Netscape Analysis Report Essay, Research Paper

Netscape Analysis Report

I. History

Netscape Communications Corporation, originally named Mosaic

Communications Corporation (MCOM) was founded in April 1994 by Jim Clark and

Marc Andreessen. They released their first browser products free to Internet

users in September 1994. Jim Clark is chairman of Netscape Communications

Corporation. Before founding the company, Clark was the chairman of Silicon

Graphics, a computer hardware manufacturer he founded in 1982. Marc Andreessen

is vice president of technology for Netscape Communications. He helped develop

the original graphical World Wide Web browser, Mosaic, while he was at the

University Of Illinois at Urbana/Champlain.

The Internet is a global network connecting thousands of networks by use

of high speed digital lines called ATMs, T3s and T1s. It was just being

introduced to the general public at the time of Netscape’s conception and they

would NOT have been successful if they had not had this timing advantage.

II. Location

Netscape’s corporate headquarters are in Mountain View, California — in

the heart of the Silicon Valley. However, due to the nature of the global

networks its software transmits over, Netscape is able to sell worldwide via the

Internet. There are virtually no walls to its “retail outlets.” Its software

products are also distributed through computer stores worldwide.

III. Product Line

Netscape Navigator is a software program to browse information available

on the Internet. It is available for all common computer system platforms,

including 16-bit PC, 32-bit PC, Macintosh, and all UNIX systems. Navigator also

allows people to check their e-mail on the Internet through use of a password

(MIME) encoding scheme.

Netscape Server is a piece of software that installs on UNIX and Windows

NT based systems that allows serving of data on the Internet’s World Wide Web.

It also provides for secure transactions such as those involving credit cards.

IV. Corporate Structure

The founders, Jim Clark and Marc Andreessen, own 35% of the company.

There are other major shareholders, and it is also publicly held. The board of

directors and other executive management are listed in the following table:

James H. Clark- Chairman of the Board

James L. Barksdale- President, Chief Executive Officer and Director

Marc L. Andreessen- Vice President, Technology and Director

Peter L.S. Currie- Vice President and Chief Financial Officer

Conway Rulon-Miller-Vice President, Sales and Field Operations

Michael J. Homer- Vice President, Marketing

Roberta R. Katz-Vice President, General Counsel and Secretary

Richard M. Schell- Vice President, Engineering

James C.J. Sha- Vice President and General Manager, Integrated

Applications

Kandis Malefyt- Vice President, Human Resources

L. John Doerr- Director

John E. Warnock- Director

V. Competition

Netscape has 4 major competitors: Spry Mosaic, Spyglass Mosaic, Microsoft

Internet Explorer, and Sun’s HotJava. However, Netscape dominates its market

with an approximate 80% market share. It is the current industry standard for

WWW browsing software, due to its support of new HTML features such as frames,

JavaScript, and plug-ins.

Spry Mosaic is a piece of WWW Browser software designed by CompuServe’s

Spry division. It poses no threat to Netscape because of its inability to

process e-mail and Usenet news.

Spyglass Mosaic is a WWW browser developed by part of the team that

worked on the original web browser (NCSA Mosaic). It is a major competitor

because of its slightly superior user interface as well as its alliance with

Microsoft.

Microsoft Internet Explorer is a browser that was originally developed

for use with the Microsoft Network. It is comparable to Netscape in every

aspect but one: There is NO user support.

HotJava is a browser designed by Sun Microsystems. However, it is not

technically a competitive product, as it is mostly used to run Java applets

(little WWW programs built into the “pages”).

The competition in the web browser market involves little to no

advertising, as well as a good eye for the market.

VI. Publicity

The company has received a tremendous amount of publicity about its

recent public offering of stock, as well as its incredibly low cost software.

Any publicity about the Internet usually centers on Netscape and its web

browsers and servers. Also, there usually is an article about Netscape in the

paper every day. The only negative publicity about Netscape describes how its

stock is way overvalued.

VII. Financial Statements

According to the balance sheet, the current ratio as of December 31, 1995,

is 3 to 1. As of December 31, 1994, the ratio was only 1.4 to 1. This shows

significantly improved liquidity between 1994 and 1995. This is due to

Netscape’s public offering of stock in August 1995, which increased their

current assets (specifically cash and cash equivalents). The company received

approximately $130,000,000 from the stock offering. It has very little long-

term debt, at $1.2 million. One could conclude Netscape is a very financially

sound company.

According to the income statement, Netscape’s 1995 revenue, at $80

million, is significantly higher than its 1994 revenue, which was $1.4 million.

Netscape’s 1995 gross profit was $69.5 million, at a gross profit percentage of

86?%. This is an incredible gross profit percentage, but not unexpected, given

that Netscape sells software that has a very minimal manufacturing cost.

Netscape’s net loss decreased between 1994 and 1995, from $12 million to $3.4

million, respectively. Netscape spends a substantial amount of resources on

Research & Development Expense and Sales & Marketing Expense. Netscape,

although still unprofitable, has great potential for the next 5 years. In fact,

in the 4th quarter of 1995, Netscape showed a profit.

VIII. Graph

Please see attached sheet

IX. Other Information

A. Netscape is involved in a project to put all of California’s public schools

on the Internet. (Star Ledger, “Net Day ?96″) B. America Online entered into a

partnership with Netscape to have Netscape’s browser software available to AOL

users. (3/12/96, DJIN) C. CompuServe entered into a licensing agreement with

Netscape to let CompuServe’s users use Netscape as their primary browser

software. (3/11/96, DJIN)

X. Conclusion

I would suggest this stock as a good investment in the Stock Market Game

because its price fluctuates enough to earn a decent profit from trading it.

I would not, however, suggest Netscape as a good investment in real life

until its price becomes lower, because it seems to be on a downward trend.

(Although Netscape is a good long-term investment as well, because of its

potential and the demand for the Internet)

Works Consulted

Netscape 10Q Quarterly Report (4th quarter 1995) Netscape 1995 Annual Report

Netscape Prospectus for Public Offering Of Stock Star Ledger, “Net Day ?96″, ?

Dow Jones News Retrieval Service, (3/11/96, 3/12/96)