,421
Diluted	4,648,913	5,000,109	5,251,692	5,500,281	5,793,069
Total cash, cash equivalents and marketable securities	\$205,898	\$237,100	\$268,895	\$237,585	\$205,666
Total assets	\$338,516	\$365,725	\$375,319	\$321,686	\$290,345
Non-current portion of term debt	\$91,807	\$93,735	\$97,207	\$75,427	\$53,329
Other non-current liabilities	\$50,503	\$48,914	\$44,212	\$39,986	\$38,104

Microsoft corporation

Company Overview

Overview

Microsoft Corp is a registered with the U.S. Security and Exchange Commission. This page includes all SEC filing details as well as a list of any documents (S-1, Prospects, Current Reports, 8-K, 10K, Annual Reports) registered by Microsoft Corp. Microsoft develops and licenses consumer and enterprise software. It is known for its Windows operating systems and Office productivity suite. The company is organized into three overarching segments: productivity and business processes (legacy Microsoft Office, cloud-based Office 365, Exchange, SharePoint, Skype, LinkedIn, Dynamics), intelligence cloud (infrastructure- and platform-as-a-service offerings Azure, Windows Server OS, SQL Server), and more personal computing (Windows Client, Xbox, Bing search, display advertising, and Surface laptops, tablets, and desktops). Through acquisitions, Microsoft owns Xamarin, LinkedIn, and GitHub. It reports revenue in product and service and other revenue on its income statement.

Company Details

IRS Number (EIN)	911144442 (EIN # 91-1144442)
Reporting File Number	001-37845
State of Incorporation	WASHINGTON
Fiscal Year End	06-30
SIC	7372 [SERVICES-PREPACKAGED SOFTWARE]
Business Address	ONE MICROSOFT WAY REDMOND WA 98052-6399
Business Phone	425-882-8080
Mailing Address	ONE MICROSOFT WAY REDMOND WA 98052-6399
NCAGE Code	009S3 MICROSOFT CORP
NCAGE Code	0EXA9 MICROSOFT CORP
NCAGE Code	0J1J9 MICROSOFT CORP
NCAGE Code	0KP57 MICROSOFT CORP
NCAGE Code	1JQX0 MICROSOFT CORP
NCAGE Code	8FUW6 MICROSOFT CORPORATION
NCAGE Code	8GLB2 MICROSOFT CORPORATION
NCAGE Code	SVW21 MICROSOFT CORPORATION
NCAGE Code	00XR0 MICROSOFT CORP!SOFTIMAGE DIV
NCAGE Code	60128 MICROSOFT CORPORATION!DBA MICROSOFT
NCAGE Code	077Q6 MICROSOFT CORP!PREMIER EAST SALES DIV
NCAGE Code	868D2 MICROSOFT CORPORATION!DBA MICROSOFT SN8
NCAGE Code	06BU0 MICROSOFT CORP!VERMEER TECHNOLOGIES DIV
NCAGE Code	86E03 MICROSOFT CORPORATION!DBA MICROSOFT MNZ 21
NCAGE Code	080N8 MICROSOFT CORP!MICROSOFT SUPPORT NETWORK SALES
NCAGE Code	4M9X9 MICROSOFT CORPORATION!DIV MICROSOFT PUBLIC SECTOR!DBA MICROSOFT

NCAGE Code	1QR52 MICROSOFT CORPORATION!DBA MICROSOFT DIV MICROSOFT!CONSULTING SERVICES FEDERAL
NCAGE Code	4Q2W1 MICROSOFT CORPORATION!DIV MICROSOFT DEVELOPER NETWORK!ACADEMIC ALLIANCE (MSDN AA)
LEI	1NR2EJN1ERAN0W5ZP974 MICROSOFT CORPORATION
CAGE Code	009S3 MICROSOFT CORP]
CAGE Code	0EXA9 MICROSOFT CORP]
CAGE Code	0J1J9 MICROSOFT CORP]
CAGE Code	0KP57 MICROSOFT CORP]
CAGE Code	8GLB2 MICROSOFT CORPORATION]
CAGE Code	8FUW6 MICROSOFT CORPORATION]
DUNS	170945484 MICROSOFT CORPORATION

Company Details

Ticker	XNAS:MSFT
Market Cap	1177.7Bil
Net Income	41.1Bil
Sales	129.8Bil
Sector	Technology
Industry	Software - Infrastructure
Stock Style	Large Growth
Direct Investment	Yes
Dividend Re-Investment	Yes

Investor Relations

Telephone	+1 425 882-8080
Fax	+1 425 706-7329
E-Mail	msft@microsoft.com
Website	www.microsoft.com

Industry Codes

NAICS	511210: Software Publishers
ISIC	5820: Software Publishing
SIC	7372: Computer Services Prepackaged Software 7372

Insiders

Frank H. Brod	Corporate Vice President, Finance and Administration and Chief Accounting Officer	2019-12-18
Jean-Philippe Courtois	Executive Vice President and President, Microsoft Global Sales, Marketing and Operations	2019-12-18
Bradford L. Smith	President and Chief Legal Officer	2019-12-18
Margaret L. Johnson	Executive Vice President, Business Development	2019-12-18
Satya Nadella	Director and Chief Executive Officer	2019-12-18
Amy Hood	Executive Vice President and Chief Financial Officer	2019-12-18
Christopher C. Capossela	Executive Vice President, Marketing and Consumer Business and Chief Marketing Officer	2019-12-18
Kathleen T. Hogan	Executive Vice President, Human Resources	2019-12-18

Company profile (10-K)

Business

Embracing Our Future

Microsoft is a technology company whose mission is to empower every person and every organization on the planet to achieve more. We strive to create local opportunity, growth, and impact in every country around the world. Our platforms and tools help drive small business productivity, large business competitiveness, and public-sector efficiency. They also support new startups, improve educational and health outcomes, and empower human ingenuity.

We continue to transform our business to lead in the new era of the intelligent cloud and intelligent edge. We bring technology and products together into experiences and solutions that unlock value for our customers. In this next phase of innovation, computing is more powerful and ubiquitous from the cloud to the edge. Artificial intelligence (“AI”) capabilities are rapidly advancing, fueled by data and knowledge of the world. Physical and virtual worlds are coming together with the Internet of Things (“IoT”) and mixed reality to create richer experiences that understand the context surrounding people, the things they use, the places they go, and their activities and relationships. A person’s experience with technology spans a multitude of devices and has become increasingly more natural and multi-sensory with voice, ink, and gaze interactions.

What We Offer

Founded in 1975, we develop and support software, services, devices, and solutions that deliver new value for customers and help people and businesses realize their full potential.

We offer an array of services, including cloud-based solutions that provide customers with software, services, platforms, and content, and we provide solution support and consulting services. We also deliver relevant online advertising to a global audience.

Our products include operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; and video games. We also design, manufacture, and sell devices, including PCs, tablets, gaming and entertainment consoles, other intelligent devices, and related accessories.

The Ambitions That Drive Us

To achieve our vision, our research and development efforts focus on three interconnected ambitions:

- Reinvent productivity and business processes.
- Build the intelligent cloud and intelligent edge platform.
- Create more personal computing.

Reinvent Productivity and Business Processes

We are in a unique position to empower people and organizations to succeed in a rapidly evolving workplace. Computing experiences are evolving, no longer bound to one device at a time. Instead, experiences are expanding to many devices as people move from home to work to on the go. These modern needs, habits, and expectations of our customers are motivating us to bring Microsoft Office 365, Windows platform, devices, including Microsoft Surface, and third-party applications into a more cohesive Microsoft 365 experience.

Our growth depends on securely delivering continuous innovation and advancing our leading productivity and collaboration tools and services, including Office, Microsoft Dynamics, and LinkedIn. Microsoft 365 brings together Office 365, Windows 10, and Enterprise Mobility + Security to help organizations empower their employees with AI-backed tools that unlock creativity, increase teamwork, and fuel innovation, all the while enabling compliance coverage and data protection. Microsoft Teams is core to our vision for the modern workplace as the digital hub that creates a single canvas for teamwork, conversations, meetings, and content. Microsoft Relationship Sales solution brings together LinkedIn Sales Navigator and Dynamics to transform business to business sales through social selling. Dynamics 365 for Talent with LinkedIn Recruiter and Learning gives human resource professionals a complete solution to compete for talent. Microsoft Power Platform empowers employees to build custom applications, automate workflow, and analyze data no matter their technical expertise.

These scenarios represent a move to unlock creativity and inspire teamwork, while simplifying security and management. Organizations of all sizes can now digitize business-critical functions, redefining what customers can expect from their business applications. This creates an opportunity for us to reach new customers and increase usage and engagement with existing customers.

Build the Intelligent Cloud and Intelligent Edge Platform

Companies are looking to use digital technology to fundamentally reimagine how they empower their employees, engage customers, optimize their operations, and change the very core of their products and services. Partnering with organizations on their digital transformation is one of our largest opportunities and we are uniquely positioned to become the strategic digital transformation platform and partner of choice.

Our strategy requires continued investment in datacenters and other hybrid and edge infrastructure to support our services. Microsoft Azure is a trusted cloud with comprehensive compliance coverage and AI-based security built in.

Our cloud business benefits from three economies of scale: datacenters that deploy computational resources at significantly lower cost per unit than smaller ones; datacenters that coordinate and aggregate diverse customer, geographic, and application demand patterns, improving the utilization of computing, storage, and network resources; and multi-tenancy locations that lower application maintenance labor costs.

As one of the two largest providers of cloud computing at scale, we believe we work from a position of strength. Being a global-scale cloud, Azure uniquely offers hybrid consistency, developer productivity, AI capabilities, and trusted security and compliance. We see more emerging use cases and needs for compute and security at the edge and are accelerating our innovation across the spectrum of intelligent edge devices, from IoT sensors to gateway devices and edge hardware to build, manage, and secure edge workloads. With Azure Stack, organizations can extend Azure into their own datacenters to create a consistent stack across the public cloud and the intelligent edge. Our hybrid infrastructure consistency spans identity, data, compute, management, and security, helping to support the real-world needs and evolving regulatory requirements of commercial customers and enterprises. We are accelerating our development of mixed reality solutions, with new Azure services and devices such as HoloLens 2. The opportunity to merge the physical and digital worlds, when combined with the power of Azure cloud services, unlocks the potential for entirely new workloads which we believe will shape the next era of computing.

The ability to convert data into AI drives our competitive advantage. Azure SQL Database makes it possible for customers to take Microsoft SQL Server from their on-premises datacenter to a fully managed instance in the cloud to utilize built-in AI. We are accelerating adoption of AI innovations from research to products. Our innovation helps every developer be an AI developer, with approachable new tools from Azure Machine Learning Studio for creating simple machine learning models, to the powerful Azure Machine Learning Workbench for the most advanced AI modeling and data science.

On October 25, 2018, we completed our acquisition of GitHub, Inc. (“GitHub”), a service that millions of developers around the world rely on to write code together. The acquisition is expected to empower developers to achieve more at every stage of the development lifecycle, accelerate enterprise use of GitHub, and bring Microsoft’s developer tools and services to new audiences.

Create More Personal Computing

We strive to make computing more personal by putting users at the core of the experience, enabling them to interact with technology in more intuitive, engaging, and dynamic ways. In support of this, we are bringing Office, Windows, and devices together for an enhanced and more cohesive customer experience.

Windows 10 continues to gain traction in the enterprise as the most secure and productive operating system. It empowers people with AI-first interfaces ranging from voice-activated commands through Cortana, inking, immersive 3D content storytelling, and mixed reality experiences. Windows also plays a critical role in fueling our cloud business and Microsoft 365 strategy, and it powers the growing range of devices on the “intelligent edge.” Our ambition for Windows 10 monetization opportunities includes gaming, services, subscriptions, and search advertising.

We are committed to designing and marketing first-party devices to help drive innovation, create new device categories, and stimulate demand in the Windows ecosystem. We recently expanded our Surface family of devices with the Surface Hub 2S, which brings together Microsoft Teams, Windows, and Surface hardware to power teamwork for organizations.

We are mobilizing to pursue our expansive opportunity in the gaming industry, broadening our approach to how we think about gaming end-to-end, from the way games are created and distributed to how they are played and viewed. We have a strong position with our Xbox One console, our large and growing highly engaged community of gamers on Xbox Live, and with Windows 10, the most popular operating system for PC gamers. We will continue to connect our gaming assets across PC, console, and mobile, and work to grow and engage the Xbox Live member network more deeply and frequently with services like Mixer and

Xbox Game Pass. Our approach is to enable gamers to play the games they want, with the people they want, on the devices they want.

Our Future Opportunity

Customers are looking to us to accelerate their own digital transformations and to unlock new opportunity in this era of intelligent cloud and intelligent edge. We continue to develop complete, intelligent solutions for our customers that empower users to be creative and work together while safeguarding businesses and simplifying IT management. Our goal is to lead the industry in several distinct areas of technology over the long-term, which we expect will translate to sustained growth. We are investing significant resources in:

- Transforming the workplace to deliver new modern, modular business applications to improve how people communicate, collaborate, learn, work, play, and interact with one another.
- Building and running cloud-based services in ways that unleash new experiences and opportunities for businesses and individuals.
- Applying AI to drive insights and act on our customer's behalf by understanding and interpreting their needs using natural methods of communication.
- Using Windows to fuel our cloud business and Microsoft 365 strategy, and to develop new categories of devices – both our own and third-party – on the intelligent edge.
- Inventing new gaming experiences that bring people together around their shared love for games on any devices and pushing the boundaries of innovation with console and PC gaming by creating the next wave of entertainment.

Our future growth depends on our ability to transcend current product category definitions, business models, and sales motions. We have the opportunity to redefine what customers and partners can expect and are working to deliver new solutions that reflect the best of Microsoft.

OPERATING SEGMENTS

We operate our business and report our financial performance using three segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of strategies and objectives across the development, sales, marketing, and services organizations, and they provide a framework for timely and rational allocation of resources within businesses.

Additional information on our operating segments and geographic and product information is contained in Note 20 – Segment Information and Geographic Data of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Our reportable segments are described below.

Productivity and Business Processes

- Our Productivity and Business Processes segment consists of products and services in our portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises:
- Office Commercial, including Office 365 subscriptions and Office licensed on-premises, comprising Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, and related Client Access Licenses (“CALs”).
- Office Consumer, including Office 365 subscriptions and Office licensed on-premises, and Office Consumer Services, including Skype, Outlook.com, and OneDrive.
- LinkedIn, including Talent Solutions, Marketing Solutions, and Premium Subscriptions.

- Dynamics business solutions, including Dynamics 365, a set of cloud-based applications across ERP and CRM, Dynamics ERP on-premises, and Dynamics CRM on-premises.

Office Commercial

Office Commercial is designed to increase personal, team, and organizational productivity through a range of products and services. Growth depends on our ability to reach new users in new markets such as first-line workers, small and medium businesses, and growth markets, as well as add value to our core product and service offerings to span productivity categories such as communication, collaboration, analytics, security, and compliance. Office Commercial revenue is mainly affected by a combination of continued installed base growth and average revenue per user expansion, as well as the continued shift from Office licensed on-premises to Office 365. CALs provide certain Office Commercial products and services with access rights to our server products and CAL revenue is reported with the associated Office products and services.

Office Consumer

Office Consumer is designed to increase personal productivity through a range of products and services. Growth depends on our ability to reach new users, add value to our core product set, and continue to expand our product and service offerings into new markets. Office Consumer revenue is mainly affected by the percentage of customers that buy Office with their new devices and the continued shift from Office licensed on-premises to Office 365. Office Consumer Services revenue is mainly affected by the demand for communication and storage through Skype, Outlook.com, and OneDrive, which is largely driven by subscriptions, advertising, and the sale of minutes.

LinkedIn

LinkedIn connects the world's professionals to make them more productive and successful, and is the world's largest professional network on the Internet. LinkedIn offers services that can be used by customers to transform the way they hire, market, sell, and learn. In addition to LinkedIn's free services, LinkedIn offers three categories of monetized solutions: Talent Solutions, Marketing Solutions, and Premium Subscriptions, which includes Sales Solutions. Talent Solutions is comprised of two elements: Hiring, and Learning and Development. Hiring provides services to recruiters that enable them to attract, recruit, and hire talent. Learning and Development provides subscriptions to enterprises and individuals to access online learning content. Marketing Solutions enables companies to advertise to LinkedIn's member base. Premium Subscriptions enables professionals to manage their professional identity, grow their network, and connect with talent through additional services like premium search. Premium Subscriptions also includes Sales Solutions, which helps sales professionals find, qualify, and create sales opportunities and accelerate social selling capabilities. Growth will depend on our ability to increase the number of LinkedIn members and our ability to continue offering services that provide value for our members and increase their engagement. LinkedIn revenue is mainly affected by demand from enterprises and professional organizations for subscriptions to Talent Solutions and Premium Subscriptions offerings, as well as member engagement and the quality of the sponsored content delivered to those members to drive Marketing Solutions.

On November 16, 2018, LinkedIn acquired Glint, an employee engagement platform, to expand its Talent Solutions offerings.

Dynamics

Dynamics provides cloud-based and on-premises business solutions for financial management, enterprise resource planning ("ERP"), customer relationship management ("CRM"), supply chain management, and analytics applications for small and medium businesses, large organizations, and divisions of global enterprises. Dynamics revenue is driven by the number of users licensed, expansion of average revenue per user, and the continued shift to Dynamics 365, a unified set of cloud-based intelligent business applications.

Competition

Competitors to Office include software and global application vendors, such as Apple, Cisco Systems, Facebook, Google, IBM, Okta, Proofpoint, Slack, Symantec, Zoom, and numerous web-based and mobile application competitors as well as local application developers. Apple distributes versions of its pre-installed application software, such as email and calendar products, through its PCs, tablets, and phones. Cisco Systems is using its position in enterprise communications equipment to grow its unified communications business. Google provides a hosted messaging and productivity suite. Slack provides teamwork and collaboration software. Zoom offers videoconferencing and cloud phone solutions. Skype for Business and Skype also compete with a variety of instant messaging, voice, and video communication providers, ranging from start-ups to established enterprises. Okta, Proofpoint, and Symantec provide security solutions across email security, information protection, identity, and governance. Web-based offerings competing with individual applications have also positioned themselves as alternatives to our products and services. We compete by providing powerful, flexible, secure, integrated industry-specific, and easy-to-use productivity and collaboration tools and services that create comprehensive solutions and work well with technologies our customers already have both on-premises or in the cloud.

LinkedIn faces competition from online recruiting companies, talent management companies, and larger companies that are focusing on talent management and human resource services; job boards; traditional recruiting firms; and companies that provide learning and development products and services. Marketing Solutions competes with online and offline outlets that generate revenue from advertisers and marketers.

Dynamics competes with vendors such as Infor, NetSuite, Oracle, Salesforce.com, SAP, and The Sage Group to provide cloud-based and on-premise business solutions for small, medium, and large organizations.

Intelligent Cloud

Our Intelligent Cloud segment consists of our public, private, and hybrid server products and cloud services that can power modern business. This segment primarily comprises:

- Server products and cloud services, including SQL Server, Windows Server, Visual Studio, System Center, and related CALs, GitHub, and Azure.
- Enterprise Services, including Premier Support Services and Microsoft Consulting Services.

Server Products and Cloud Services

Our server products are designed to make IT professionals, developers, and their systems more productive and efficient. Server software is integrated server infrastructure and middleware designed to support software applications built on the Windows Server operating system. This includes the server platform, database, business intelligence, storage, management and operations, virtualization, service-oriented architecture platform, security, and identity software. We also license standalone and software development lifecycle tools for software architects, developers, testers, and project managers. GitHub provides a collaboration platform and code hosting service for developers. Server products revenue is mainly affected by purchases through volume licensing programs, licenses sold to original equipment manufacturers ("OEM"), and retail packaged products. CALs provide access rights to certain server products, including SQL Server and Windows Server, and revenue is reported along with the associated server product.

Azure is a comprehensive set of cloud services that offer developers, IT professionals, and enterprises freedom to build, deploy, and manage applications on any platform or device. Customers can use Azure through our global network of datacenters for computing, networking, storage, mobile and web application services, AI, IoT, cognitive services, and machine learning. Azure enables customers to devote more resources to development and use of applications that benefit their organizations, rather than managing on-premises hardware and software. Azure revenue is mainly affected by infrastructure-as-a-service and platform-as-a-service consumption-based services, and per user-based services such as Enterprise Mobility + Security.

Enterprise Services

Enterprise Services, including Premier Support Services and Microsoft Consulting Services, assist customers in developing, deploying, and managing Microsoft server and desktop solutions and provide training and certification to developers and IT professionals on various Microsoft products.

Competition

Our server products face competition from a wide variety of server operating systems and applications offered by companies with a range of market approaches. Vertically integrated computer manufacturers such as Hewlett-Packard, IBM, and Oracle offer their own versions of the Unix operating system preinstalled on server hardware. Nearly all computer manufacturers offer server hardware for the Linux operating system and many contribute to Linux operating system development. The competitive position of Linux has also benefited from the large number of compatible applications now produced by many commercial and non-commercial software developers. A number of companies, such as Red Hat, supply versions of Linux.

We compete to provide enterprise-wide computing solutions and point solutions with numerous commercial software vendors that offer solutions and middleware technology platforms, software applications for connectivity (both Internet and intranet), security, hosting, database, and e-business servers. IBM and Oracle lead a group of companies focused on the Java Platform Enterprise Edition that competes with our enterprise-wide computing solutions. Commercial competitors for our server applications for PC-based distributed client-server environments include CA Technologies, IBM, and Oracle. Our web application platform software competes with open source software such as Apache, Linux, MySQL, and PHP. In middleware, we compete against Java vendors.

Our database, business intelligence, and data warehousing solutions offerings compete with products from IBM, Oracle, SAP, and other companies. Our system management solutions compete with server management and server virtualization platform providers, such as BMC, CA Technologies, Hewlett-Packard, IBM, and VMware. Our products for software developers compete against offerings from Adobe, IBM, Oracle, and other companies, and also against open-source projects, including Eclipse (sponsored by CA Technologies, IBM, Oracle, and SAP), PHP, and Ruby on Rails.

We believe our server products provide customers with advantages in performance, total costs of ownership, and productivity by delivering superior applications, development tools, compatibility with a broad base of hardware and software applications, security, and manageability.

Azure faces diverse competition from companies such as Amazon, Google, IBM, Oracle, Salesforce.com, VMware, and open source offerings. Our Enterprise Mobility + Security offerings also compete with products from a range of competitors including identity vendors, security solution vendors, and numerous other security point solution vendors. Azure's competitive advantage includes enabling a hybrid cloud, allowing deployment of existing datacenters with our public cloud into a single, cohesive infrastructure, and the ability to run at a scale that meets the needs of businesses of all sizes and complexities. We believe our cloud's global scale, coupled with our broad portfolio of identity and security solutions, allows us to effectively solve complex cybersecurity challenges for our customers and differentiates us from the competition.

Our Enterprise Services business competes with a wide range of companies that provide strategy and business planning, application development, and infrastructure services, including multinational consulting firms and small niche businesses focused on specific technologies.

More Personal Computing

- Our More Personal Computing segment consists of products and services geared towards harmonizing the interests of end users, developers, and IT professionals across all devices. This segment primarily comprises:
- Windows, including Windows OEM licensing ("Windows OEM") and other non-volume licensing of the Windows operating system; Windows Commercial, comprising volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings; patent licensing; Windows IoT; and MSN advertising.

- Devices, including Surface, PC accessories, and other intelligent devices.
- Gaming, including Xbox hardware and Xbox software and services, comprising Xbox Live transactions, subscriptions, cloud services, and advertising (“Xbox Live”), video games, and third-party video game royalties.
- Search.

Windows

The Windows operating system is designed to deliver a more personal computing experience for users by enabling consistency of experience, applications, and information across their devices. Windows OEM revenue is impacted significantly by the number of Windows operating system licenses purchased by OEMs, which they pre-install on the devices they sell. In addition to computing device market volume, Windows OEM revenue is impacted by:

- The mix of computing devices based on form factor and screen size.
- Differences in device market demand between developed markets and growth markets.
- Attachment of Windows to devices shipped.
- Customer mix between consumer, small and medium businesses, and large enterprises.
- Changes in inventory levels in the OEM channel.
- Pricing changes and promotions, pricing variation that occurs when the mix of devices manufactured changes or Windows versions licensed.
- Constraints in the supply chain of device components.
- Piracy.

Windows Commercial revenue, which includes volume licensing of the Windows operating system and Windows cloud services such as Microsoft Defender Advanced Threat Protection, is affected mainly by the demand from commercial customers for volume licensing and Software Assurance (“SA”), as well as advanced security offerings. Windows Commercial revenue often reflects the number of information workers in a licensed enterprise and is relatively independent of the number of PCs sold in a given year.

Patent licensing includes our programs to license patents we own for use across a broad array of technology areas, including mobile devices and cloud offerings.

Windows IoT extends the power of Windows and the cloud to intelligent systems by delivering specialized operating systems, tools, and services for use in embedded devices.

MSN advertising includes both native and display ads.

Devices

We design, manufacture, and sell devices, including Surface, PC accessories, and other intelligent devices. Our devices are designed to enable people and organizations to connect to the people and content that matter most using Windows and integrated Microsoft products and services. Surface is designed to help organizations, students, and consumers be more productive.

Gaming

Our gaming platform is designed to provide a unique variety of entertainment using our devices, peripherals, applications, online services, and content. We released Xbox One S and Xbox One X in August 2016 and November 2017, respectively. With the launch of the Mixer service in May 2017, offering interactive live streaming, and Xbox Game Pass in June 2017, providing unlimited access to over 100 Xbox titles, we continue to open new opportunities for customers to engage both on- and off-console. With our acquisition of PlayFab in January 2018, we enable worldwide game developers to utilize game services, LiveOps, and

analytics for player acquisition, engagement, and retention. We have also made these services available for developers outside of the gaming industry.

Xbox Live enables people to connect and share online gaming experiences and is accessible on Xbox consoles, Windows-enabled devices, and other devices. Xbox Live is designed to benefit users by providing access to a network of certified applications and services and to benefit our developer and partner ecosystems by providing access to a large customer base. Xbox Live revenue is mainly affected by subscriptions and sales of Xbox Live enabled content, as well as advertising. We also continue to design and sell gaming content to showcase our unique platform capabilities for Xbox consoles, Windows-enabled devices, and other devices. Growth of our Gaming business is determined by the overall active user base through Xbox Live enabled content, availability of games, providing exclusive game content that gamers seek, the computational power and reliability of the devices used to access our content and services, and the ability to create new experiences via online services including game streaming, downloadable content, and peripherals.

Search

Our Search business, including Bing and Microsoft Advertising, is designed to deliver relevant online advertising to a global audience. We have several partnerships with other companies, including Verizon Media Group, through which we provide and monetize search queries. Growth depends on our ability to attract new users, understand intent, and match intent with relevant content and advertiser offerings.

Competition

Windows faces competition from various software products and from alternative platforms and devices, mainly from Apple and Google. We believe Windows competes effectively by giving customers choice, value, flexibility, security, an easy-to-use interface, and compatibility with a broad range of hardware and software applications, including those that enable productivity.

Devices face competition from various computer, tablet, and hardware manufacturers who offer a unique combination of high-quality industrial design and innovative technologies across various price points. These manufacturers, many of which are also current or potential partners and customers, include Apple and our Windows OEMs.

Our gaming platform competes with console platforms from Nintendo and Sony, both of which have a large, established base of customers. The lifecycle for gaming and entertainment consoles averages five to ten years. Nintendo released its latest generation console in March 2017 and Sony released its latest generation console in November 2013. We also compete with other providers of entertainment services through online marketplaces. We believe our gaming platform is effectively positioned against competitive products and services based on significant innovation in hardware architecture, user interface, developer tools, online gaming and entertainment services, and continued strong exclusive content from our own game franchises as well as other digital content offerings. Our video games competitors include Electronic Arts and Activision Blizzard. Xbox Live and our cloud gaming services face competition from various online marketplaces, including those operated by Amazon, Apple, and Google.

Our search business competes with Google and a wide array of websites, social platforms like Facebook, and portals that provide content and online offerings to end users.

OPERATIONS

We have operations centers that support operations in their regions, including customer contract and order processing, credit and collections, information processing, and vendor management and logistics. The regional center in Ireland supports the European, Middle Eastern, and African region; the center in Singapore supports the Japan, India, Greater China, and Asia-Pacific region; and the centers in Fargo, North Dakota, Fort Lauderdale, Florida, Puerto Rico, Redmond, Washington, and Reno, Nevada support Latin America and North America. In addition to the operations centers, we also operate datacenters throughout the Americas, Europe, Australia, and Asia, as well as in the Middle East and Africa.

To serve the needs of customers around the world and to improve the quality and usability of products in international markets, we localize many of our products to reflect local languages and conventions. Localizing a product may require modifying the user interface, altering dialog boxes, and translating text.

Our devices are primarily manufactured by third-party contract manufacturers. We generally have the ability to use other manufacturers if a current vendor becomes unavailable or unable to meet our requirements.

RESEARCH AND DEVELOPMENT

Product and Service Development, and Intellectual Property

We develop most of our products and services internally through the following engineering groups.

- *Cloud and AI*, focuses on making IT professionals, developers, and their systems more productive and efficient through development of cloud infrastructure, server, database, CRM, ERP, management and development tools, AI cognitive services, and other business process applications and services for enterprises.
- *Experiences and Devices*, focuses on instilling a unifying product ethos across our end-user experiences and devices, including Office, Windows, Enterprise Mobility and Management, and Surface.
- *AI and Research*, focuses on our AI innovations and other forward-looking research and development efforts spanning infrastructure, services, applications, and search.
- *LinkedIn*, focuses on our services that transform the way customers hire, market, sell, and learn.
- *Gaming*, focuses on connecting gaming assets across the range of devices to grow and engage the Xbox Live member network through game experiences, streaming content, and social interaction.

Internal development allows us to maintain competitive advantages that come from product differentiation and closer technical control over our products and services. It also gives us the freedom to decide which modifications and enhancements are most important and when they should be implemented. We strive to obtain information as early as possible about changing usage patterns and hardware advances that may affect software and hardware design. Before releasing new software platforms, and as we make significant modifications to existing platforms, we provide application vendors with a range of resources and guidelines for development, training, and testing. Generally, we also create product documentation internally.

We protect our intellectual property investments in a variety of ways. We work actively in the U.S. and internationally to ensure the enforcement of copyright, trademark, trade secret, and other protections that apply to our software and hardware products, services, business plans, and branding. We are a leader among technology companies in pursuing patents and currently have a portfolio of over 61,000 U.S. and international patents issued and over 26,000 pending. While we employ much of our internally-developed intellectual property exclusively in our products and services, we also engage in outbound licensing of specific patented technologies that are incorporated into licensees' products. From time to time, we enter into broader cross-license agreements with other technology companies covering entire groups of patents. We also purchase or license technology that we incorporate into our products and services. At times, we make select intellectual property broadly available at no or low cost to achieve a strategic objective, such as promoting industry standards, advancing interoperability, or attracting and enabling our external development community. Our increasing engagement with open source software will also cause us to license our intellectual property rights broadly in certain situations.

While it may be necessary in the future to seek or renew licenses relating to various aspects of our products, services, and business methods, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our continuing research and product development are not materially dependent on any single license or other agreement with a third party relating to the development of our products.

Investing in the Future

Our success is based on our ability to create new and compelling products, services, and experiences for our users, to initiate and embrace disruptive technology trends, to enter new geographic and product markets, and to drive broad adoption of our products and services. We invest in a range of emerging technology trends and breakthroughs that we believe offer significant opportunities to deliver value to our customers and growth for the Company. Based on our assessment of key technology trends, we maintain our long-term commitment to research and development across a wide spectrum of technologies, tools, and platforms spanning digital work and life experiences, cloud computing, AI, devices, and operating systems.

While our main research and development facilities are located in Redmond, Washington, we also operate research and development facilities in other parts of the U.S. and around the world, including Canada, China, Czech Republic, India, Ireland, Israel, and the United Kingdom. This global approach helps us remain competitive in local markets and enables us to continue to attract top talent from across the world. We generally fund research at the corporate level to ensure that we are looking beyond immediate product considerations to opportunities further in the future. We also fund research and development activities at the operating segment level. Much of our segment level research and development is coordinated with other segments and leveraged across the Company.

In addition to our main research and development operations, we also operate Microsoft Research. Microsoft Research is one of the world's largest corporate research organizations and works in close collaboration with top universities around the world to advance the state-of-the-art in computer science and a broad range of other disciplines, providing us a unique perspective on future trends and contributing to our innovation.

We plan to continue to make significant investments in a broad range of research and development efforts.

DISTRIBUTION, SALES, AND MARKETING

We market and distribute our products and services through the following channels: OEMs, direct, and distributors and resellers. Our sales force performs a variety of functions, including working directly with enterprises and public-sector organizations worldwide to identify and meet their technology requirements; managing OEM relationships; and supporting system integrators, independent software vendors, and other partners who engage directly with our customers to perform sales, consulting, and fulfillment functions for our products and services.

OEMs

We distribute our products and services through OEMs that pre-install our software on new devices and servers they sell. The largest component of the OEM business is the Windows operating system pre-installed on devices. OEMs also sell devices pre-installed with other Microsoft products and services, including applications such as Office and the capability to subscribe to Office 365.

There are two broad categories of OEMs. The largest category of OEMs are direct OEMs as our relationship with them is managed through a direct agreement between Microsoft and the OEM. We have distribution agreements covering one or more of our products with virtually all the multinational OEMs, including Acer, ASUS, Dell, Fujitsu, Hewlett-Packard, Lenovo, Samsung, Sharp, Toshiba, and with many regional and local OEMs. The second broad category of OEMs are system builders consisting of lower-volume PC manufacturers, which source Microsoft software for pre-installation and local redistribution primarily through the Microsoft distributor channel rather than through a direct agreement or relationship with Microsoft.

Direct

Many organizations that license our products and services transact directly with us through Enterprise Agreements and Enterprise Services contracts, with sales support from system integrators, independent software vendors, web agencies, and partners that advise organizations on licensing our products and services ("Enterprise Agreement Software Advisors" or "ESA"). Microsoft offers direct sales programs

targeted to reach small, medium, and corporate customers, in addition to those offered through the reseller channel. A large network of partner advisors support many of these sales.

We also sell commercial and consumer products and services directly to customers, such as cloud services, search, and gaming, through our digital marketplaces, online stores, and retail stores.

Distributors and Resellers

Organizations also license our products and services indirectly, primarily through licensing solution partners (“LSP”), distributors, value-added resellers (“VAR”), and retailers. Although each type of reselling partner may reach organizations of all sizes, LSPs are primarily engaged with large organizations, distributors resell primarily to VARs, and VARs typically reach small and medium organizations. ESAs are also typically authorized as LSPs and operate as resellers for our other volume licensing programs. Microsoft Cloud Solution Provider is our main partner program for reselling cloud services.

We distribute our retail packaged products primarily through independent non-exclusive distributors, authorized replicators, resellers, and retail outlets. Individual consumers obtain these products primarily through retail outlets. We distribute our devices through third-party retailers. We have a network of field sales representatives and field support personnel that solicit orders from distributors and resellers, and provide product training and sales support.

Our Dynamics business solutions are also licensed to enterprises through a global network of channel partners providing vertical solutions and specialized services.

LICENSING OPTIONS

We offer options for organizations that want to purchase our cloud services, on-premises software, and Software Assurance. We license software to organizations under volume licensing agreements to allow the customer to acquire multiple licenses of products and services instead of having to acquire separate licenses through retail channels. We use different programs designed to provide flexibility for organizations of various sizes. While these programs may differ in various parts of the world, generally they include those discussed below.

SA conveys rights to new software and upgrades for perpetual licenses released over the contract period. It also provides support, tools, and training to help customers deploy and use software efficiently. SA is included with certain volume licensing agreements and is an optional purchase with others.

Volume Licensing Programs

Enterprise Agreement

Enterprise Agreements offer large organizations a manageable volume licensing program that gives them the flexibility to buy cloud services and software licenses under one agreement. Enterprise Agreements are designed for medium or large organizations that want to license cloud services and on-premises software organization-wide over a three-year period. Organizations can elect to purchase perpetual licenses or subscribe to licenses. SA is included.

Microsoft Product and Services Agreement

Microsoft Product and Services Agreements are designed for medium and large organizations that want to license cloud services and on-premises software as needed, with no organization-wide commitment, under a single, non-expiring agreement. Organizations purchase perpetual licenses or subscribe to licenses. SA is optional for customers that purchase perpetual licenses.

Open

Open agreements are a simple, cost-effective way to acquire the latest Microsoft technology. Open agreements are designed for small and medium organizations that want to license cloud services and on-premises software over a one- to three-year period. Under the Open agreements, organizations purchase perpetual licenses and SA is optional. Under Open Value agreements, organizations can elect to purchase perpetual licenses or subscribe to licenses and SA is included.

Select Plus

Select Plus agreements are designed for government and academic organizations to acquire on-premises licenses at any affiliate or department level, while realizing advantages as one organization. Organizations purchase perpetual licenses and SA is optional.

Microsoft Online Subscription Agreement

Microsoft Online Subscription Agreements are designed for small and medium organizations that want to subscribe to, activate, provision, and maintain cloud services seamlessly and directly via the web. The agreement allows customers to acquire monthly or annual subscriptions for cloud-based services.

Partner Programs

The Microsoft Cloud Solution Provider program offers customers an easy way to license the cloud services they need in combination with the value-added services offered by their systems integrator, hosting partner, or cloud reseller partner. Partners in this program can easily package their own products and services to directly provision, manage, and support their customer subscriptions.

The Microsoft Services Provider License Agreement allows service providers and independent software vendors who want to license eligible Microsoft software products to provide software services and hosted applications to their end customers. Partners license software over a three-year period and are billed monthly based on consumption.

The Independent Software Vendor Royalty program enables partners to integrate Microsoft products into other applications and then license the unified business solution to their end users.

CUSTOMERS

Our customers include individual consumers, small and medium organizations, large global enterprises, public-sector institutions, Internet service providers, application developers, and OEMs. Our practice is to ship our products promptly upon receipt of purchase orders from customers; consequently, backlog is not significant.

Selected Financial Data

(In millions, except per share amounts)										
Year Ended June 30,		2019		2018		2017		2016		2015
Revenue	\$	125,843	\$	110,360	\$	96,571	\$	91,154	\$	93,580

Gross margin	82,933	72,007	62,310	58,374	60,542
Operating income	42,959	35,058	29,025	26,078	18,161
Net income	39,240	16,571	25,489	20,539	12,193
Diluted earnings per share	5.06	2.13	3.25	2.56	1.48
Cash dividends declared per share	1.84	1.68	1.56	1.44	1.24
Cash, cash equivalents, and short-term investments	133,819	133,768	132,981	113,240	96,526
Total assets	286,556	258,848	250,312	202,897	174,303
Long-term obligations	114,806	117,642	106,856	66,705	44,574
Stockholders' equity	102,330	82,718	87,711	83,090	80,083

- (a) GitHub has been included in our consolidated results of operations starting on the October 25, 2018 acquisition date.
- (b) Includes a \$2.6 billion net income tax benefit related to intangible property transfers and a \$157 million net charge related to the enactment of the Tax Cuts and Jobs Act ("TCJA"), which together increased net income and diluted earnings per share ("EPS") by \$2.4 billion and \$0.31, respectively. Refer to Note 12 – Income Taxes of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.
- (c) Includes a \$13.7 billion net charge related to the enactment of the TCJA, which decreased net income and diluted EPS by \$13.7 billion and \$1.75, respectively. Refer to Note 12 – Income Taxes of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.
- (d) Reflects the impact of the adoption of new accounting standards in fiscal year 2018 related to revenue recognition and leases.
- (e) LinkedIn has been included in our consolidated results of operations starting on the December 8, 2016 acquisition date.
- (f) Includes \$306 million of employee severance expenses primarily related to our sales and marketing restructuring plan, which decreased operating income, net income, and diluted EPS by \$306 million, \$243 million, and \$0.04, respectively.
- (g) Includes \$630 million of asset impairment charges related to our Phone business and \$480 million of restructuring charges associated with our Phone business restructuring plans, which together decreased operating income, net income, and diluted EPS by \$1.1 billion, \$895 million, and \$0.11, respectively.

(h)Includes \$7.5 billion of goodwill and asset impairment charges related to our Phone business and \$2.5 billion of integration and restructuring expenses, primarily associated with our Phone business restructuring plans, which together decreased operating income, net income, and diluted EPS by \$10.0 billion, \$9.5 billion, and \$1.15, respectively.

Walmart Inc.

Company overview

Overview

Walmart Inc. is a registered with the U.S. Security and Exchange Commission. This page includes all SEC filing details as well as a list of any documents (S-1, Prospects, Current Reports, 8-K, 10K, Annual Reports) registered by Walmart Inc.. America's largest retailer by sales, Walmart operates over 11,300 stores under 58 banners, selling a variety of general merchandise and grocery items. Its home market accounted for 76% of sales in fiscal 2019, with Mexico and Central America (6%), the United Kingdom (6%), and Canada (4%) its largest external markets. In the United States, around 56% of sales come from grocery, 33% from general merchandise, and 11% from health and wellness items. The company operates several e-commerce properties apart from its eponymous site, including Flipkart, Jet.com, and shoes.com (it also owns a roughly 10% stake in Chinese online retailer JD.com). Combined, e-commerce accounted for about 5% of fiscal 2019 sales.

Company Details

IRS Number (EIN)	710415188 (EIN # 71-0415188)
Reporting File Number	001-06991
State of Incorporation	DELAWARE
Fiscal Year End	01-31
SIC	5331 [RETAIL-VARIETY STORES]
Business Address	702 SOUTHWEST 8TH ST BENTONVILLE AR 72716
Business Phone	5012734000
Mailing Address	702 SOUTHWEST 8TH STREET BENTONVILLE AR 72716
LEI	Y87794H0US1R65VBXU25 WALMART INC.

Company Details

Ticker	XNYS:WMT
Market Cap	340.1Bil
Net Income	14.4Bil

Sales	521.1Bil
Sector	Consumer Defensive
Industry	Discount Stores
Stock Style	Large Value
Direct Investment	Yes
Dividend Re-Investment	Yes

Investor Relations

Telephone	+1 479 273-4000
Fax	—
Website	www.walmart.com

Industry Codes

NAICS	452210: —
ISIC	4719: Other Retail Sale in Non-Specialized Stores
SIC	6599: Other Retail Stores N.E.C. Variety Stores 5331

Insiders

C. Douglas Mcmillon	Director, President and Chief Executive Officer	2019-12-19
Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International	2019-12-19
David Chojnowski	Senior Vice President, Principal Accounting Officer and Corporate Controller	2019-12-19
Daniel J. Bartlett	Executive Vice President, Corporate Affairs	2019-12-19
Gregory Foran	Executive Vice President	2019-12-19
Jacqueline P. Canney	Executive Vice President, Global People	2019-12-19
M. Brett Biggs	Executive Vice President and Chief Financial Officer	2019-12-19
Marc E. Lore	Executive Vice President, President and Chief Executive Officer, U.S. eCommerce	2019-12-19

John R. Furner	Executive Vice President; President and Chief Executive Officer of the Walmart U.S. and Sam's Club	2019-12-19
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary	2019-12-19
Kathryn McIay	Executive Vice President, President and Chief Executive Officer of Sam's Club Division	2019-12-19

Company profile (10-K)

Business

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve nearly 275 million customers who visit our more than 11,300 stores and numerous eCommerce websites under 58 banners in 27 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2019 ("fiscal 2019"), January 31, 2018 ("fiscal 2018") and January 31, 2017 ("fiscal 2017"). During fiscal 2019, we generated total revenues of \$514.4 billion, which was primarily comprised of net sales of \$510.3 billion.

We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716, USA. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

Although Walmart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a discount store, opened in Rogers, Arkansas. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991,

we began our first international initiative when we entered into a joint venture in Mexico. Since then, our international presence has expanded and, as of January 31, 2019, our Walmart International segment conducted business in 26 countries.

In 2000, we began our first eCommerce initiative by creating walmart.com. That same year, we also created samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. In 2016, we acquired jet.com in the U.S. and formed a strategic alliance with JD.com in China. Since the jet.com purchase, we have continued to expand our U.S. eCommerce capabilities through acquisitions including Shoes.com, Moosejaw, Bonobos and other digital consumer brands. In 2017, walmart.com launched free two-day shipping on more than 2 million items and we created Store N° 8, a technology incubator with a focus to drive commerce forward. In fiscal 2019, we acquired a majority stake of Flipkart Private Limited ("Flipkart"), an Indian-based eCommerce marketplace, with an ecosystem that includes eCommerce platforms of Flipkart, Myntra and Jabong. In the U.S., we added more grocery pickup and delivery locations and as of January 31, 2019, we offered grocery pickup at more than 2,100 locations and grocery delivery at nearly 800 locations. Our eCommerce efforts and innovation have led to omni-channel offerings in many of our markets. We are building an ecosystem with our omni-channel capabilities, stores, services, eCommerce sites, supply chain and more than 2.2 million associates to better serve our customers.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in [Note 13](#) to our Consolidated Financial Statements. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. We define our segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. Each of our segments contributes to the Company's operating results differently. Each, however, has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. We sell similar individual products and services in each of our segments. It is impractical to segregate and identify revenues for each of these individual products and services.

We measure the results of our segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by our CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation. In fiscal 2019, we revised certain of our corporate overhead allocations to the operating segments and, accordingly, revised prior period amounts for comparability.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com, jet.com and other eCommerce brands. Walmart U.S. had net sales of \$331.7 billion for fiscal 2019, representing 65% of our fiscal 2019 consolidated

net sales, and had net sales of \$318.5 billion and \$307.8 billion for fiscal 2018 and 2017, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as "Walmart Pickup," "Pickup Today", "Grocery Pickup", "Grocery Delivery," and "Endless Aisle." As of January 31, 2019, we had over 2,100 Grocery Pickup locations and nearly 800 Grocery Delivery locations. Our eCommerce websites include walmart.com, jet.com and others. The following table provides the approximate size of our retail stores as of January 31, 2019:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	206,000	105,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000
(1) Excludes other small formats.			

The following table provides the retail unit count and retail square feet by format for the fiscal years shown:

Supercenters					Discount Stores				
Fiscal Year	Opened	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened	Closed	Conversions ⁽¹⁾	Square Total re Feet ⁽²⁾
Balance forward				3,288	589,858				508 53,496
2015	79	—	40	3,407	607,415	2	—	(40)	470 49,327
2016	55	(16)	19	3,465	616,428	—	(9)	(19)	442 45,991
2017	38	(2)	21	3,522	625,930	—	(6)	(21)	415 43,347
2018	30	—	9	3,561	632,479	—	(6)	(9)	400 41,926

2019	6	(2)	5	3,570	634,198	1	(10)	(5)	386	40,626
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Neighborhood Markets and Other Small Formats						Total Segment			
Fiscal Year	Opened and acquired ⁽³⁾	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened and acquired ⁽³⁾⁽⁴⁾	Closed	Total ⁽²⁾	Square Feet ⁽²⁾
Balance forward				407	15,778			4,203	659,132
2015	235	(3)	—	639	23,370	316	(3)	4,516	680,112
2016	161	(133)	—	667	27,228	216	(158)	4,574	689,647
2017	73	(5)	—	735	30,012	111	(13)	4,672	699,289
2018	85	(20)	—	800	30,111	115	(26)	4,761	704,516
2019	24	(11)	—	813	29,895	31	(23)	4,769	704,719

(1) Conversions of discount stores or neighborhood markets to supercenters.

(2) "Total" and "Square Feet" columns are as of January 31 for the years shown. "Square Feet" columns are reported in thousands.

(3) Includes acquired retail locations related to Walmart U.S. eCommerce brands

(4) Total opened, net of conversions of discount stores or neighborhood markets to supercenters.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

- Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;

- Health and wellness includes pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;

Stock Info

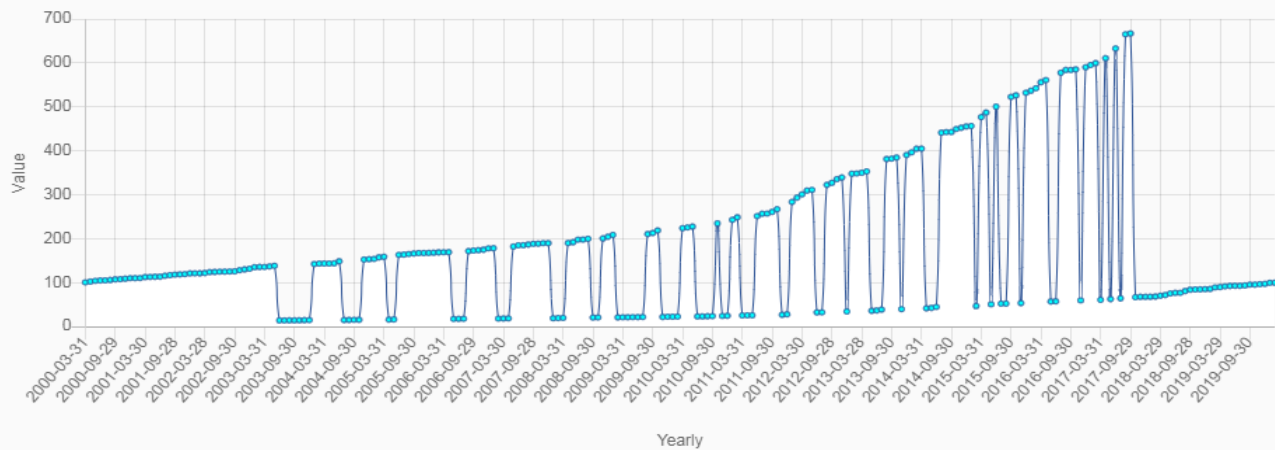
APPL - Apple Inc. index

AAPL
Apple Inc. Index

Feb 12, 2020

327.2 +7.59 2.3748% ▲

OPEN	HIGH	LOW	PREVIOUS CLOSE
321.47	327.22	321.47	319.61



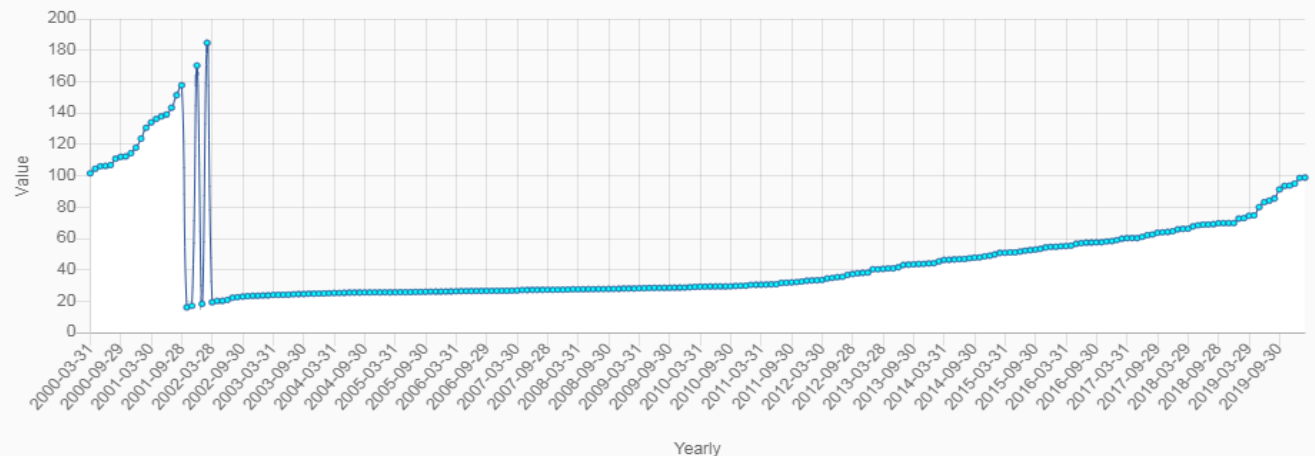
MSFT - Microsoft corporation index

MSFT
Microsoft corporation Index

Feb 12, 2020

184.71 +0.27 0.15% ▲

OPEN	HIGH	LOW	PREVIOUS CLOSE
185.58	185.85	181.85	184.44



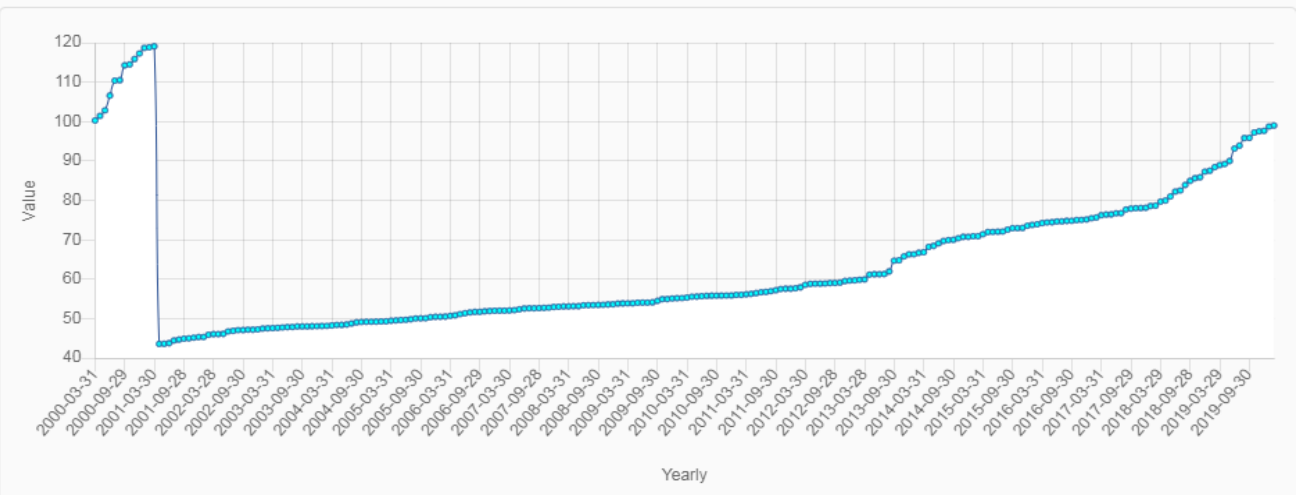
WMT- Walmart Inc. index

WMT
Walmart Inc. Index

Feb 12, 2020

115.85 +0.45 0.39% ▲

OPEN	HIGH	LOW	PREVIOUS CLOSE
115.5	116.42	115.41	115.4



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[The Economic Consequences of the Coronavirus | by Akira Kawamoto - Project Syndicate](#)

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[Coronavirus outbreak will speed up US-China 'decoupling' more than the trade war, Milken Institute analyst says - CNBC](#)

source: CNBC Published: Wednesday, February 12, 2020

[Coronavirus infections on Diamond Princess cruise ship swell to 174 - The Washington Post](#)

source: The Washington Post Published: Wednesday, February 12, 2020

Industry videos

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[Wuhan Coronavirus: After Trade War truce, China's new black swan emerges](#)

source: South China Morning Post Published: Jan 24, 2020



[How the coronavirus may impact China's economic growth](#)

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[Wuhan: is this the Chicago of China?](#)

source: CGTN Published: Feb 4, 2018



[China braces for economic fallout from coronavirus](#)

source: FRANCE 24 English Published: Jan 23, 2020



[China's economy grows 6% in Q3](#)

source: CAN Published: Oct 18, 2019