Microsoft 365 Licensing

A practical guide to what actually matters

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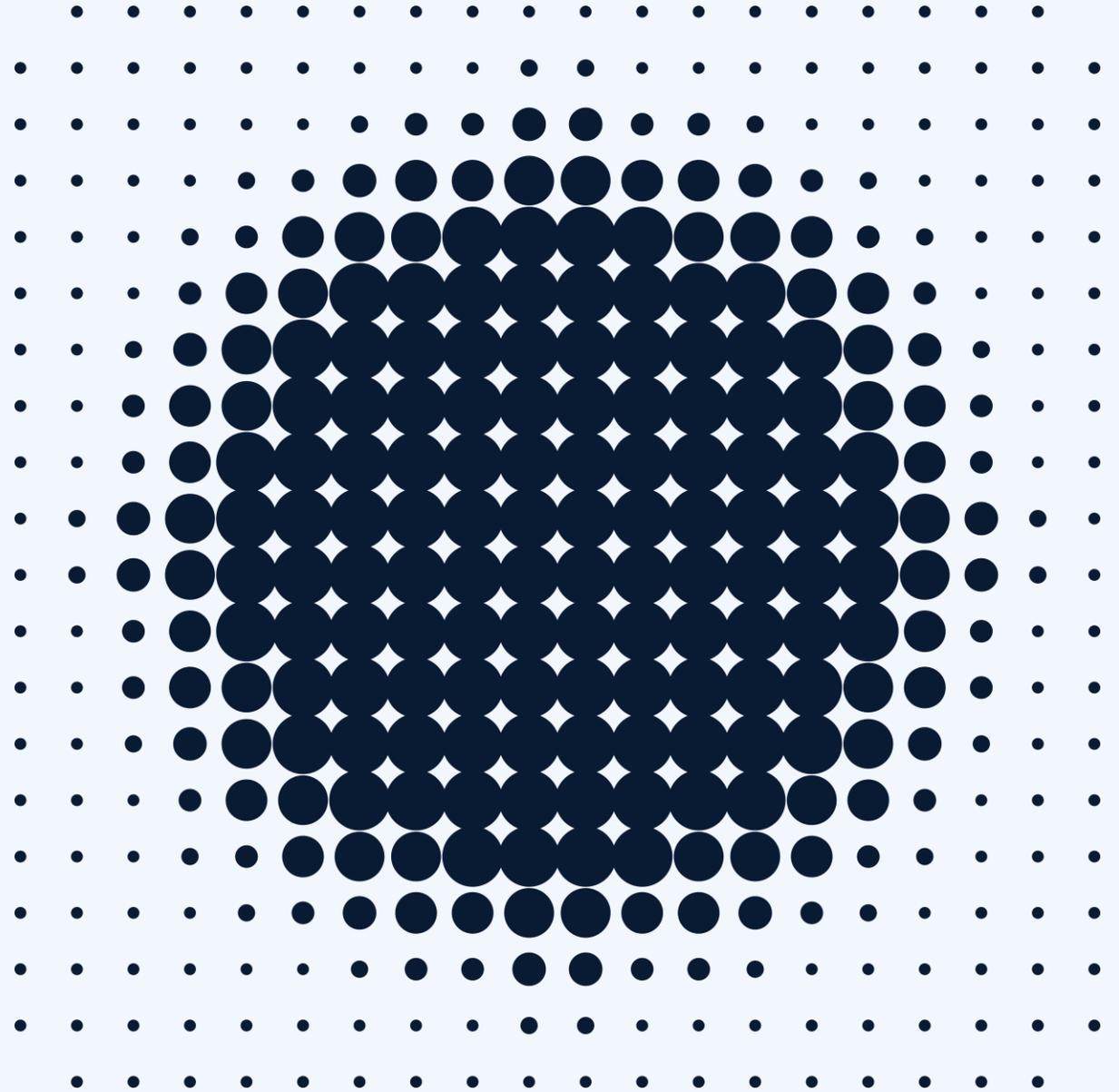
Agenda

1 Microsoft 365 licensing fundamentals

2 July 2026 pricing and package changes

3 Common reasons organizations end up over-licensed
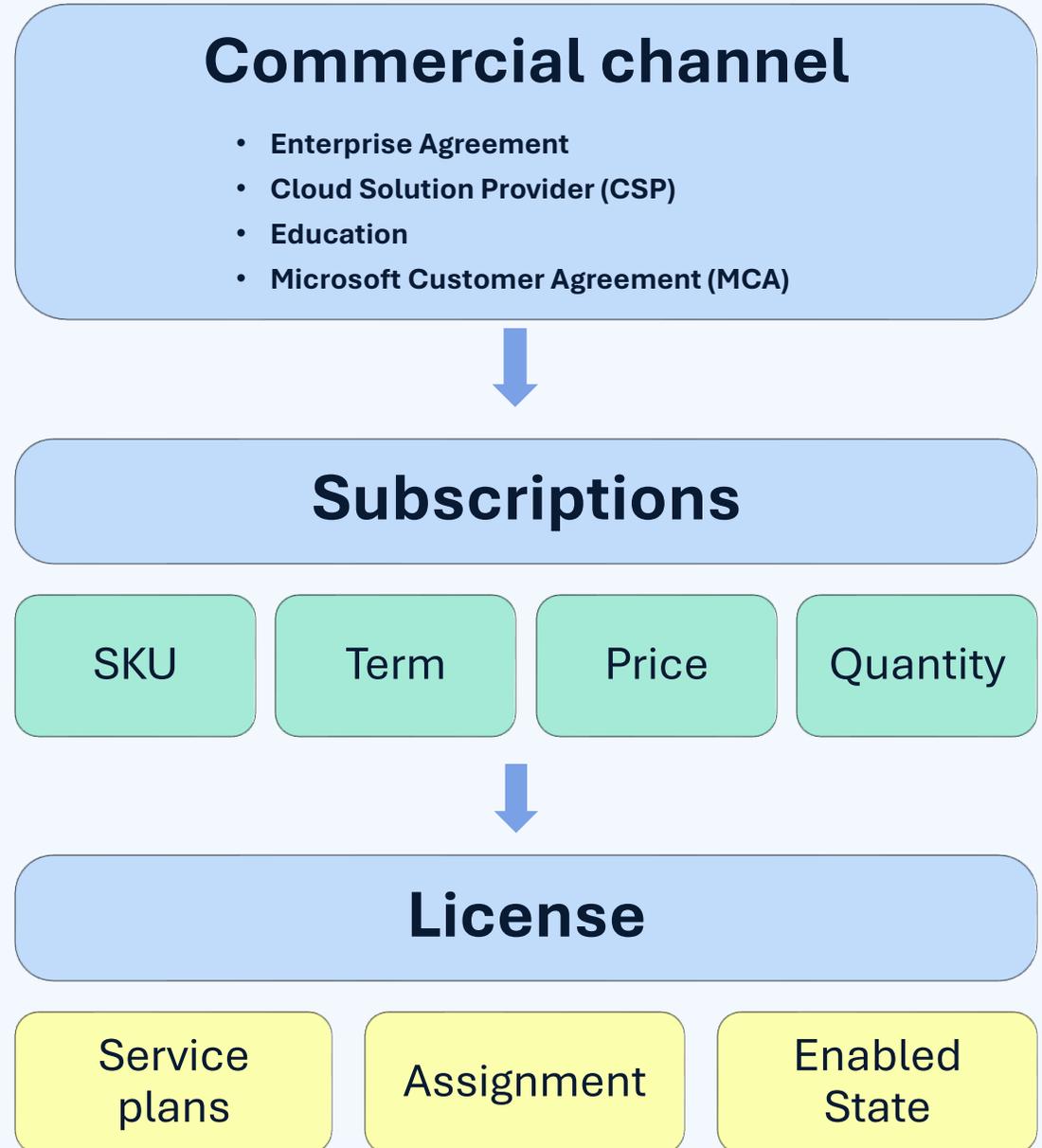
4 Demo

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Fundamentals

How Microsoft 365 licensing works in the cloud

Subscriptions and Licenses

- Commercial layer
  - ✓ How you buy

- Subscription layer
  - ✓ What you purchase

- License layer
  - ✓ What is assigned to the user

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Commercial channel
- Enterprise Agreement
- Cloud Solution Provider (CSP)
- Education
- Microsoft Customer Agreement (MCA)

Subscriptions

SKU | Term | Price | Quantity

License

Service plans | Assignment | Enabled State

What is a SKU?

- A SKU is the commercial license unit purchased in a subscription

- Each SKU contains one or more service plans

- A service plan represents an individual workload entitlement

- Service plans can be enabled or disabled

Microsoft 365 E3 (SKU)

Exchange Online

Sharepoint Online

Microsoft Teams

Defender components

+ many more

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Example: Business Premium assigned to employees

- Business Premium is assigned to the group **LIC-Employees**

- SKU contains multiple apps (service plans)

- Some service plans intentionally disabled

- Enabled state defines real user experience

LIC-Employees
Security group • 0 owners • 17 members

☑ **Microsoft Entra ID P1**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Forms (Plan E1)**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Intune**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Intune Plan 1**
Microsoft 365 Business Premium EEA (no Teams)

☐ **Microsoft Kaizala Pro**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Loop**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Planner**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Search**
Microsoft 365 Business Premium EEA (no Teams)

☐ **Microsoft StaffHub**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Microsoft Stream for Office 365 E1**
Microsoft 365 Business Premium EEA (no Teams)

☐ **Mobile Device Management for Office 365**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Nucleus**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Office Shared Computer Activation**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Office for the Web**
Microsoft 365 Business Premium EEA (no Teams)

☑ **People Skills - Foundation**
Microsoft 365 Business Premium EEA (no Teams)

☑ **Power Apps for Office 365**
Microsoft 365 Business Premium EEA (no Teams)

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The Microsoft 365 suite

Microsoft 365 E3/E5

Office 365 E3/E5

Exchange, SharePoint, Teams and collaboration services

Enterprise Mobility + Security E3/E5

Identity, access management, device management and security

Windows Enterprise E3/E5

Operating system licensing and advanced Windows capabilities

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Product terms & descriptions

- Licensing rights are defined in [Microsoft Product Terms](#)

- Microsoft 365 [Service Descriptions](#) explain included functionality

- Microsoft 365 [Security descriptions](#) define service scope and compliance requirements

Eligibility to Assign Frontline Worker Licenses

Microsoft **Frontline Worker Licenses** may only be assigned to users who satisfy one or more of the following conditions:

- Uses a primary work device with a single screen smaller than 10.9", or
- Share their primary work device with other users licensed with a **Frontline Worker License**, during or across shifts.
  - Other users licensed with a **Frontline Worker License** must also use the device as their primary work device; and
  - Any software or service accessed from the shared device requires the device or users to be assigned a license that includes use of those software or services.

License Reassignment

Most, but not all, SLs may be reassigned. Except as permitted in this paragraph or in the Online Service-specific Terms, Customer may not reassign an SL on a short-term basis (i.e., within 90 days of the last assignment). Customer may reassign an SL on a short-term basis to cover a user's absence or the unavailability of a Device that is out of service. Reassignment of an SL for any other purpose must be for the remaining term of that License. When Customer reassigns an SL from one device or user to another, Customer must block access and remove any related software from the former device or from the former user's device.

How can the service be applied only to users in the tenant who are licensed for the service?

Admins can scope Microsoft Entra ID Protection by assigning risk policies that define the level for password resets and allowing access for licensed users only. For instructions on how to scope Microsoft Entra ID Protection deployments, see How to configure and enable risk policies.

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Key takeways

- Microsoft 365 is layered and modular

- A SKU defines included service plans
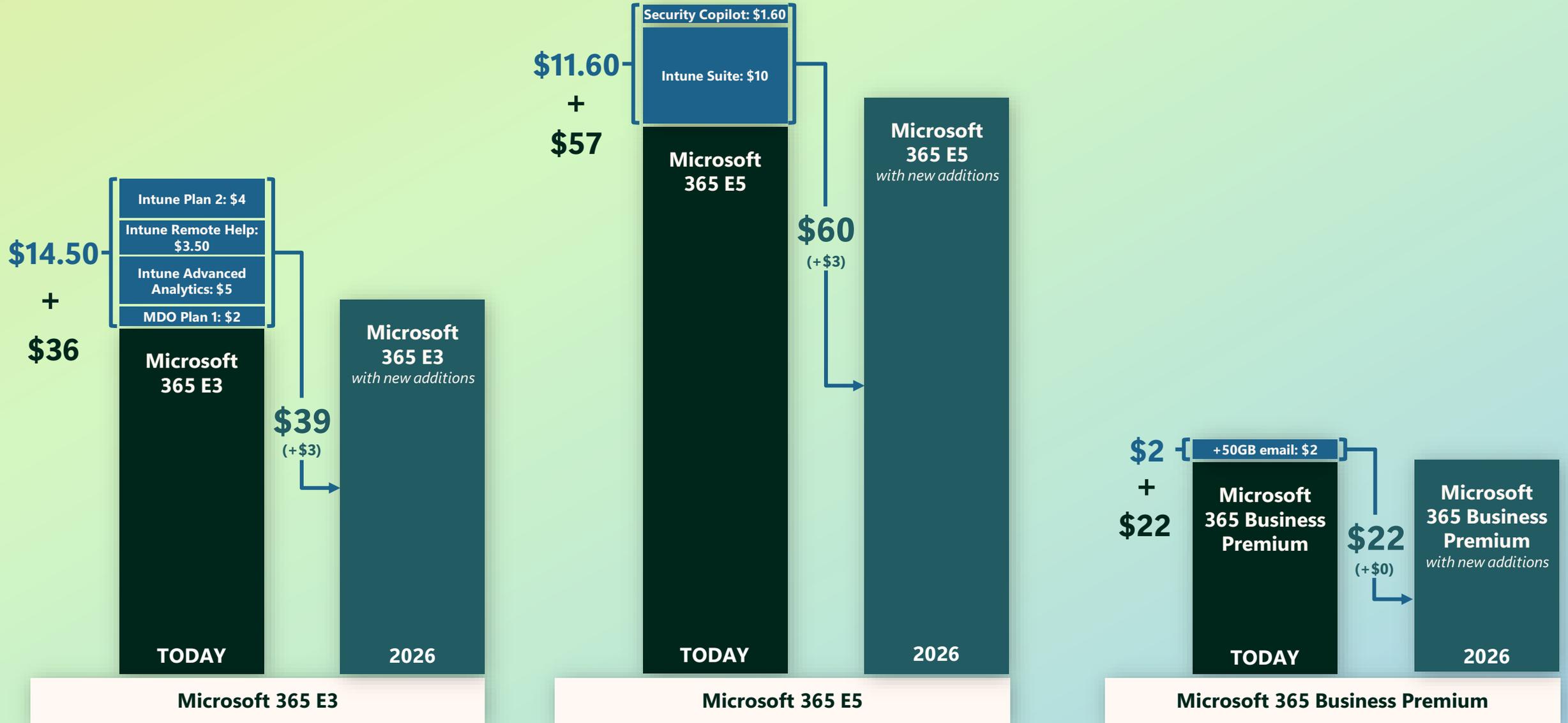
- Licensing and configuration operate at the user level

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July 2026

Microsoft 365
packaging & pricing updates

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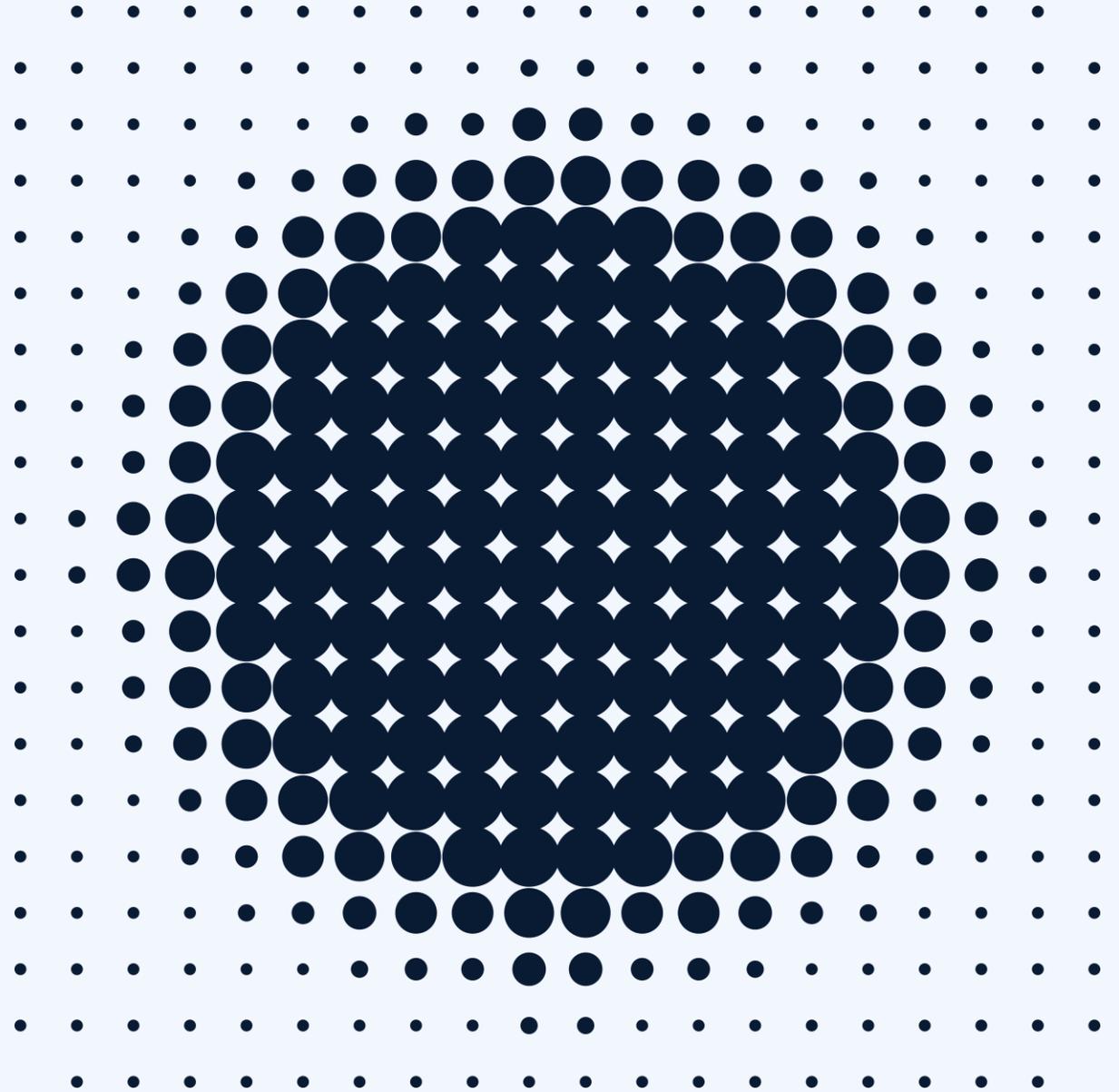
Adding value

This update reduces complexity and allows more customers to benefit from the latest innovations in security as part of their subscription.

Microsoft 365 E3

$14.50
+
$36

- Intune Plan 2: $4
- Intune Remote Help: $3.50
- Intune Advanced Analytics: $5
- MDO Plan 1: $2

Microsoft 365 E3 — TODAY

Microsoft 365 E3 *with new additions* — 2026

$39 (+$3)

Microsoft 365 E5

$11.60
+
$57

- Security Copilot: $1.60
- Intune Suite: $10

Microsoft 365 E5 — TODAY

Microsoft 365 E5 *with new additions* — 2026

$60 (+$3)

Microsoft 365 Business Premium

$2
+
$22

- +50GB email: $2

Microsoft 365 Business Premium — TODAY

Microsoft 365 Business Premium *with new additions* — 2026

$22 (+$0)

The 2025 pricing reflects the cost of Microsoft 365 E3, Microsoft 365 E5, and Microsoft 365 Business Premium suites plus the separate purchase of advanced security and management features required to achieve the same capabilities that will be included by default in 2026. After rolling out in 2026, these capabilities will be bundled into the core suites at a new, simplified price.

Product Changes

CHANGES TO MICROSOFT 365 PRODUCT SUITES

Microsoft will implement the following changes to commercial Microsoft 365 packaging worldwide, rolling out throughout 2026:

KEY LINKS

- Public announcements: [Microsoft 365 Blog](), [Gov-Specific Blog](), [Intune Blog]()

Standalone Components

Rolling out summer 2026	Feature additions
Purview Suite	--
Windows E3	Quick Machine Recovery (QMR), post-quantum security APIs
Apps for Business	--
EMS E3	Intune Remote Help, Intune Advanced Analytics, Intune P2
Entra P1	--
Windows Enterprise (per device)	Basic resiliency features, Software Assurance

Rolling out summer 2026	Feature additions
Defender Suite	--
Windows E5	--
Microsoft 365 Apps	--
EMS E5	*Via EMS E3: Intune Remote Help, Intune Advanced Analytics, Intune P2*
Entra P2	--
Microsoft 365 Apps (per device)	--

Enterprise suites

Rolling out summer 2026	Feature additions
Office 365 E1	SafeLinks Lite, Copilot Chat enhancements*, Copilot Chat Analytics
Office 365 E1 Plus[1]	SafeLinks Lite, Copilot Chat enhancements*, Copilot Chat Analytics
Office 365 E3	MDO P1, Copilot Chat enhancements*, Copilot Chat Analytics
Office 365 E5	Copilot Chat enhancements*, Copilot Chat Analytics
Microsoft 365 E3	MDO P1, Intune Remote Help, Intune Advanced Analytics, Intune P2, Copilot Chat enhancements*, Copilot Chat Analytics
Microsoft 365 E5	*In addition to M365 E3 additions:* Microsoft Security Copilot, Intune Endpoint Privilege Management, Microsoft Cloud PKI, Intune Enterprise Application Management

Frontline suites

Rolling out summer 2026	Feature additions
Microsoft 365 F1	Copilot Chat enhancements*, Copilot Chat Analytics
Microsoft 365 F3	Copilot Chat enhancements*, Copilot Chat Analytics

Business suites

Rolling out summer 2026	Feature additions
Microsoft 365 Business Basic	+50GB email, SafeLinks Lite, Copilot Chat enhancements*, Copilot Chat Analytics
Microsoft 365 Business Standard	+50GB email, SafeLinks Lite, Copilot Chat enhancements*, Copilot Chat Analytics
Microsoft 365 Business Premium	+50GB email, Copilot Chat enhancements*, Copilot Chat Analytics

*Enhancements include context-aware intelligence and Agent Mode in Word, Excel, PowerPoint, and Outlook.

Price Changes

CHANGES TO MICROSOFT 365 PRICES

Microsoft will implement the following changes to commercial Microsoft 365 pricing worldwide, effective July 1, 2026:

KEY LINKS

- Public announcements: [Microsoft 365 Blog](#), [Gov-Specific Blog](#), [Intune Blog](#)

Standalone Components

Effective July 1, 2026					
SKU	% change	~~Old Price~~ New Price	SKU	% change	~~Old Price~~ New Price
Purview Suite	--	$12.00	Defender Suite	--	$12.00
Windows E3	15%	~~$6.63~~ $7.63	Windows E5	9%	~~$11.80~~ $12.80
Apps for Business	21%	~~$12.00~~ $10	Microsoft 365 Apps	20%	~~$8.25~~ $14
EMS E3	13%	~~$10.60~~ $12.00	EMS E5	10%	~~$16.40~~ $18.00
Entra P1	16%	~~$6.00~~ $7.00	Entra P2	11%	~~$9.00~~ $10.00
Windows Enterprise (per device)	31%	~~$5.84~~ $7.63	Microsoft 365 Apps (per device)	17%	~~$36.00~~ $42.00

Enterprise suites

Suites with Teams Effective July 1, 2026			Suites without Teams Effective July 1, 2026		
SKU	% change	~~Old Price~~ New Price	SKU	% change	~~Old Price~~ New Price
Office 365 E1	--	$10.00	Office 365 E1 (no Teams)	--	$6.79
Office 365 E1 Plus[1]	--	$20.00	Office 365 E1 Plus (no Teams)[1]	--	$16.79
Office 365 E3	13%	~~$23.00~~ $26.00	Office 365 E3 (no Teams)	14%	~~$14.45~~ $17.45
Office 365 E5	8%	~~$38.00~~ $41.00	Office 365 E5 (no Teams)	10%	~~$29.45~~ $32.45
Microsoft 365 E3	8%	~~$36.00~~ $39.00	Microsoft 365 E3 (no Teams)	11%	~~$27.45~~ $30.45
Microsoft 365 E5	5%	~~$57.00~~ $60.00	Microsoft 365 E5 (no Teams)	6%	~~$48.45~~ $51.45

Frontline suites

Suites with Teams Effective July 1, 2026			Suites without Teams Effective July 1, 2026		
Microsoft 365 F1	33%	~~$2.25~~ $3.00	Microsoft 365 F1 (no Teams)	43%	~~$1.75~~ $2.50
Microsoft 365 F3	25%	~~$8.00~~ $10.00	Microsoft 365 F3 (no Teams)	29%	~~$6.93~~ $8.93

Business suites

Suites with Teams Effective July 1, 2026			Suites without Teams Effective July 1, 2026		
Microsoft 365 Business Basic	16%	~~$6.00~~ $7.00	Microsoft 365 Business Basic (no Teams)	23%	~~$4.40~~ $5.40
Microsoft 365 Business Standard	12%	~~$12.50~~ $14.00	Microsoft 365 Business Standard (no Teams)	16%	~~$9.29~~ $10.79
Microsoft 365 Business Premium	--	$22.00	Microsoft 365 Business Premium (no Teams)	--	$18.79

All pricing subject to change and may vary by country and currency.

[1]Office 365 E1 Plus SKUs with and without Teams are lead status SKUs available only in specific geographies.

Common reasons organizations end up overlicensed in Microsoft 365
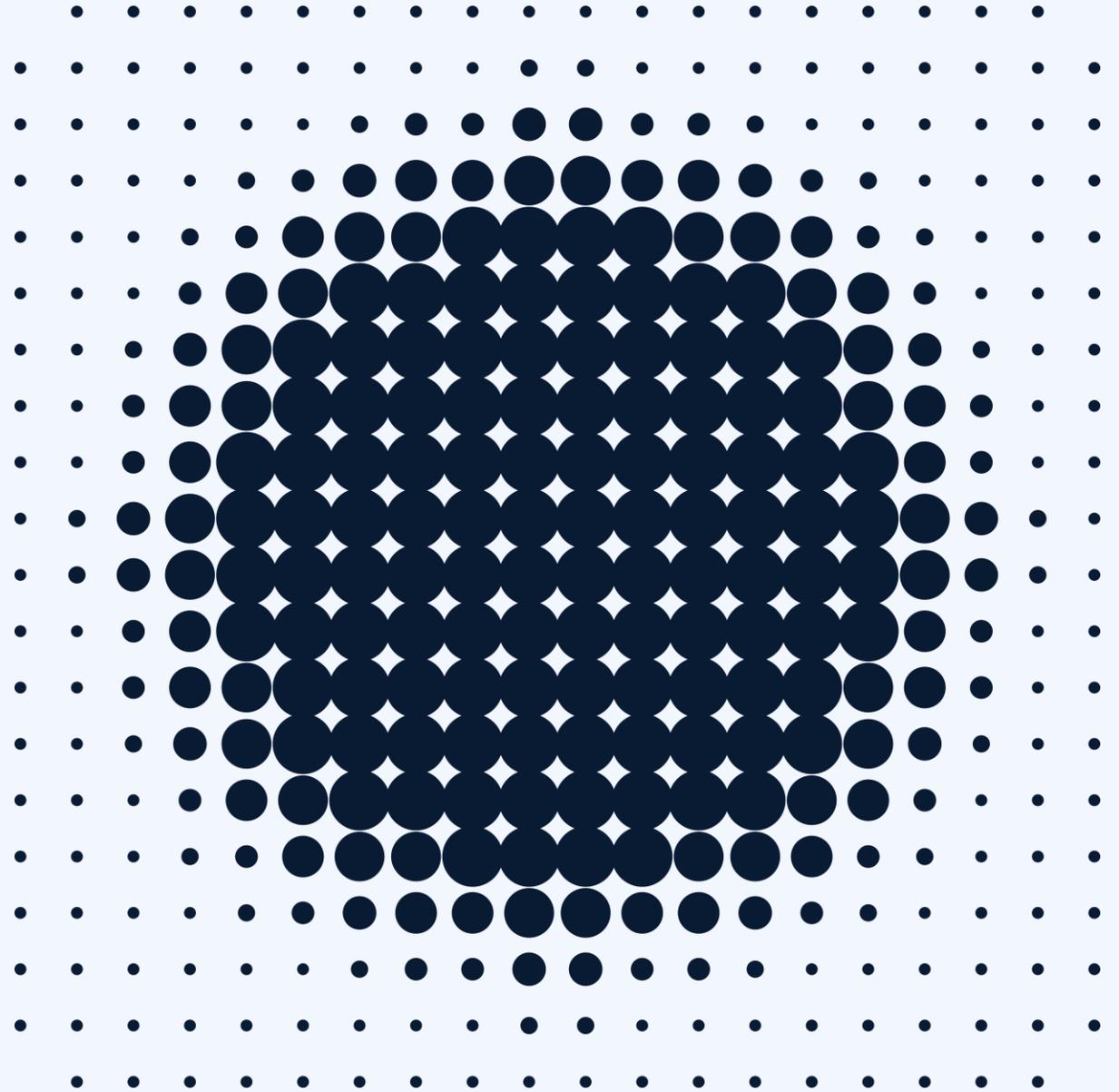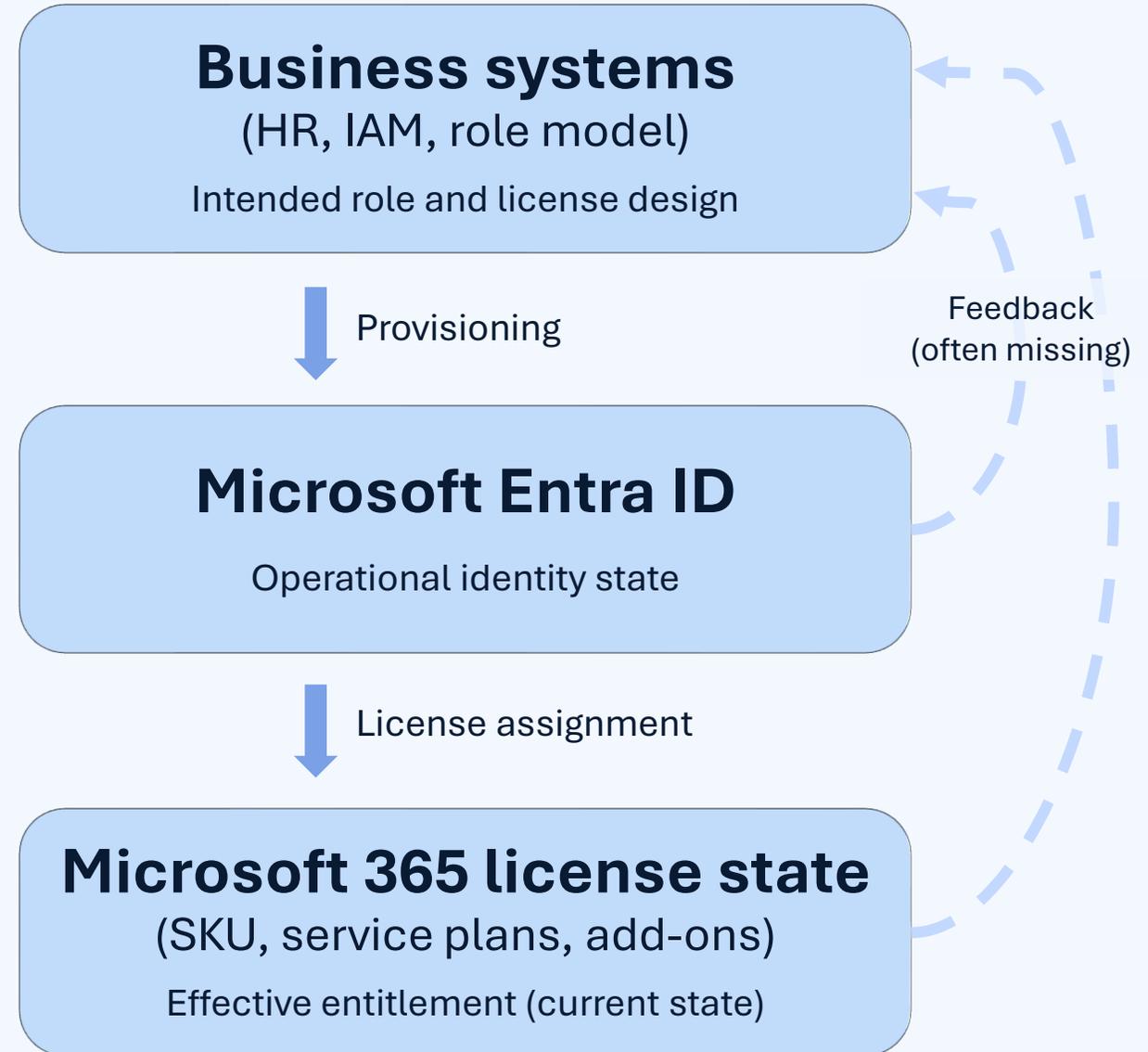
Common patterns of Microsoft 365 over-licensing

• Never signed in users being licensed

• Inactive users still hold premium licenses

• Disabled users remain licensed

• Test, shared, rooms, or admin accounts licensed unnecessarily

• Users licensed at a higher tier than required, e.g. E3 instead of F3

• Unused standalone licenses, e.g. Project, Visio, Power BI

• Overlapping licenses, e.g. Microsoft 365 E3 + F3, E5 + Power BI Pro

• Purchased licenses remain unassigned due to renewal overestimation
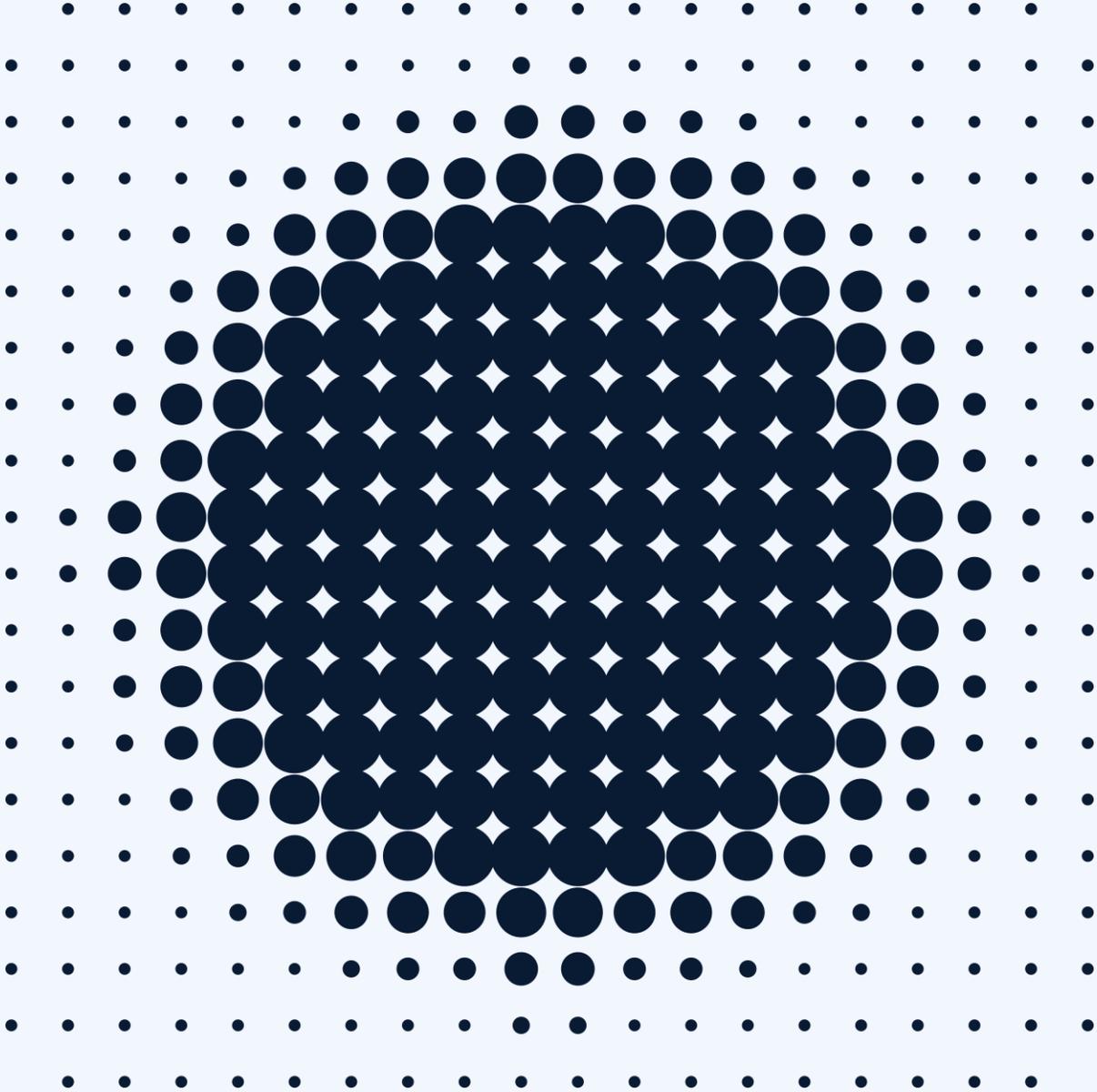
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Role design vs. operational reality

- License models are built on assumptions
- Real usage often differs
- Usage continues to evolve
- Limited visibility

Business systems
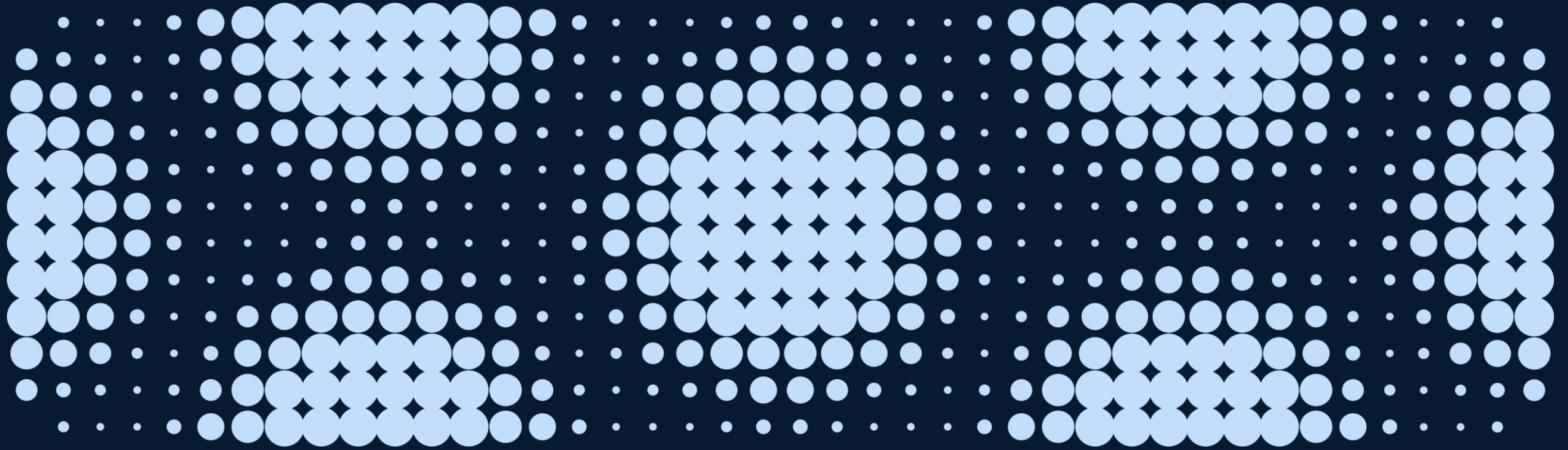(HR, IAM, role model)

Intended role and license design

↓ Provisioning

Microsoft Entra ID

Operational identity state

↓ License assignment

Microsoft 365 license state
(SKU, service plans, add-ons)

Effective entitlement (current state)

Feedback (often missing)

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Key takeways

- Prices increases from July 2026
- Visibility is key to optimize licensing

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Demo time

What we covered today

- How Microsoft 365 licensing is structured

- July 2026 pricing and packaging changes

- Why over-licensing happens

- How drift accumulates over time

- The importance of visibility before renewal

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Questions?

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