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COMPANY INFO

America Online  
22000 AOL Way  
Dulles, VA 20166  
(703) 265-1000  
www.aol.com

# America Online

*AOL's Third Quarter Makes Success Look Easy*

CURRENT PRICE

\$56<sup>7</sup>/<sub>8</sub>

05/05/00

By Jeff Fischer (JeffF@Fool.com)

REPORT OVERVIEW

- **America Online** (NYSE: AOL) reported strong results for its third fiscal quarter of 2000. Revenue rose 47% to \$1.8 billion, propelled by a 32% sequential jump in high-margin advertising and commerce sales to \$463 million. Net income rose 161% from last year to \$271 million, or \$0.11 per share.
- Subscribers to AOL's pay services climbed 2.1 million to 25.8 million worldwide. AOL's flagship service added 1.7 million subscribers to reach 22.2 million; CompuServe added 373,000 members to reach 2.7 million. Overseas, the U.K., France, and Germany hit membership records.
- During the quarter, AOL continued to focus on building its "AOL Anywhere" services. The company signed wireless contracts with seven providers, including **Nokia** (NYSE: NOK), **Sprint PCS** (NYSE: PCS), **Motorola** (NYSE: MOT), and **BellSouth** (NYSE: BLS). Management also tested AOL TV, which should launch in June. The company also signed a deal with **Gateway** (NYSE: GTW) to create affordable Internet boxes to provide "Instant AOL" for every room of the home. Finally, AOL launched its first smart broadband service that alters content depending on the user's connection speed.
- AOL is working closely with **Time Warner** (NYSE: TWX) to complete its merger in the fall of this year. Already the two companies have seen record results through cross-promotion, primarily in the music department. From these early results, management remains excited and duly encouraged by the many possibilities.
- Overall, AOL achieved stellar third-quarter results and the company is hitting on all cylinders. This Fool analyst continues to like the stock's potential from the \$50s and low \$60s, with price appreciation of 50% or more (assuming the merger goes well) possible by 2003.



FOOLISH RATING

Industry Attractiveness	★★★★
Position in Industry	★★★★
Business Quality	★★★★
Investment Predictability	★★★☆☆
Overall Prospects	★★★★

Explanation of Criteria on page 6.

QUARTERLY FINANCIALS

(\$ in millions, except EPS)	Q3 2000	Q3 1999
Net Sales	\$1,836	\$1,253
Gross Profit	\$899	\$560
Adj. Net Income	\$271	\$104
Adj. EPS	\$0.11	\$0.04

ANNUAL FINANCIALS (FISCAL YEAR-END)

(\$ in millions, except EPS)	1999	1998
Net Sales	\$4,777	\$3,091
Gross Profit	\$2,120	\$1,280
Adj. Net Income	\$396	\$59
Adj. EPS	\$0.17	\$0.03

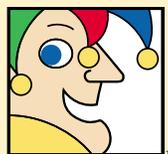
QUOTE & BALANCE SHEET INFORMATION

TTM Price Range:	\$38 7/16 - \$95 13/16
Shares Outstanding:	2.61 billion
Market Capitalization:	\$129.8 billion
PE Ratio:	138.72
Dividend Yield:	N/A
03/31/00	
Cash & Equivalents:	\$3.13 billion
Total Assets:	\$10.76 billion
Long-term Debt:	\$1.62 billion
Total Liabilities:	\$4.37 billion
Shareholder Equity:	\$6.39 billion

AOL'S STOCK PRICE OVER THE PAST 12 MONTHS



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**What do you think?**PLEASE FILL OUT THIS [QUICK ONLINE SURVEY!](#)**THIRD-QUARTER HIGHLIGHTS**

America Online made success look easy when it reported third-quarter fiscal 2000 results. Third-quarter revenue rose 47% to \$1.8 billion, while operating income increased 155% to \$383 million, and net income leapt 161% to \$271 million, or \$0.11 per share.

Paying subscribers to AOL services (including AOL, CompuServe, Gateway.net, and international services) increased 2.1 million, up from a gain of 1.8 million one year ago. This brought AOL's paying subscribers to 25.8 million. Assuming that each subscriber pays AOL roughly \$20 per month, this results in more than \$6 billion in annual cash income, typically pre-paid, which helps to create strong cash-flow dynamics. In the third quarter, subscription revenue rose 33% from the same quarter last year to \$1.15 billion.

However, subscription fees are not the primary force behind net income growth. In what AOL calls its strongest quarter in history, the company more than doubled its advertising and commerce revenue to \$463 million. This advance marked a record sequential gain from the previous quarter as well, up 32% from December. This came on the heels of 37 (count 'em!) new multi-year contracts worth at least \$1 million each with advertisers and commerce providers. The new contracts helped AOL grow its advertising and commerce revenue backlog to \$2.7 billion.

Helping to make this growth possible is the fact that the average AOL subscriber spends 64 minutes online per day (up sharply from last year), and 85% of that time is spent on AOL properties. This increases AOL's page views and the possibility for e-commerce to take place. Overall, America Online's advertising and commerce revenue grew more quickly this quarter than that of any competitor, including **Yahoo!** (Nasdaq: YHOO). This is excellent news for AOL shareholders.

First, this means that America Online is grabbing more of the available online advertising and commerce market share than its competitors. Second, it means that AOL has the most momentum in this important, high-margin revenue stream. Aside from landing new contracts at record rates, more than 90% of past advertisers on AOL have renewed ad contracts upon expiration. This is key, because advertising and commerce revenue are more important than subscription revenue in the long run, only partly because it is much more profitable than subscription revenue.

Advertising and commerce revenue will prove increasingly important for online content hosts as the Internet matures into an "anywhere, anytime" tool. Similar to **Intel's** (Nasdaq: INTC) strategy, America Online is already preparing for what it calls the "Post-PC era," or the Internet's second revolution. That is: AOL is preparing for a consumer environment that demands Internet access anywhere, anytime, and from a multitude of different devices, including cell phones, handhelds, dumb Web boxes (as opposed to smart PCs), automobiles, and more.

AOL management believes that consumers will increasingly want simplified access to all of their proprietary

information (e-mail accounts, buddy lists, chats, bulletin boards, favorite content) from several different Web devices and from anywhere in the world. Therefore, the company is working to make this access both possible with "AOL Anywhere," and easy to the point of being intuitive. Arguably, AOL is the best-positioned company to provide such an experience across many platforms to consumers worldwide.

However, the cost of providing services across several platforms will likely eat much of the subscription revenue provided by product users. In fact, AOL's network costs already lead to low profit margins on subscription revenue alone. Therefore, recurring high-margin earnings are (and will be) primarily created through lucrative advertising and commerce contracts, and AOL Anywhere will likely be the primary driver of more and more ad and commerce contracts. (Both because it will make people stay online longer and because it will offer utilities not yet discovered.)

In the third quarter, the build-out of AOL Anywhere continued unabated. The progress includes:

- **AOL Wireless:** America Online announced seven major agreements with wireless carriers and device manufacturers to deliver AOL features to wireless customers. Agreements have been signed with Nokia, BellSouth, Sprint PCS, Motorola, and others.
- **"AOL Plus" Broadband Content:** In April, AOL launched its first broadband content service that recognizes the connection speed of AOL 5.0 users and adjusts their content accordingly. This is the first service that allows a user to switch back and forth between narrowband and broadband access and receive optimal content for each. AOL's broadband content allows for streaming audio and video if using DSL, TCP/IP, cable, or satellite, and it will eventually allow for optimal leveraging of Time Warner content.
- **AOL TV:** Following positive test markets, AOL TV should debut in June. It will launch with interactive programs and a new marketing platform that will also take advantage of Time Warner properties.
- **AOL/Gateway Internet Appliances:** AOL has teamed with Gateway to produce affordable Internet access appliances, including countertop, wireless, and desktop devices, that provide access to AOL and the Web instantly upon power-up. Eventually, AOL contends that families will want one such device in nearly every room in the home.

Looking beyond dial-up subscribers and AOL Anywhere initiatives to AOL's existing free Web offerings, we see that AOL's reach of the consumer Internet market is already unequaled. Netscape Netcenter sports 28 million registered users, which is more than twice its traffic one year ago. AOL Instant Messenger (AIM) and AOL's Buddy List added 21

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million registrants in the third quarter, rising to 91 million total users. The latest version of Instant Messenger allows for voice and image communication, not just text. Plus, AOL is beginning to capitalize on its instant messaging services with ad banners. (The average user keeps AIM in use for about three hours per day.)

Finally, AOL's ICQ Web communication service is adding 100,000 registered users daily. ICQ added 9.3 million users in the last quarter (this compares to 3 million new users added by Amazon, for example) for a total of 62.4 million registered users. Combined, AOL properties claim 170 million registered users following the company's strong third quarter, and this represents a majority of the people using the Internet.

In summary, CEO Steve Case said, "This quarter's results underscore the tremendous strength of America Online's operations, and demonstrate that we are on a clear path to continued strong growth and increased profitability." President and COO Bob Pittman added, "... America Online is uniquely positioned in the Internet industry. We have built an unmatched collection of interactive brands, which will be further enhanced by the Time Warner merger, and we have an unparalleled connection to consumers."

## FINANCIALS

### OPERATING PERFORMANCE

AOL's gross margin, which measures cash remaining after subtracting the cost of goods sold from sales, rose to 48.9%, up from just 44.6% last year. Operating margin, which measures what remains after operating costs are subtracted, rose 110 basis points (or 1.1 percentage points) to 20.9%. This is a new record and represents a jump from 4.5% last year and 19.8% last quarter.

As AOL's business matures and advertising and commerce dollars become a greater percentage of total sales (they're at 30% of sales now, up from 22% last year), the company is becoming more profitable as its fixed costs and networking costs are spread over a greater, more profitable customer base. Network costs per hour of AOL usage have shrunk 14% in the last year, and now run at \$0.30 per hour per user (and falling) when the network is fully burdened.

Meanwhile, advertising and commerce revenue per customer climbed 50% in the past year to approximately \$6.70 per month per subscriber (and climbing). Add this monthly revenue to AOL's monthly subscription revenue and you get a business model with monthly income that is poised to far outstrip monthly costs and will increase profit margins in the process. If you believe that results look good now, they appear positioned to continually improve.

### BALANCE SHEET

Cash and equivalents at the end of the quarter totaled \$3.13 billion, up from \$1.42 billion in the same quarter one year ago. Of the \$3.13 billion, \$482 million is listed as "short-term

investments." In "Other Assets," AOL lists \$4.79 billion in "investments including available-for-sale securities." This is great; however, we can safely assume that the value of some of these investments dropped in April as the Nasdaq stock market declined.

Even allowing for a decline, however, AOL's balance sheet is very strong on the asset side. On the liability side, long-term debt is contained to \$1.62 billion in notes payable (up fractionally from last year), which is convertible to stock.

## AMERICA ONLINE'S OUTLOOK

AOL's core access business is expanding due to the public's growing desire to access the Internet and the company's number-one brand-name recognition, which gives AOL a lead in obtaining new customers. In the United States, AOL is landing approximately 50% of all new Internet users signing up for online services. Meanwhile, AOL Europe (namely the U.K., France, and Germany) and AOL Australia are growing at record paces and several Latin American service launches are planned in the next 12 months. Because AOL's dial-up business is humming along, top management can spend more time focused on growing AOL to the next level: AOL Anywhere.

As we discussed, the AOL Anywhere strategy is rolling out on many fronts, from broadband to wireless to TV, with the aim of delivering even more value and convenience to AOL members. Although each new initiative brings added risks, America Online has many advantages working in its favor. Advantages include: a critical mass of users, \$3.14 billion in cash, and growing positive cash flow. Given these pluses, if any new initiatives should fail, AOL has the size, scope, and customer base to absorb the loss.

The likelihood of failure within AOL Anywhere initiatives is lessened, however, by the growing number of consumers who are beginning to rely on the Internet on a regular basis and who want Internet access through many mediums. As Internet use converges over TV, cable, telephone, and other devices, AOL's easy-to-use and well-known service is poised to lead the way. AOL is already leading the way today, in fact, with more new initiatives for alternative means of access than any other online service provider.

Finally, management is working closely with Time Warner and anticipates that the merger of the two companies will be completed as the air cools and the leaves turn this autumn. In the third quarter, the two companies launched several cross-promotion agreements including AOL keywords on the covers of Time Warner magazines (including *Time*, *Fortune*, and *People*) and promotion of Time Warner film and music releases on AOL properties. The promotion of Warner Music on AOL resulted in a record amount of music downloads, making management even more optimistic about the potential of cross promotion among the two companies' many leading brands.

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Time Warner reported strong quarterly results (summarized below) on April 12, which supports the notion that the two companies combined may produce strong financial results together, too. Accepting the risks of this merger, I continue to like the potential of AOL's stock from prices in the \$50s and low \$60s for investors who have at least three years to own the shares. By 2002 or 2003, we could see 50% share price appreciation (or more) from these levels, assuming that the merger succeeds. (See the Fool's February 28, 2000, AOL company report for more on share pricing.)

In the long run, AOL management continues to say that its goal is to become the most valuable and most respected company in the world. This is not outside the realm of possibility. If this does happen, investors will participate in the spoils to the fullest.

Although the strong quarters reported by both companies serve to bolster our confidence and our hopes for a successful merger, our Foolish Ratings on AOL are unchanged from our initial report, which is only two months old.

**TIME WARNER'S FIRST-QUARTER SUMMARY**

AOL's bride-to-be reported record first-quarter results on April 12. Revenue rose 8% to \$6.54 billion, while EBITDA (earnings before interest, taxes, depreciation, and amortization) grew 13% on a normalized basis to \$1.17 billion. Combined, AOL Time Warner reported revenue of \$8.4 billion, up 14% from last year, and EBITDA of approximately \$2 billion, up 25% from the prior year.

Time Warner's cable networks, film, cable, and publishing divisions all reached record operating results in the first quarter of 2000, with cable EBITDA rising 12.5% to \$457 million, and cable networks' EBITDA soaring 17.7% to \$364 million. This gain was due to strong gains in subscription and advertising revenue. Filmed entertainment was the third-largest contributor to EBITDA at Time Warner, at \$194 million, and publishing rang in fourth at \$117 million.

Overall, Time Warner continued its "positive earnings" turnaround. Although the company will likely carry substantial long-term debt for many years to come, this debt shouldn't hinder the company's ability to perform. For Time Warner's first-quarter press release and more, visit its investor relations site at <http://www.timewarner.com/corp/siteguides/release.html>.

**HOT TOPICS**

**Q: The sustainability of many money-losing, Internet-based companies is in question. Some of these companies will inevitably fail. Given this, will AOL receive all of its \$2.7 billion in advertising and commerce backlog, much of which is supposed to be paid by young online-based businesses?**

**A:** Much of AOL's revenue backlog is actually collected in advance. The company reports the revenue, however, over the life of the contract. In cases where revenue isn't collected, AOL is careful to make sure that a company will be able to afford

the contract. AOL consistently monitors its large advertising and commerce relationships and it will likely demand more payments up-front if deemed necessary of any client. In the last quarter, AOL did reduce its backlog revenue due to weak companies that were not likely to pay. However, the need to scrub any revenues in the future should lessen as AOL maintains tight diligence and as the few weak clients are shaken from the tree.

**Q: For the first time in its history, membership growth of AOL's flagship service in the United States slowed year-over-year. After landing 1.5 million new subscribers in this quarter last year, AOL only landed 1.2 million this year in the U.S. What is going on? Is AOL finally in trouble?**

**A:** The decline of AOL subscriber growth in the United States was offset by strength in CompuServe and in AOL Europe, but we still did not like to see the decline. However, there are a few explanations. First, AOL spent less on marketing as a percentage of revenue this year, which may have kept membership growth slightly lower. Second, in this quarter of last year, the release of the movie *You've Got Mail* apparently boosted AOL membership enrollment for the time period, making the comparison a little "unfair" this year. (Where was *You've Got Mail... Again*, the sequel, when an investor needed it?)

Still, we should all watch this subscriber number closely. Obviously there will come a time (and maybe it is right now) when AOL's subscription growth in the United States will consistently slow year-over-year, because only so many Americans can use AOL's service, and already some 20 million households do so (out of about 70 million total households). This fact serves to reiterate the importance of advertising and commerce revenue to AOL, two high-margin revenue streams that are growing rapidly, thereby compensating for slowing subscription growth.

Finally, as AOL's service matures and locks customers in, the company can increase subscription prices (perhaps biannually) by \$0.50 a month (for example) if it needs to boost subscription revenue. Demand for AOL services will likely prove inelastic to reasonable price increases for most users over the years, partly because there are switching costs that keep a member from leaving.

**NEWS TIMELINE**

**02/02/00 (\$60.88)** — AOL surpasses 21 million subscribers in the United States.

**02/16/00 (\$51.75)** — Kinko's & AOL sign a multimillion-dollar alliance.

**02/17/00 (\$53.00)** — AOL and Blockbuster expand an alliance.

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**02/18/00 (\$51.25)** — Vice President Al Gore chats live on America Online.

**02/22/00 (\$49.63)** — A \$60 million, multi-year contract with HomeGrocer.com is signed.

**02/28/00 (\$60.63)** — Sprint PCS, BellSouth, Nokia, Motorola, Arch Communications, and others sign to deliver Wireless AOL for “AOL Mobile Messenger,” a part of AOL Anywhere.

**02/29/00 (\$58.94)** — AOL and Time Warner commit to allowing open access on its high-speed cable network.

**03/01/00 (\$57.00)** — Oprah’s Oxygen Inc. broadens its distribution contract with AOL.

**03/14/00 (\$61.50)** — Sears signs a wide strategic alliance with AOL.

**03/17/00 (\$64.75)** — Bertelsmann and AOL restructure their joint overseas venture, allowing AOL outright purchasing rights of the unit at the end of the contract.

**03/20/00 (\$66.88)** — AOL and PurchasePro.com form an alliance to create a B2B commerce exchange.

**03/21/00 (\$67.38)** — AOL’s flagship service surpasses 22 million subscribers.

America Online is a component of The Motley Fool’s Now 50 Index.

**Useful AOL Links****THIRD-QUARTER PRESS RELEASE:**

<http://www.corp.aol.com/earningspress.html?>

**THIRD-QUARTER CONFERENCE-CALL SUMMARY:**

<http://corp.aol.com/confy00q3.html>

**THIRD-QUARTER AND ALL PAST FINANCIAL STATEMENTS:**

<http://www.corp.aol.com/statement.html?>

**ALL PAST AOL PRESS RELEASES:**

<http://media.web.aol.com/media/press.cfm?>

**MOTLEY FOOL AOL DISCUSSION BOARD:**

<http://boards.fool.com/Messages.asp?id=106015100000000>

**ABOUT THE FOOLISH ANALYST**

Jeff Fischer has been associated with The Motley Fool since 1995, running online portfolios from the beginning. Jeff works with David Gardner on the real-money Rule Breaker Portfolio, and with Brian Graney managing the Drip Portfolio. For Motley Fool Research, Jeff is a contributor to *The Motley Fool’s Internet Report*, *The Motley Fool’s Industry Focus*, and he currently covers America Online and eBay. Jeff authored a Motley Fool

best-selling book for direct investors, *Investing Without a Silver Spoon*. When Jeff isn’t writing about investing, he’s working on a novel and short fiction, some to be published before too long. In his spare time, Jeff enjoys randomly criticizing things, because it’s “both easy and fun to criticize.”

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At the time of publication, the writer owned shares in America Online.

AOL is currently a holding in The Motley Fool’s Rule Breaker Portfolio.

AOL is a shareholder of The Motley Fool, Inc.

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4 Jesters: Excellent



3 Jesters: Good



2 Jesters: Fair



1 Jester: Poor

**EXPLANATION OF CRITERIA:**

**Industry Attractiveness** measures an industry's potential and dynamics, including quality of sales (i.e. gross margins on typical industry sales) and more. **Position in Industry** seeks to measure where a company stands in its industry; is it the top dog, or is it a second-tier follower? Only leaders are rated excellent. **Business Quality** addresses the economics of the specific business being studied. How profitable is it or can it be? What is the potential return on capital in the business? **Investment Predictability** takes into account the stability of a business.

**Overall Prospects** rates the analyst's opinion of the company's and the stock's long-term potential, as well as valuation. This rating wraps up the whole enchilada, from business quality, to management, to industry position and valuation. Long-term is at least three years, but typically much longer.

For more information on how to use these ratings, [click here](#), or visit [fool.com/research/about/ratings.htm](http://fool.com/research/about/ratings.htm).



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**AMERICA ONLINE FINANCIALS — ANNUAL**

(in millions, except EPS data)

	FY 1999	FY 1998	FY 1997
Subscription services	\$3,321.00	\$2,183.00	\$1,478.00
Advertising, commerce, other	1,000.00	543.00	308.00
Enterprise solutions	456.00	365.00	411.00
<b>Total Revenue</b>	<b>4,777.00</b>	<b>3,091.00</b>	<b>2,197.00</b>
<b>Expenses:</b>			
Cost of revenue	2,657.00	1,811.00	1,162.00
<b>Gross Margin</b>	<b>0.44</b>	<b>0.41</b>	<b>0.47</b>
Sales and marketing	808.00	623.00	608.00
Write-off of sub. acquisition cost	0.00	0.00	385.00
Product development	286.00	239.00	195.00
General and administrative	408.00	328.00	220.00
Amortization of goodwill	65.00	24.00	6.00
Acquired research & develop.	0.00	94.00	9.00
Merger, restruct., etc charges	95.00	75.00	73.00
Settlement charges	0.00	17.00	24.00
<b>Total costs and expenses:</b>	<b>4,319.00</b>	<b>3,211.00</b>	<b>2,682.00</b>
<b>Income (loss) from operations</b>	<b>458.00</b>	<b>(120.00)</b>	<b>(485.00)</b>
<b>Operating Margin</b>	<b>0.10</b>	<b>NA</b>	<b>NA</b>
Other income, net	638.00	30.00	10.00
Income (loss) before taxes	1,096.00	(90.00)	(475.00)
Reconciling items:			
Gain on sale of Excite	(567.00)	0.00	0.00
Special charges	95.00	186.00	491.00
Transition costs	25.00	0.00	0.00
Adj. Net income before taxes	649.00	96.00	16.00
Assumed tax provision at 39%	(253.00)	(37.00)	(6.00)
<b>Adj. Net Income Fully Taxed</b>	<b>396.00</b>	<b>59.00</b>	<b>10.00</b>
EPS diluted	0.17	0.06	0.00
Weighted avg. shares, diluted	2,364.00	2,140.00	2,008.00
EBITDA	968.00	302.00	111.00

Source: America Online, Inc.

**What do you think?**PLEASE FILL OUT THIS [QUICK ONLINE SURVEY!](#)**AMERICA ONLINE FINANCIALS — QUARTERLY***(in millions, except EPS data)*

<b>INCOME STATEMENT</b>	<b>Q3 '00</b>	<b>Q3 '99</b>
<b>Revenue:</b>		
Subscription services	\$1,153.00	\$869.00
Advertising, commerce, other	557.00	275.00
Enterprise solutions	126.00	109.00
<b>Total Revenue</b>	<b>1,836.00</b>	<b>1,253.00</b>
<b>Expenses:</b>		
Cost of revenue	937.00	693.00
<b>Gross Margin</b>	<b>0.49</b>	<b>0.45</b>
Sales and marketing	266.00	218.00
Product development	76.00	80.00
General and administrative	156.00	120.00
Amortization of goodwill	18.00	17.00
Merger, restruct. Charges	0.00	78.00
Total costs and expenses	1,453.00	1,206.00
<b>Income from operations</b>	<b>393.00</b>	<b>47.00</b>
<b>Operating Margin</b>	<b>0.21</b>	<b>0.04</b>
Other income, net	336.00	587.00
Income before income taxes	719.00	634.00
Provision for income tax	(281.00)	(223.00)
<b>Net income</b>	<b>438.00</b>	<b>411.00</b>
EPS diluted	0.17	0.16
EPS basic	0.19	0.20
Weighted avg. shares diluted	2,595.00	2,574.00
Weighted avg. shares basic	2,287.00	2,088.00

*Source: America Online, Inc.*

**What do you think?**PLEASE FILL OUT THIS [QUICK ONLINE SURVEY!](#)**AMERICA ONLINE FINANCIALS — QUARTERLY***(in millions)*

<b>BALANCE SHEET</b>	<b>3/31/00</b>	<b>6/30/99</b>
<b>ASSETS</b>	<b>\$36,616.00</b>	<b>\$36,341.00</b>
<b>Current assets:</b>		
Cash & equivalents	2,655.00	887.00
Short-term investments	482.00	537.00
Trade accounts receivables, net	397.00	323.00
Other receivables, net	271.00	79.00
Prepaid exp & other cur.assets	395.00	153.00
<b>Total current assets</b>	<b>4,200.00</b>	<b>1,979.00</b>
Property & equip., net	991.00	657.00
<b>Other assets:</b>		
Investments including for-sale securities	4,791.00	2,151.00
Product development costs	135.00	100.00
Goodwill & other intang. Assets	404.00	454.00
Other assets	240.00	7.00
<b>Total assets</b>	<b>10,761.00</b>	<b>5,348.00</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	169.00	74.00
Other accrued exp. & liab.	933.00	795.00
Deferred revenue	941.00	646.00
Accrued personnel costs	207.00	134.00
Deferred network services credit	76.00	76.00
<b>Total current liabilities</b>	<b>2,326.00</b>	<b>1,725.00</b>
<b>Long-term Liabilities:</b>		
Notes payable	1,622.00	348.00
Deferred revenue	269.00	30.00
Other liabilities	13.00	15.00
Deferred network services credit	140.00	197.00
<b>Total liabilities</b>	<b>4,370.00</b>	<b>2,315.00</b>
<b>Stockholders' equity:</b>		
Common stock	23.00	22.00
Unrealized gain on available for sale securities	1,062.00	168.00
Additional paid-in capital	4,272.00	2,692.00
Retained earnings	1,034.00	151.00
<b>Total stockholders' equity</b>	<b>6,391.00</b>	<b>3,033.00</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>10,761.00</b>	<b>5,348.00</b>

*Source: America Online, Inc.*



# Hey Fool!

## What do you think?

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Thank you for taking the time to read this Motley Fool Research report. We hope you now know what we mean when we say our goal is to provide the most candid, clear, and useful stock research available to the individual investor.

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