

The Microsoft 365 Licensing Reference Sheet

All plans, July 2026 pricing, the E3 vs E5 cost gap analysis, and the pre-renewal audit checklist. Built for CIOs and CFOs of organizations with 250 to 5,000 employees.

\$252K

Annual cost of the wrong E3 to E5 path at 1,000 users

300

User cap on Business plans

\$99

M365 E7 Frontier Suite per user/month

The Six Things You Need to Know Before Your Next Renewal

A quick-reference summary of the most consequential Microsoft 365 licensing decisions in 2026, distilled from extensive work with mid-market enterprises in healthcare, education, financial services, and corporate.

- 1 July 2026 prices are now in effect.** Most commercial Microsoft 365 plans rose on July 1, 2026. Office 365 E3 rose 13 percent (from \$23 to \$26), the steepest increase in the lineup. Microsoft 365 E3 rose 8.3 percent. E5 rose 5.3 percent. Business Premium and Office 365 E1 held flat. If your renewal lands after that date, the new pricing applies.
- 2 There is no single right license.** The cost-efficient answer for most organizations in the 250 to 5,000 employee range is a mixed deployment. E5 for compliance, finance, legal, and leadership. E3 for general staff. F-series for frontline and shared-device users.
- 3 The "E3 vs E5" question has three different price gaps.** The one most enterprises face is Microsoft 365 E3 to Microsoft 365 E5 at \$21 per user per month, which is \$252,000 a year across 1,000 users.
- 4 Business plans are capped at 300 users.** Once you cross that line, you are moving to the E-series whether you planned to or not. Plan the transition at 250 to 275 users, not at 300.
- 5 Microsoft 365 E7 launched May 1, 2026 at \$99 per user per month.** The new Frontier Suite bundles E5, Copilot, Agent 365, and the Microsoft Entra Suite. Pays off only if you are genuinely deploying AI agents at scale.
- 6 Compliance maps to capability, not headcount.** Healthcare, financial services, and education organizations map license tiers to risk analysis. HIPAA is technology-neutral, but the controls auditors expect align with E5 capabilities.

WHY THIS MATTERS

An Office 365 E3 license that nobody uses is pure waste. A general staff member on E5 without compliance obligations is also waste. The opportunity is rarely about negotiating a better deal with Microsoft. It is about getting the right license on the right user.

Microsoft 365 License Pricing 2026

All prices are per user per month with annual commitment, reflecting July 2026 pricing. Mixed deployments combining multiple tiers are standard in mid-market environments.

Plan	Price	Desktop Office	Advanced Security	Compliance	User Cap	Best Fit
Office 365 E1	\$10	No	No	Basic	None	Light or shared users, web only
Business Standard	\$14	Yes	No	Basic	300	Small teams, productivity first
Business Premium	\$22	Yes	Yes (Defender for Business)	Moderate	300	Sub-300 orgs needing security
Office 365 E3	\$26	Yes	Limited	DLP, eDiscovery	None	Standard knowledge workers
Microsoft 365 E3	\$39	Yes	Yes (Defender P1)	Strong	None	Enterprise baseline with Windows
Microsoft 365 E5	\$60	Yes	Full stack	Advanced	None	Regulated industries, security-mature orgs
Microsoft 365 E7	\$99	Yes	Full + Entra Suite	Advanced + Agent governance	None	AI-agent-driven enterprises

July 2026 Price Changes by Plan

Plan	Pre-July 2026	Post-July 2026	Change	Impact
Office 365 E3	\$23	\$26	+13.0%	Steepest jump
Microsoft 365 E3	\$36	\$39	+8.3%	Most common impact
Microsoft 365 E5	\$57	\$60	+5.3%	Lowest %, highest \$
Business Premium	\$22	\$22	0%	Held flat
Office 365 E1	\$10	\$10	0%	Held flat

The E3 vs E5 Decision: The Math Behind the Choice

The "E3 vs E5" question has three different price gaps depending on the upgrade path. Knowing which path your organization is on is the prerequisite to a defensible procurement decision.

Upgrade Path	From	To	Monthly Gap	Annual @ 1K Users
Office 365 E3 to Office 365 E5	\$26	\$41	\$15 per user	\$180,000
Microsoft 365 E3 to Microsoft 365 E5	\$39	\$60	\$21 per user	\$252,000
Office 365 E3 to Microsoft 365 E5	\$26	\$60	\$34 per user	\$408,000

When E5 Earns Its Price

E5 is justified in three scenarios. Understanding which applies to your organization (or which user populations) determines whether the upgrade pays back.

1 Regulatory mapping.

If you operate under HIPAA, FINRA, FedRAMP, CMMC, or similar frameworks, E5 capabilities (Insider Risk Management, Communication Compliance, eDiscovery Premium, advanced audit) map to controls auditors expect to see. HIPAA itself does not require any specific SKU, but the safeguards your risk analysis identifies often align with E5.

2 Security tool consolidation.

If you currently pay for endpoint protection (CrowdStrike, SentinelOne), CASB (Netskope, Zscaler), identity threat detection, advanced eDiscovery, or insider risk tooling, E5 replaces those at a lower combined cost in most environments.

3 Bundled productivity.

Power BI Pro (\$10 per user per month standalone) and Phone System (\$8 per user per month standalone) are included in E5. Organizations already paying for these separately can consolidate.

THE BREAK-EVEN RULE OF THUMB

If your organization needs two or more E5-exclusive capabilities as separate add-ons on E3, E5 typically becomes cheaper than E3 plus the equivalent add-ons. Buying E5-exclusive features as E3 add-ons costs roughly \$35 per user per month extra. Most mid-market deployments end up with a hybrid model: 60 to 80 percent of users on E3 and 20 to 40 percent on E5, with the allocation based on role risk and regulatory exposure.

The Role-Based License Recommendation Matrix

The cleanest way to think about a mid-market or enterprise tenant is not to pick one license, but to map license to role. This is the starting framework we use with clients, adjusted in every engagement to the organization’s actual risk analysis and workload.

Role	Typical License	Why
Executives (CEO, CFO, COO, CIO, CISO)	Microsoft 365 E5	High-sensitivity communications, advanced audit, mobile and identity protection
Finance, legal, HR	Microsoft 365 E5	Insider Risk Management, Communication Compliance, eDiscovery Premium
Compliance, privacy, audit teams	Microsoft 365 E5	Advanced compliance tooling is the core of their workflow
Clinicians handling PHI (healthcare)	Microsoft 365 E5	Data governance and audit controls aligned with HIPAA risk analysis
General knowledge workers	Microsoft 365 E3	Desktop Office, device management, Defender baseline
Frontline and shared-device users	F1 or F3	Web-based productivity, no desktop install needed
Contractors, short-term collaborators	Office 365 E1 or F-series	Limited access, lower cost, can be revoked cleanly
Education faculty and administration	A3 or A5	A-series equivalents to E3 and E5 at education pricing
AI-agent-driven roles (where applicable)	Microsoft 365 E7	Includes Copilot and Agent 365 if AI agents are genuinely in scope

IMPORTANT CONTEXT

This matrix is a starting point, not a prescription. The right mix for any organization comes out of an actual audit against the current user population, the workloads in use, and the compliance obligations on the table.

The Business Premium vs E3 Decision

For organizations sitting near the 300-user line, Business Premium is the better value **below 300 users** because it bundles device management and security that you would otherwise buy as add-ons. The mistake is staying on Business Premium as you grow. Once you are clearly past 300 users and growing, **Microsoft 365 E3 is the cleaner foundation**. The migration should be deliberate, mapped to headcount projections, not triggered by hitting the wall.

The 4-Step Microsoft 365 License Audit

If your renewal lands after July 1, 2026, a focused audit before you sign is the highest-return hour your IT team will spend this quarter. The process is straightforward.

1 Pull the full license assignment report

Export the complete license assignment from your Microsoft 365 admin center. Map every active user to their current tier, from E1 up through E5 or E7. Identify ghost accounts and de-provisioned users still consuming licenses.

2 Flag the misfits

Identify Office 365 E1 license seats that should be F-series or E3. Identify Office 365 E3 license seats in compliance-sensitive roles that may need E5. Flag any Business Premium tenant approaching the 300-user cap.

3 Map compliance obligations to features

List every regulatory framework you operate under (HIPAA, FINRA, SOC 2, PCI, FedRAMP, CMMC). Map each obligation to the specific Microsoft 365 capabilities that satisfy it. Identify which users genuinely require E5-level controls and which do not.

4 Model the optimized mix against July 2026 pricing

Calculate the total cost of your optimized license mix against the new pricing. Time your renewal to lock in the structure before the price increase compounds. Confirm that the mix accounts for projected hiring and any planned AI deployment.

AT NO COST TO QUALIFYING CUSTOMERS

Get Your Microsoft 365 Licensing Review

The July 2026 price increase makes this the right moment to confirm every license matches the user who holds it. Exelegant's licensing review maps your current assignments across every tier from E1 through E7, identifies where you are overspending or exposed, and models the optimized mix against current pricing. Engagement runs in approximately two weeks.

This engagement may be available **at no cost to qualifying customers** through Microsoft Commerce Incentives funding, applied by Exelegant to subsidize the engagement.

Talk to **Aiman Qadir**,
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