

Silicon Valley trends

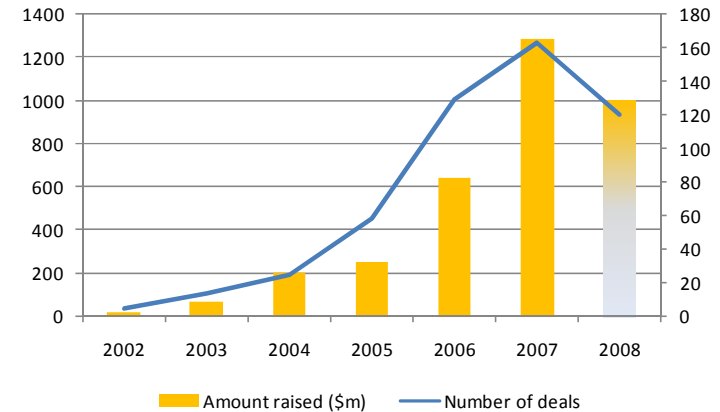
Acsel conference
October 10th, 2008

- Is the Web 2.0. a mature industry?

VCs investments in Web 2.0 reaching peak

- Boom of US Web 2.0 Investments between 2002 and 2007
 - CAGR of 127%
 - 395 deals
 - Total investment of \$2,5bn
- 2008 Outlook suggests slow-down
- 2006/2007 regional comparative data shows
 - End of growth in Web 2.0 investments in the Silicon Valley
 - ..while other regions continue to invest: New England, Southern California, New York...

US Web 2.0 investments



Source: Dow Jones VentureSource

US Web 2.0 investments per region

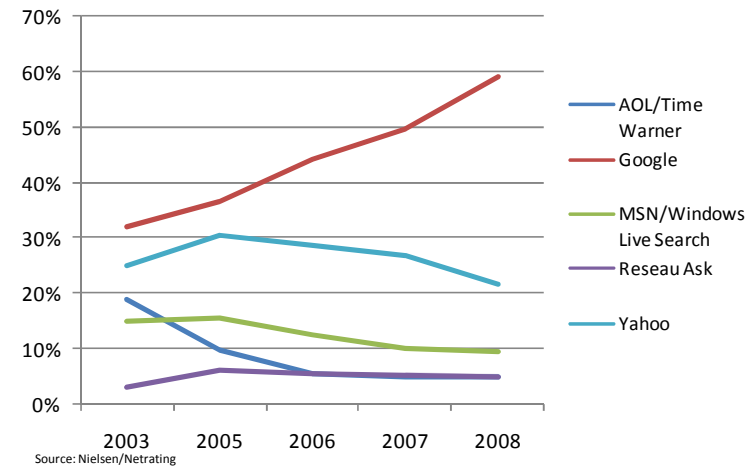
	2006		2007	
	Deals	Investment (\$M)	Deals	Investment (\$M)
Bay Area	74	431	72	721
Bay Area (w/o Facebook deal)	74	431	71	421
New England	15	79	20	158
Southern California	10	41	14	115
New York Metro	9	10	25	58
Pacific Northwest	6	35	13	140
Southeast	6	24	7	47
Moutain (CO, AZ, UT)	4	7	7	31
Texas	3	10	2	4
North Carolina	2	3	2	10

Source: Dow Jones VentureSource

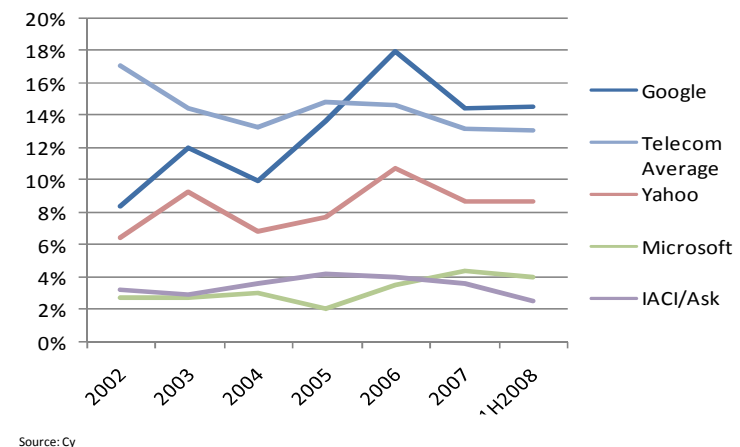
Search battle is over...

- Competitive Advantage is no longer solely based on best algorithms...
- Priority is to develop infrastructure
 - Google spends over 14% of its revenues in Capex
 - Above the average of telecom sector
- Fixed Assets Investment is strategic & kept very secret
 - Google : 700,000 servers end 2007, + 200,000 servers / year
 - Microsoft : +120,000 servers / year
- Same goes with Amazon, Daily Motion, et...

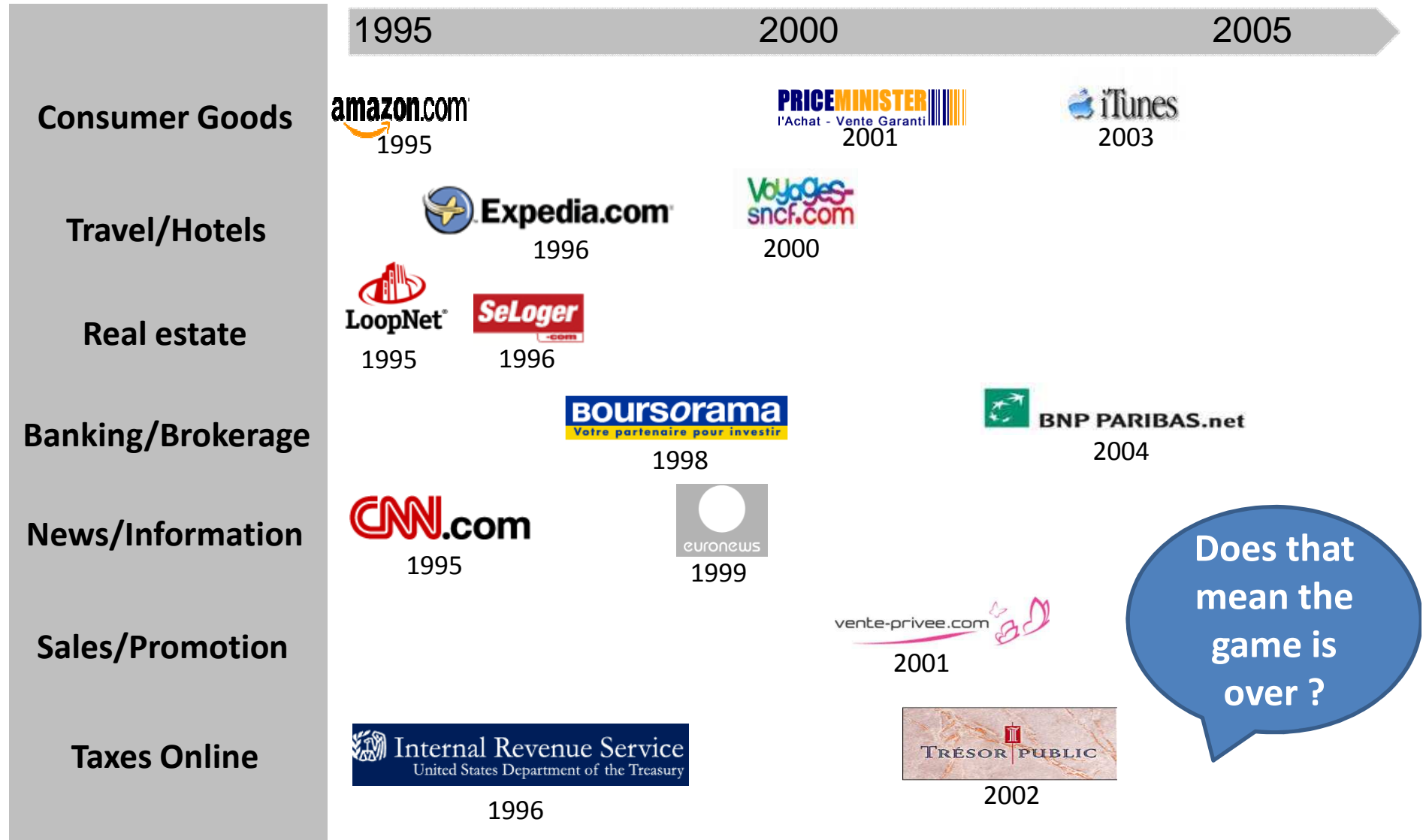
US Search engine market shares



Capex/Rev ratio evolution



Traditional economy has moved online



Does that mean the game is over ?

Web 2.0 has taken the lead

Alexa Global Traffic Rankings

2005 ⁽¹⁾		2008 ⁽²⁾	
Rank	Web site	Rank	Web site
1	yahoo.com	1	yahoo.com
2	msn.com	2	youtube.com
3	google.com	3	live.com
4	ebay.com	4	google.com
5	amazon.com	5	myspace.com
6	microsoft.com	6	facebook.com
7	myspace.com	7	msn.com
8	google.co.uk	8	hi5.com
9	aol.com	9	wikipedia.org
10	go.com	10	orkut.com

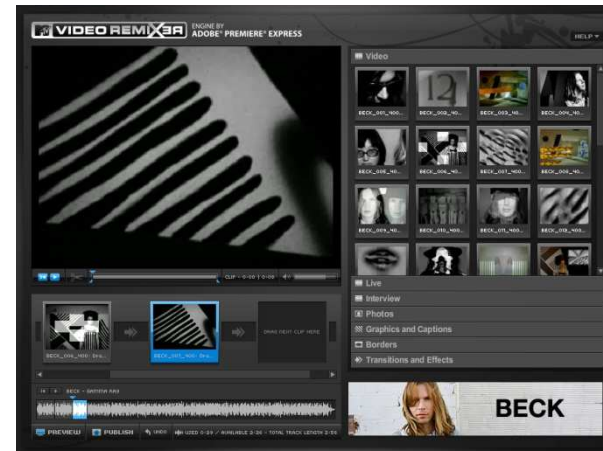
Emergence of Rich Internet Applications...

- Applications will increasingly be directly embedded with web pages...
 - no more clients
 - Adobe extremely active in the field:
 - Scene 7 www.teamworkathletic.com
 - MTV <http://remix.mtv.com>
 - will add VoIP capabilities soon

- Flash
 - All 10 first video sites use flash video.
 - Support HD...
 - Added capabilities around live streaming (sport...)
 - Business model
 - From creation to distribution... manage the whole value chain
 - How to improve business model : advertising. Include metadata to drive targeted ads

- AIR
 - Run time to take web apps to the desktop (off line)
 - Open to 3rd party developers

- Thermo
 - New tool to create content / apps / web page... no need to code



...for new user experiences and new Business Models

Traditional Model

New Model














Product enhancement

- Real-time price information on property on sale, property sold
- Discussions with other buyers/sellers
- Nearby Schools
- Videos

- Easy access to local news (website locates user)
- Share opinion/Debate with other users
- Create user profile

- Social Lending
- Lend/Borrow from other users

- Living, Multilingual Encyclopedia
- Enriched by the community of users
- Access 100% free

Still excitement on social networks

High Valuations



Sold for \$580m
in July 2005



Sold for \$1,7bn
in October 2006



Sold for \$100m
in June 2007



Valued at \$15bn

Niches remain attractive

New generation
of social networks

Social network for
scientists and
students



Online marketing
community



Replication on
fast growth
markets

Chinese provider
of social network
software



Chinese social
networking
company



Zhanzuo

The Battle to the entry point



- Dominate search
- Market share of US online add : from **37% in 2006 to 42% in 2007**
- Fast developing service portfolio to capture users

- Rev 07 : \$16.6b
- Market cap : \$171b

facebook

- On line experience / discovery thru social networks
- Highly valuable as contain huge amount of personal data
- Already **70m** active users... growing fast

- Rev 07 : ?
- Valuation : \$15b
- 600p ; \$400m invested

YAHOO!

- Use to be the entry point via directory, then portal
- Strongly pushing on mobile : Go mobile (relevant search, location based services, pushing answers...)

- Rev 07 : \$7b
- Market cap : \$30b



- End to end control of user experience
- Hard + Soft + incredible UI/design
- Changed strategy to go 'mass market'

- Rev 07 : \$24b
- Market cap : \$153b

And become The platform



facebook

YAHOO!



- Trying to break any wall to keep indexing everything & maximize search reach.
- Open social
- Android
- ...

- SDK launched in may 07. Now open source.
- 25k apps developed, 140/day
- 400k developers in 160 countries
- \$10m fund for best applications
- Can take my graph to 3rd party sites.

- Announce 29 partnerships, reaching 600m subs
- Launched mobile widget platform to 3rd party developers, solving porting & distribution issues for small players
- Online website still owning 500m IDs

- 10m iPhones this year
- SDK downloaded 100k in 4 days
- Strong ambition in the gaming sector
- Replicate iTunes success... but can't do everything in house!
- Welcome facebook (sale argument)

- On line ad / sponsored links

- Ads...
- SDK free, no rev share
- Monetization word of mouth / conversations

- Rev share, ads

- Rev share

1 - Mobile Services

- Success of iPhone App Store: expected to reach 1bn within a year

- Enabling factors :
 - Annual Smartphone sales of 150m, growing by 8%
 - Form factor
 - Bandwidth
 - Developers ecosystem

- Excitement over mobile specific capabilities
 - Always connected
 - Location based
 - ⇒ Convergence of computer apps and mobile apps

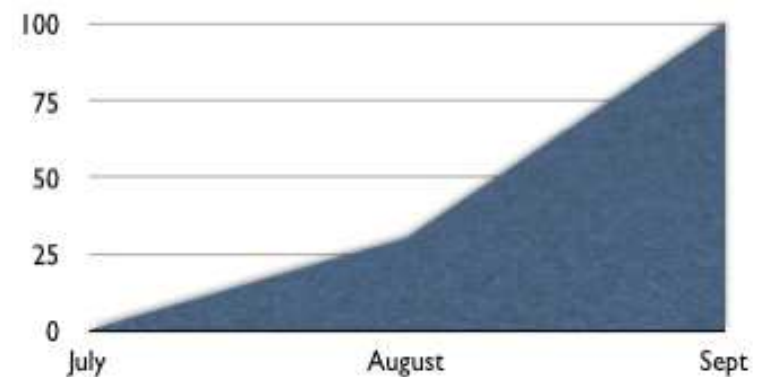
- All mobile manufacturers to release SDK and launch application platforms: Microsoft's Skymarket, Google's Android market, T-mobile, Nokia's Ovi

2008: Manufacturers in the front line to invest

Date	What ?	Investors	Amount
March 2008	Blackberry (R) Partner Fund	RIM, Thomson Reuters	\$150m
May 2008	Android Developer Challenge	Google	\$10m
May 2008	iFund	Kleiner Perkins	\$100m
TOTAL			\$260m

2008: the year Apple launched its App Store

iPhone App Store Downloads, in Millions



Source: Apple

- IT is a polluting industry...
 - same env. impact than airline industry (**2% of carbon emission**) but growing much faster
 - McKinsey report shows that Worldwide data centers's power consumption has doubled between 2000 and 2006
 - In the US alone, 10 new electric power plans will be needed to cater the needs of data centers

- ... with high improvement margins...
 - Average utilization of a data center's capacity doesn't exceed 56% !
 - CPU used 10% of the time.
 - Useful energy / produced energy : 1/35 !

- Green IT can improve our global environmental footprint
 - Data center – service oriented can save up to 30%
 - Dematerialization : cadastre en ligne, télédéclaration, e commerce... conferencing at Cisco : 200 rooms. 10% saving on travels.
 - BMS (building management system) : 20% to 30% savings on heating, without isolation.
 - More connected cities (traffic)

- Internet is more & more pervasive in our daily lives.
 - Entertainment
 - Shopping, Real Estate, Travel
 - Knowledge, Media
 - Relationships
 - Art
 - ...

- Evolution of forces within the web eco-system raises new questions:
 - What is a fair Revenue sharing among web actors ?
 - Search engine
 - Website
 - Operators
 - Content developers
 - Device manufacturers

- Who will win the mobility battle ?

⇒ A maturing industry...

⇒ ... Still rapidly moving & offering strong business opportunities

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