

NOTE

From: Winnifred Thomas

To: Barbara Williams

Subject: URGENT ASSESSMENT

I assume that the Excom will be asking for a forecast of LegacyCo revenue very soon.

I have taken a look at the numbers and I anticipate the following.

B2C: A rapid drop in both volume and increasing price pressure for our consumer offering. This will not come from Pear, which is priced higher than us, but from a perception of poverty in the functionality compared with Pear. Competition is likely to be very fierce and consumer sentiment will shift rapidly as Pear has such a stranglehold on the design side. I anticipate that Pear's offering will become the 'next big thing'. The combined effect will lead to a drop in consumer revenues of about 40% next period. In the absence of action I would anticipate the revenue stream dropping to under 10% of today by period 8. That said it could be more severe.

B2B: On the business side I anticipate a slower collapse because of embedded systems. I anticipate revenue dropping by 20% next period and to 20% of today by period 8.

As yet, this is only an announcement by Pear, who may be trying to 'freeze' the market. We may have time to restructure the offering? Or, conduct a campaign that will retain some share. One option is of course to stick with what we have and hope others fall out leaving us with the remains of the market. Properly managed that could leave us with useful long tail cash flow to reinvest.

Sorry if I have overstepped my bounds

Winnifred