



Microsoft has told Telecom Review that they and LinkedIn have entered into a definitive agreement under which Microsoft will acquire LinkedIn for \$196 per share in an all-cash transaction valued at \$26.2 billion, inclusive of LinkedIn's net cash. LinkedIn will retain its distinct brand, culture and independence. Jeff Weiner will remain CEO of LinkedIn, reporting to Satya Nadella, CEO of Microsoft. Reid Hoffman, chairman of the board, co-founder and controlling shareholder of LinkedIn, and Weiner both fully support this transaction. The transaction is expected to close this calendar year.

LinkedIn is the world's largest and most valuable professional network and continues to build a strong and growing business. Over the past year, the company has launched a new version of its mobile app that has led to increased member engagement; enhanced the LinkedIn newsfeed to deliver better business insights; acquired a leading online learning platform called Lynda.com to enter a new market; and rolled out a new version of its Recruiter product to its enterprise customers. These innovations have resulted in increased membership, engagement and financial results, specifically:

- 19 percent growth year over year (YOY) to more than 433 million members worldwide
- 9 percent growth YOY to more than 105 million unique visiting members per month
- 49 percent growth YOY to 60 percent mobile usage
- 34 percent growth YOY to more than 45 billion quarterly member page views
- 101 percent growth YOY to more than 7 million active job listings

“The LinkedIn team has grown a fantastic business centered on connecting the world’s professionals,” Nadella said. “Together we can accelerate the growth of LinkedIn, as well as Microsoft Office 365 and Dynamics as we seek to empower every person and organization on the planet.”

“Just as we have changed the way the world connects to opportunity, this relationship with Microsoft, and the combination of their cloud and LinkedIn’s network, now gives us a chance to also change the way the world works,” Weiner said. “For the last 13 years, we’ve been uniquely positioned to connect professionals to make them more productive and successful, and I’m looking forward to leading our team through the next chapter of our story.”

The transaction has been unanimously approved by the Boards of Directors of both LinkedIn and Microsoft. The deal is expected to close this calendar year and is subject to approval by LinkedIn’s shareholders, the satisfaction of certain regulatory approvals and other customary closing conditions.

“Today is a re-founding moment for LinkedIn. I see incredible opportunity for our members and customers and look forward to supporting this new and combined business,” said Hoffman. “I fully support this transaction and the Board’s decision to pursue it, and will vote my shares in accordance with their recommendation on it.”

Below are excerpts from Microsoft CEO Satya Nadella to the Microsoft employees:

This deal brings together the world’s leading professional cloud with the world’s leading professional network. I have been learning about LinkedIn for some time while also reflecting on how networks can truly differentiate cloud services. It’s clear to me that the LinkedIn team has grown a fantastic business and an impressive network of more than 433 million professionals.

Given this is the biggest acquisition for Microsoft since I became CEO, I wanted to share with you how I think about acquisitions overall. To start, I consider if an asset will expand our

opportunity — specifically, does it expand our total addressable market? Is this asset riding secular usage and technology trends? And does this asset align with our core business and overall sense of purpose?

The answer to all of those questions with LinkedIn is squarely yes. We are in pursuit of a common mission centered on empowering people and organizations. Along with the new growth in our Office 365 commercial and Dynamics businesses this deal is key to our bold ambition to reinvent productivity and business processes. Think about it: How people find jobs, build skills, sell, market and get work done and ultimately find success requires a connected professional world. It requires a vibrant network that brings together a professional's information in LinkedIn's public network with the information in Office 365 and Dynamics. This combination will make it possible for new experiences such as a LinkedIn newsfeed that serves up articles based on the project you are working on and Office suggesting an expert to connect with via LinkedIn to help with a task you're trying to complete. As these experiences get more intelligent and delightful, the LinkedIn and Office 365 engagement will grow. And in turn, new opportunities will be created for monetization through individual and organization subscriptions and targeted advertising.

Jeff and I both believe we have a significant opportunity to accelerate LinkedIn's growth and the value it brings to its members with Microsoft's assets and scale. In fact, when Reid Hoffman, the founder of LinkedIn, and I spoke about the opportunity for us to come together, he called it a "re-founding" moment for LinkedIn and an opportunity to reach the mission the company set out on 13 years ago.

The opportunity for Office 365 and Dynamics is just as profound. Over the past decade we have moved Office from a set of productivity tools to a cloud service across any platform and device. This deal is the next step forward for Office 365 and Dynamics as they connect to the world's largest and most valuable professional network. In essence, we can reinvent ways to make professionals more productive while at the same time reinventing selling, marketing and talent management business processes. I can't wait to see what our teams dream up when we can begin working together once the deal closes, which we expect will happen this calendar year.

A big part of this deal is accelerating LinkedIn's growth. To that end, LinkedIn will retain its distinct brand and independence, as well as their culture which is very much aligned with ours. Jeff will continue to be CEO of LinkedIn, he'll report to me and join our senior leadership team. In essence, what I've asked Jeff to do is manage LinkedIn with key performance metrics that accrue to our overall success. He'll decide from there what makes sense to integrate and what

does not. We know that near term there will be no changes in who reports to whom so no reporting relationships at Microsoft will change in that regard. This approach is designed to keep the LinkedIn team focused on driving results while simultaneously partnering on product integration plans with the Office 365 and Dynamics teams. During the integration, we'll pick key projects where we can go deep together that will ultimately result in new experiences for customers. Kurt DelBene will lead the overall integration efforts at Microsoft in close partnership with Qi Lu and Scott Guthrie.

Microsoft will finance the transaction primarily through the issuance of new indebtedness. Upon closing, Microsoft expects LinkedIn's financials to be reported as part of Microsoft's Productivity and Business Processes segment. Microsoft expects the acquisition to have minimal dilution of ~1 percent to non-GAAP earnings per share for the remainder of fiscal year 2017 post-closing and for fiscal year 2018 based on the expected close date, and become accretive to Microsoft's non-GAAP earnings per share in Microsoft's fiscal year 2019 or less than two years post-closing. Non-GAAP includes stock-based compensation expense consistent with Microsoft's reporting practice, and excludes expected impact of purchase accounting adjustments as well as integration and transaction-related expenses. In addition, Microsoft also reiterated its intention to complete its existing \$40 billion share repurchase authorization by Dec. 31, 2016, the

Morgan Stanley is acting as exclusive financial advisor to Microsoft, and Simpson Thacher & Bartlett LLP is acting as legal advisor to Microsoft. Qatalyst Partners and Allen & Company LLC are acting as financial advisors to LinkedIn, while Wilson Sonsini Goodrich & Rosati, Professional Corporation, is acting as legal advisor.