INTERNET TRENDS

D10 CONFERENCE
5/30/2012

Mary Meeker

KPCB | KLEINER PERKINS CAUFIELD BYERS

Outline

1) **Basic Stats –** Internet Growth Remains Robust, Rapid Mobile Adoption Still in Early Stages

2) **Re-Imagination –** of Nearly Everything

3) **Economy –** Mixed Trends, With Negative Bias

4) **'USA, Inc.' –** A Lot to be Excited About in Tech, A Lot to be Worried about in Other Areas

5) **Bubble –** or Not?

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BASIC STATS – INTERNET GROWTH REMAINS ROBUST, RAPID MOBILE ADOPTION STILL IN EARLY STAGES

INTERNET USERS

2.3B Global Internet Users in 2011* – 8% Growth*, Driven by Emerging Markets

Rank	Country	2008-2011 Internet User Adds (MMs)	2011 Internet Users (MMs)	Y/Y Growth	Population Penetration
1	China	215	513	12%	38%
2	India	69	121	38	10
3	Indonesia	37	55	22	23
4	Philippines	28	34	44	35
5	Nigeria	21	45	--*	28
6	Mexico	19	42	19	37
7	Russia	16	61	3	43
8	USA	15	245	1	79
9	Iran	14	37	--*	48
10	Turkey	11	36	26	49
	Top 10	444	1,189	12%	32%
	World	663	2,250	8%	32%

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Note: *Nigeria / Iran data as of 12/10; Other 8 countries' data as of 12/11, 2.3B global Internet users and 8% Y/Y growth rate based on the latest available data (most as of 12/11, some as of 12/10). Source: United Nations / International Telecommunications Union, internetworldstats.com.

MOBILE USERS

1.1B Global Mobile 3G Subscribers, 37% Growth, Q4 – @ Only 18% of Mobile Subscribers

Rank	Country	CQ4:11 3G Subs (MM)	3G Penetration	3G Sub Y/Y Growth	Rank	Country	CQ4:11 3G Subs (MM)	3G Penetration	3G Sub Y/Y Growth
1	USA	208	64%	31%	16	Canada	16	62%	34%
2	Japan	122	95	9	17	Taiwan	14	48	17
3	China	57	6	115	18	South Africa	13	21	49
4	Korea	45	85	10	19	Turkey	13	20	62
5	Italy	44	51	25	20	Portugal	13	78	19
6	UK	42	53	25	21	Vietnam	12	11	358
7	Brazil	41	17	99	22	Mexico	11	11	55
8	India	39	4	841	23	Malaysia	10	27	7
9	Germany	38	36	23	24	Sweden	10	73	25
10	Spain	33	57	21	25	Philippines	10	11	45
11	France	30	45	35	26	Saudi Arabia	10	19	17
12	Indonesia	29	11	27	27	Netherlands	9	44	34
13	Poland	28	57	17	28	Egypt	8	10	60
14	Australia	22	76	21	29	Austria	7	58	24
15	Russia	17	8	45	30	Nigeria	6	6	51

Global 3G Stats: Subscribers = 1,098MM Penetration = 18% Growth = 37%

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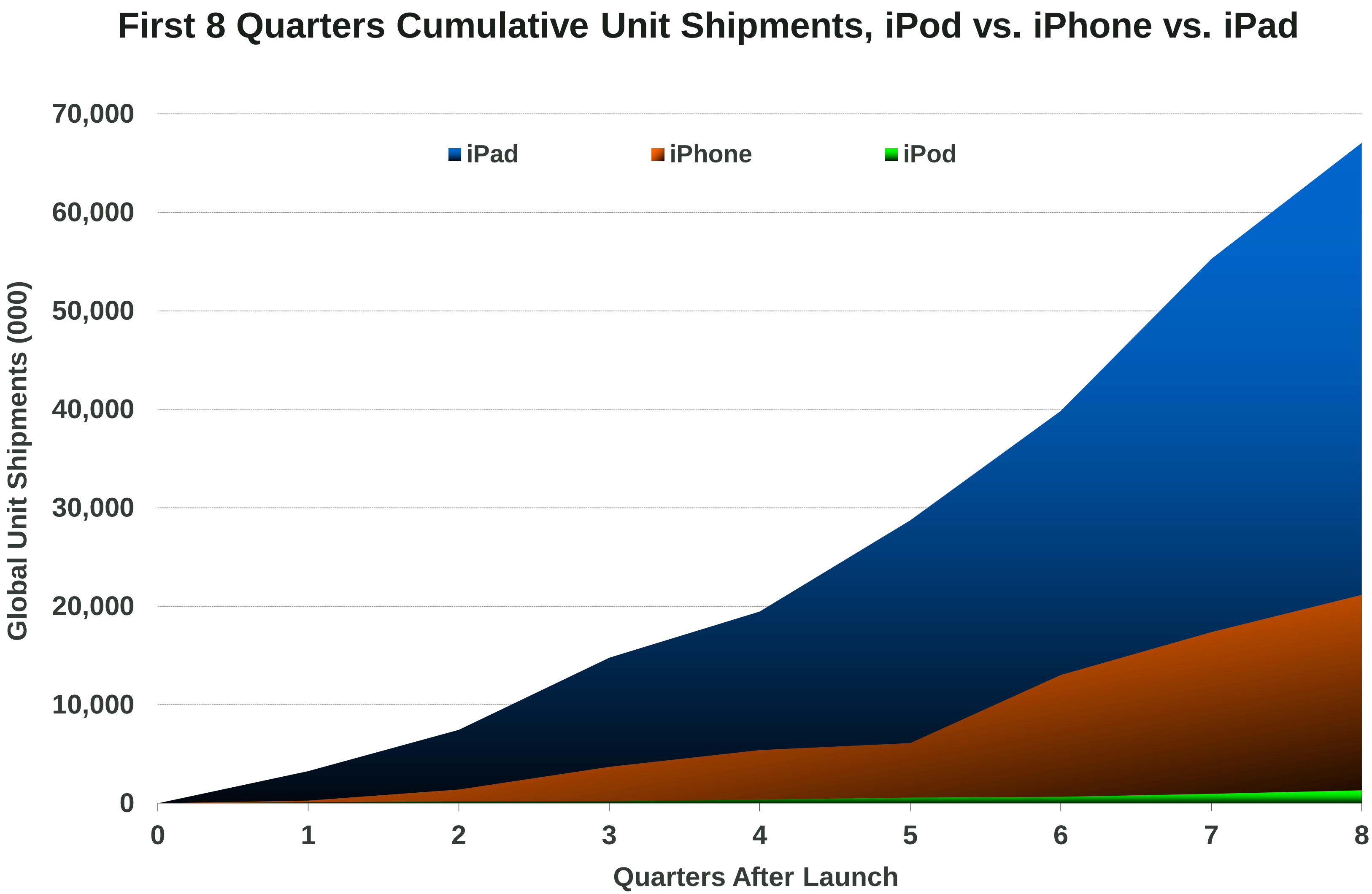
Note: *3G includes CDMA 1x EV-DO and Rev. A/B, WCDMA, HSPA; One user may have multiple mobile subscriptions and may be counted as multiple subscriber. Source: Informa WCIS+.

MODERN MOBILE DEVICE EVOLUTION

iPods Changed Media Industry…iPhones Ramped Even Faster…iPad Growth (3x iPhone) Leaves "Siblings" in Dust



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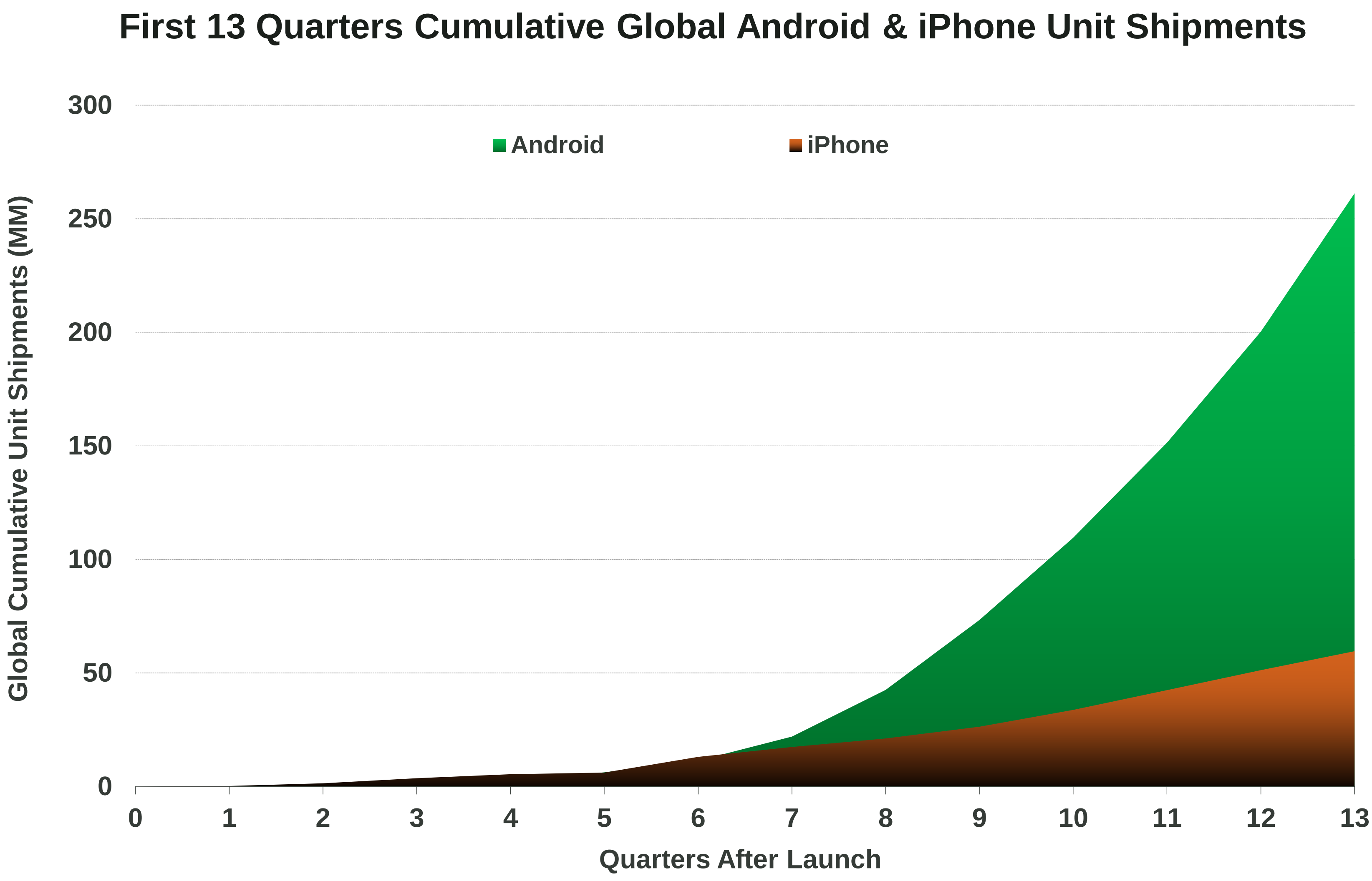
Source: Apple, as of CQ1:12 (8 quarters post iPad launch).

Android 'Phone' Adoption Has Ramped Even Faster – 4x iPhone



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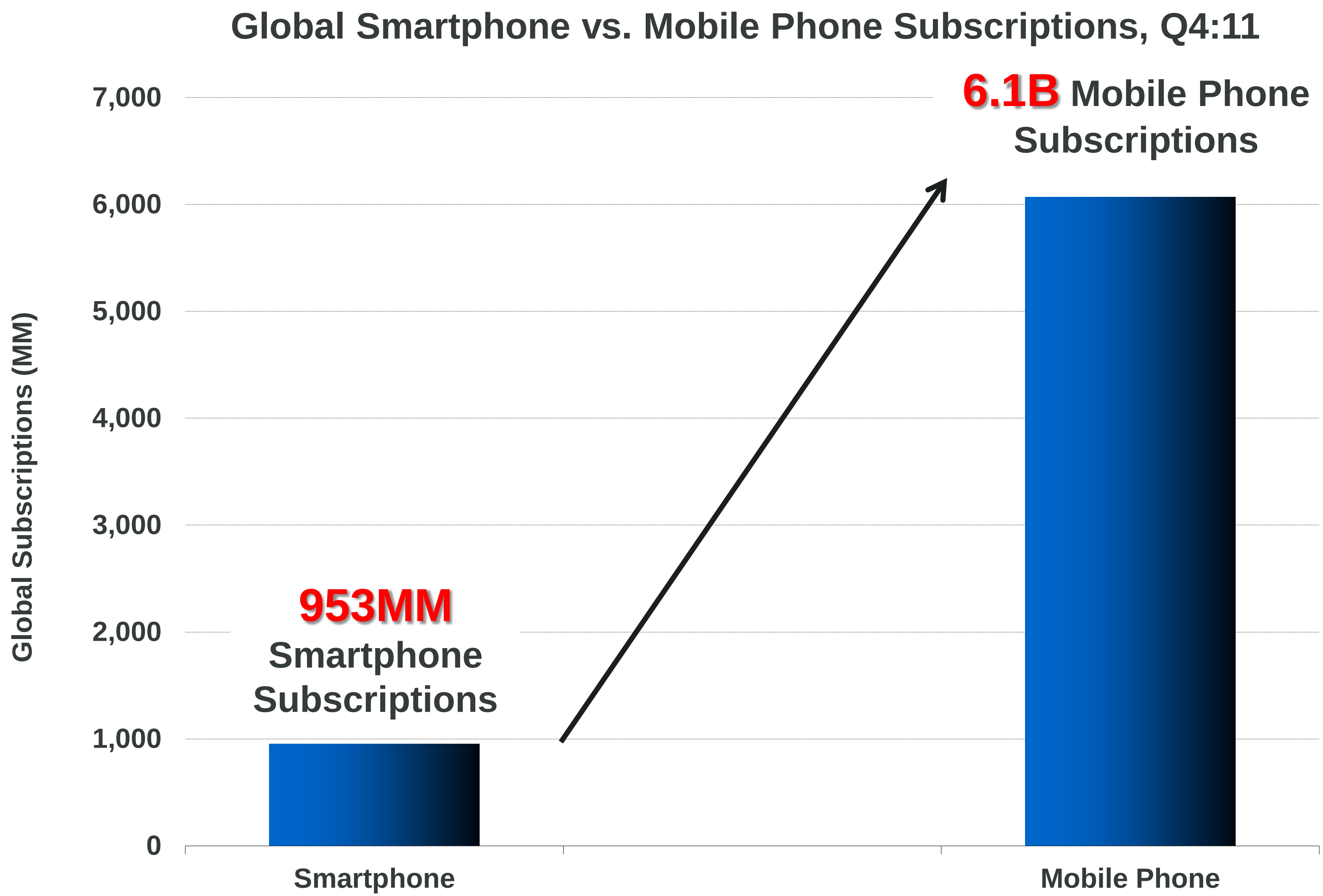
Source: Gartner, Morgan Stanley Research, as of Q4:11.

Despite Tremendous Ramp So Far, Smartphone User Adoption Has Huge Upside



Source: Mobile phone subscriptions per Informa (as of Q4:11), Smartphone subscriptions estimate based on Morgan Stanley Research's estimated smartphone user as % of total mobile user at the end of 2011 (16%).
Note: While there are 1B global 3G subscribers as of Q4:11, not all of them were smartphone users. One user may have multiple mobile subscriptions, therefore actual user #s may be lower than subscriber #s.

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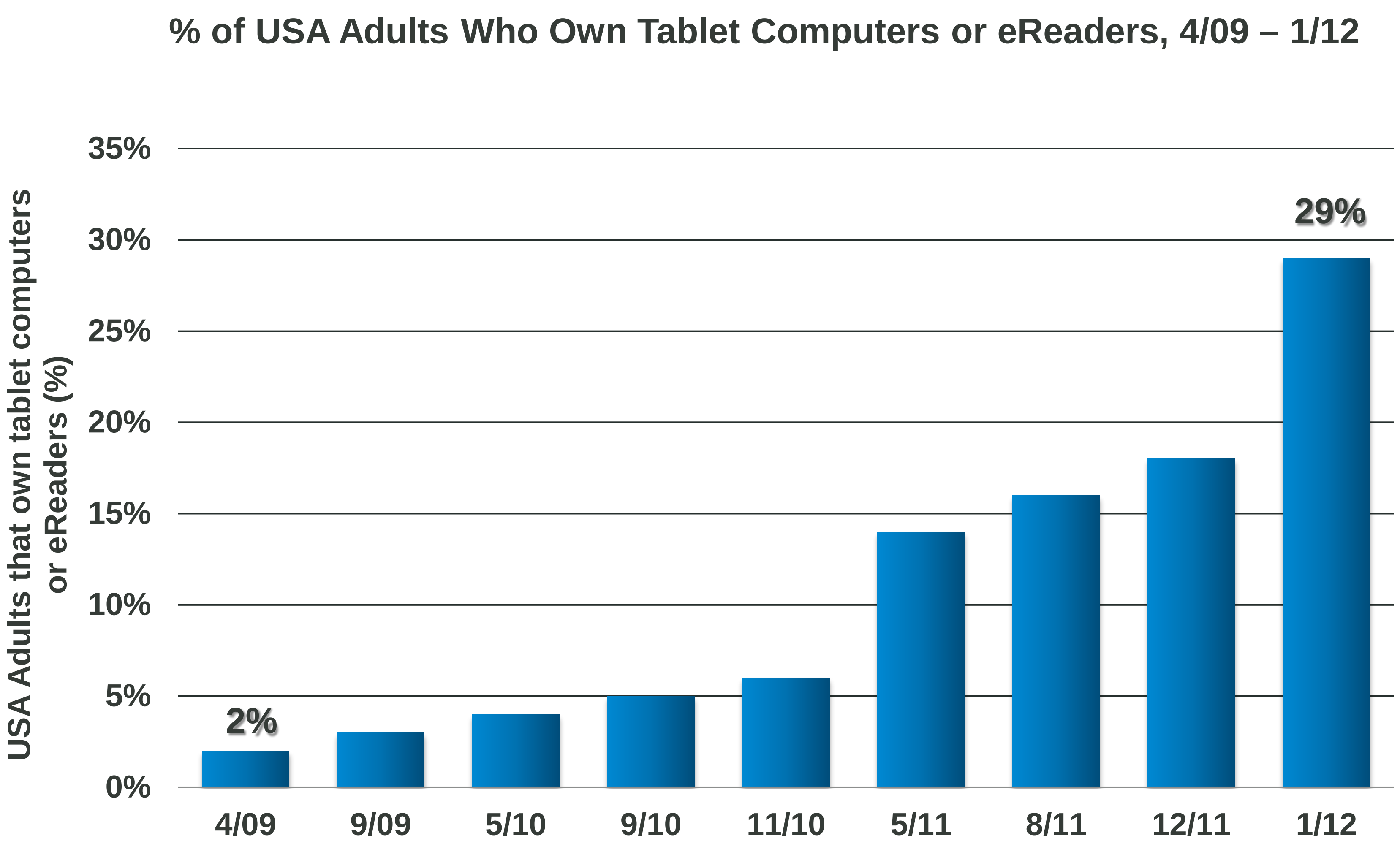
Impressive 29% of USA Adults Own Tablet / eReader, Up from 2% Less Than Three Years Ago



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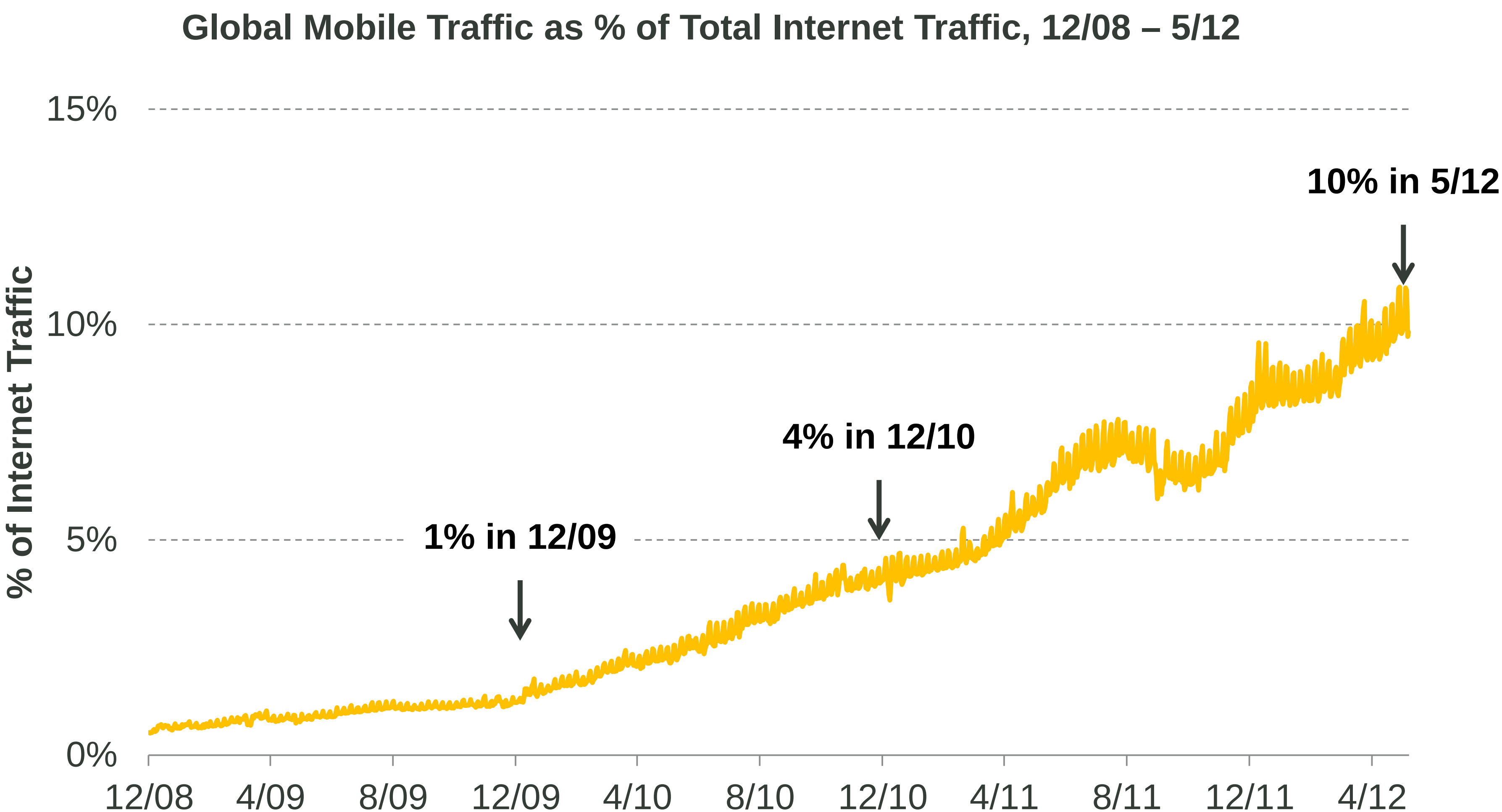
Source: Pew Research Center, 1/12.

MOBILE MONETIZATION TRANSITION

Good News =
Global Mobile Traffic Growing Rapidly to 10% of Internet Traffic



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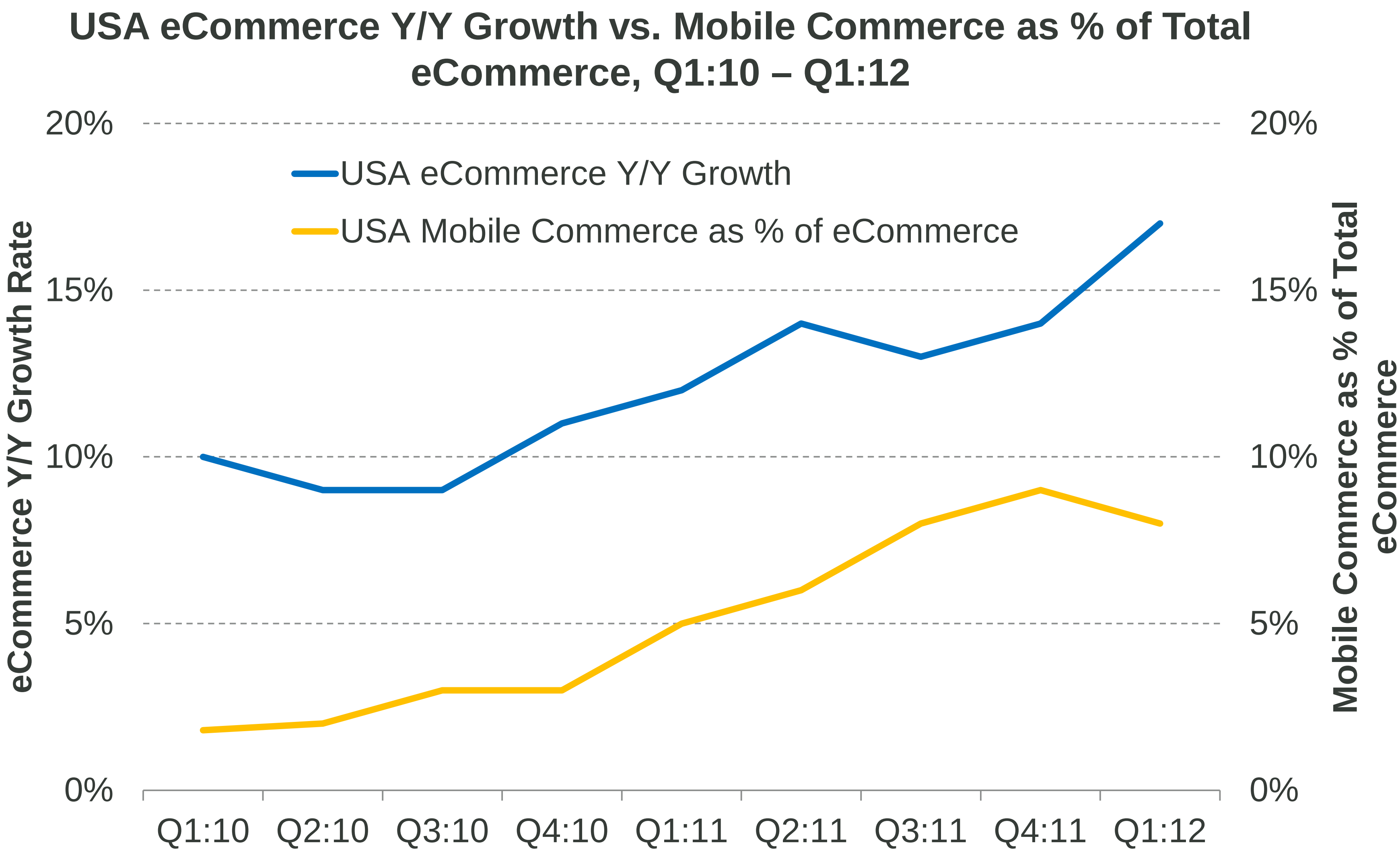
Source: StatCounter Global Stats.

Good News =
Mobile @ 8% of USA eCommerce & Helping Accelerate Growth



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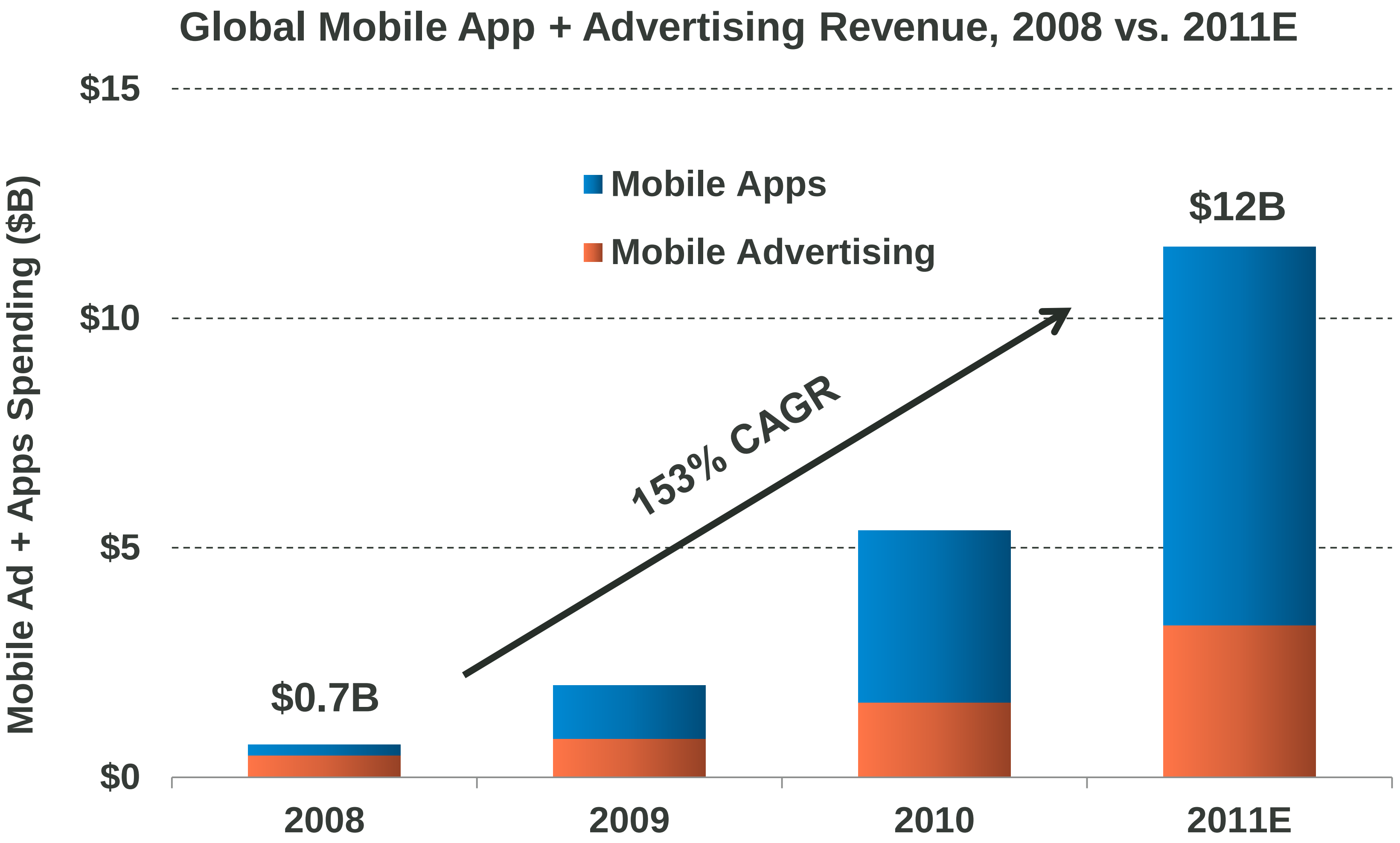
Source: comScore.

Good News =
Mobile Monetization Growing Rapidly (71% Apps, 29% Ads)



Source: Gartner. CAGR is compound annual growth rate.
Note: Apple has paid >$3B $'s to developers as of 9/11, implying gross app market revenue of $4B in 3 years; Google indicated during CQ3 earnings call that it expects $2.5B mobile ad revenue in 2011E

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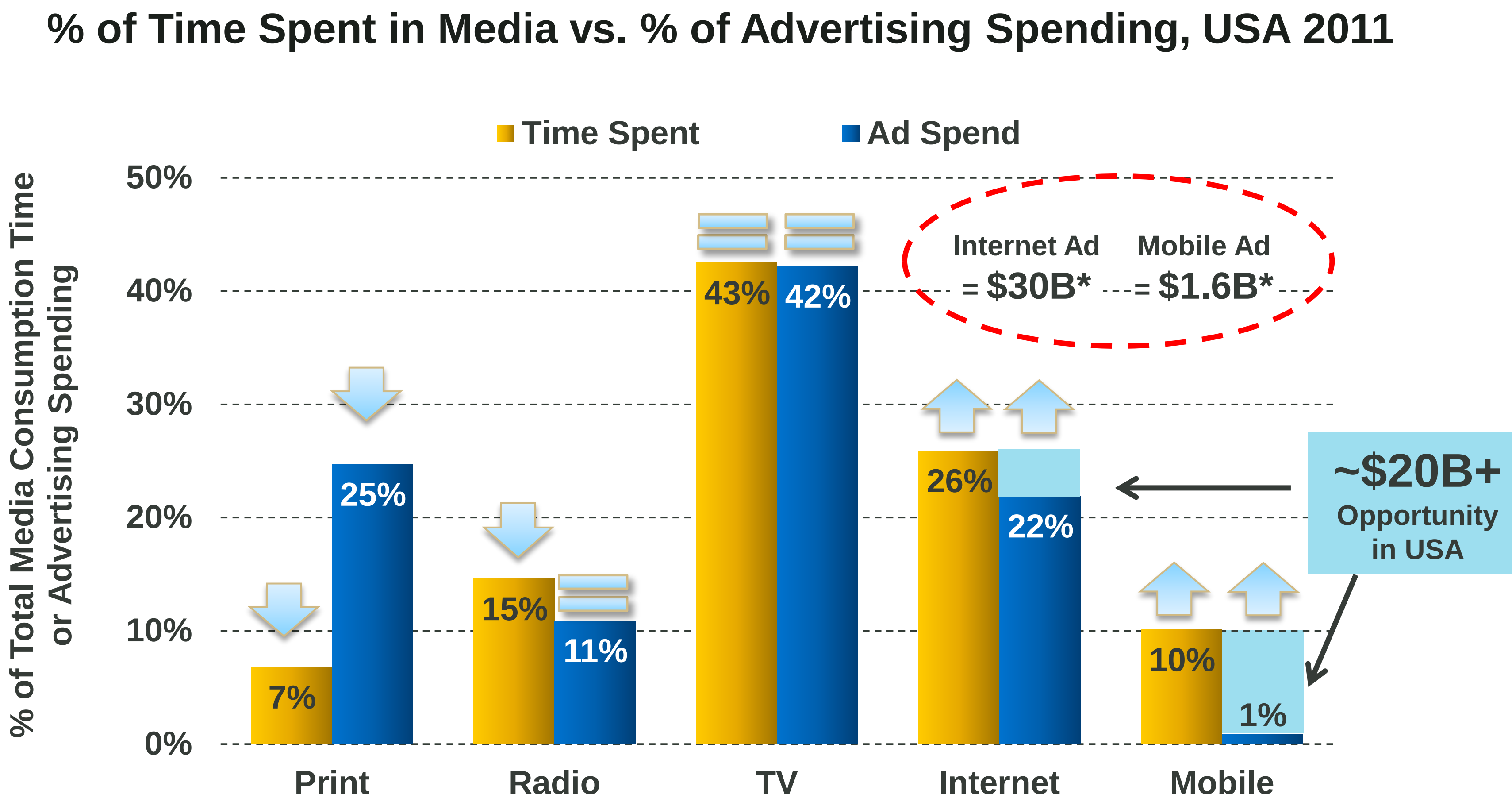
Good News = Material Upside for Mobile Ad Spend vs. Mobile Usage



Note: *Internet (excl. mobile) advertising reached $30B in USA in 2011 per IAB, Mobile advertising reached $1.6B per IAB. Print includes newspaper and magazine. $20B opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share. Source: Time spent and ad spend share data eMarketer, 12/11, Internet and mobile ad dollar spent amount per IAB.

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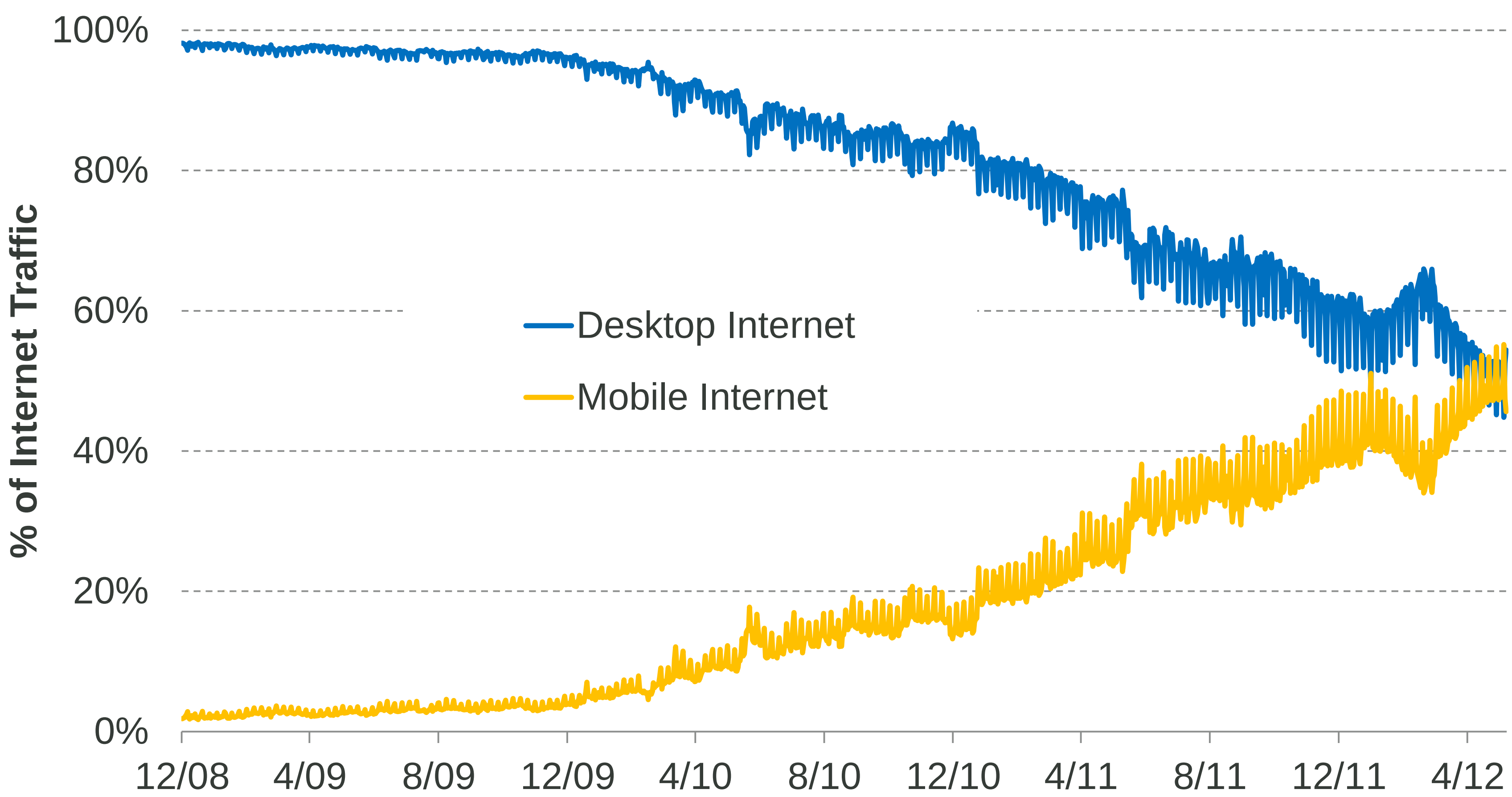
Good / Bad News – Rapidly Growing Mobile Internet Usage Surpassed More Highly Monetized Desktop Internet Usage in May, 2012, in India

India Internet Traffic by Type, Desktop vs. Mobile, 12/08 – 5/12



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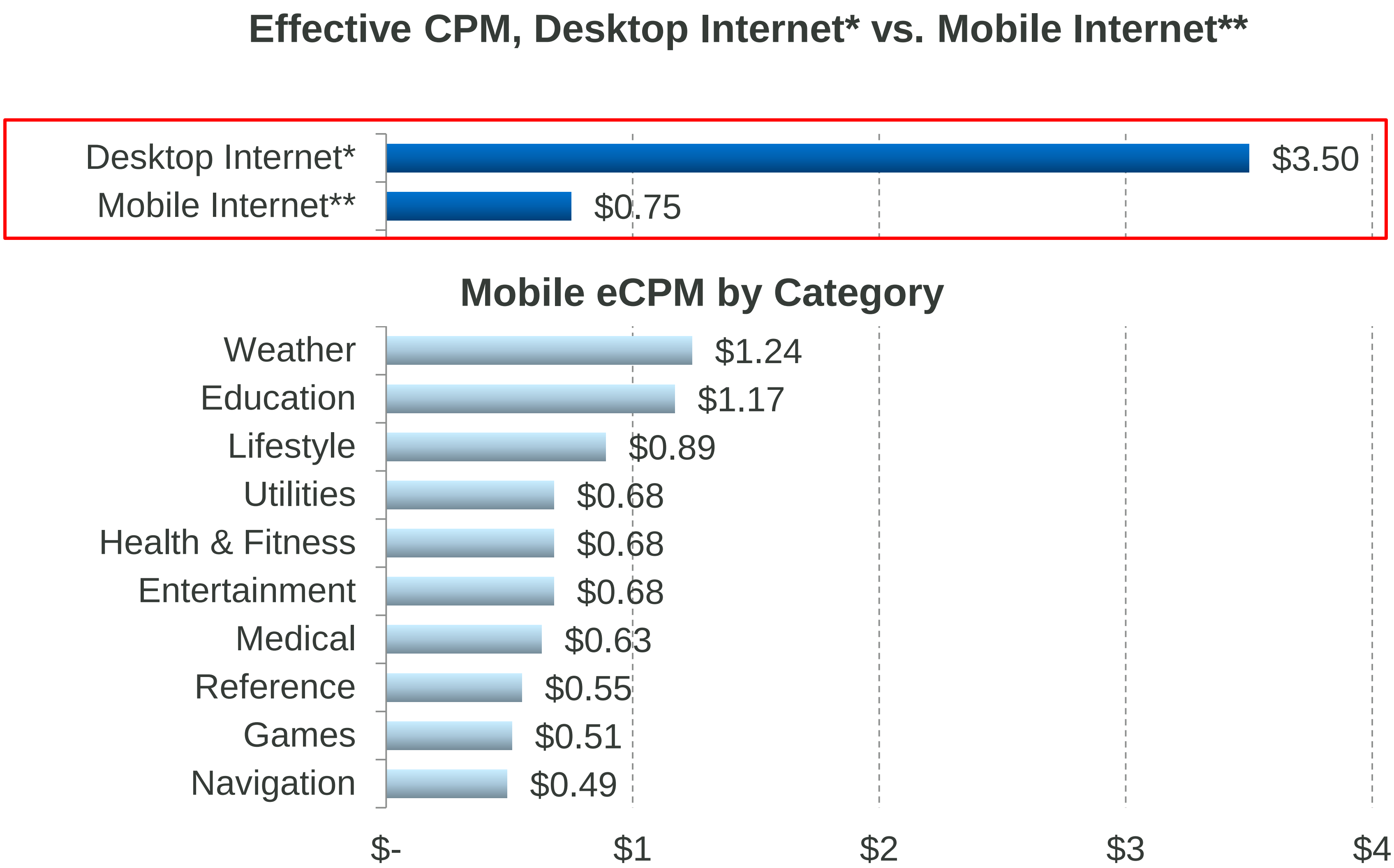
Source: StatCounter Global Stats.

Bad News =
eCPMs 5x Lower on Mobile than Desktop



Note: * Desktop Internet is a weighted average CPM calculation based on comScore Display ad share data and Vivaki CPM by category data as of Q3:11. **Mobile Internet is a simple average eCPM calculation based on Mobclix Exchange USA data as of 3/12.

Bad News = ARPU (Average Revenue per User) 1.7-5x Lower on Mobile than Desktop

Company	ARPU Definition	Desktop ARPU	Mobile ARPU	Desktop ARPU / Mobile ARPU
Pandora	Ad Revenue per User (Trailing 12-Month)	$6.62	$3.87	1.7x
Tencent	Revenue per Paying User (Annualized)	$58.95	$17.61	3.3x
Zynga	Bookings per Daily Active User (Annualized)	$25.00	$5.00*	5.0x

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Note: *Zynga data are estimates. All data as of 5/12. Source: Pandora, Tencent, Zynga.

Google – Mobile Growth Helping Boost Clicks but Reducing Cost per Click thus Constraining Revenue Growth

	Q1:11	Q2:11	Q3:11	Q4:11	Q1:12
Gross Advertising Revenue ($MM)	**$8,306**	**$8,716**	**$9,335**	**$10,174**	**$10,225**
Y/Y Growth	*28%*	*33%*	*33%*	*25%*	*23%*
Aggregate Paid Clicks (MM)	**15,245**	**15,004**	**16,876**	**19,661**	**21,116**
Y/Y Growth	*17%*	*18%*	*28%*	*35%*	*39%*
Cost per Click (CPC - $)	**$0.54**	**$0.58**	**$0.55**	**$0.52**	**$0.48**
Y/Y Growth	*10%*	*12%*	*4%*	*(8%)*	*(12%)*
Q/Q Growth	*(3%)*	*7%*	*(5%)*	*(8%)*	*(6%)*

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Source: Google, Paid clicks and CPC data per Morgan Stanley Research estimates.

Facebook – Mobile Growth Helping Drive Users but Containing ARPU thus Constraining Revenue Growth

	Q1:11	Q2:11	Q3:11	Q4:11	Q1:12
Ad Revenue ($MM)	**$637**	**$776**	**$798**	**$943**	**$872**
Y/Y Growth	*87%*	*83%*	*77%*	*44%*	*37%*
Mobile Active Users (MAUs) (MM)	**288**	**325**	**376**	**432**	**488**
Y/Y Growth	*123%*	*110%*	*92%*	*76%*	*69%*
% of Total MAUs	*42%*	*44%*	*47%*	*51%*	*54%*
Annualized Ad ARPU ($)	**$3.96**	**$4.37**	**$4.15**	**$4.59**	**$4.00**
Y/Y Growth	*15%*	*18%*	*19%*	*1%*	*1%*
Q/Q Growth	*(13%)*	*11%*	*(5%)*	*11%*	*(13%)*

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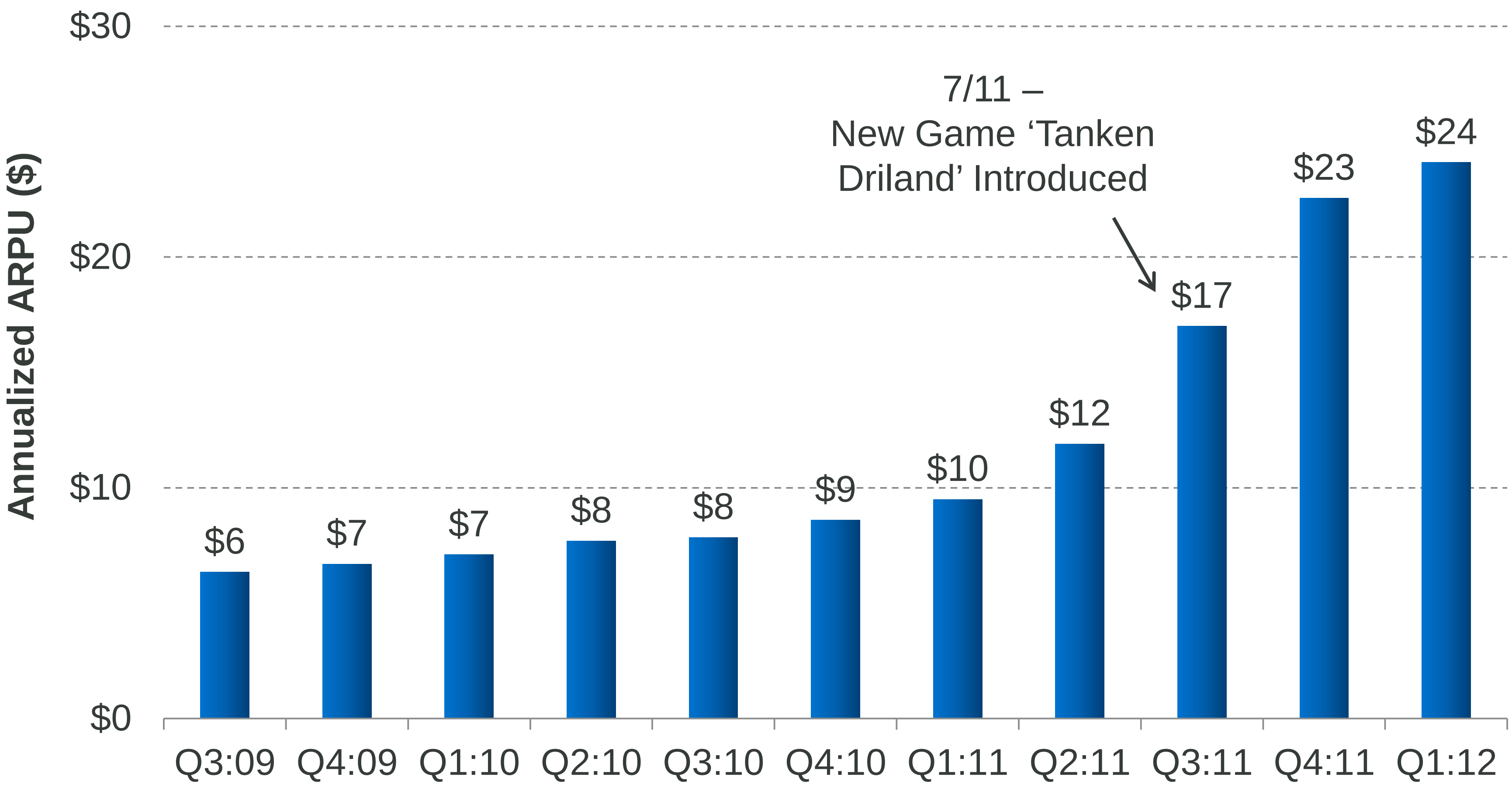
Source: Facebook S-1.

Good News = Mobile ARPU Can Rise Rapidly, as Evinced by Japan Mobile Game Maker GREE

GREE Annualized Mobile ARPU (per Registered Member), Q3:09 – Q1:12



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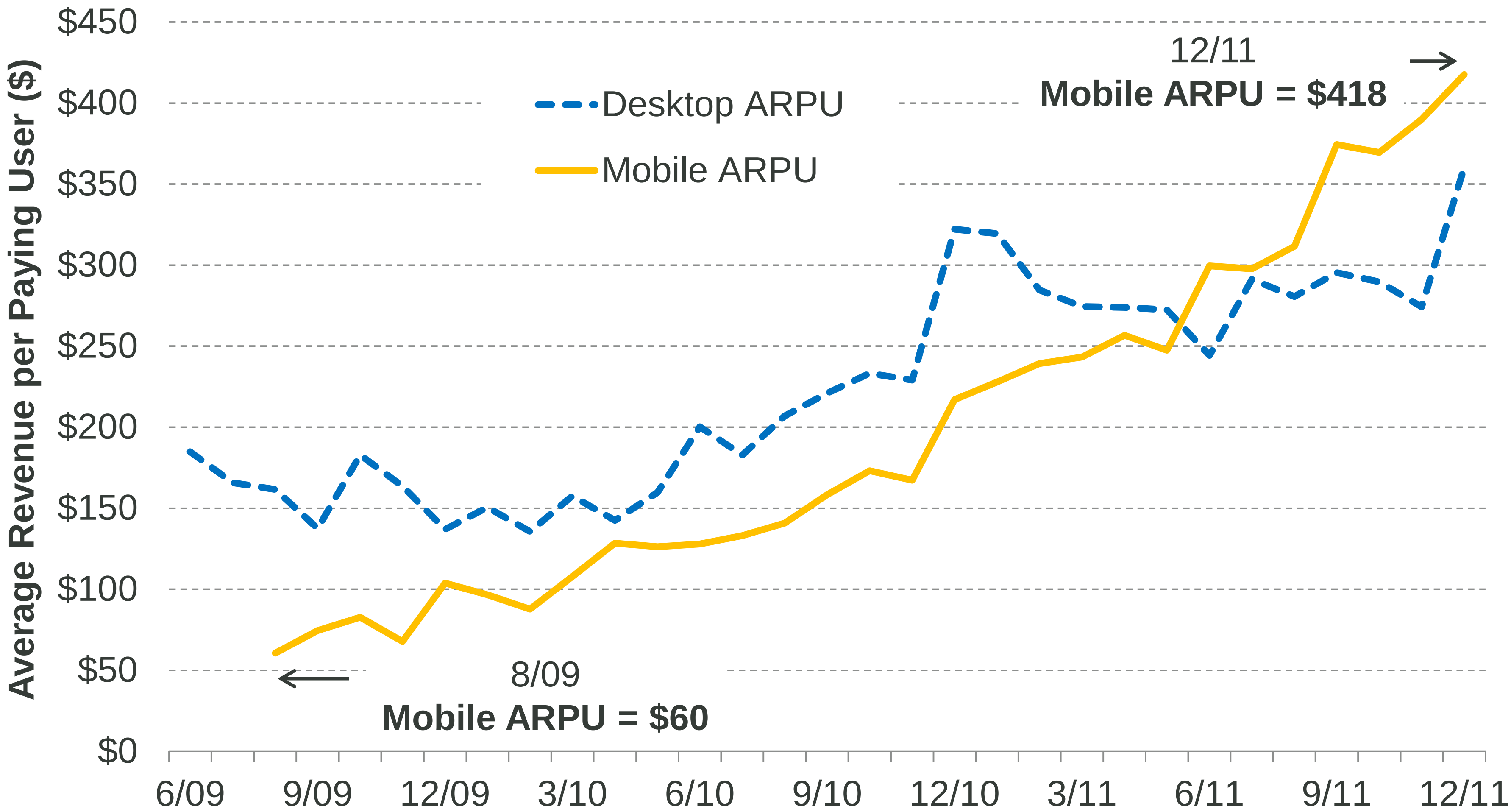
Note: GREE is a Japanese social / mobile gaming company. Source: GREE, Mia Nagasaka, Morgan Stanley Research.

Good News = Mobile ARPU Should Surpass Desktop ARPU, as Evinced by Japan Mobile Game Maker CyberAgent

CyberAgent Ameba Annualized ARPU* (Per Paying User), Desktop vs. Mobile, 6/09 – 12/11



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Note: CyberAgent is a Japanese social / mobile gaming company. *Users can purchase 1 AmeGold for 1 Japanese Yen. Users could also earn a small amount of AmeGold from completing certain in-game tasks. Source: CyberAgent.

Mobile Monetization Good News = Desktop Internet Proved Ad $ Follow Eyeballs, it Just Takes Time

	1995E	2011E
Global Internet Ad Revenue	$55MM	$73B
Ad Revenue per User	$9	$49
Global Internet Users	6MM	1.5B

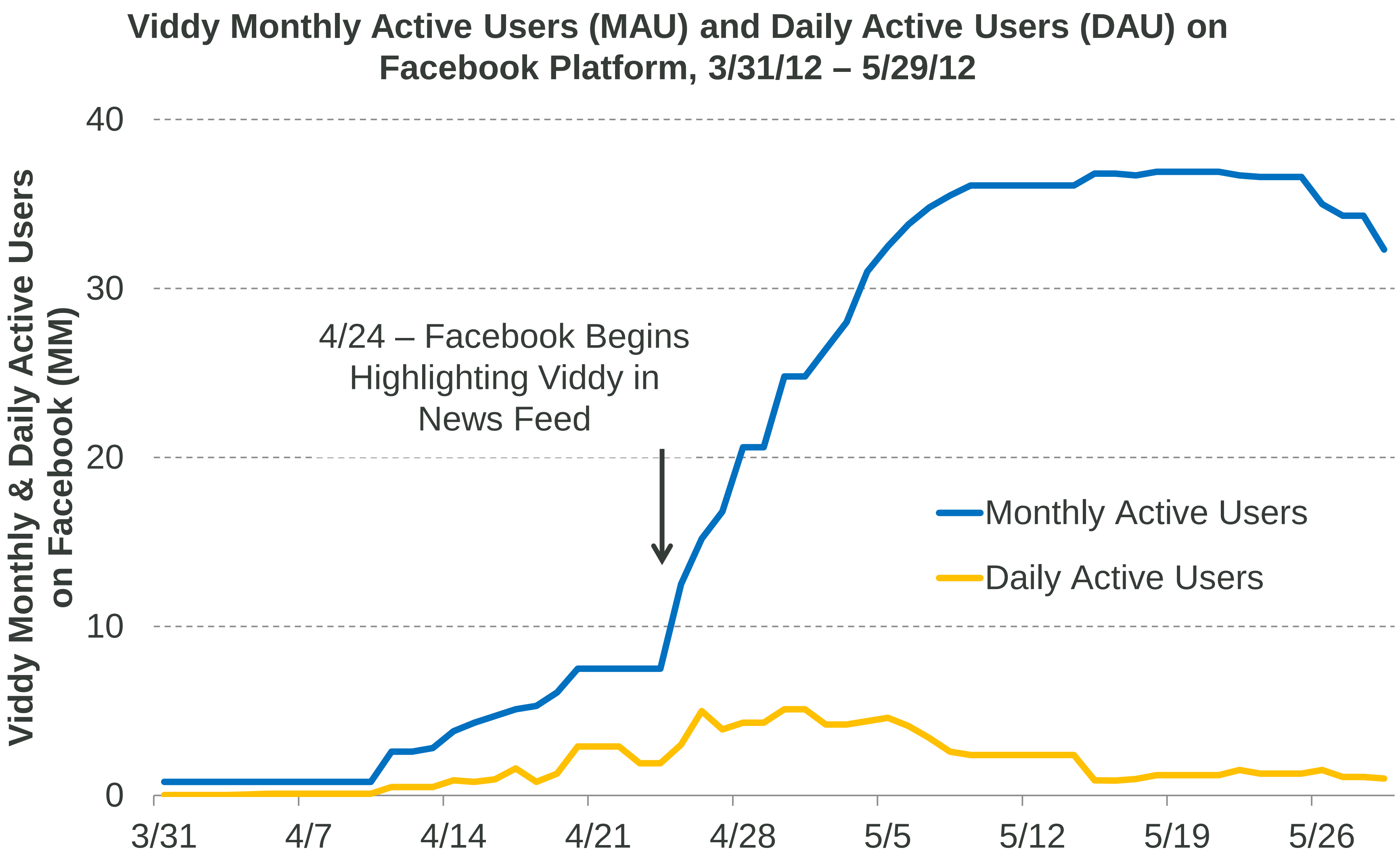
Mobile Monetization has More Going for It than Early Desktop Monetization Had:

- Very Rapid User Growth
- **App + In-App Monetization (44% of apps are free, 56% of apps priced at $3.77 average)**
- Rapid Growth of Mobile Commerce + Payment Systems
- **Large Number of Innovative Developers**
- **Broad Base of Sophisticated Advertisers + Marketers**
- **Highly Engaged Consumers Assisted by Social + Curation Tools**
- Rapid Acceptance of Two Device Platforms – Smartphones + Tablets
- 'Essential Utility' / Ultra Useful Apps Being Created
- **Lessons from Developed Mobile Markets like Japan – Using Japanese Market Pattern Recognition, Mobile Monetization Levels in USA Could Surpass Desktop Within 1-3 Years**

Source: Global online ad revenue per Jupiter Communications (1995), ZenithOptimedia (2011). Internet users per Morgan Stanley estimate (1995) and comScore (2011). We note that comScore reports a lower global Internet user # than International Telecommunications Union. App price data per 148apps / AppBrain.

PLATFORM FIRE HOSES

Facebook Open Graph Distribution –
Example of Onboarding 17MM New Users in 7 Days*!



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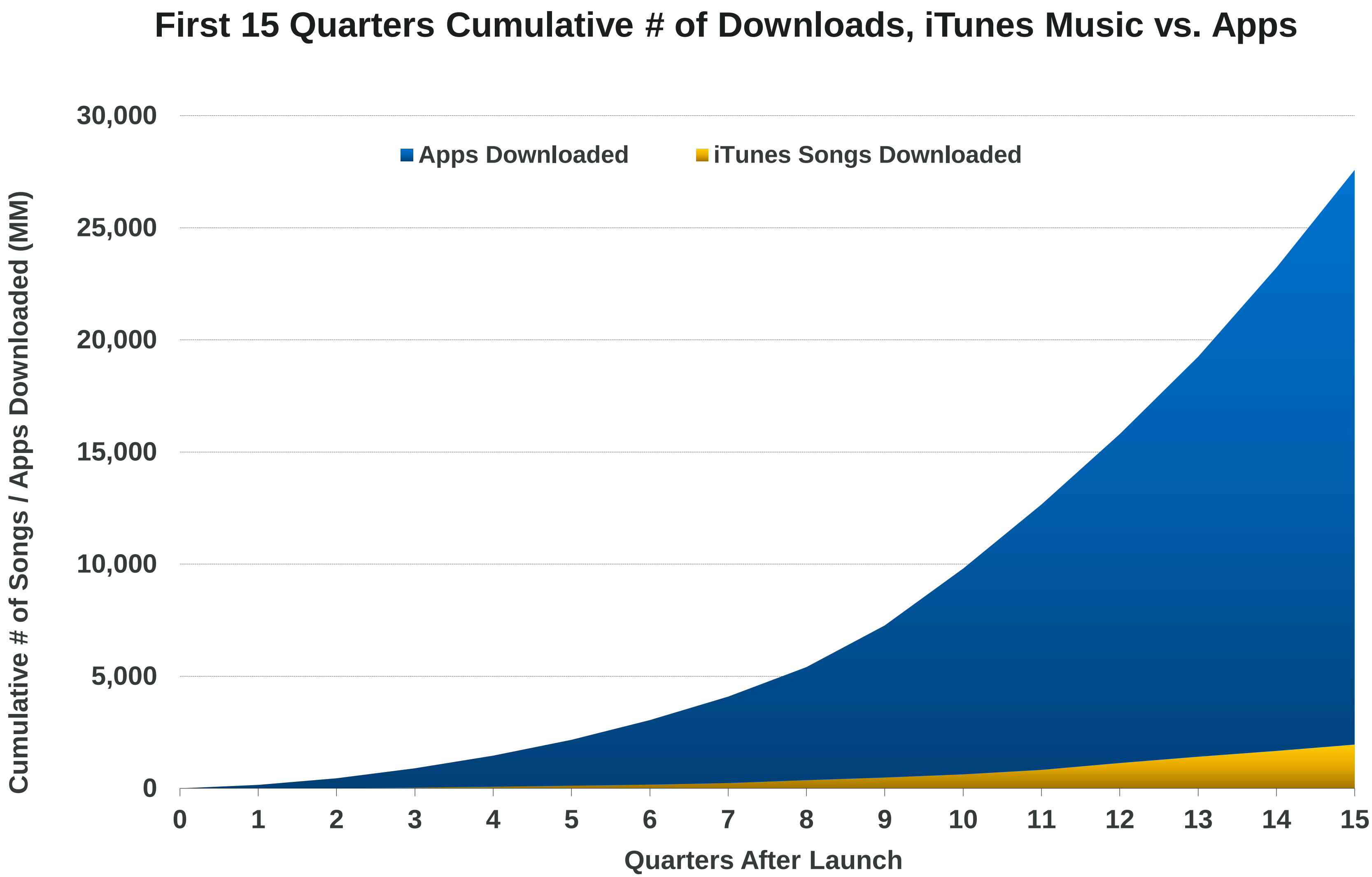
Note:* Viddy added 17MM new monthly active users between 4/24 (when Facebook began highlighting Viddy in the newsfeed) and 5/1.
Source: AppData.

Apple App Store Distribution –
iTunes App Store Driving 46MM+* Downloads per Day



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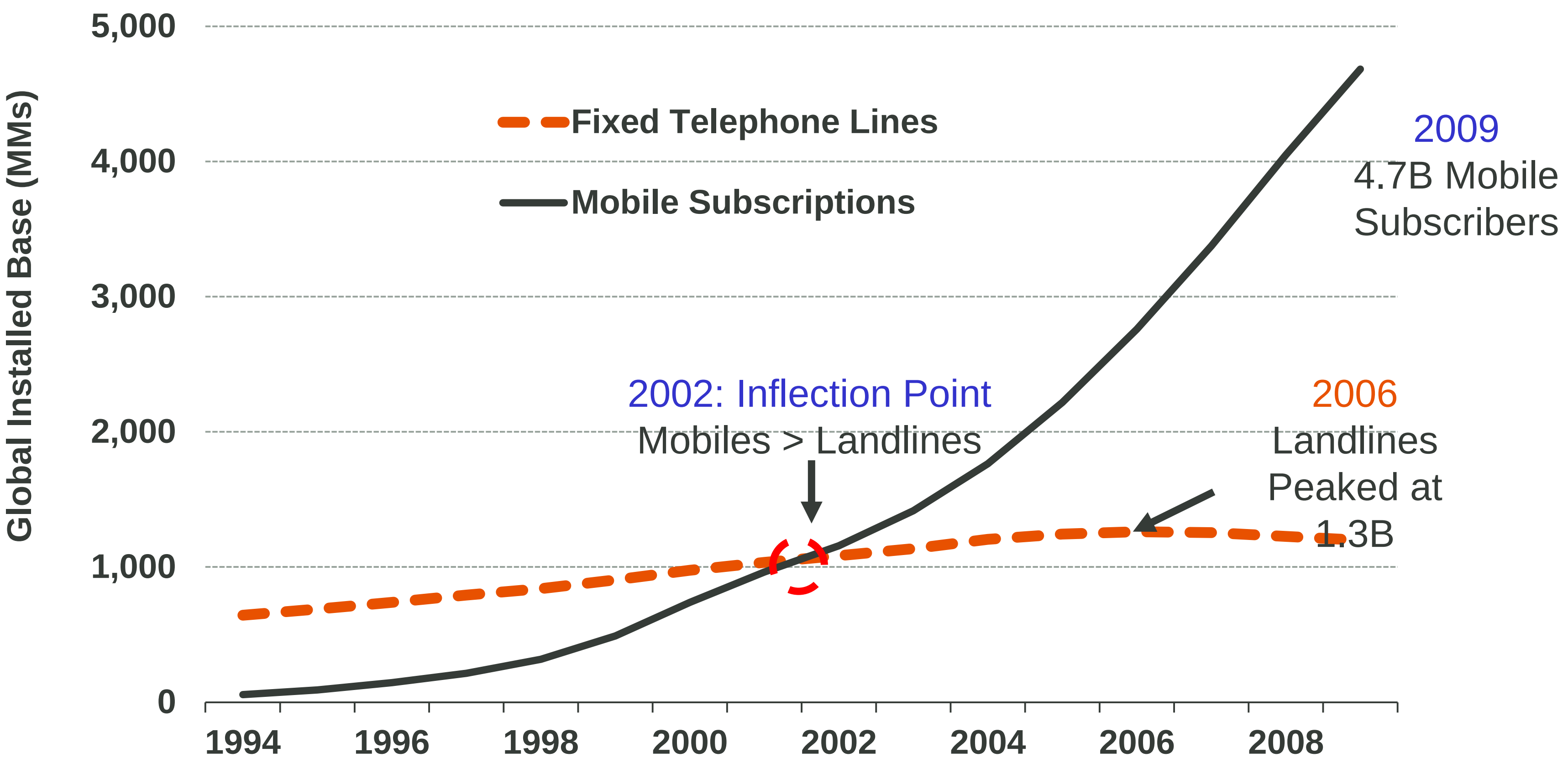
Note: * 46MM daily app downloads calculation based on days between Apple announced milestones (18B downloads as of 10/4/11 and 25B downloads as of 3/5/12). iTunes Music store launched in CQ2:03, App Store launched in CQ3:08. Source: KPCB estimates based on Apple data, as of CQ1:12.

RE-IMAGINATION OF NEARLY EVERYTHING* – POWERED BY NEW DEVICES + CONNECTIVITY + UI + BEAUTY – WHERE WE ARE NOW…

*Note that this section includes more slides than were presented at D10 Conference, May 30, 2012.

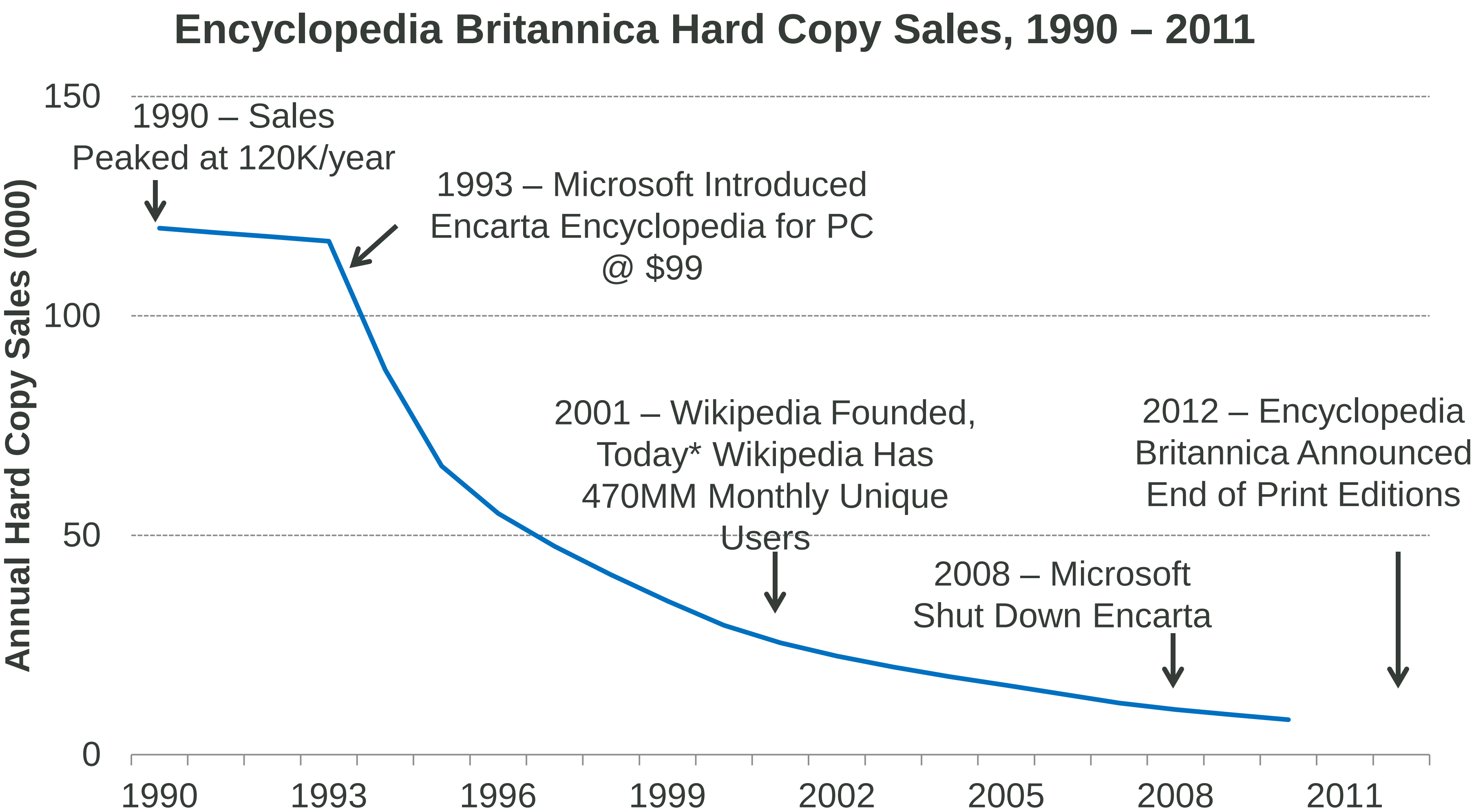
First Generation of Re-Imagination - After 125 Years, Landlines Were Surpassed by Mobiles in 2002

Global Fixed Telephone Lines vs. Mobile Subscriptions, 1994 - 2009



Source: International Telecommunications Union.

First Generation of Re-Imagination – After 244 Years, Encyclopedia Britannica is Going Out of Print in 2012



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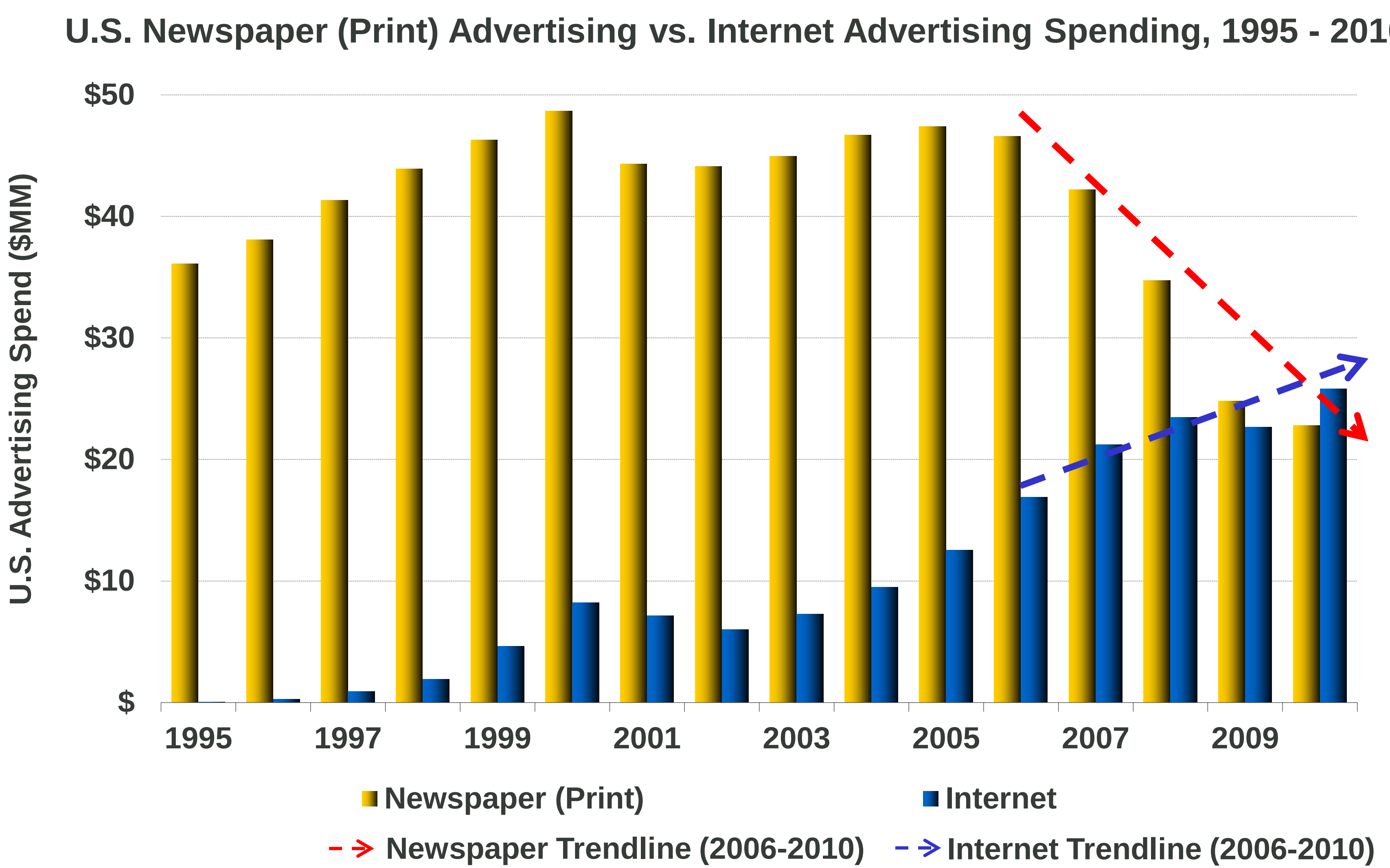
Note: *as of 4/12, per comScore global data.
Source: Kellog School of Management, Shane Greenstein and Michelle Devereux, “The Crisis at Encyclopedia Britannica.”

First Generation of Re-Imagination – After 305 Years,* Newspaper Ad Revenue Was Surpassed by Internet in 2010



Note: *America's first newspaper ad appeared in 1704 in a Boston local newspaper, per AdAge. Internet advertising includes online newspaper advertising. Source: Print newspaper ad spending per Newspaper Association of America (NAA); Internet ad spending per Interactive Advertising Bureau (IAB).

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Re-Imagination of Computing Devices…

THEN…
(Desktops / Notebooks)

NOW…
(Tablets / Smartphones)

Re-Imagination of Connectivity…

THEN…

NOW…

…Re-Imagination of Connectivity

We hope to rewire the way people spread and consume information…We think a more open and connected world will help create a stronger economy with more authentic businesses that build better products and services.

\- Mark Zuckerberg, Founder / CEO, Facebook
Letter to Potential Shareholders, May 2012

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Re-Imagination of Life Stories…

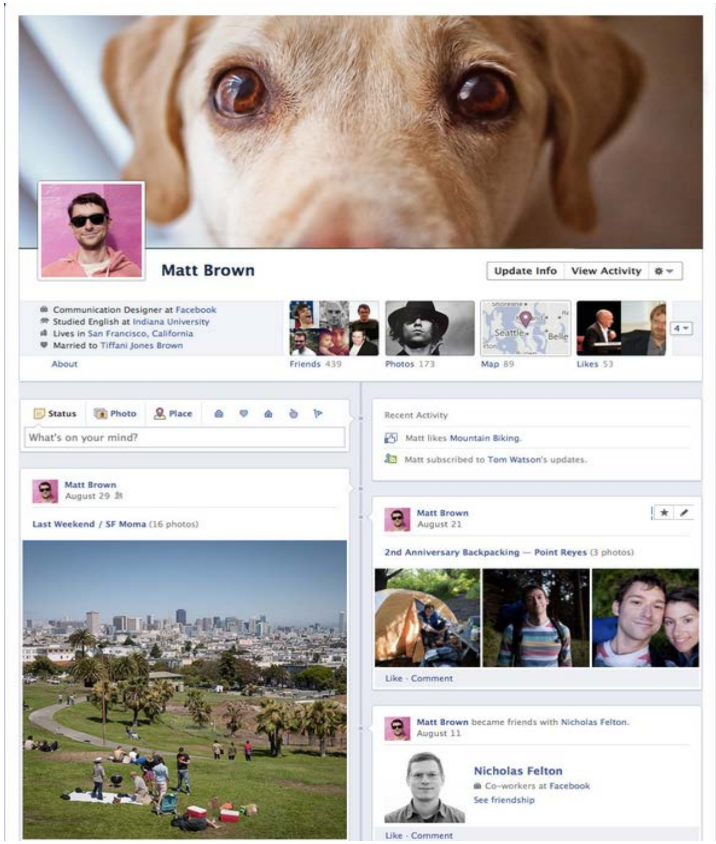
THEN…

Biographies / Item Exhibitions For Famous People or Loved Ones

NOW…

(Facebook Timeline)

Broad Personalized Media Discovery Feed / Automatically Created / Widely Accessible



Re-Imagination of News + Information Flow…

THEN…

Delayed / Dedicated Reporters + Cameramen / Regional or National Reach

NOW…

(Twitter)

Real-Time / Citizen Reporting via Mobile Devices / Global Reach

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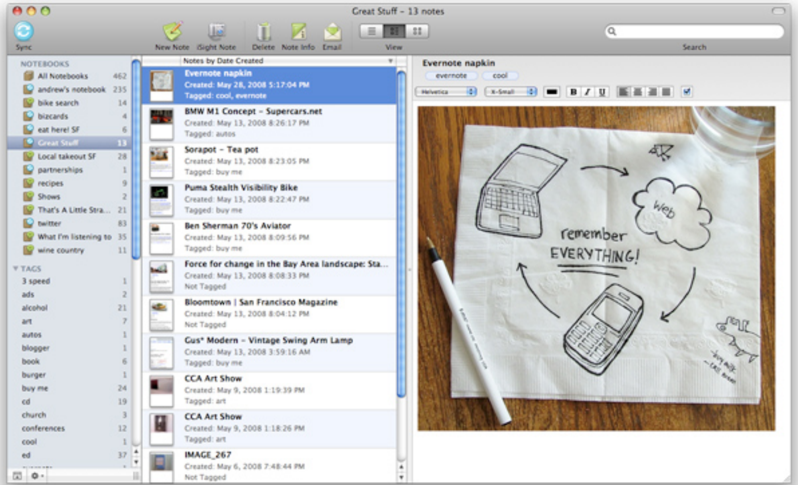
Re-Imagination of Note Taking…

THEN…

Pencil + Notepad

NOW…

(Evernote)
Always Synced / Multi-Device /
Picture + Audio Enabled / Searchable



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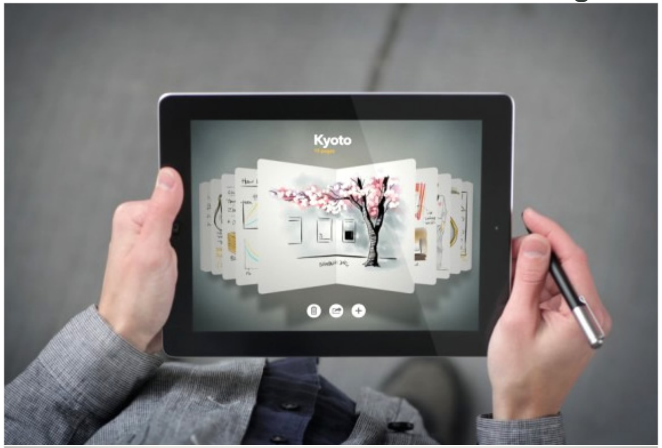
Re-Imagination of Drawing…

THEN…

Dedicated Canvas / Paint Supplies / Studios / Limited Distribution

NOW…

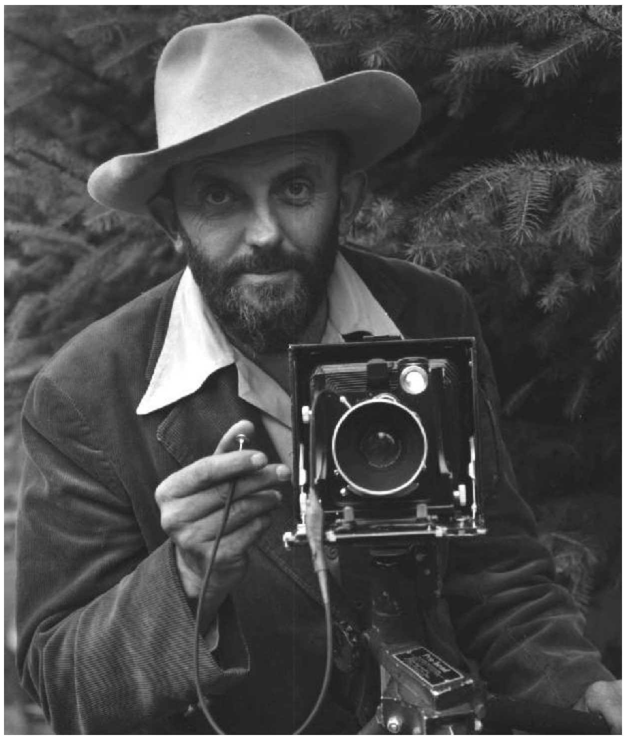
(Paper by Fiftythree…)
Reusable Canvas (Screen) / Creating Art Anywhere Anytime / Digitally Enhanced Creation Tools / Instant Sharing



Re-Imagination of Photography…

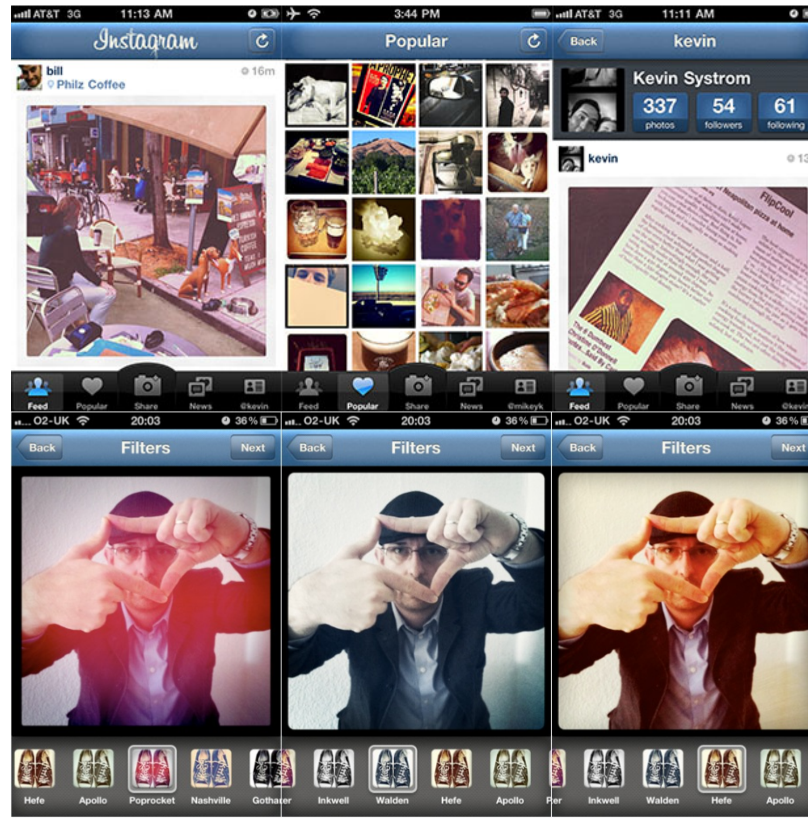
THEN…

Dedicated Camera / Manually
Transfer Digital Files / Develop Films



NOW…

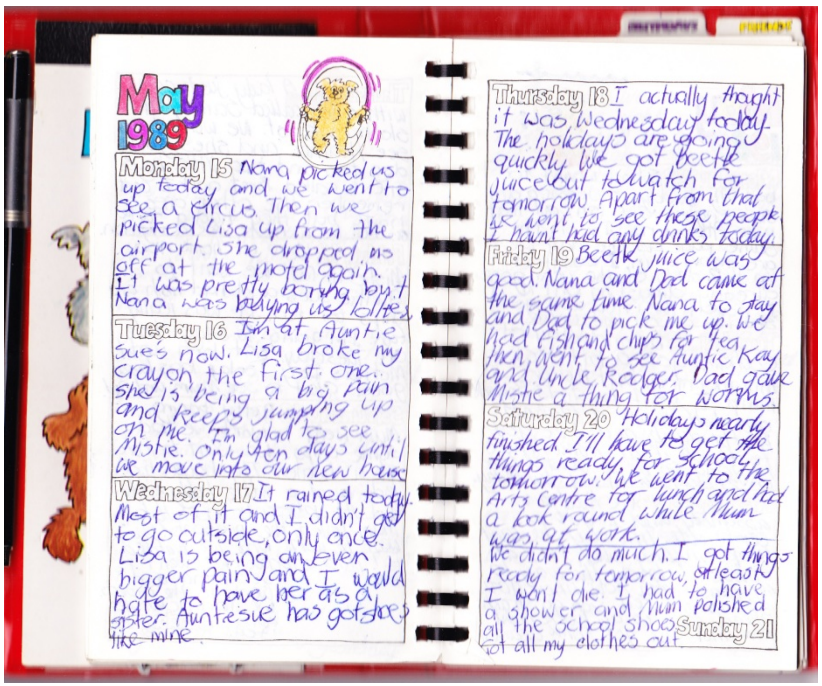
(Instagr.am / Camera+ / Hipstamatic…)
Always With You Camera (Smartphone) /
Instant Digital Effects / Share / Sync / Discover



Re-Imagination of Diaries…

THEN…

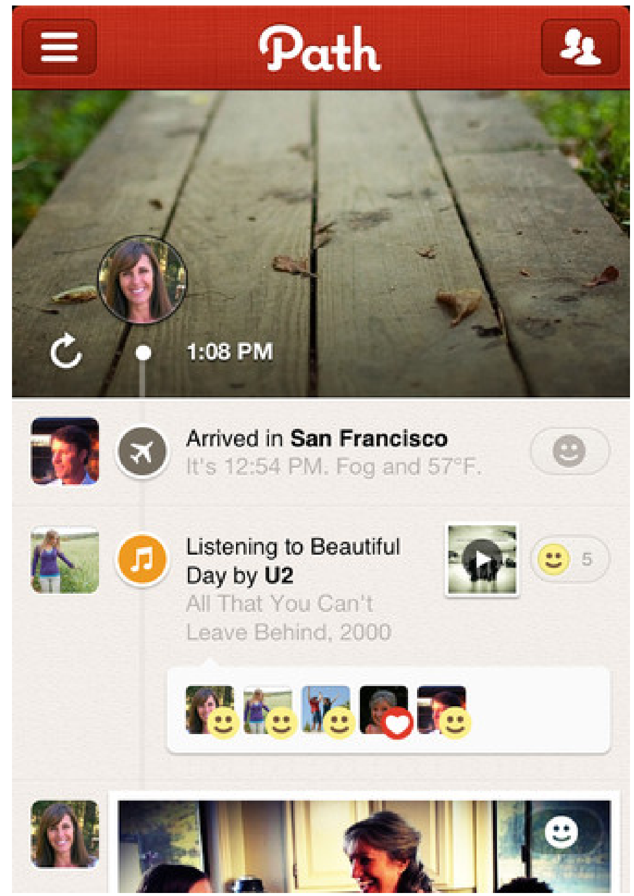
Hand-Written / Drawn



NOW…

(Path)

One-Tap to Add Entry / Multimedia / Location-Aware / Share / Search



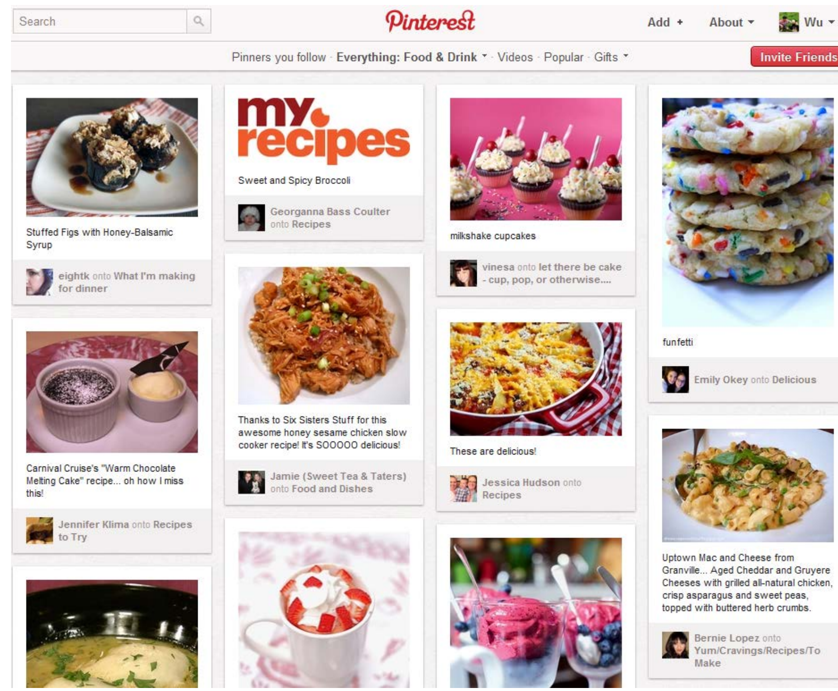
Re-Imagination of Scrapbooking / Aspiration…

THEN…

Paper / Scissors / Glue

NOW…

(Pinterest)
One-Click to Pin / Share / Follow / Always Accessible



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Re-Imagination of Magazines…

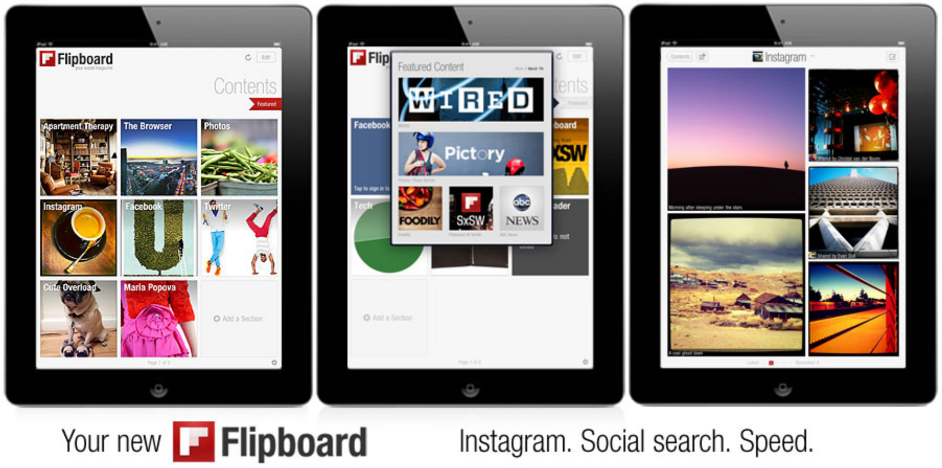
THEN…

Piles of Print Copies

NOW…

(Flipboard)

More Content / Always Up-To-Date / Personalized / Access Everywhere / Interactive (Video + Audio) / Share



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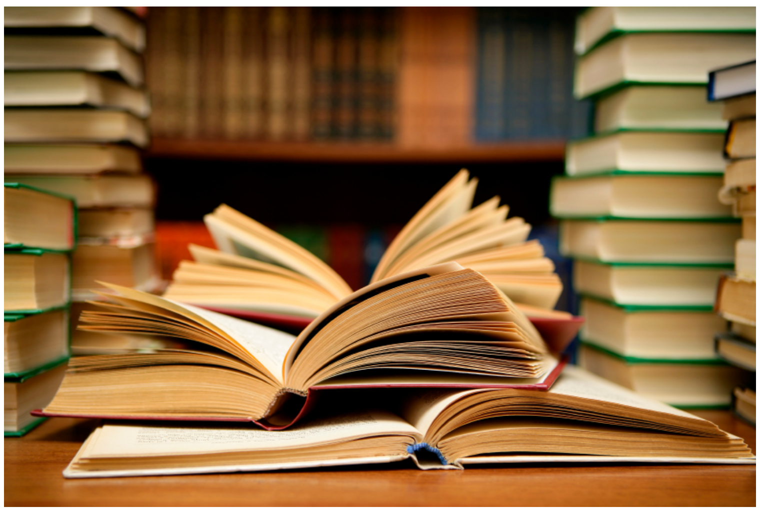
Re-Imagination of Books…

THEN…



NOW…

(Amazon Kindle / Apple iBooks)

Re-Imagination of Music…

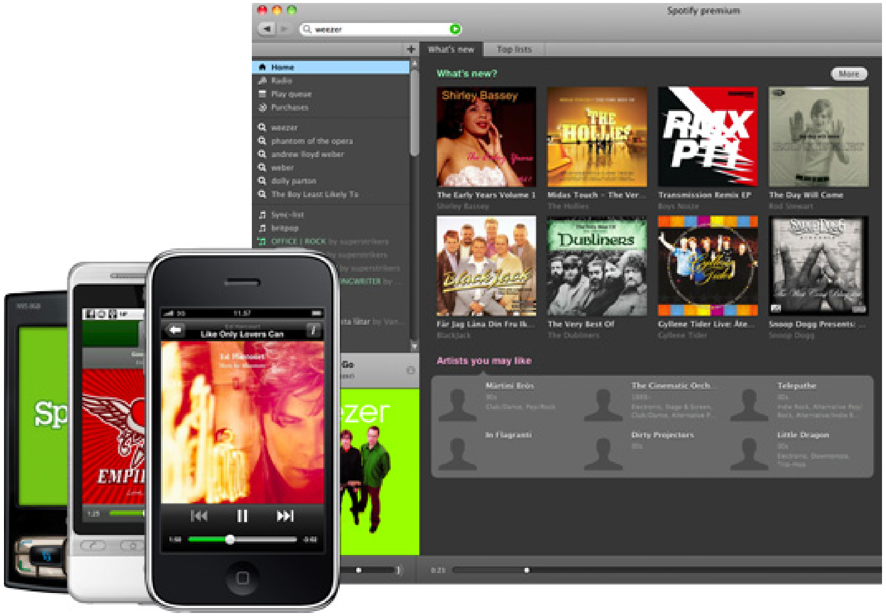
THEN…

Buy Albums + CDs in Stores /
Playback via Dedicated Players

NOW…

(Spotify…)

Discovery of Music Through Friends + Experts /
Instant On-Demand Streaming on Internet-Enabled Devices



Re-Imagination of Sound…

THEN…

Tape Recorder / Hard to Edit / Share

NOW…

(SoundCloud)

Record / Edit / Upload / Playback Anywhere / Anytime / On Any Device / Playlist sharing / Discovery

Re-Imagination of Artists / Concerts…

THEN…

Big Screen Tributes

NOW…

(Tupac @ Coachella…)

3D / Life-Like / Programmable Hologram / Bringing Past Icons Back to Life

Re-Imagination of Video…

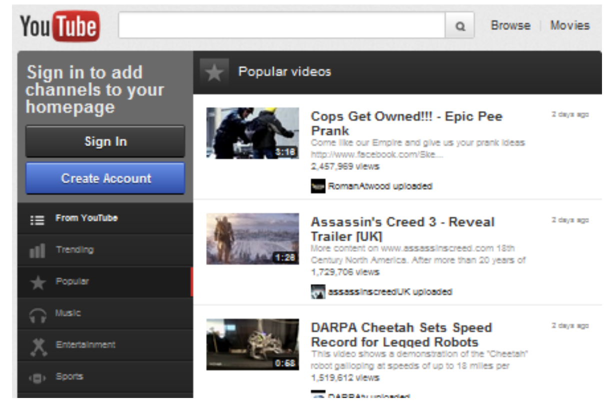
THEN…

Physical Retail / Rental Stores

NOW…

(YouTube / Netflix…)

On-Demand / Instant Streaming / Accessible Everywhere



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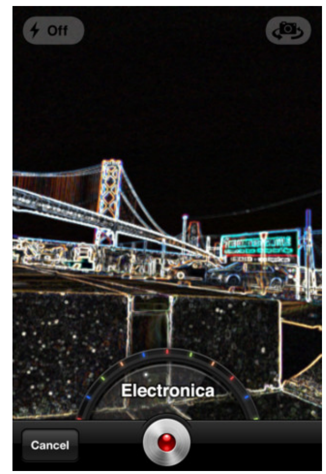
Re-Imagination of Video Creation / Production…

THEN…

Dedicated Set / Camera / Lighting / Editing Equipment

NOW…

(SocialCam / Viddy / GoPro…)
Live Digital Effects / Wearable Recording Device / Real-Time Upload / Discovery



Re-Imagination of Distribution + Monetization for 'Talent'…

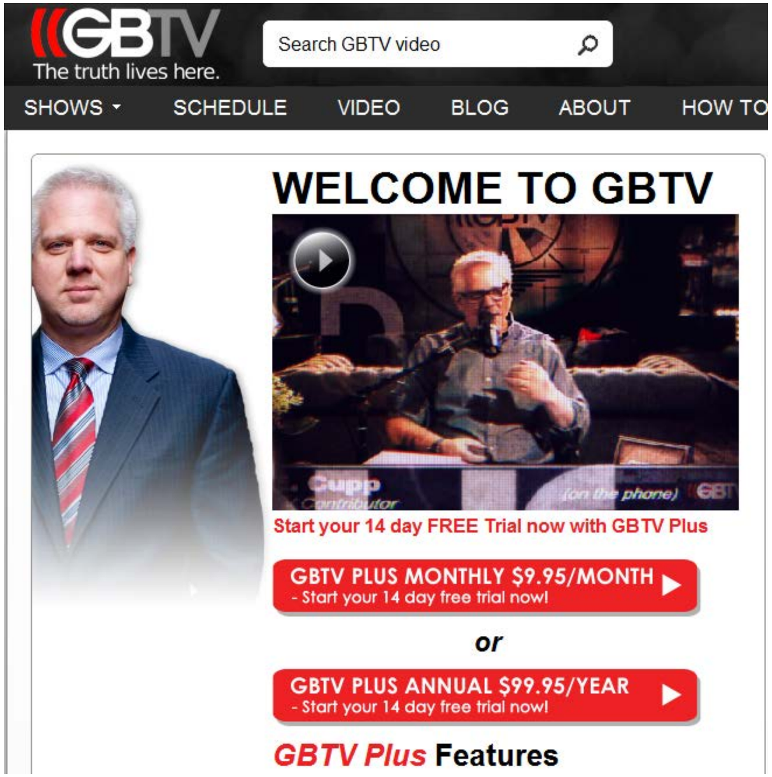
THEN…

(Glenn Beck on Fox News)

NOW…

(GBTV - Digital)

With 300K Subscribers + Lower Production Costs, GB Making Materially More Money



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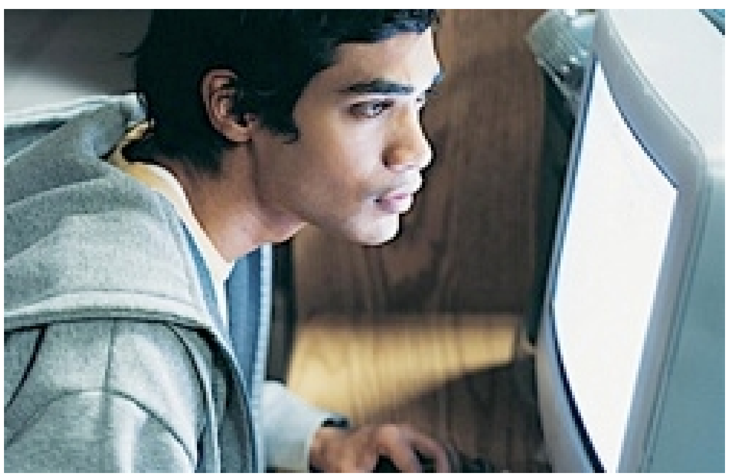
Re-Imagination of Home Entertainment…

THEN…

Lean Back / Lean Forward



NOW…

(Chill…)

Curl Up – Visual Layout / Social Discovery / Distribution / Interaction

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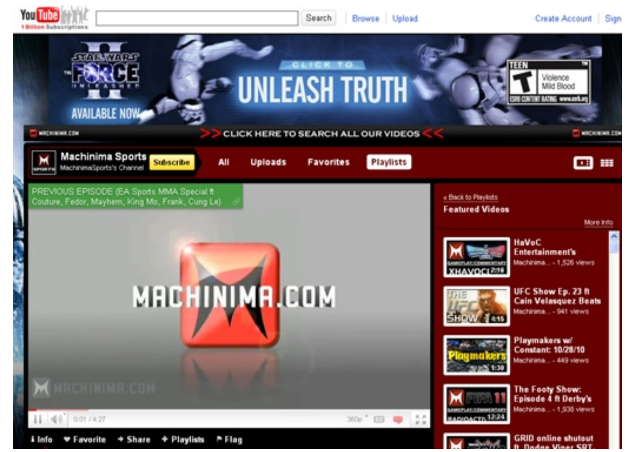
Re-Imagination of TV…

THEN…

Linear Programming / Pre-Set Channels / Little Control Over Content

NOW…

(YouTube Channels / Bleacher Team Stream…)
On Demand Personalized Content on Big Screen



Re-Imagination of Communication…

THEN…

Dedicated Devices / Limited
Function & Range / Intrusive

NOW…

(Voxer…)
Push-To-Talk / Voice Message /
Picture / Text / Location / Group Chat

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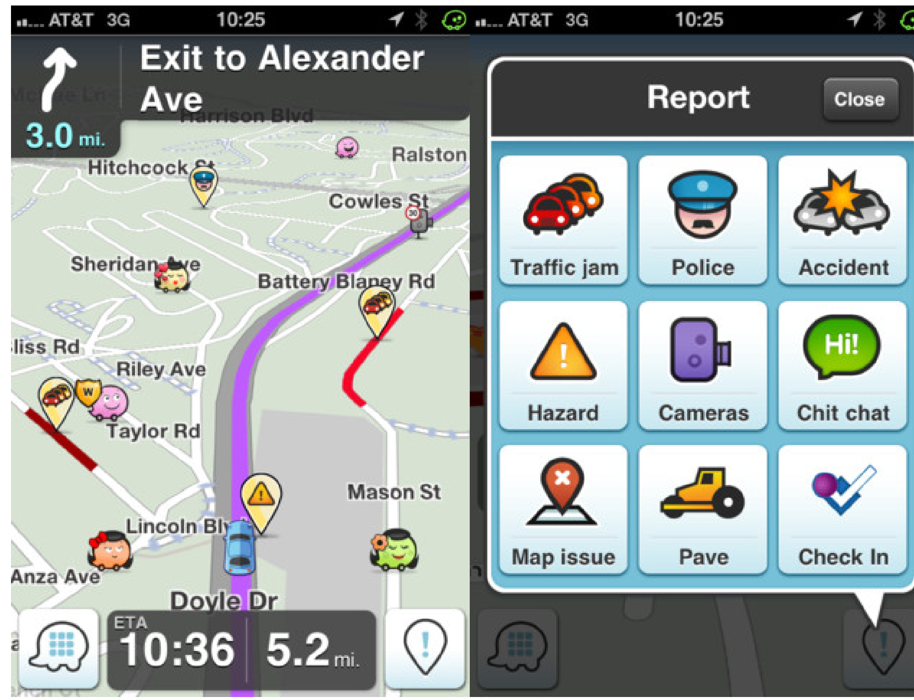
Re-Imagination of Navigation + Live Traffic Info…

THEN…

Physical Copies of Map in Car /
TV, Radio Reporting of Traffic Info

NOW…

(Waze)
User-Generated Digital Map /
Live Crowd-Sourced Traffic Data



Re-Imagination of Sports Info…

THEN…

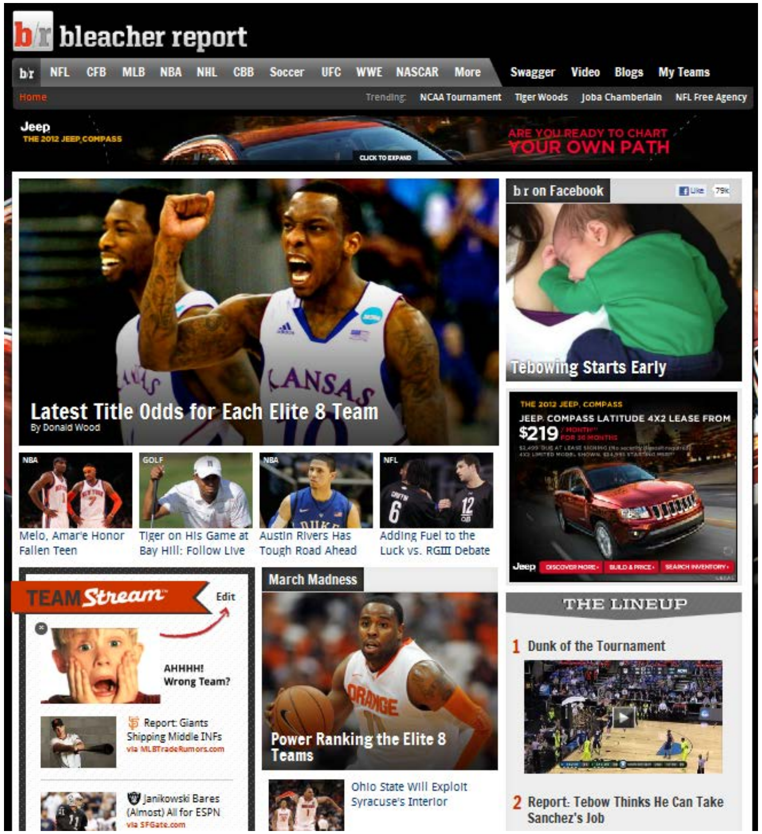
Professional Commentators / Reporters / Limited Coverage & Reach


THE MINNESOTA DAILY
SPORTS
MONDAY
BASEBALL
U wins 3 of 4 from Boilermakers
WEEKEND REVIEW
ROWING
Gophers take 5th at Big Ten meet
SOFTBALL
Split decision: U sees both sides

NOW…

(Bleacher Report)

Anyone Can Be a Contributor / Opinion-Oriented Analysis / Multimedia / Social & Mobile Enabled



Re-Imagination of Home Improvement…

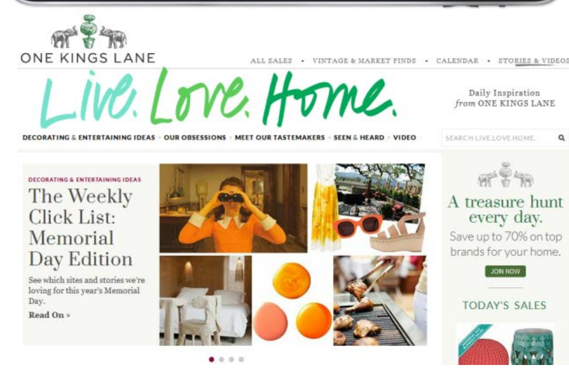
THEN…

Magazines / Cable TV Channels / Limited Interaction With Consumers

HGTV
START AT HOME

NOW…

(Houzz / One Kings Lane…)
Communication Platform for Designers & Consumers / Share / Discover & Click-And-Buy



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Re-Imagination of Calling a Cab…

THEN…

Long Lines During Rush Hours / Rain / Some Areas May Not Have Taxis Roaming on Streets

NOW…

(Uber)
One-Tap Taxi Call / Location-Aware / Electronic Payment

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Re-Imagination of Cars…

THEN…

Gasoline / Diesel Powered Internal Combustion Engine With Exhaust

NOW…

(Hybrid / Electric Cars)

Plug-in Electrical Powertrain / Regenerative Break / Solar Panel Roof / Little-to-Zero Emission

Re-Imagination of Yellow Pages…

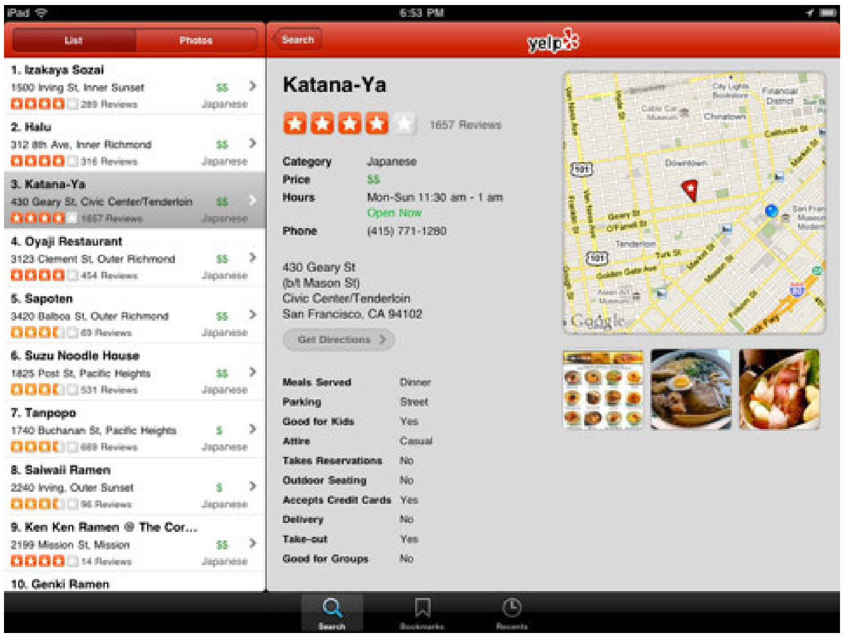
THEN…

Big Heavy Printed Business Listings / No Reviews / No Easy Search Feature

NOW…

(Yelp…)

User Reviews / Pictures / Recommendations / Location-Aware / Easily Searchable



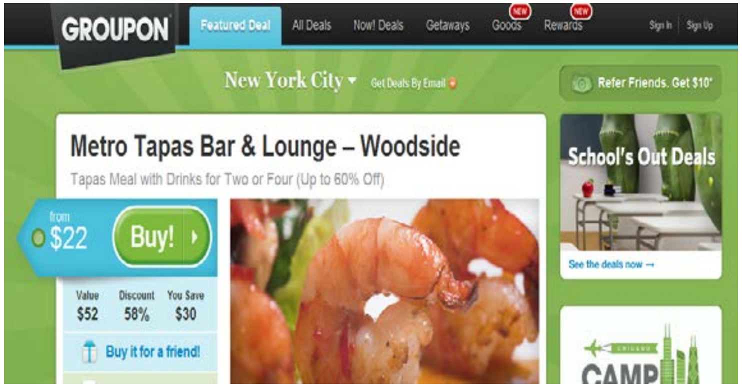
Re-Imagination of Coupons + Local Services…

THEN…

Non-Personalized / Smaller Discounts / Easily Lost or Forgotten

NOW…

(Groupon…)
Personalized / Location-Aware / Instant Deals / Group-buying Discount



Re-Imagination of Getting Food Quickly…

THEN…

Permanent Store Locations

NOW…

(Kogi Food Truck…)
~100K Twitter Followers /
Real-Time Location Updates

Re-Imagination of Cash Registers…

THEN…

Big + Odd Looking Machines /
Receipt Printers Cash Drawers

NOW…

(Square)
Simple + Elegant Tablet + Square Reader /
Email Receipts / Touch Signing

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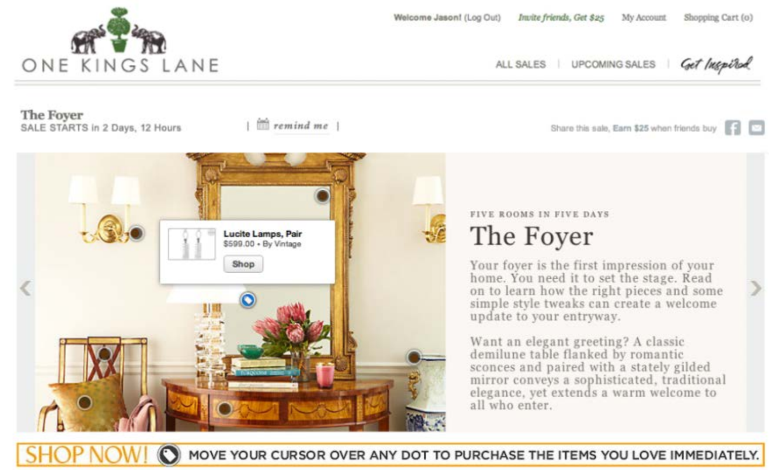
Re-Imagination of Window Shopping…

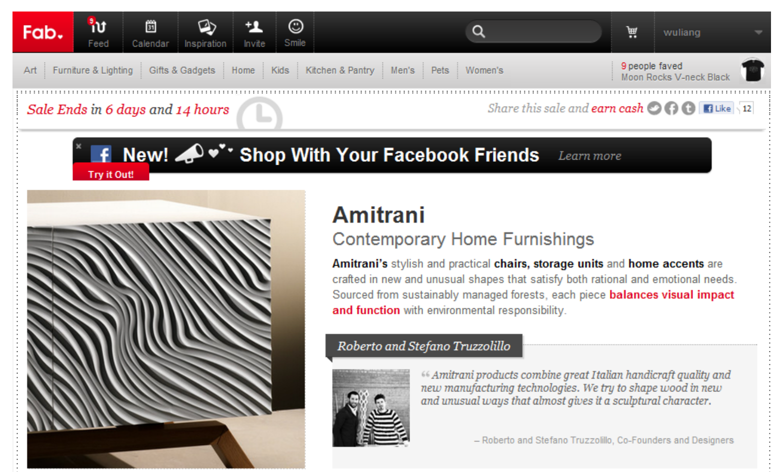
THEN…

NOW…

(One Kings Lane / Fab)

Click & Buy





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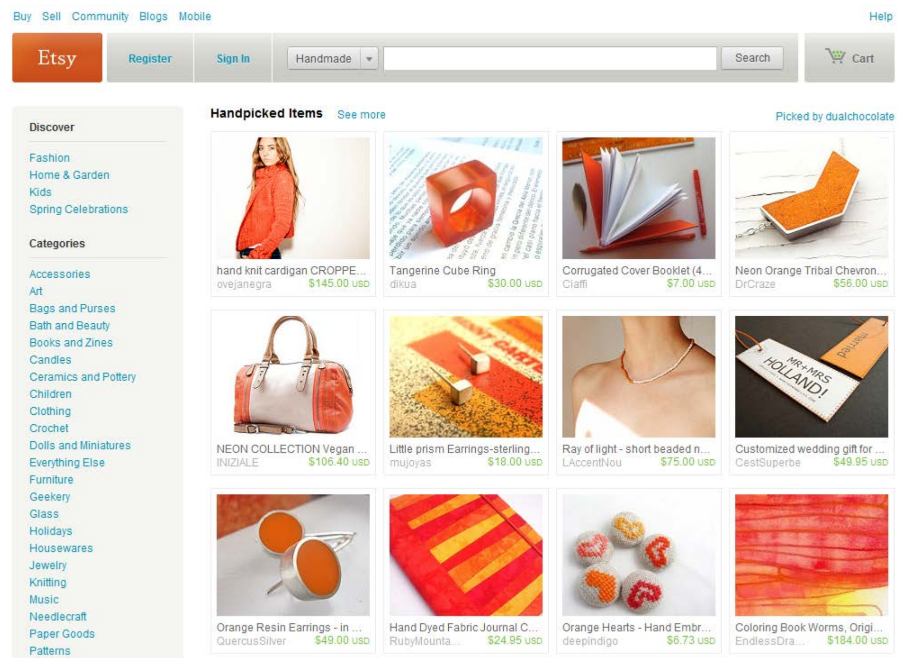
Re-Imagination of Marketplaces…

THEN…

Tent + Pickup Truck @
Street Fairs

NOW…

(Etsy)
Integrated Platform For Listings / Advertising / Payment / Inventory Management



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Re-Imagination of Manufacturing…

THEN…

Mass Production of High-Volume Standardized Items

NOW…

(Zazzle / Shapeways)

Customized / Personalized Design / 3D Printing Process

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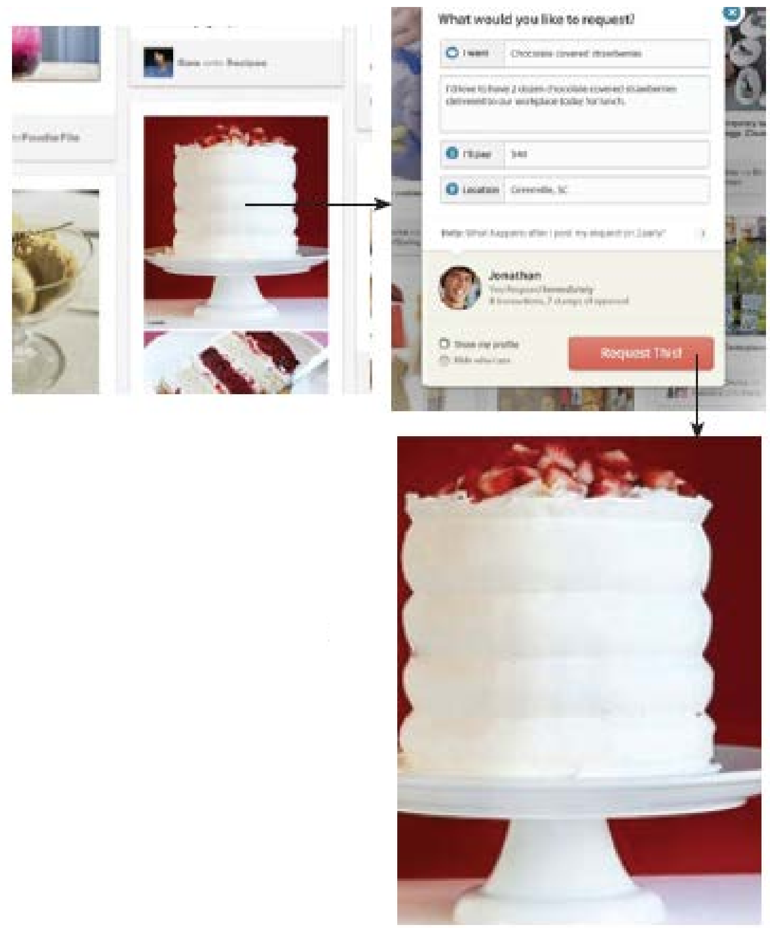
Re-Imagination of Instant Gratification / Personal Services...

THEN…

Mass Production of High-Volume
Standardized Items

NOW…

(Zaarly / TaskRabbit / Fiverr)
One Click & Delivered to You



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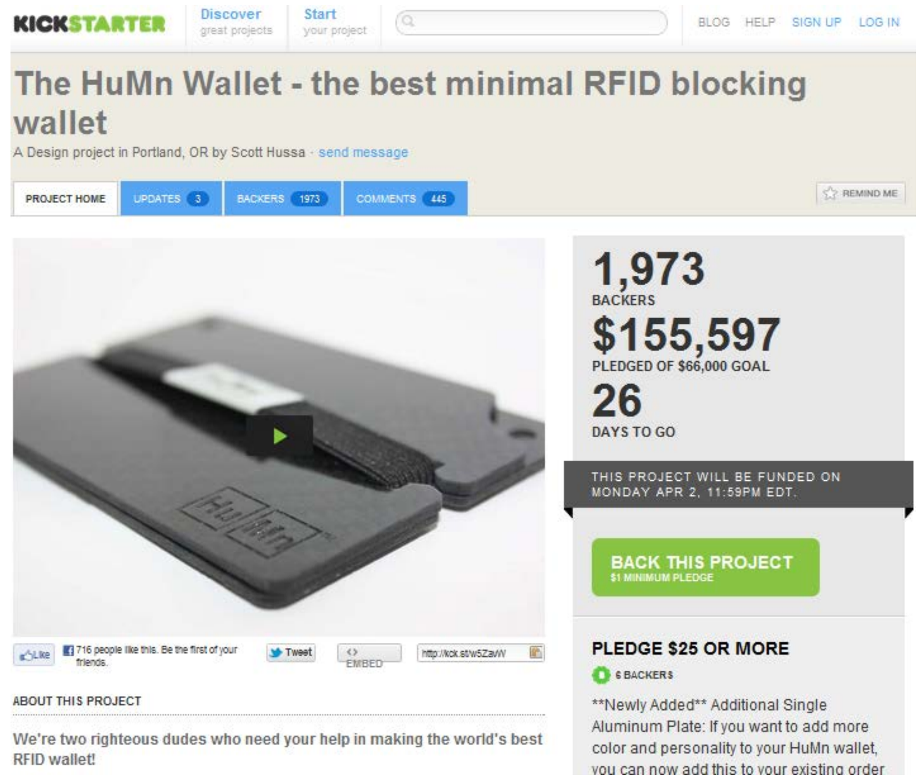
Re-Imagination of Idea Building / Funding…

THEN…

Flyers / Loudspeakers / Dinners / Checks

NOW…

(KickStarter)
Online / Social Distribution /
Real-Time Progress



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Re-Imagination of Personal Borrowing / Lending…

THEN…

Borrowers – Paper Application / Lengthy Approval Process / High Interest Rates
Investors – Little Access For Retail Investors / No Customization Based on Risk Tolerance

NOW…

(Lending Club…)
Borrowers – Online Application / Funded in Days / Lower Interest Rates
Investors – Easy Customization / Diversification / Better Returns

Apply online in minutes

Get Funded in a few days

Make fixed monthly payments

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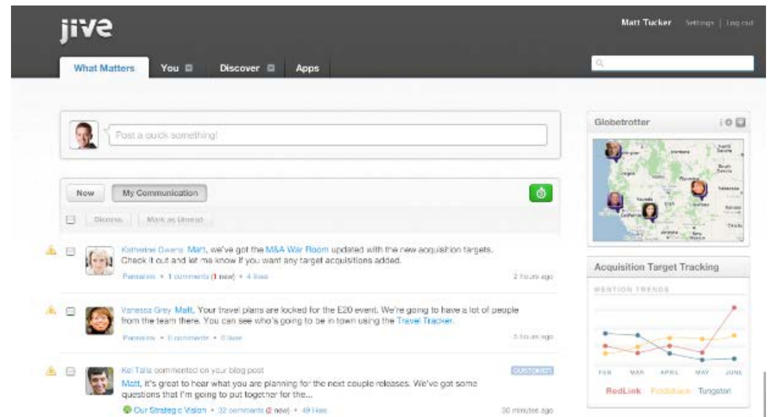
Re-Imagination of Business Collaboration…

THEN…

Meetings / Whiteboards / Teleconferences

NOW…

(Salesforce.com / Yammer / Jive…)
Online Working Groups / Data Sharing / Instant Messages



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Re-Imagination of Recruiting / Hiring…

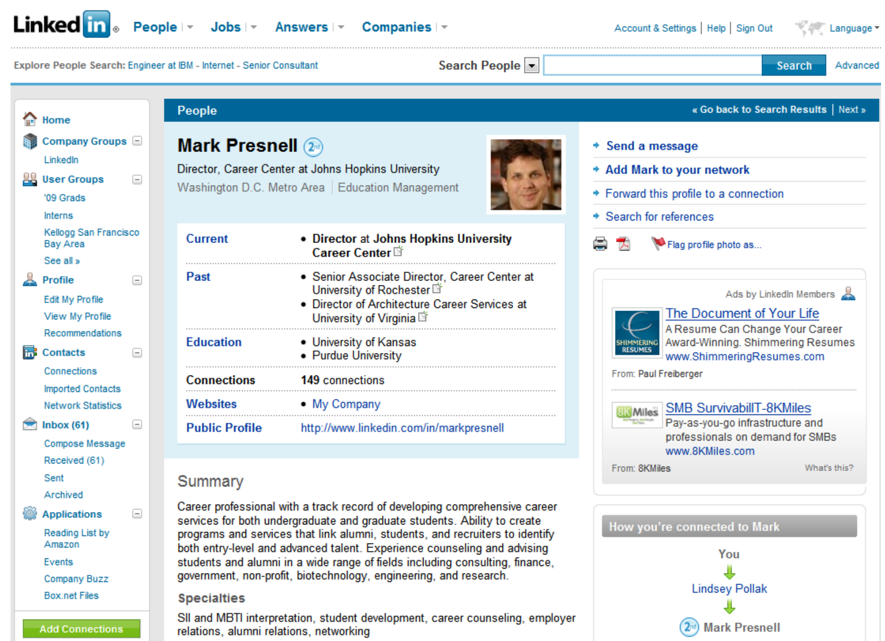
THEN…

Job Fairs / Campus Recruiting Events / Paper Resumes

NOW…

(LinkedIn)

Online Resumes / Social Relevancy For Recruiters / Searchable Skill Sets / Endorsements / Recommendations



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Re-Imagination of Focus Groups…

THEN…

Fixed Time / Location / Small Group /
No Real-Time Feedback

NOW…

(Affectiva)
Real-Time Video Emotion Detection +
Analysis / Effortless Participation / Data Capture /
'Moodometer'

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Re-Imagination of Data…

THEN…

Store Everything Because We Can Do It Inexpensively

SOON…

Data Obesity / Data Quality Issues
How To Find a Needle in a Haystack?

Source: Mike Abbot, KPCB.

Re-Imagination of Signatures…

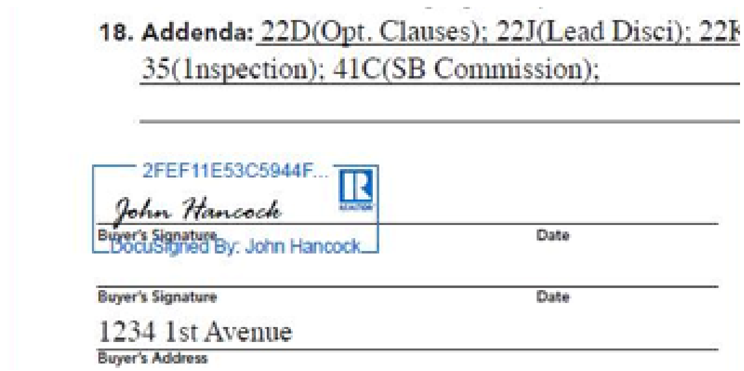
THEN…

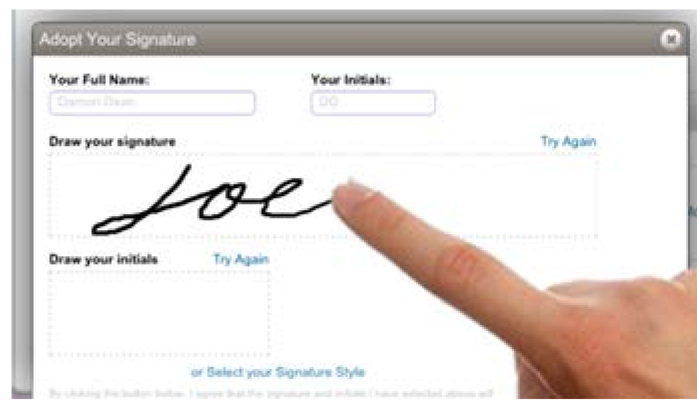
Scan / Fax / Mail to Return Signature Page

NOW…

(DocuSign)

Electronic Documents / Secure Audit Trail / Instant E-Signature

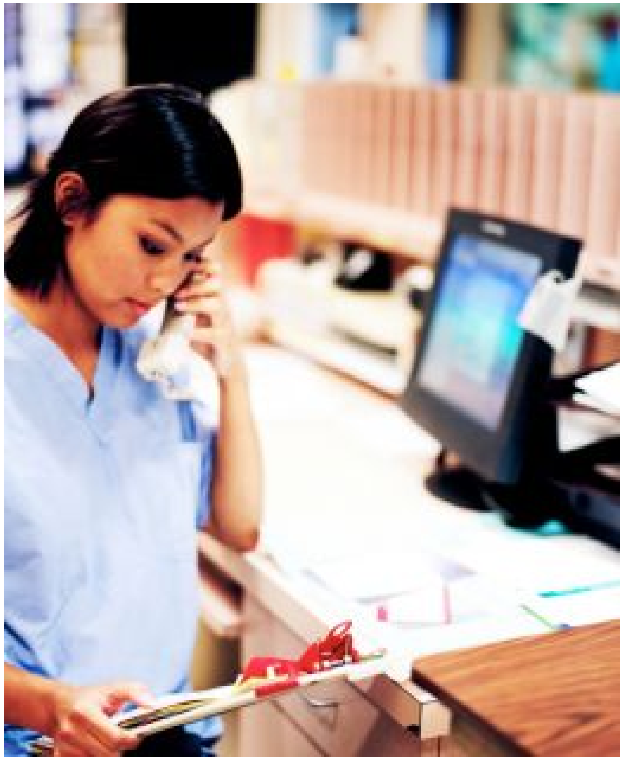




Re-Imagination of Healthcare Access…

THEN…

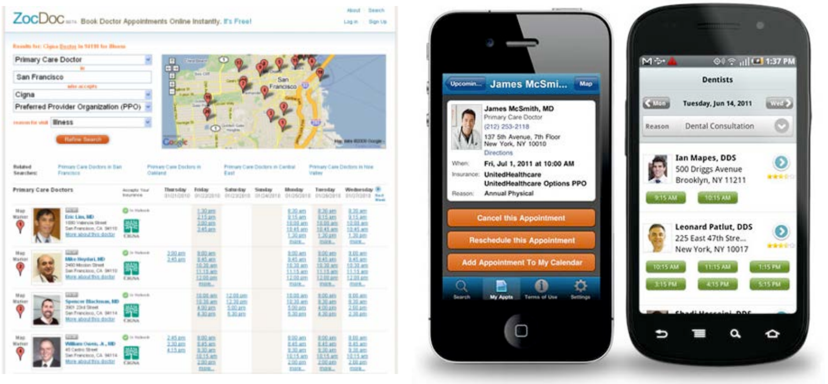
Call to Make Appointments / Days or Weeks to See Doctors

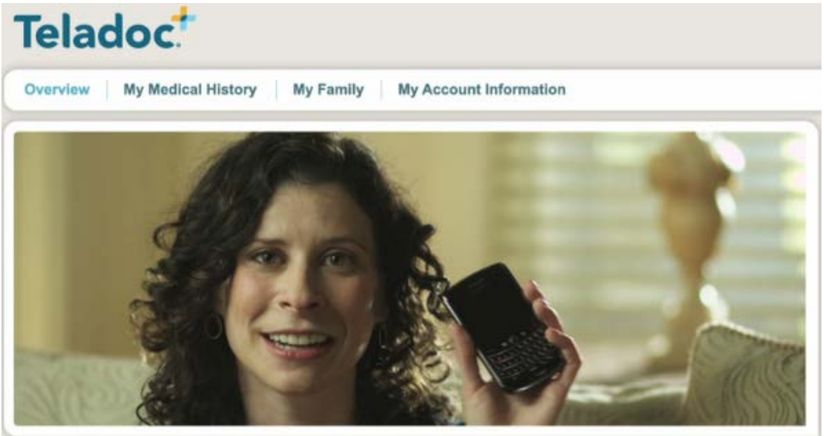


NOW…

(ZocDoc / Teladoc)

On-Demand Access to Doctors in Minutes or Same Day / In Person or Via Phone Video Call





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Re-Imagination of Learning…

THEN…

NOW…

From learning by listening to learning by doing… Education and learning will become as much fun as videogames. And we call it ‘full body learning.’

- Bing Gordon
  Partner, KPCB

KPCB

Re-Imagination of Engagement…

THEN…

Buttons / Joysticks / D-pads / Wires

NOW…

(Xbox Kinect)

Camera-Based Gestures / Voice Control

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Re-Imagination of Education…

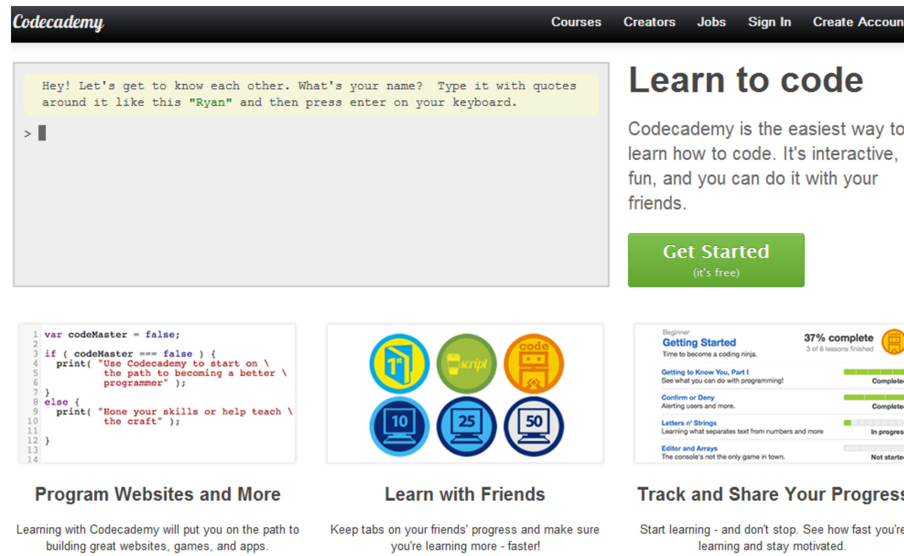
THEN…

Classrooms / Lectures / Reading Materials

NOW…

(Codecademy / Coursera / Khan Academy…)

Interactive / Online / Accessible by Anyone Anywhere Anytime



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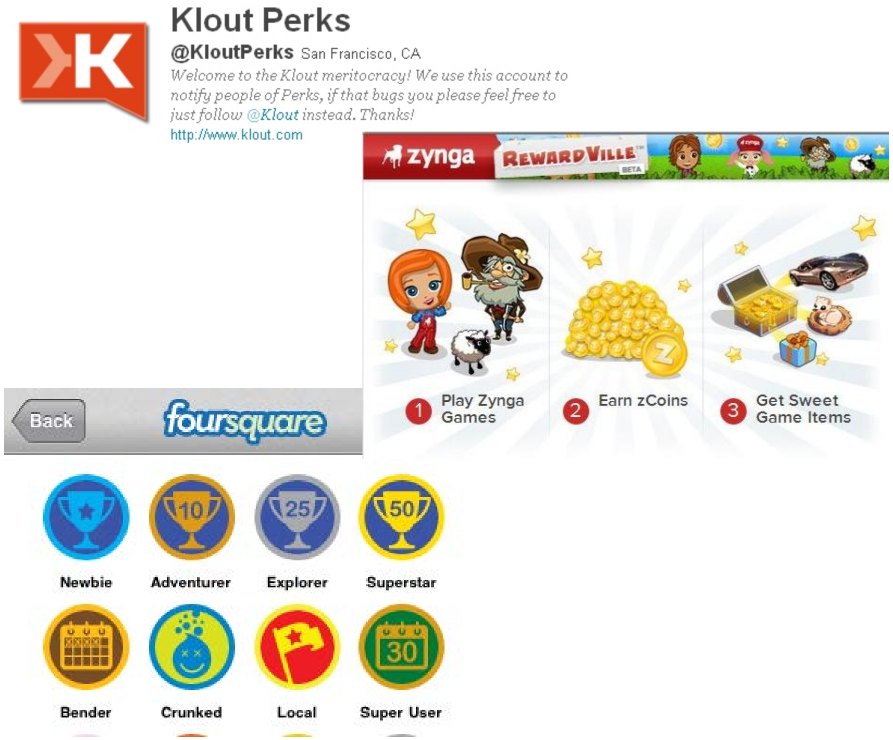
Re-Imagination of Rewards / Satisfaction…

THEN…

NOW…

(Klout / FourSquare / Zynga…)



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Re-Imagination of Government Subsidies…

THEN…

Gather in Town / Wait in Line
to Receive Subsidies

NOW…

200MM+ Farmers in India Receive
Government Subsidies Via Mobile Devices*

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Note: There are 90MM Kisan credit card users and 118MM job card users, both of which do not require bank accounts but utilize mobile phones as identity verification / payment confirmation, per Ministry of Rural Development, Government of India.

Re-Imagination of Communication…

THEN…
Caveman Drawings…

NOW…
Instagr.am…

Re-imagination of Crime Awareness…

THEN…

Warning Signs / Community Reports

NOW…

(SFPD / CrimeMapping)

Centralized Database / Customized Crime Alerts / Mobile Viewing

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Re-Imagination of Thermostats…

THEN…

On/Off Switch +
Temperature Setting

NOW…

(Nest)
Wi-Fi Enabled / Auto-Learning / Auto-Sensing / Remote Control / Energy Efficient

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Re-Imagination of Pet Care…

THEN…

Flyers on Lamp Posts for Missing Pets

NOW…

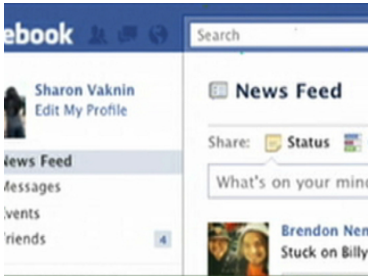
Internet-Enabled / GPS Tracking Pet Collars

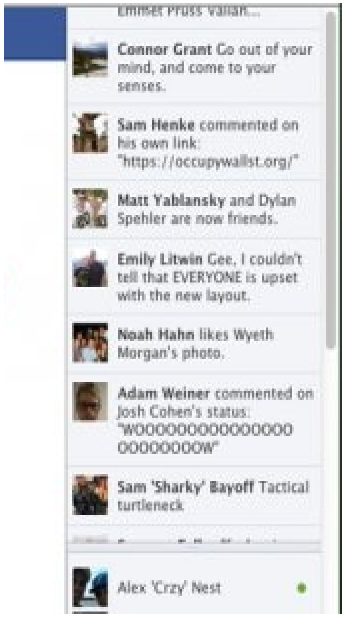
Re-Imagination of Feeds... ;)

THEN…

NOW…

(Facebook News Feed / Ticker / Twitter Feed)





Magnitude of Upcoming Change Will be Stunning - We are Still in Spring Training

- **Nearly Ubiquitous High-Speed Wireless Access in Developed Countries**
- **Unprecedented Global Technology Innovation**
- Ultra Competitive Markets for Mobile Operating Systems + Devices
- Broadly Accepted ‘Social Graphs’ / Information Transparency
- **Fearless (& Connected) Entrepreneurs**
- Difficult ‘What Do I Have to Lose’ Economic Environment for Many
- **Available (& Experienced) Capital**
- **Fearless (& Connected) Consumers**
- **Inexpensive Devices / Access / Services (Apps)**
- **Ability to Reach Millions of New Users in Record (& Accelerating) Time**
- ‘Social Emerging as Starting Distribution Point for Content,’ (Brian Norgard, Chill)
- Aggressive (and Informed) ‘On My Watch’ Executives at ‘Traditional’ Companies
- Unprecedented Combo of Focus on Technology AND Design
- Nearly ‘Plug & Play’ Environment For Entrepreneurs – Marketplaces / Web Services / Distributed Work / Innovative Productivity Tools / Low ‘Start Up’ Cost
- Beautiful / Relevant / Personalized / Curated Content for Consumers

Addressable Market For Re-Imagination – Aggregate Market Cap of Global Public Companies = $36+ Trillion*

	2012 Market Cap ($B)	2011 Revenue ($B)	2011 EBITDA ($B)	Top Companies by Mkt Cap
Financials	$6,855	$4,647	$1,035	ICBC, China Construction Bank, Wells Fargo
Consumer Staples	4,386	3,972	543	Wal-Mart, Nestle, P&G, Coca-Cola
Information Technology	3,966	2,298	422	Apple, Microsoft, IBM, Google, Samsung
Energy	3,926	6,652	1,068	Exxon Mobil, PetroChina, Shell, Chevron
Consumer Discretionary	3,734	4,734	624	Toyota, Amazon.com, McDonald's, Walt Disney
Health Care	3,380	2,204	455	Johnson & Johnson, Pfizer, Roche, Novartis
Industrials	3,198	4,407	608	General Electric, Siemens, UPS
Materials	3,129	2,607	712	BHP Billiton, Rio Tinto, Vale
Telecommunication Services	2,572	2,045	699	China Mobile, AT&T, Telefonica, Vodafone
Utilities	1,188	1,501	315	GDF Suez, National Grid, E.ON, EDF
Total	$36,335	$35,066	$6,483	

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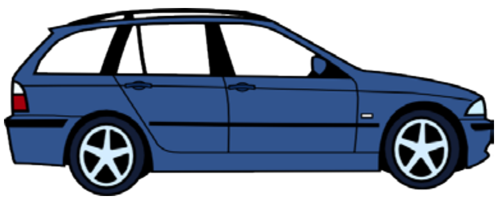
Note: *Based on 3,000 global publicly traded companies as defined by Morgan Stanley Research's coverage universe. **EBITDA is earnings before interest, tax, depreciation and amortization. Source: Morgan Stanley Research. Data as of 5/23/12.

NET, LOTS OF STUFF BEING RE-IMAGINED AND THERE'S A LOT MORE…

Consumer Internet 'White Space'

1) **Ear (+ Body)** - owing to better devices (wireless Bluetooth) / services (Siri / Spotify / Soundcloud...) / products (Up…)



2) **Car** – 52 minutes per day by 144MM Americans (76% alone)* spent in cars **–** largely untapped

3) **TV** – 3+ hours per day spent in front of TVs** – way better devices / interfaces / interfaces coming rapidly...Apple & Google footsteps raising bar…50MM+ Americans have Internet-enabled TVs

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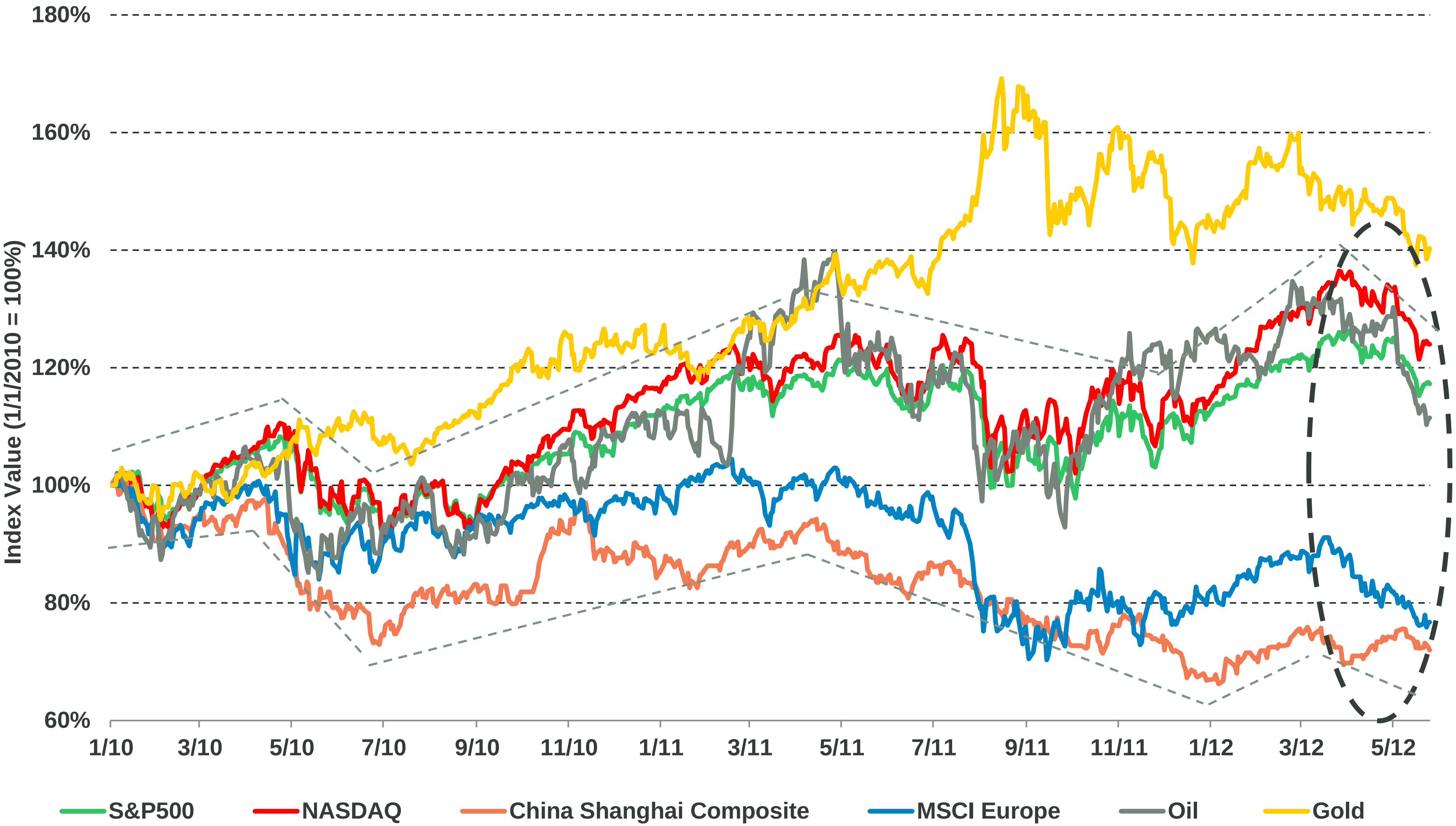
Source: *US Census Bureau, **BLS, Morgan Stanley Research estimates.

ECONOMY – MIXED TRENDS, WITH NEGATIVE BIAS

Stock Markets = Often Leading Indicators of Economic Activity, Recent 10-Week Trendline Not Encouraging...

Stock / Commodity Markets Performance (% Change From 1/10), 1/10 – 5/12



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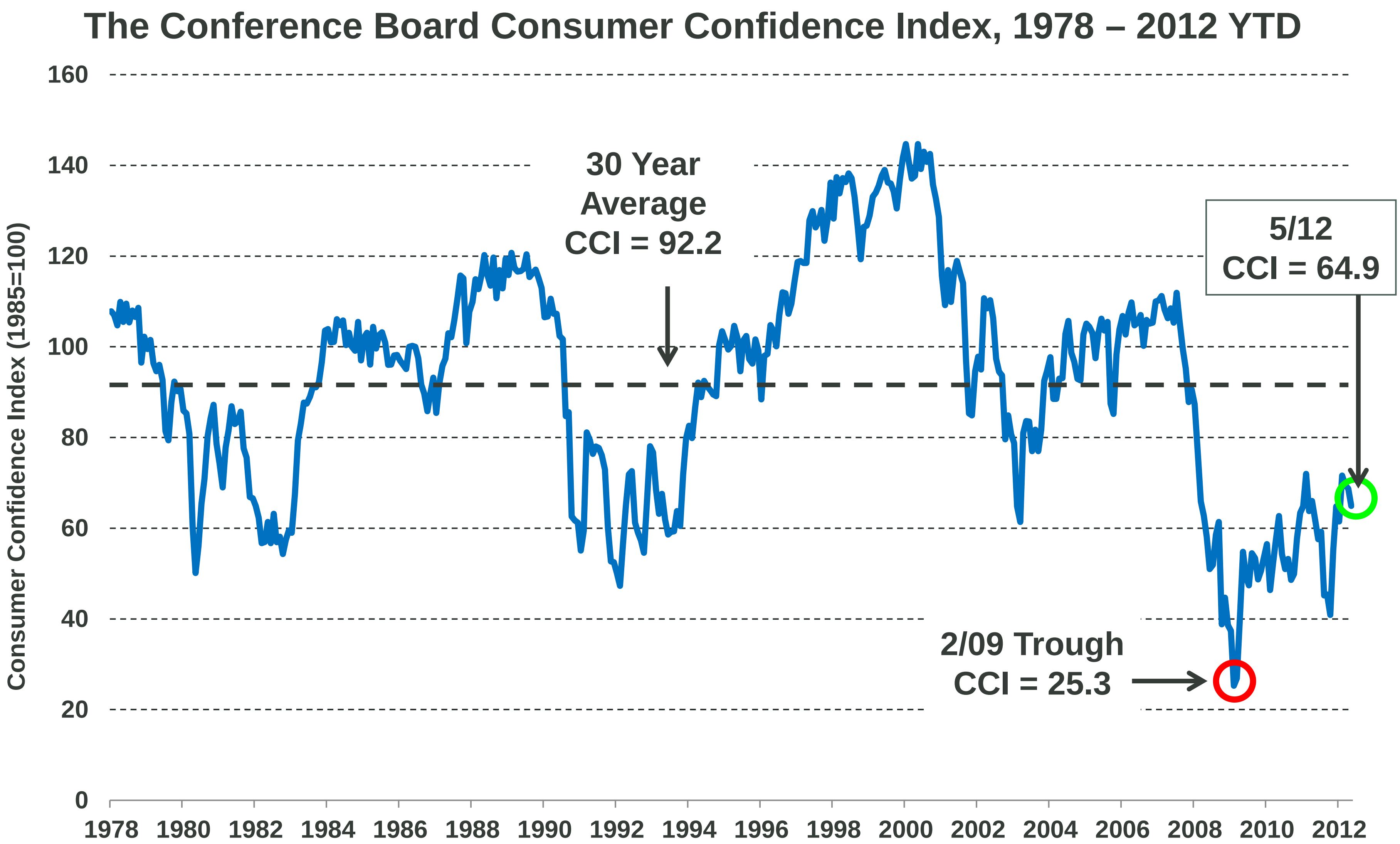
Note: All values are indexed to 1 (100%) on Jan 1, 2010. Data as of 5/25/12.
Source: Bloomberg, Yahoo! Finance, FactSet.

Consumer Confidence =
Near Four-Year Highs, Though Still Below 30-Year Average



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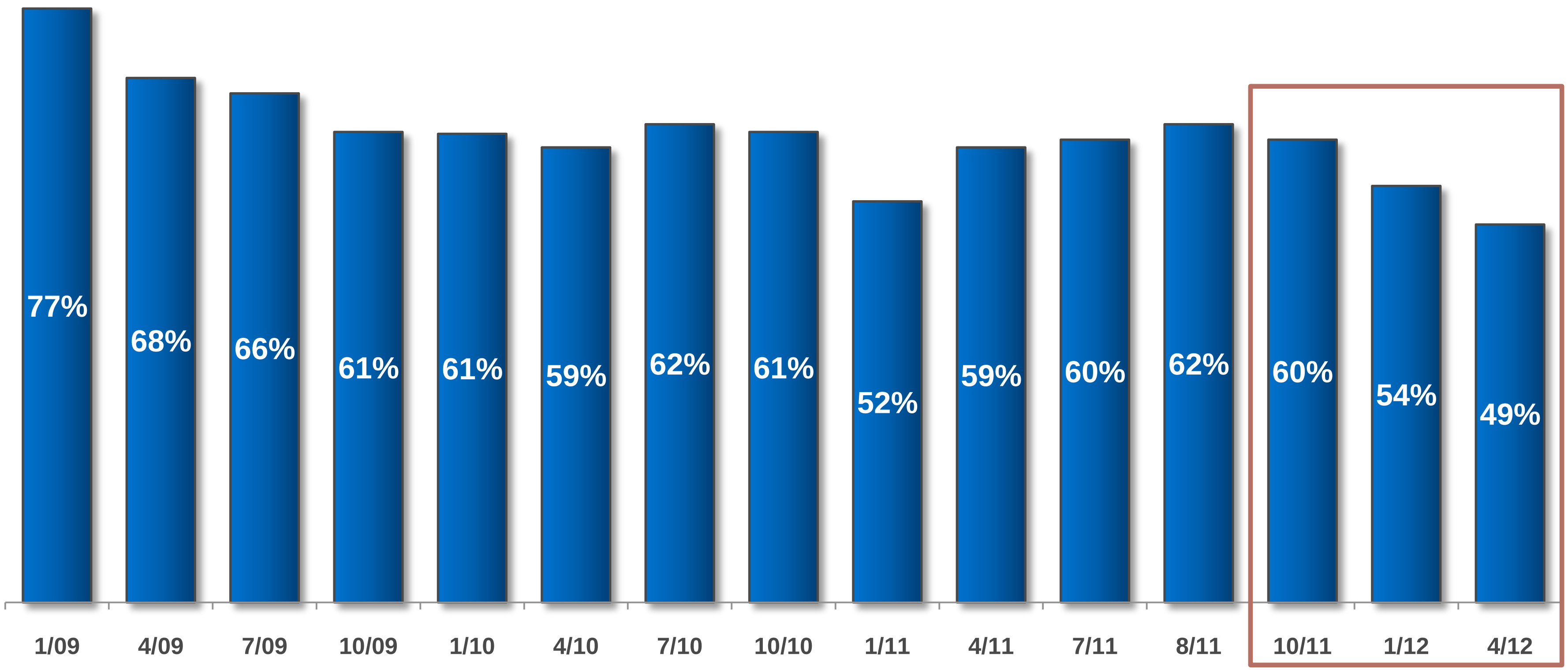
Note: Index started in 1967 / benchmarked to 1985=100. The Index is calculated each month on the basis of a household survey of consumers' opinions on current conditions and future expectations of the economy. Source: The Conference Board, 5/12.

Consumer Sentiment – Improving but 49% of Americans View Economy as 'Poor'

Q.How would you rate economic conditions today?

Percent of USA Consumers Who View The Economy as Poor, 1/09 – 4/12



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Source: comScore.

Global GDP Growth Expected to Decelerate in 2012 with Europe Slipping Into Recession

Country / Region	GDP Y/Y % Change, 2009-2012E: 2009	2010	2011	2012E	% of World Total, 2011
USA	-3.5%	3.0%	1.7%	2.1%	22%
Euro Area	-4.3	1.9	1.4	-0.3	19
Germany	-5.0	3.6	3.1	0.6	5
France	-2.6	1.4	1.7	0.5	4
Italy	-5.5	1.8	0.4	-1.9	3
Spain	-3.7	-0.1	0.7	-1.8	2
UK	-4.9	2.1	0.7	0.8	4
Japan	-6.3	4.4	-0.7	2.0	8
China	9.2	10.4	9.2	8.2	11
India	6.8	10.6	7.2	6.9	2
Russia	-7.8	4.3	4.3	4.0	3
Brazil	-0.6	7.5	2.7	3.0	4
Developed Markets	-3.7	3.2	1.6	1.4	64
Emerging Markets	2.8	7.5	6.2	5.7	36
World	-0.7	5.3	3.9	3.5	100

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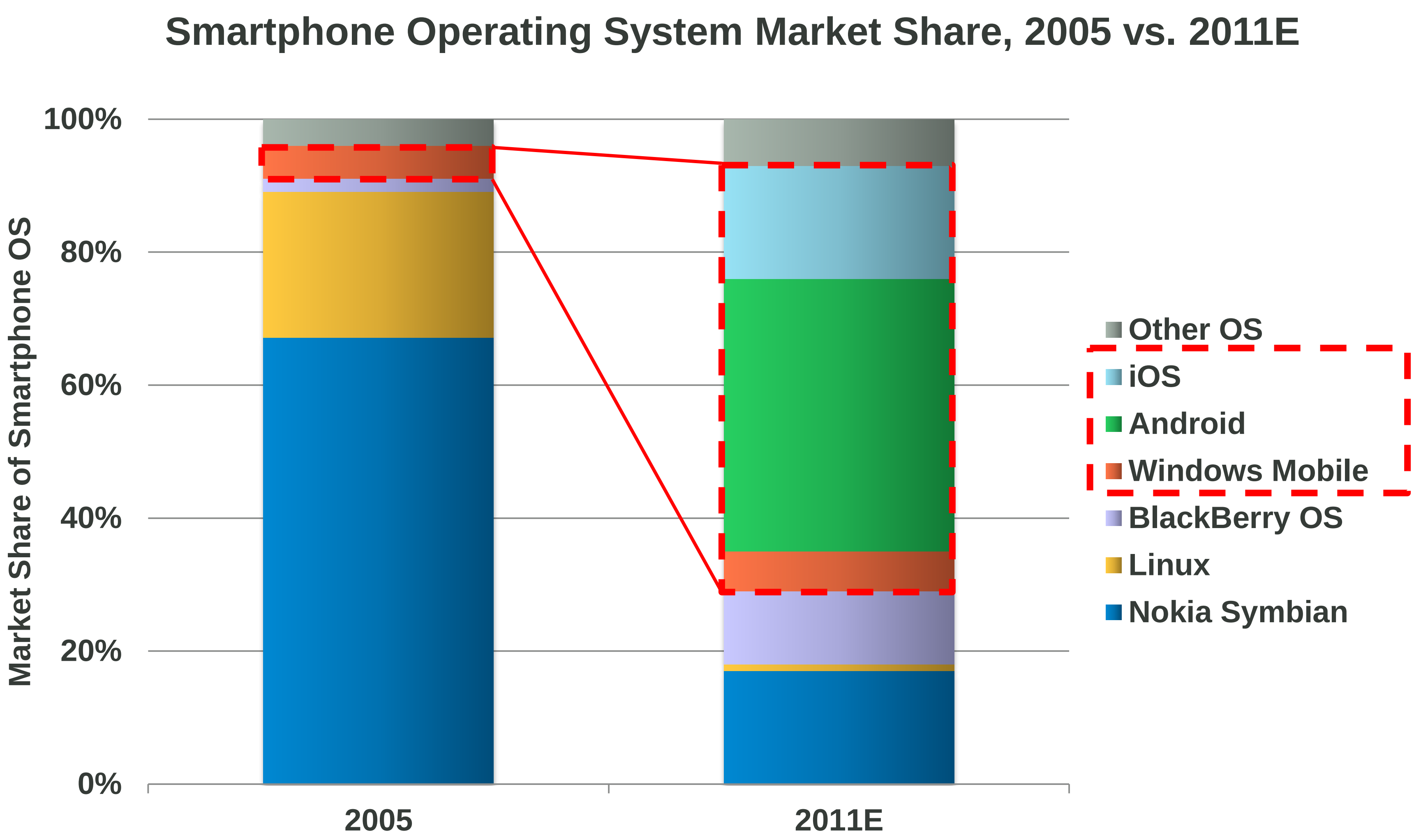
Source: IMF World Economic Outlook, 4/12.

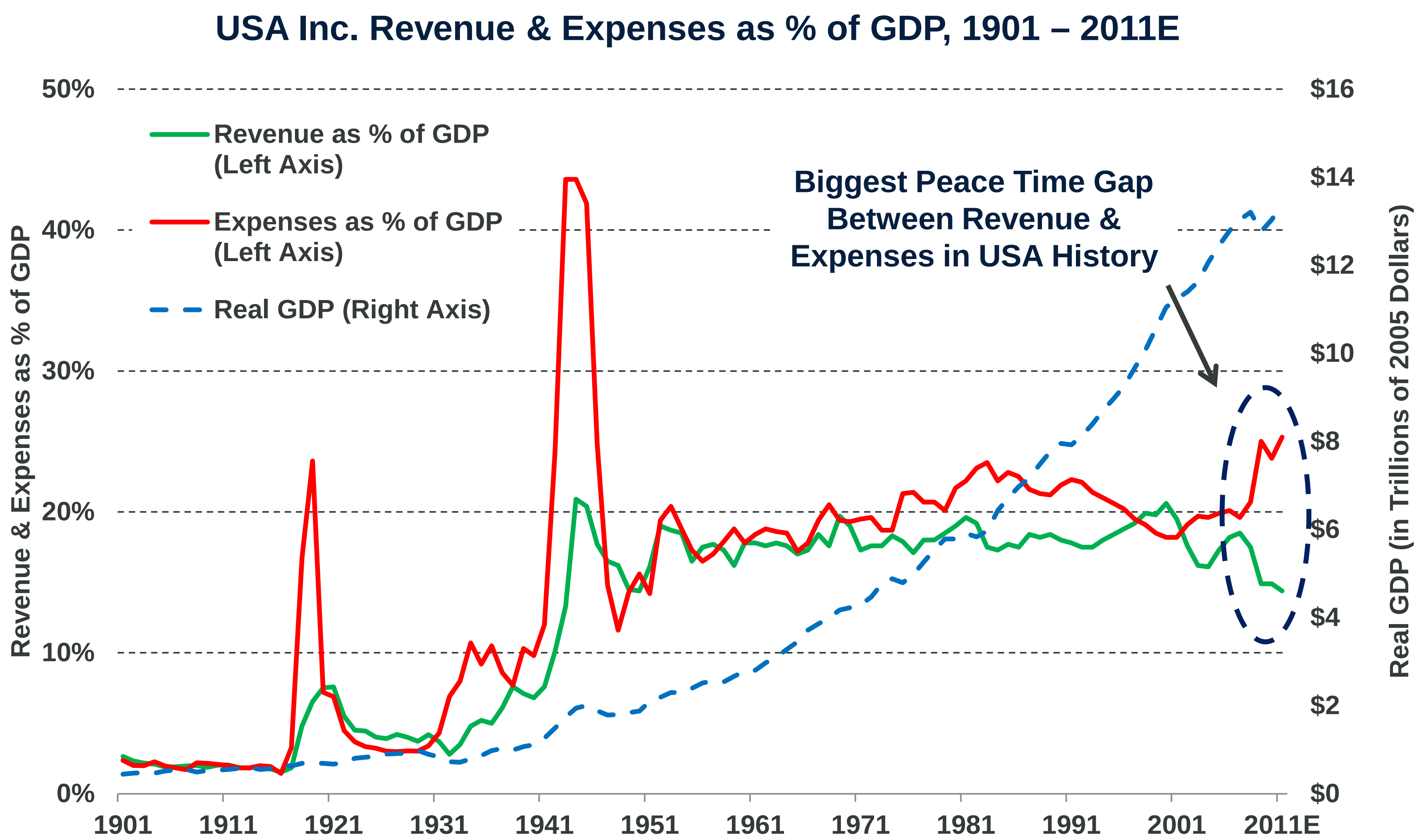
USA, INC. – A LOT TO BE EXCITED ABOUT IN TECH, A LOT TO BE WORRIED ABOUT IN OTHER AREAS

‘Made in USA’ Smartphone Operating Systems = 64% Share from 5% Five Years Ago



Source: Morgan Stanley Research, Gartner.

USA, Inc. – Biggest Peace Time Gap Between Revenue & Expenses in USA History



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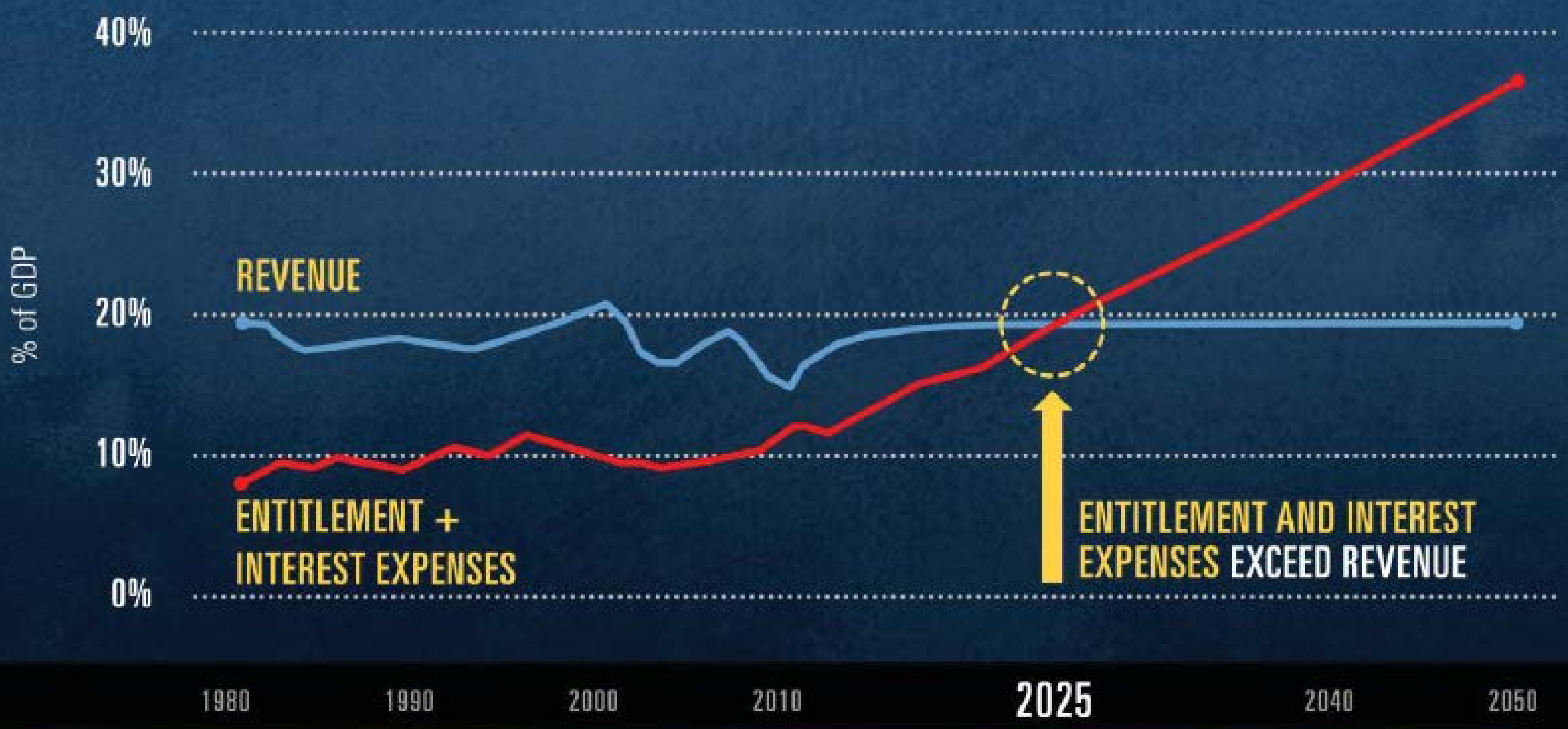
Source: 1910 – 1930 per Census Bureau, 1940-2010 per White House OMB. Real GDP adjusted for inflation, in 2005 dollars.

ARE YOU HAPPY WITH WHERE YOUR TAX DOLLARS GO?

*OTHER INCLUDES NON-DEFENSE DISCRETIONARY SPENDING IN ENERGY, EDUCATION, INFRASTRUCTURE AND MORE.

KPCB.COM/USAINC

ENTITLEMENT AND INTEREST EXPENSES WILL EXCEED USA INC.'S REVENUE WITHIN 15 YEARS



SOURCE: CONGRESSIONAL BUDGET OFFICE, 2010; USA INC. REPORT PAGE 174.

KPCB.COM/USAINC

America's Debt Level Relative to Other Countries – You Do the Math…

Rank	Country	2010 Gross Government Debt ($B)	% of GDP
1	Japan	$12,009	220%
2	Jamaica	19	143
3	Greece	436	143
4	Lebanon	53	134
5	Iraq	97	120
6	Italy	2,445	119
7	Belgium	452	97
8	Singapore	214	96
9	Ireland	196	95
10	USA	13,707	94
11	Portugal	213	93
12	Iceland	12	92
13	Germany	2,759	84
14	Canada	1,324	84
15	France	2,110	82

Rank	Country	2010 Gross Government Debt ($B)	% of GDP
16	Hungary	$105	80%
17	Israel	168	77
18	UK	1,699	76
19	Egypt	161	74
20	Austria	272	72
21	Sudan	47	72
22	Brazil	1,397	67
23	Jordan	18	67
24	Côte d'Ivoire	15	67
25	India	1,046	64
26	Netherlands	497	64
27	Cyprus	14	61
28	Spain	848	60
29	Uruguay	23	57
30	Pakistan	100	57

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Note: Ranking excludes countries with gross government debt less than $10B in 2010. Gross government debt includes intragovernment obligations (such as Treasuries held by the Social Security Trust Fund in US' case). Source: The International Monetary Fund (IMF).

USA Inc. @ kpcb.com / youtube.com / amazon.com

110K+ Total Views
23K+ YouTube Views
7K+ Facebook Likes
4K+ Retweets

What Can You Do?

- Engage in Politics
- Help Others Understand Key Issues
- Do What You Can To Innovate, Create Jobs & Improve Education

BUBBLE - OR NOT?

RECENT INTERNET IPOS –
WHILE COMPELLING IN MARKET VALUE,
NOT COMPELLING IN PERFORMANCE…

Public Market Investors = More Skeptical than Private Market Investors

Company	IPO Date	Initial IPO Filing Range ($)	IPO Price ($)	1st Day Closing Price ($)	Current Price ($)	% Change From IPO	IPO Market Cap ($B)	Current Market Cap ($B)
Facebook	5/12	**$28-35**	$38	$38	**$29**	**(24%)**	$104	$79
Zynga	12/11	**$8.50-10**	10	10	**6**	**(40)**	7	5
Groupon	11/11	**$16-18**	20	26	**12**	**(40)**	13	8
Pandora	6/11	**$10-12**	16	17	**11**	**(30)**	3	2
LinkedIn	5/11	**$32-35**	45	94	**100**	**137**	4	10

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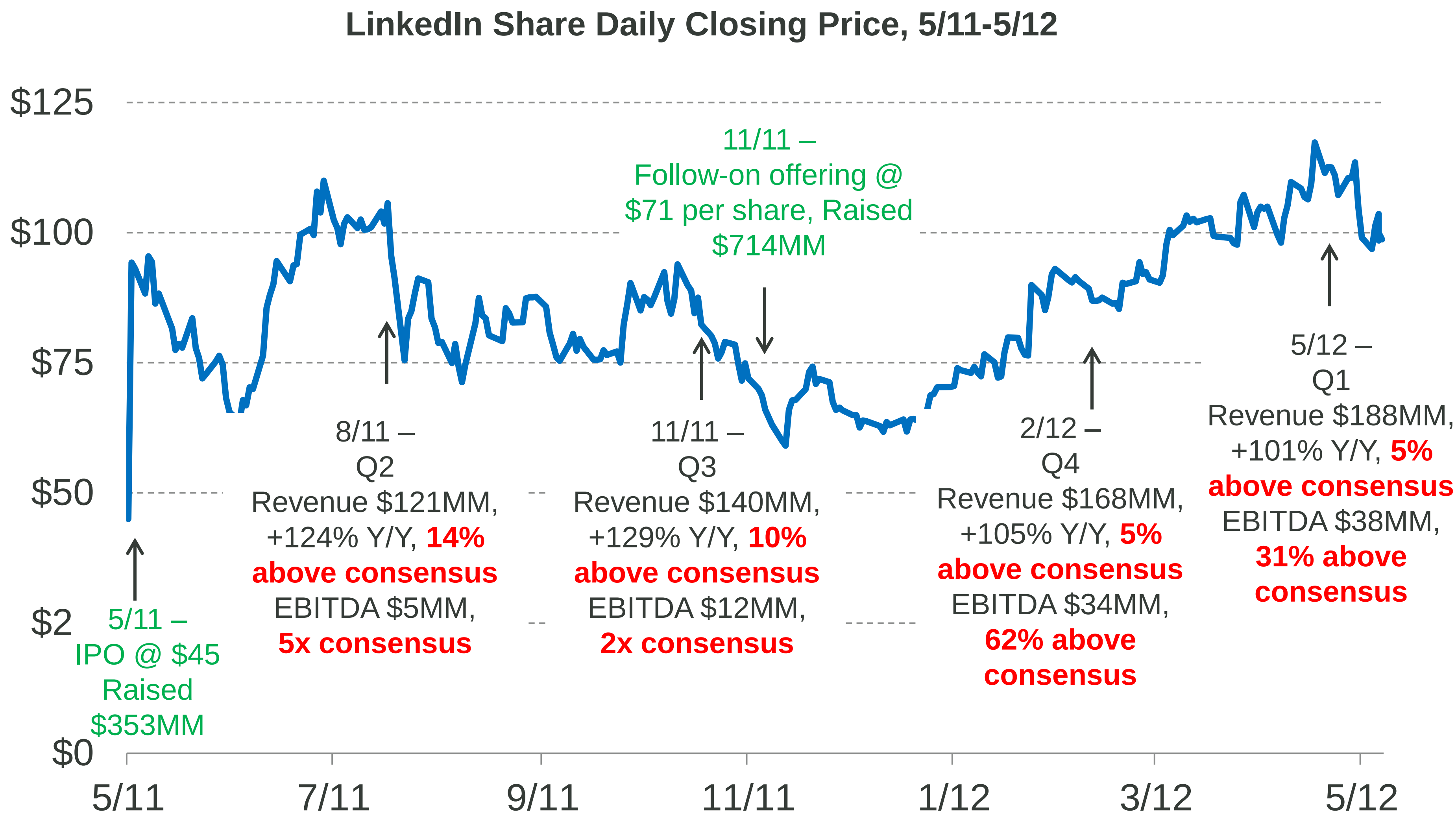
Source: Yahoo Finance, Bloomberg, FactSet, data as of 5/29/12.

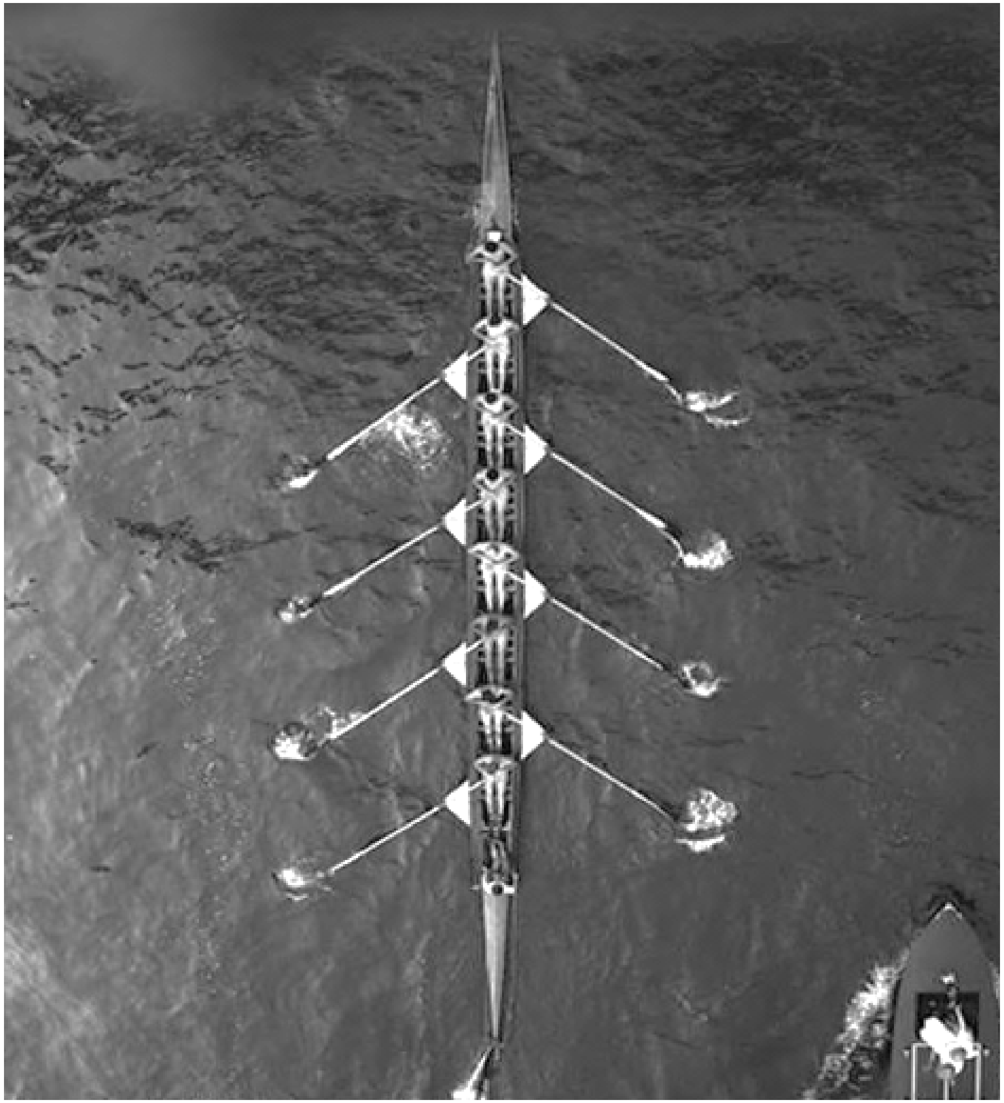
Recent Internet IPO Standout – LinkedIn

Averaging 10% Revenue / 2x EBITDA Upside Since IPO, Shares +137%



Source: Yahoo Finance, Bloomberg, data as of 5/29/12.

A Key to Successful Financings / Wealth Creation – All Stakeholders in Same Boat, Rowing in Same Direction



Cornell Crew team, 1930. ©Mystic Seaport, Rosenfeld Collection.

The Value of a Business is the Present Value of Future Cash Flows

The Riddles:

1) Getting the numbers (financials) right for the Discounted Cash Flow (DCF) model;

2) Getting the macro + micro confidence levels + time horizons right for 'the market.'

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Historical Wealth Creation in Tech Companies = Concentrated

*~2% of companies accounted for ~100% of net wealth creation of 1,720 Tech IPOs in USA (1980-2002).**

**The Technology IPO Yearbook: 9th Edition – 23 Years of Tech Investing, Morgan Stanley*

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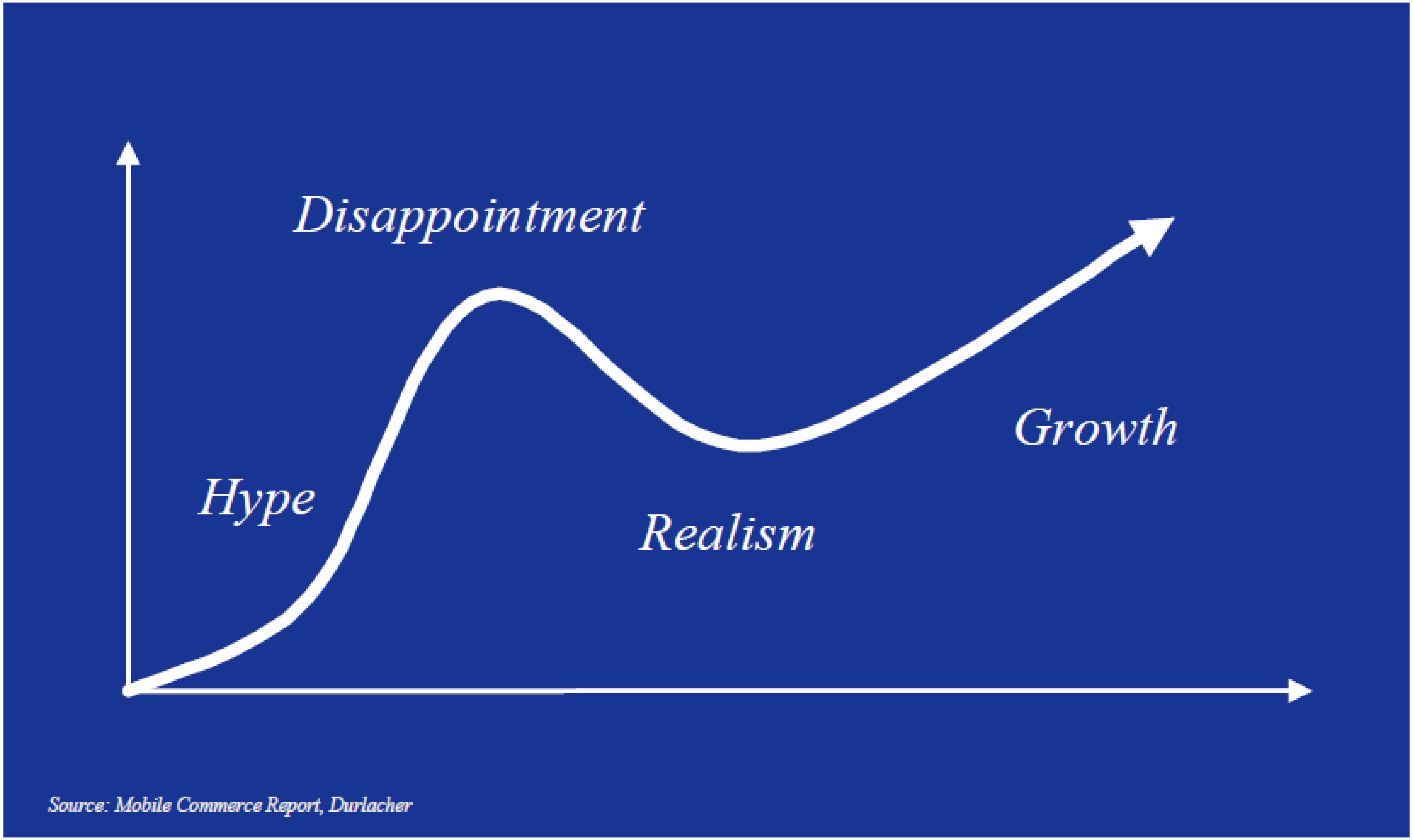
Tech Cycle of Change / Growth – Where are We Now?



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Source: Presentation titled 'The State of Capital Markets and An Update on Technology Trends', July 23, 2001, Morgan Stanley.

THIS CYCLE OF TECH DISRUPTION IS MATERIALLY FASTER & BROADER THAN PRIOR CYCLES…

Outline

1) **Basic Stats –** Internet Growth Remains Robust, Rapid Mobile Adoption Still in Early Stages

2) **Re-Imagination –** of Nearly Everything

3) **Economy –** Mixed Trends, With Negative Bias

4) **'USA, Inc.' –** A Lot to be Excited About in Tech, A Lot to be Worried about in Other Areas

5) **Bubble –** or Not?

Disclosure

The information offered in this presentation speaks to industry trends in general, and should not be construed as providing any particular recommendations or analysis for any specific company that is mentioned in this presentation. KPCB is a venture capital firm that owns significant equity positions in certain of the companies referenced in this presentation.