# Credit Suisse 26th Annual Technology Conference

## Company Participants

- Alysa Taylor, Corporate Vice President, Industry, Apps, and Data Marketing

## Other Participants

- Phil Winslow, Credit Suisse

## Presentation

### Phil Winslow {BIO 6300579 <GO>}

Welcome everyone. My name is Phil Winslow, and thank you for coming to the 26th Annual Technology Conference, very excited to have Microsoft joining us. We have Alysa Taylor. So, Alysa thank you for coming down. But I think the weather is better here than Seattle right now. So, I think is the (Multiple Speakers)

### Alysa Taylor

I know it's snowing Seattle, which is--

### Phil Winslow {BIO 6300579 <GO>}

This is a win. But thank you for coming down.

### Alysa Taylor

Of course, my pleasure.

### Phil Winslow {BIO 6300579 <GO>}

Joking aside. So appreciate, as always the IR team for all the work they do. So maybe just to level set things. Maybe your role obviously touches multiple parts of Microsoft. Maybe for the audience, maybe don't know you as well, can you give us a sense of your roles, responsibilities et cetera at Microsoft?

### Alysa Taylor

Absolutely, so I am responsible for our Azure and our Global Industry business at Microsoft. And the division that I run is responsible for working closely with our engineering team and what services we're going to build, and then how we bring them to market. So how everything from our product strategy to how we price,

license, package and then all the way through to bringing it to our customers and partners.

## Phil Winslow {BIO 6300579 <GO>}

Excellent, keeps you busy. There's a lot there. So I think maybe we'll start this conversation like a lot of the conversations there with sort of the high-level macro questions and then we'll drill in from there, but you're sitting here today, obviously, there's more, more questions, just have to look at the news outside, about just a macro economic uncertainty. What are customer conversations like, you called over the last month, versus the beginning of the year, how things change?

## Alysa Taylor

Well, I think we've all seen this, but there is a variety of things that are happening in the market right now. So everything from, obviously, the economic concerns that are happening; all the way to the energy crisis that's happening in Western Europe; and then the workforce transformation is still very much top of mind (Technical Difficulty). So, there's a bunch of different facets that are coming, converging on organizations that they're dealing with.

Yes . And I think as organizations are looking to, how do they weather these different assets. There a -- there like what - how do you navigate through the hybrid workforce? How are they able to make employees more productive, but yet still deal with some of the societal pressures that are coming to bear. So it's been an ongoing years, we've come out of the pandemic, we've come into these new set of challenges that we're facing and there's a lot that's happening in the market and across organizations right now.

## Phil Winslow {BIO 6300579 <GO>}

Lot of variables, lot of variables. Let's just stay on this topic, but how are customers prioritize -- prioritizing, and how are the priorities changing really is my question? And what products are you seeing the most strength and resiliency versus those that are maybe call it at risk of being pushed?

## Alysa Taylor

There's a number of priorities that I would cite. I would say the first is obviously cost and how organizations are managing costs, particular sectors right now, technology are under great pressure to manage -- effectively manage cost. And so for us, when we think about how Microsoft is helping, there's a lot that we do around helping organizations migrate to the cloud.

There's a fair amount of if you think about just IT management, facilities, energy cost savings that come from migration. So that's been at the top of your how do we help organizations, leverage the assets that they have, but also be able to quickly migrate

legacy assets to the cloud and realize energy savings and overall cost savings. So that's been a big focus.

The second that we've seen is around automation and this has been prevalent in most of the customer conversations that both I've had and our senior leadership team have had around how do you automate things like repetitive tasks? How do you free up resources? T-Mobile's a great customer of ours, they implemented Power Automate, which is our RPA system and it saved them 600 FTE man hours,just being able to free up some of those again repetitive tasks to put people on higher-value tasks.

So cost savings with migration, automation, hybrid work is another big one. How do you navigate and hybrid work is taken an interesting, obviously it was all around how do you get the workforce into a full remote with the pandemic. Now it's well what is hybrid look like and how are you accommodating those that are remote in-person?

How are you navigating things like people being connected and the social aspect of that? There's a big component of that in the hybrid workforce. And then the last I would say is, which is still pretty prevalent is around the data story. So how are you aggregating data? How are you getting insights? How are you more efficiently running your organization very data-driven culture that hasn't gone away that's still actually very much at the top of the list of priorities?

## Phil Winslow {BIO 6300579 <GO>}

Interesting. Interesting. Yeah, now, I was wondering if you speak to figure out energy. I saw a graph recently as how much a 20 megawatt data center in Germany, now, cost of power, it's pretty astounding, (Multiple Speakers) So that's like, we've talk about energy, so that was top of mind when I saw that graph, like ooh that's a real number now.

## Alysa Taylor

Yeah. (Multiple Speakers) And you see organizations they're wanting to quantify these savings like, we talk about a 30% savings when you migrate on-prem application to the cloud, like these are things that it's aligning both the how you quantify those savings with the business outcomes.

## Phil Winslow {BIO 6300579 <GO>}

Exactly. That's excellent. Okay, let's drill on this, on the fiscal Q1 conference call. You can start mainly highlight customers focus on what they were calling optimization of their Azure states, and that was going to be impacting your growth in the near term. What are you seeing in terms of optimization? I get that question a lot of, sort of like, what are they referring to, and like, what are the areas of focus and why?

## Alysa Taylor

Well, I think optimization is not a new thing. If you think about the cycle, particularly in cloud-based workloads, you migrate them, you optimize them, and then you reinvest in new workloads, that's a normal cycle. I think, what we have seen is as cost pressure has come to bear, organizations are optimizing faster than and putting that as a priority.

And so we are still very committed to making sure that we're helping customers seamlessly migrate and then helping them optimize, and then being able to reinvest in things like automation, security, those higher value data, data aggregation type workloads.

So, I think that is not a new thing and it's interesting because, if you think about even an on-prem world, this isn't a new phenomenon, like we virtualized servers and in an on-prem. So optimizing in a cloud is just -- it's a natural IT cycle.

But it is happening very, very quickly right now, and it's an area of focus for organizations. And so for us, we're looking at how do we partner with organizations, help them optimize so they can realize those cost savings. And then again reinvest in things like making sure they're securing their data workloads, they're securing their data centers. They're being able to focus on analytics projects to get greater insights into their business. So it's all about kind of taking those savings and helping reinvest, to continue to move the business forward.

## Phil Winslow {BIO 6300579 <GO>}

Yeah. Reminds me a little bit of sort of the -- those middle quarters of calendar 2020, where there was similar kind of commentary from Satya, any sort of optimization workloads. But then to make way for new workloads in the future and make sure your state is properly optimized, because when the next wave comes, you need to make room for that, but make sure what you have is properly, what you call it resourced, et cetera.

## Alysa Taylor

Yes. You asked about those priorities. So we want to make sure that we're helping to optimize the existing workload, so they can focus -- organizations can focus on the priorities that they want to expand into.

## Phil Winslow {BIO 6300579 <GO>}

Exactly. Now industry, let's flip over that. It's one of my favorite themes, I don't know obviously yours too, but obviously that was a big theme at Ignite this year and Microsoft now has seven industry clouds available.

And one of the things we've seen is, like customers sort of increasing wand sort of to be agile and future proof themselves particularly sort of on a verticalized basis. Now, what industry specific used cases do you see resonating the most with customers? And what does the future look like in terms of expanding to more clouds?

## Alysa Taylor

That's a great question. So when we talked about the macro trends that are happening. But then if you narrow, Zoom in, every industry has a very specific set of both challenges and opportunities that they're facing. So if you take Healthcare as an example. So how you serve patients in a hybrid environment has been top of mind for healthcare organizations. It came to the forefront in the pandemic, but this notion of virtual health sort of came out of nowhere.

But it has a real both benefit in terms of being able to make patients be able to service, be in service in a variety of different ways, but then also making the physicians more effective. Another thing that's facing healthcare right now is physician burn-out, and that's been -- there's 50% more, the physicians are reporting 50% more burn-out today than they were in the pandemic.

And so like that, like that's -- you're seeing that sort of increases, the time, pressure along with doing things like routine tasks that we've talked about paperwork in putting patient data. So that's healthcare and then if you move over into retail, curbside pickup was something again that didn't exist pre-pandemic and had to quickly come into the vernacular of every retailer. They're also now looking at how do you do frictionless check-out.

Manufacturing is all around automation, building the agile future of your factories. So digital twins is now a big thing of how do you do sustainable factories? So each one of these industries has these very different what I would say, coupled with the macro trends, these very specific industry trends that they're dealing with.

And so we at Microsoft have always served, we've served organizations in all industries, but what we realized is that we had to make sure that the Microsoft Cloud, so every aspect of the Microsoft Cloud from our application layer, all the way to our infrastructure layer was -- had a way to verticalize it, to be able to help organizations realize these trends faster.

And so, we took a pretty unique I think approach to our industry cloud. So other organizations have separate systems that are designed for industry, what we have done is we've taken first-party assets to verticalize the Microsoft Cloud. So things like starter applications, data models, connectors, APIs that will actually take these scenarios like curbside pickup or virtual help and allow an organization to bring the virtual health capabilities into Microsoft teams, allow them to organize their data in Microsoft Synapse, be able to then pull all of that relevant data that is patient-specific into things like Dynamics 365.

So it's the - we've taken these very, very specific industry use cases and we've built technology that will actually enable those used cases within the existing Microsoft Cloud horizontal assets.

## Phil Winslow {BIO 6300579 <GO>}

Yes, exactly. It's sort of like a natural progression of software, you start with sort of the horizontal suite, get all the assets and then you accelerate time to value by verticalizing them, the functions of packaging to your point, the first-party applications on top of it, so it's great to see that.

And that's like I said, one of the things that we've gotten a lot of feedback on was just how differentiated Microsoft and Azure is in the industry, so that was a lot of great detail.

But I'm going to stick on the industry and cloud for a little bit because, like I said, one of my favorite topics, I mean, obviously, it's built on the strength of just Microsoft Cloud as you were saying. What are you seeing sort of across the breadth of your offerings? You touched on this a little bit, but what Microsoft offers that horizontal suite is so broad. What are you seeing there? And then put it in a sort of vertical context?

## Alysa Taylor

Well, if you look at the Microsoft Cloud, so if we start with Azure as the global hyperscale platform, then we look at what are all of the developer assets putting the Power Platform, Visual Studio that we have to be able to build on top of our cloud platform. And then you have the application layer. So we have Dynamics 365, Microsoft 365, that's it on top, so that's -- and then security kind of wraps around all of that. So that's the Microsoft Cloud.

As I talked about, we've released and you mentioned, we have seven industry clouds than verticalized that stack. And we continue to look at where are the industries that have the greatest, at-scale need for that verticalization and what are the used cases that are most prevalent.

And one of the things that we've seen, and we actually just are most recent industry call offer is around sustainability, and being able to bring sustainability especially, there's new regulation coming to market, the Western Europe -- the European regulation around sustainability and carbon emissions that was just announced at KAR 27.

How do you then use the Microsoft Cloud for sustainability to meet your sustainability goals and regulation that is coming? And so, these are areas that we -- and again the sustainability is all around taking all of that disparate data, when you think about carbon emissions and how do you track carbon emissions?

There are thousands of different data sources. It's about bringing in those data -- bringing in that data, being able to organize that data and then actually be able to report, record and report that data. And so, that's the capability that we have enabled with the Microsoft Cloud for sustainability.

And again, it's using assets like, our data services, our -- being able to have out-of-the-box connectors to things like standard ERP systems, and then being able to do the reporting directly into a system of record, and then use things like Power BI to do the analytics on top of it. So that's an example of, with the industry clouds, how we are taking a very specific thing like sustainability and bringing that to the market.

## Phil Winslow {BIO 6300579 <GO>}

Great. Let's switch gears a little bit and talk about just sort of the go-to-market approach. I mean, what makes the Microsoft's approach just different? Is it more about just what you call the product itself? Is there something about go-to-market motions, sales and marketing process, or perhaps even some of the unique partnerships that we've all discussed in sort of these specific verticals?

## Alysa Taylor

Definitely. So when we think about our go-to-market, we start obviously very similar to what you and I have been talking about here which is what are we hearing in the market? What are we hearing from customers? What are we hearing from our partners? We start there. And then we go through what is called a semester planning cycle. So we actually work very closely like in collaboration with my team, with the engineering team to say, what are we prioritizing. What do we build by and partner? Where do we partner in that?

And then, bringing the actual -- probably the newest thing, so that's -- we've been doing that for years. The semester planning is something that is new and we've got more rigorous around. But the actual how we bring it to market, I would say the two facets that are new and where we continue to invest.

One is our account teams are now all vertically aligned, so that's a very big change for Microsoft, which is having both the deep, deep industry expertise at the account level, and then having all of our specialists at the technology layer. And so it's this marriage of industry plus deep technical capabilities that we brought together across the -- all of our subsidiaries across the world, so that's new.

And then our ecosystem -- our partner ecosystem, so continuing to make sure that we have, when we think about even on the industry side or on the Azure side, all the use cases that we've talked about, all of the scenarios, making sure that we have both system integrators that can bring to bear that very custom solutions.

And then ISV ecosystem, that brings to market the extended vertical and micro vertical solutions, and so investing in that and there's new capabilities we brought to market. Our marketplace is a great example of being able to bring all of our partner solutions to our customers very quickly, through an integrated marketplace. So, those are some of the new areas of both investment and focus in our go-to-market.

## Phil Winslow {BIO 6300579 <GO>}

Yeah. That's something that I've heard to, just on the go-to-market particularly sort of verticalization of it that especially call it in these times than having somebody that sort of speaks the language of the vertical, somebody that speaks sort of financial services -- selling to financial services and saying sort of this is how you even sell the project internally actually helps you or just sales cycle, your sales process win and sort of the sales person speaks the language of the customer, it can almost help the customers sell it internally so to speak.

## Alysa Taylor

Yes.

## Phil Winslow {BIO 6300579 <GO>}

You're the call it, the Champion, you sell it internally.

## Alysa Taylor

Yes. If you sit with the Chief Medical Officer and try to talk to her about the data center, him or her, that's not going to go very well. So you have to -- you actually have to deeply understand what a Chief Medical Officer is facing every day, things like, physician burn-out and patient engagement and being able to -- enable frontline workers. So it's a very, very different orientation for how you actually serve customers.

## Phil Winslow {BIO 6300579 <GO>}

Yes. So, a right time to make that change. The vertical alignment -- it's now as good as ever. So wrapping up here in the last couple of minutes here. Let's say we're sitting on stage two, three years from now, what technology change or trend you think we're going to look back on and say, hey, this was more widespread or more transformative for Microsoft's customers and maybe people were giving a credit for back-ended 2022?

## Alysa Taylor

I think there's two areas, the first is there's a lot of buzz in the market right now about the Metaverse. And I think most people think of Metaverse, they think of gaming or social, but there's actually an industrial side of Metaverse that is emerging, that I think is one that has a ton of potential.

So if you think, I talked a little bit about digital twins in the manufacturing, but if you think about being able to blend that physical and digital world in a way that allows you to do things like replicate entire buildings, replicate entire factory floors, being able to then remotely monitor those factories, as an example. So, being able to replicate, monitor and then actually drive efficiency. When we talk about the Industrial Metaverse that's what we're talking about.

And so it's a Great Coca-Cola -- their Austrian Bottling Company, is a great example of. They actually would have to go out and have routine maintenance, which is you don't know if the factory needs to be maintained, but they actually stood up a digital twin. They can zero in to all of their different bottling companies around the world. And they actually can then maintain, so actually monitor and maintain that bottling facility. So they can look at things like water output, they can predict where there might be breaks in the line.

And so, then they aren't doing the costly fly out to that bottling company and do the standard 30, 60, 90 day maintenance, they're doing maintenance as needed and then they're doing predictive maintenance. And they're able to also have their experts from around the world troubleshoot without having to fly them in.

And so, if you think about that, like then you are both saving costs on things like maintenance, being able to be in a proactive state, you are actually able to do things like lower your carbon emissions, because you're not flying people all around the world to maintain that factory, and you're able to do things like understand where there is automation that you can reply into the factory to make it more efficient.

And so, I think the industrial Metaverse is something that has huge potential and I think we're on the very early cusp of realizing that. And so I think that's one that I would say is we'll sit here and however many years and I think I think it'll be a much more prevalent type set of technologies that companies are using, because they can be more efficient, they can save costs and they can be also more sustainable.

## Phil Winslow {BIO 6300579 <GO>}

Interesting.

## Alysa Taylor

So, I put that at the top, first. And then I think just a bridge on that, I do think mostly because of where the world is going, and coupled with regulation, Sustainability and how you do, not only just carbon emissions but water and waste is another area that is going to be more and more I think at the top of everyone's list from a priority standpoint.

## Phil Winslow {BIO 6300579 <GO>}

Yeah. 100% on both those too. Great. Well, I appreciate the time. Like I said, thank you for your coming -- it was great conversation and well maybe check back in 2, 3 years and we'll check on the Metaverse and sustainability clouds.

## Alysa Taylor

I love it. Right. Thank you. Thank you for having me.

**Phil Winslow** {BIO 6300579 <GO>}

So, thank you very much. Appreciate it.