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Facebook may overtake Amazon in profitability this year:

- Facebook is expected to own 72% of all social network advertising revenues and 6.1% of worldwide online ad spending in 2012.
- Facebook’s cost per thousand impressions (CPMs) is up 60%, while cost per click (CPC) revenue is up 30%, for the first half of 2011.
- Facebook acquires Friend.ly
- Facebook introduces its new mobile developer page
- Facebook and eBay announce partnership
- New features called “Trusted Friends” and “Apps Password”
- Facebook, NDRC and Opower announce partnership
- Facebook is likely to overtake Amazon in profitability this year
- 96% of U.S. adults that use social networking sites are on Facebook

On top of all this, Facebook’s rapidly growing user base across all demographics will strengthen the company’s ad targeting, performance and revenue. We expect these recent developments to have a positive impact on Facebook’s profitability and valuation.

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Updates

- **According to eMarketer’s latest report, titled “Worldwide Social Network Ad Revenues: A \$10 Billion Market By 2013”, Facebook is expected to own 72% of all social network advertising revenues and 6.1% of worldwide online ad spending in 2012.** In the US, Facebook will account for 7.9% of all online ad spending in 2012 and is expected to pass Yahoo to become the top website in US display ad revenues this year. More companies are expanding their marketing presence and increasing

MidasLP Facebook Update And Strategic Analysis Report–

Facebook Quick Stats

2011E Revenues: **\$4 billion+**
 2012E Revenues: **\$7 billion+**

Last **Institutional** Direct Valuation (Over \$100 million round): **\$50 billion**

A more detailed analysis of Facebook is available to MidasLP accredited investors. For accreditation see: investors.midaslp.com

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their focus on spending ad dollars in social networks because they feel they need to be there to reach their target audience.

Facebook Share of Total US Online Ad Spending, 2009-2013

billions and % of total

	2009	2010	2011	2012	2013
Facebook US ad* revenues	\$0.56	\$1.21	\$2.01	\$2.89	\$3.36
Total US online ad spending	\$22.70	\$26.00	\$31.30	\$36.80	\$41.20
Facebook % of total	2.4%	4.7%	6.4%	7.9%	8.2%

Note: *paid advertising only; excludes spending by marketers that goes toward developing or maintaining a Facebook presence
Source: eMarketer, Sep 2011

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www.eMarketer.com

- **According to a report by Dave Williams, co-founded and CEO of Bling Media, Facebook's cost per thousand impressions (CPMs) is up 60%, while cost per click (CPC) revenue is up 30%, for the first half of 2011.** Facebook has made significant improvements in the past six months such as launching new products like the Sponsored Stories ad unit, zip code targeting, topical targeting, broad targeting, and improved ad metrics. Businesses have also increased their investments in Facebook pages and apps instead of Yahoo, AOL, and MSN.
- **On October 10, 2011 Facebook acquired Friend.ly, a social question and answer service.** Friend.ly creates a compelling way for people to express themselves and meet others through answering questions. Friend.ly had raised \$5 million in funding from Lightspeed Ventures, Balderton Capital, SoftTechVC and multiple angels.
- **Facebook introduced its new mobile developer page that explains how the synchronized Facebook mobile platform will work across its iPhone, iPad, web and Android apps.** According to Facebook, over 350 million users access Facebook from a mobile device each month. The Facebook Platform allows developers to bring these users and friends to their mobile apps, creating a more engaging and personalized experience for users.
- **During eBay's new developer conference on October 12, 2011, eBay CEO John Donahoe announced a partnership between Facebook and eBay.** The partnership will integrate Facebook's Open Graph into eBay's Magento and GSI global commerce platforms. The partnership will give third party developers more freedom to develop new social shopping experiences for consumers and retailers, share their ideas, and create personalized apps for buying, selling, and sharing.
- **Facebook will soon allow users to get help from friends when they get locked out of their Facebook account.** According to Facebook's official Security page, users will be able to designate three to five friends as "Trusted Friends" who will be sent special codes in the event that the user is locked out and unable to access their email. This new service will be useful for users who can't remember their Facebook password or if they had their Facebook account hacked. Facebook is also introducing another new security feature called App Passwords. This will allow users to set application-specific passwords that will allow them to login to third-party applications with a unique code.
- **On October 17, 2011 Facebook, the Natural Resources Defense Council (NRDC) and clean tech startup Opower announced a partnership on a new social networking – based energy application that will help consumers monitor, improve and compare their home's energy usage with their friends and other Facebook users.** The app, designed to improve energy awareness, has the potential to combine the 800 million+ users on Facebook with Opower's network of over 60 utility partners reaching 55 million U.S. households. Opower is a software-as-a-service company that helps electric and gas utility companies understand their customers and how they're

using power. The NRDC states that improvements to energy efficiency have the ability to generate \$700 billion in savings in the U.S. alone.

- **According to Michael Arrington of Uncrunched, Facebook is likely to overtake Amazon in profitability this year.** "In the first six months of 2011 Facebook had \$1.6 billion in revenue and about \$800 million in operating income, says a source I trust a lot. That revenue number has been reported before. And the 50% profit margin is in line with last year's \$2 billion in revenue and \$1 billion in operating income."
- **According to a Forrester study, 96% of U.S. adults that use social networking sites are on Facebook.** Facebook beats the other social networking sites like LinkedIn, the next most popular site, claims only 28% of the U.S. adult online population. **Source: Forrester Research**

"Which social networking sites do you have an account with?"

	Gen Z (18-22)	Gen Y (23-31)	Gen X (32-45)	Younger Boomers (46-55)	Older Boomers (56-66)	Golden Generation (67+)	Total US online adults
Facebook	98%	97%	95%	95%	95%	98%	96%
LinkedIn	15%	31%	35%	27%	25%	17%	28%
Twitter	38%	34%	25%	15%	11%	8%	24%
MySpace	32%	31%	23%	17%	12%	7%	22%
Other social networking site	9%	7%	5%	3%	3%	2%	5%

Base: 42,773 US online adults who visit social networking sites or update/maintain a profile on a social networking site and have a social networking account (multiple responses accepted)

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MIDAS LP Preliminary Primer/Valuation And Strategy Analysis

facebook

Overview

Founded in February 2004, Facebook is a privately-owned social networking platform that helps people and companies communicate, socialize, understand, engage and transact more efficiently and effectively with friends, family, coworkers, employees, customers and relevant targets. Users may create a personal profile, integrate with third party technology applications, develop business and consumer technology solutions, add other users as “friends”, exchange messages and engage in certain “social” activities.

Facebook is one of the world’s largest web platforms. According to Facebook, as of September 2011 there are over 800 million active users and an estimated 138.9 million monthly unique U.S. visitors. We also estimate that Facebook is the dominant social network in over 100 countries. According to Royal Pingdom, Facebook has as many users today as the whole internet had in 2004.

The majority of Facebook revenues are driven by US display ads. **Facebook accounts for one of every three display ads in the US, making it the largest US display advertiser (larger than Yahoo and Google).** 2011 US display ad revenues are independently forecast at around \$2.2 billion with global ad revenues of \$3.8 billion and total projected company revenues of over \$4.3 billion. Facebook also earns significant revenues through Facebook Credits, a virtual currency that enables people to purchase items in games and non-gaming applications on the Facebook Platform. Facebook retains 30% and developers get 70% of all revenue earned through Credits. According to Reuters, Facebook experienced an impressive 30% profit margin during the first half of 2011. For comparison, technology giants like Microsoft and Google have over 33% profit margins, while LinkedIn has a profit margin of 4.43%.

MidasLP Preliminary Primer / Strategy And Valuation Analysis on Facebook –

Facebook Quick Stats

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Business Model(s)

Facebook has a powerful business model and has executed a solid but fluid monetization plan in an environment that requires a deeply analytical understanding of people and customers and their changing behavior/habits across global cultures. While the core of Facebook revenues today are derived from display ad revenues, Facebook is a leader in our “Alternative Tax Authority” investment theme. Under this theme we like companies with platforms that provide third parties with the ability to build and sustain profitable business models. For this, Facebook, can charge a percentage of revenues - typically 30%. Furthermore, Facebook currently has the competitive advantage of full control over all

pricing on its platform. Facebook is one of the largest companies in our investment theme under the “Alternative Tax Authority” thesis. There are currently over 1 million developers, building applications on the Facebook platform. This provides a long-term depth and breadth of competitive advantage to Facebook, as third party developers utilize their own resources and research budgets to develop new business models that benefit and are ultimately controlled or influenced by Facebook. Facebook users install 20 million applications every day!

Core methods of producing revenue for Facebook include:

- Display advertising
 - Performance advertising – Lets marketers target their potential customers through keywords, age, location and pages other friends “liked” and recently through actions peoples friends are taking.
- Credits – online currency for Facebook users to purchase items such as games and other items
 - Developer fees

Facebook is emerging as a “Super-cannibal” – A super-cannibal is a cannibal that does or has the potential to gobble up other cannibals. For example, Monster.com and similar sites cannibalized the executive recruiting industry but could themselves become victims of more social, higher yielding job search platforms. A marketing dollar spent on the Facebook platform is generally amplified through word of mouth. This strategic advantage gives Facebook the ability to cannibalize markets that have already been cannibalized including markets like job search, niche paid advertising and others since FB can clearly show the superior value of marketing dollars invested in its platform.

Facebook’s acquisitions clearly show enormous room for the growth of and addition of further revenues models. A strong and positive highlight as we evaluate the lifetime value of Facebook customers.

Announced Business Model Additions – F8 Conference

Open Graph

In our opinion, Facebook’s most important announcement at its F8 conference was an updated Open Graph. Open Graph is a technology platform that allows you’re friends and others to discover the things that you are doing through applications that are connected to Facebook. For example, if you are listening to a radio station on Facebook, your profile will be updated to reflect that. Analytical information like “two of your friends are watching “Face Off” will be displayed to you. This allows your friends to discover things that you like and vice versa but importantly arms marketers with more *valuable* targeting data and methodology. Once you do discover something you like (for example a friend listening to an artist that you like), you don’t even have to leave Facebook to experience it, further enhancing display advertising revenues to Facebook. You can now also add applications directly from a friend’s profile. This will create new ways for users to find applications and vice versa. Spotify, Netflix, News Corporation, Yahoo, Huffington Post, Daily Mail and other partners are strategic partners currently leveraging this platform.

Short To Medium Term Revenues Opportunities: The Open Graph will now provide advertisers with more opportunities to create one of Facebook’s successful advertising formats, “sponsored stories” through a variety of actions including: online purchases, playing a game, or listening to music. Basically if you are a music publisher and someone listens to one of your songs you can have this action “highlighted” on their friend’s pages along with a destination link to a website that allows the music to be purchased or a Facebook service that allows among other actions, the song to be further listened to on Facebook or “liked.” Sponsored stories have higher conversion rates than traditional internet ads since they are

essentially a friend's recommendation or endorsement of a product or service. **We believe that as Facebook continues to prove the marketing value and power of its platform to media, entertainment and other companies it will charge for both premium, targeted advertising and for revenues that these companies earn through its "credits" platform much the same way that it charges, for example, gaming companies on its platform today. Facebook currently takes a cut of 30% of third party revenues that are earned on its platform.**

Timeline – Profile Revision

Timeline is a profile replacement and is also one of the most important Facebook revisions. Rather than a traditional profile which takes a snap shot view that, typically, describes you currently, timeline is an easy to use/scrollable replacement that chronicles the information of your life, over time, in a well organized fashion. Timeline organizes and presents content using an algorithm or more basic tools that prioritize events by importance and chronological order. If you select a year, Timeline will show you what happened in your life that year. You can also add images and other forms of content. You can also control who can see your page. Even, applications can also now contain elements that are similar to Timeline, allowing a user to be shown what they have done over pre-defined time periods for example when someone finds an application that they are using. We think that Timeline is a compelling offering that draws users to spend more time on Facebook in order to ensure that their timelines are accurate and fulfilling. More data, content and more time spent on Facebook ultimately drives increased revenues and value to Facebook.

Scale

According to Facebook: there are over 900 million objects on Facebook that people interact with (pages, groups, events and community pages). The average user is connected to 80 community pages, groups and events. The average user creates 90 pieces of content each month. More than 30 billion pieces of content (web links, news stories, blog posts, notes, photo albums, etc.) are shared each month. Entrepreneurs and developers from more than 190 countries build with the Facebook Platform. People on Facebook install 20 million applications every day. Every month, more than 250 million people engage with Facebook on external websites. Since social plugins launched in April 2010, an average of 10,000 new websites integrate with Facebook every day. More than 2.5 million websites have integrated with Facebook, including over 80 of comScore's U.S. Top 100 websites and over half of comScore's Global Top 100 websites. There are more than 250 million active users currently accessing Facebook through their mobile devices. There are more than 200 mobile operators in 60 countries working to deploy and promote Facebook mobile products.

Management Team

Mark Zuckerberg | Founder and CEO

- Mark founded Facebook in 2004 while attending Harvard University. He is responsible for setting the overall direction and product strategy for the company. He also leads the design of Facebook's service and development of its core technology and infrastructure.

Sheryl Sandberg | Chief Operating Officer

- Sheryl oversees the company's business operations including sales, marketing, business development, human resources, public policy and communications. Before Facebook, Sheryl was VP of Global Online Sales and Operations at Google. Before Google, Sheryl served as Chief of Staff for the U.S. Treasury Department under President Bill Clinton. Additionally, Sheryl was a management consultant at McKinsey & Company and an economist at the World Bank.

David Ebersman | Chief Financial Officer

- David is responsible for the finance, facilities and information technology teams at Facebook. Before Facebook, David was CFO and Executive VP at Genentech Inc., a leading biotechnology company. He started working at Genentech in 1994, serving in multiple roles including SVP, Product Operations, Product Development and Business Development.

Bret Taylor | Chief Technology Officer

- As Facebook's CTO, Bret is responsible for the long-term technical direction of foundational products such as News Feed, Search and Facebook Platform. Before Facebook, Bret was the co-founder and CEO of FriendFeed, which was acquired by Facebook in August 2009. Before FriendFeed, Bret worked at Google, where he co-created Google Maps, the Google Maps API, and started Google's developer product group.

David Fischer | VP Advertising And Global Ops

- David Fischer is the Vice President of Advertising and Global Operations at Facebook and oversees sales, advertiser marketing and customer operations throughout the world. He joined Facebook after over seven years at Google, where he was Vice President of Global Online Sales and Operations and was responsible for Google's online sales channel, which represents the majority of Google's customers worldwide. In that role, he helped build Google's online advertising network into the largest in the world. Prior to that, David served as Deputy Chief of Staff at the United States Treasury Department during the Clinton Administration. Earlier, David was an Associate Editor at U.S. News & World Report, where he covered economics, business and politics from Washington DC. David holds a bachelor's degree in Government from Cornell University and an MBA from Stanford University. He serves on the board of the SEEP Network, a global non-profit dedicated to microfinance and enterprise development.

Christopher Cox | VP Product

- Christopher Cox is the Vice President of Product at Facebook, where he is responsible for organizing Facebook's product strategy and overseeing the product management and design functions. Christopher joined Facebook in 2005 as a Software Engineer and was instrumental in implementing first versions of key Facebook features, including News Feed and Inbox. He then became Director of Human Resources where he drove the development of Facebook's mission, values and people strategy. Christopher holds a bachelor's degree in Symbolic Systems with a concentration in Artificial Intelligence from Stanford University.

Dan Rose | VP Partnerships And Platform Marketing

- Dan Rose is the Vice President of Partnerships and Platform Marketing at Facebook. Dan is responsible for Facebook's worldwide business development and M&A activities, and he leads product marketing and partnerships for Facebook Platform and Credits. Dan joined Facebook in 2006 after seven years at Amazon.com where he held various positions in business development and general management, including his last role where he helped incubate and develop the Amazon Kindle. Dan earned a bachelor's degree at Harvard University and attended the University of Michigan Business School for one year before joining Amazon. Dan currently sits on the board of Borders Group, Inc.

Investors And Valuation

Firm	Board Member	Investment Amount	Valuation Est.	Date	Notes
	Peter Thiel	\$500,000 Angel Investment		Late Summer 2004	First major investor/ board member. Reid Hoffman also contributed
	Marc Andreessen				Board member
	Don Graham				Board member
	Reed Hastings				Board member
	Jim Breyer	\$12.7 Million Series A Financing	\$100 million	May 2005	Have sold some of their Facebook stake. Understand how to leverage FB platform better than any other major investor. Mark Pincus and Reid Hoffman also contributed.
		\$27.5 Million Series B Financing		Apr 2006	David Sze of Greylock is board observer. Peter Thiel re-upped through Founders.
		\$240 Million Series C Financing	\$15 billion	Oct 2007	No board seat. Advertising strategic partnership
Li Ka-Shing		\$120 Million in two financing rounds	\$15 billion	Oct 2007, Mar 2008	No board seat. One of world's richest men.
		\$15 Million Financing			Sold Facebook stake in February 2011
		\$100 Million in Debt Financing		May 2008	
		\$200 Million Series D Financing	\$10 billion	May 2009	No board or observer rights but preferred stock
ELEVATION PARTNERS		\$120 Million (Secondary)	\$23 billion		\$120m for 5 million shares. Secondary (No board etc.)
		\$1.5 Billion	\$50 billion	Jan 2011	Class A stock (US investors excluded/ GS clients minimum purchase \$2million)
		\$6.59 million (Secondary)	\$70 billion	June 2011	Secondary (No board seat etc.)
					Intelligence suggests inability to negotiate board seats, downside protection and valuation concerns led to Providence and/or General Atlantic not moving forward.

In general preferred stock is 8% non-cumulative with a 1x liquidation preference and weighted average anti-dilution

Summary Of Ownership Table (Estimated)

Name	Ownership
Mark Zuckerberg	24%
Accel Partners	10%
Digital Sky Technologies	10%
Dustin Moskowitz	6%
Eduardo Saverin	5%
Sean Parker	4%
Peter Thiel	3%
Greylock Partners	1 - 2%
Meritech Capital Partners	1 - 2%
Microsoft	1.30%
Li Ka-Shing	0.75%
Interpublic Group	0.50%
Matt Cohler	< 1%
Jeff Rothschild	< 1%
Adam D'Angelo	< 1%
Chris Hughes	< 1%
Owen Van Natta	< 1%
Reid Hoffman	N/A
Mark Pincus	N/A
Friends/Celebrities/Outside Investors	30%
Total	100%

Board Of Directors

Mark Zuckerberg – Facebook founder and CEO

Reed Hastings – CEO of Netflix

David Sze – General Partner of Greylock Partners

Marc Andreessen - Andreessen Horowitz (Netscape founder)

Jim Breyer – Accel Partners (Midas list investor and Accel Managing Partner)

Donald Graham – Chairman Of Washington Post

Pete Thiel – Paypal founder - VC at Founders Fund

Erskine Bowles – Former Clinton Chief of Staff, Morgan Stanley Board Member

Observer – David Sze – Greylock

Management Equity/Commitment

Mark Zuckerberg owns an estimated 25% of the company. Most of his net worth is tied to the value of Facebook. It is unclear how much cash he has taken off the table, but we do believe that he is firmly committed to the success of Facebook. Mark is the guy that “turned down \$1 billion,” when he refused to sell Facebook to Yahoo for \$1 billion in 2006 – we clearly believe that he enjoys what he does.

Selected Acquisitions And M&A Risk Assessment

Facebook targets reasonably sized low risk acquisitions often aimed at hiring a key executive. Facebook has indicated that it will seek to expand its acquisitions effort (perhaps acquiring 15 companies by year end 2011) but we believe that Facebook is likely to acquire niche, low risk targets. Facebook leverages big market hunches and statistical analysis (Cohort etc.) to assess the impact on its own growth of acquisitions. Facebook will generally acquire or assess acquiring first class companies and start-ups that are developing social versions of “non-social”, big market internet plays. Probability goes up if the founders are stars in segments that add value to Facebook.

Selected acquisitions include:

August 2011 – Push Pop Press – Tablet (eg iPad) publishing

June 2011 - Snap – Hit mac and ecommerce applications

April 2011 – Daytum – Data collection and analytics

March 2011 – Beluga – Group messaging

March 2011 – Snaptu – Mobile aps for phones

February 2011 – GroupOn – Groups for mobile phones

Feb 2011 – Pursuit – Job Search

January 2011 – Rel8tion – Local mobile advertising

November 2010 – Zenbe – Contextual information sharing especially mobile

August 2010 – Chai Labs – Publishing platform

July 2010 – Next Stop – Social travel

July 2010 – Hot Potato – Social activity updates, checkins etc.

May 2010 – Sharegroove – Media rich online conversations

April 2010 – Divvy Shot – Social photo sharing

February 2010 – Drop.io – Filesharing

February 2010 – Octazen Solutions – Contacts importer

August 2009 – FriendFeed - Discuss stuff your friends find on web.

July 2007 – Parakey – First acquisition. Suspected OS/browser/computing environment developer. Founders were founders of Mozilla Firefox. We feel this was a strategic headhunting acquisition.

Acquisition/Partnership/Investment/Integration Opportunities

Facebook's strategy has focused primarily on adding social technology features based on big-market, non social, internet verticals. The size of Facebook (three times the size of the United States) means that Facebook should also consider partnerships/acquisitions/investments/integration with online versions of services that are traditionally the domain of government e.g. healthcare tools and services (a social WebMD?), education (Blackboard?)etc. We believe that a national economics team, with expertise in broad economic development, can add value to Facebook's monetization efforts. A broad adoption of Facebook Credits for example could cause Facebook to develop and control, through Facebook Payments, Inc., a lending and financial instruments facility utilizing its own "currency."

Machine to machine socialization is an additional important theme to ultimately look out for. The inevitable ability to connect appliances to platforms like Facebook, leveraging data analytics as a tool in intelligent decision making will be a big theme in coming years. Facebook, has already made cursory/preliminary inroads in this regard with deep integration with Sony PS3, Xbox 360 and others.

Product/Technology/Platform

Facebook, the product, is made up of core site functions and applications. Fundamental features to the experience on Facebook are a person's Home page and Profile. The Home page includes News Feed, a personalized feed of a person's friend's updates. The Profile displays information about the individual he or she has chosen to share, including interests, education and work background and contact information. Facebook also includes core applications – Photos, Events, Videos, Groups, and Pages – that let people connect and share in rich and engaging ways. Additionally, people can communicate with one another through Chat, personal messages, Wall posts, Pokes, or Status Updates.

Facebook is one of the most-trafficked sites in the world and has had to build infrastructure to support this rapid growth. The company is the largest user in the world of memcached, an open source caching system, and has one of the largest MySQL database clusters anywhere. The site is largely written in PHP though the engineering team developed a way to programmatically transform PHP source code into C++ to gain performance benefits. Facebook has built a lightweight but powerful multi-language RPC framework that seamlessly and easily ties together infrastructure services written in any language, running on any platform. The company has created a custom-built search engine serving millions of queries a day, completely distributed and entirely in-memory, with real-time updates. Facebook relies heavily on open source software and releases large pieces of its own software infrastructure as open source. Facebook Platform is a development platform that enables companies and engineers to deeply integrate with the Facebook website and gain access to millions of users through the social graph.

SWOT Analysis

Strengths

- Monstrous critical mass – One of the largest web platforms and the largest social networking site in the world
- Platform responsible for significant revenues generation at many companies globally
- Solid third party developer platform and community
- Hyper-large international user base
- Sophisticated management team with depth of knowledge of the market
- Solid advertising revenue generator
- Customer loyalty
- Strong financials

Weaknesses

- China efforts have not been as dominant or productive as other parts of the world.
- Reactive vs. proactive product development vs. Google +.
- Slowing user growth in high GDP/capita markets

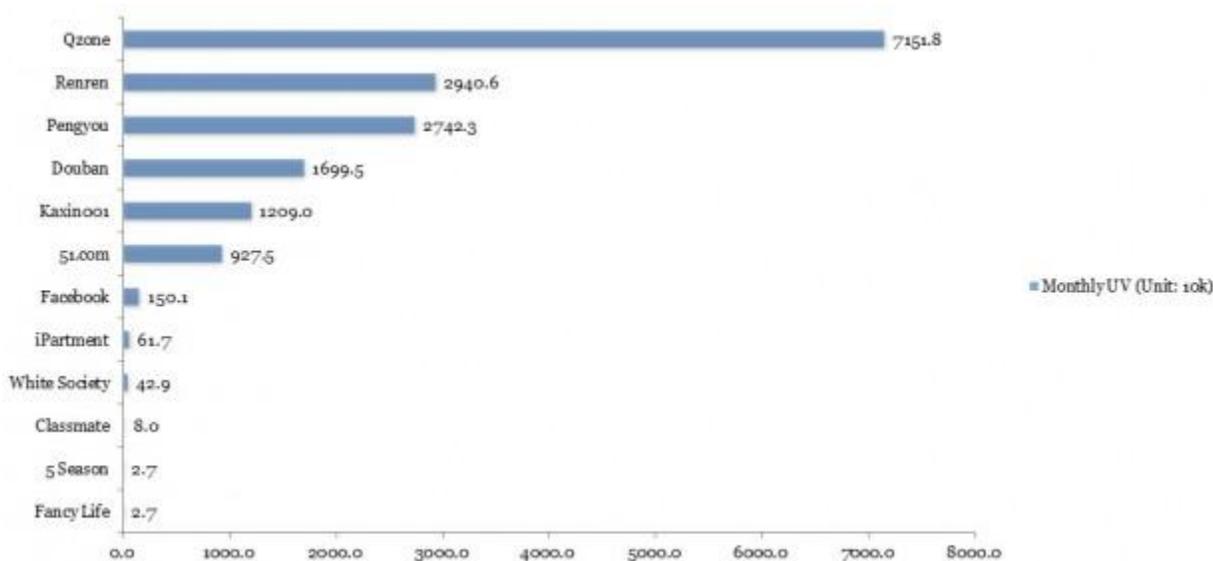
Opportunities

- Emerging markets and expansion abroad (China)
- Machine to machine socialization
- Significant opportunities to increase revenues per user through feature set additions
- Additional consumer and business features – healthcare, education etc., professional networking/job postings

Threats

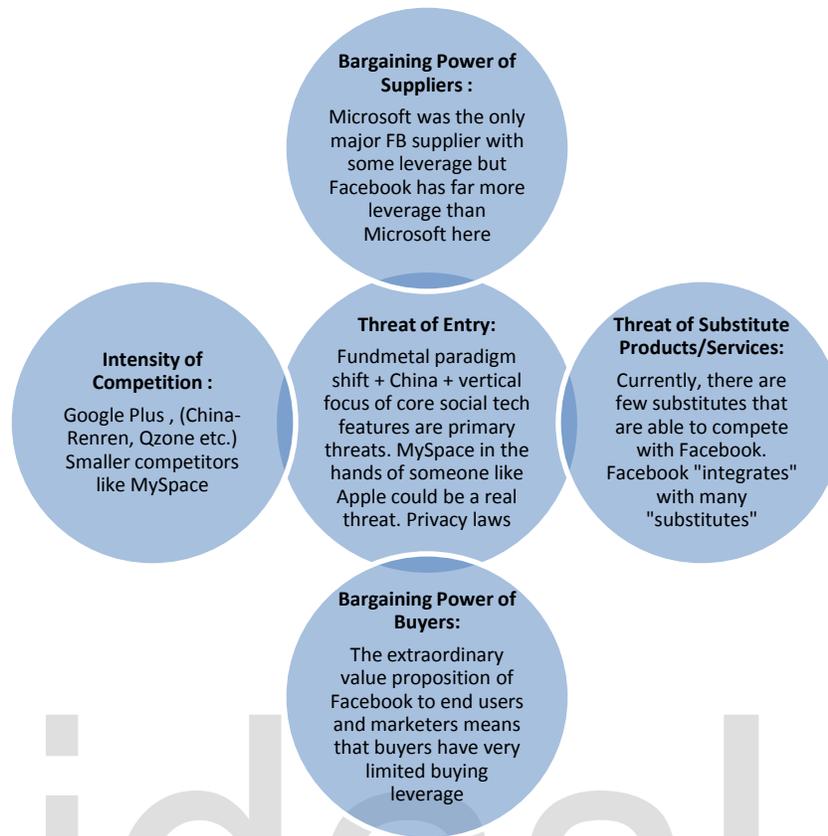
- Competition from Google +
- Chinese competitors - Qzone, RenRen etc.
- MySpace in the hands of certain rivals
- Smaller companies specializing in Facebook micro theme verticals.
- Greater privacy regulation and impact on valuation – less data availability per customer means lower revenues potential per customer, all things being equal.

The China Threat



Source: Resonance/Sina Weibo

Porter Competitive Analysis



Regulatory, anti-competitive government agencies as well as privacy regulation may pose an inevitable real, long term problem for Facebook, given its scale and dominance.

Industry Growth

According to several analyst estimates the social networking market has seen strong growth due to growing interest among users across all demographics and advancements in technology. US marketers will spend \$3.08 billion to advertise on social networking sites this year, according to eMarketer data published in January. Spending will be up 55% over the \$1.99 billion advertisers devoted to social networks in 2010 and will rise by a further 27.7% next year to reach nearly \$4 billion. Niche social networking services helped drive up the number of users in the consumer social networking market. Examples of niche social networking sites include photography, sports, videos, blogging and more. Additionally, the mobile social networking market has seen strong growth due to the rapid growth of the smartphone market, and advancements in mobile hardware and high speed mobile internet.

The enterprise social networking market has begun to pick up momentum. Many vendors are focusing on developing platforms that are capable of integrating with other popular enterprise platforms. "Enterprise social networking vendors are also providing external facing solutions that enable a business to offer their customers an online outlet to discuss and interact with other customers through the web."

Selected Competitors



Friendster is a social networking site that launched in 2002. Friendster allows users to communicate with other members, and share online content and media. Friendster was acquired by MOL Global in December 2009 for \$26.4 million and as of May 2011 repositioned itself into a social gaming site.



MySpace is one of the world's largest social networks with an estimated 125 million users. MySpace lets users customize their pages and supports integration with widgets such as Slide or YouTube.



Based in San Francisco, California Bebo launched in 2005 and has steadily risen to become one of the world's most popular social networking sites. Bebo is officially the largest social networking site in the UK, Ireland, and New Zealand and has over 117 million registered users and 7 billion monthly page views. Bebo was acquired by AOL in March 2008 for \$850 million before being purchased by Criterion Capital Partners in June 2010.



RenRen Inc. (RenRen), formerly Oak Pacific Interactive, is a social networking Internet platform in China. RenRen generates revenues from online advertising and Internet value-added services (IVAS). The Company's platform enables its users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and a range of other services. Its platform includes: Renren.com, Game.renren.com, Nuomi.com and Jingwei.com. The Company is also a developer and operator of Web-based games and offers the games through game.renren.com. Renren.com is the Company's primary social networking Website in China. Game.renren.com is its online games center. Nuomi.com is Renren's social commerce sites in China. Nuomi.com is an independent new business of Oak Pacific Interactive Co. (OPI) that offers a daily deal on the local services and cultural events



Qzone (Chinese: QQ空间) is a social networking website, which was created by Tencent in 2005. It permits users to write blogs, keep diaries, send photos, and listen to music. Users can set their Qzone background and select accessories based on their preferences so that every Qzone is customized to the individual member's taste. However, most Qzone services are not free; only after buying the "Canary Diamond" can users access every service without paying extra. A mobile version is available at extra cost.

As of January 31, 2009, Qzone had more than 200 million users, according to a report published by Tencent, possibly surpassing other social networking websites like Facebook and MySpace. Qzone is rapidly growing: as of March 2011, it already had 480 million users.

Cursory, Long Term Valuation Thoughts And Valuation Comparables

We feel Facebook's long-term valuation growth will be similar to Google's. Thus Midas estimates long term (10 year+) IRR to late stage (non-secondary) pre-IPO investors of 20% to 40%. Google has 145M monthly U.S. users and ranks number one in the U.S. in traffic. With over 750 million active users and an estimated 140 million U.S. visitors each month, Facebook is ranked second in the U.S. in traffic. *Deep valuation thoughts/cash flow models and analysis are available to MidasLP registered accredited investors. Please fill out our accredited investor form at investors.midaslp.com to access deep insights and information.*

Market Capitalization/Sales		Market Valuation (In Millions)		
Company	Ref.	Market Capitalization	LTM Sales	Market Capitalization/Sales
Twitter	1	\$8,000.00	\$45.00	177.78x
Facebook	2	\$50,000.00	\$1,860.00	26.88x
Zynga	3	\$10,000.00	\$888.47	11.26x
Groupon	4	\$4,750.00	\$1,290	3.68x
eBay	5	\$39,393.14	\$13,312.60	2.96x
Amazon	6	\$93,629.48	\$43,594.00	2.15x
LinkedIn	7	\$8,205.55	\$413.36	19.85x
Mean		\$30,568.31	\$8,771.92	34.94x
Median		\$10,000.00	\$1,290.00	11.26x

Ref.

- (1) Twitter's Enterprise Value is based off last direct financing round. Twitter's sales are based off eMarketer's revenue estimates for 2010
- (2) Facebook's Enterprise Value is based off last direct financing round. Facebook's sales are based off eMarketer's revenue estimates for 2010
- (3) Zynga's Enterprise Value is based off last direct financing round. Zynga's LTM Sales are based off its:
- (4) Groupon's Enterprise Value is based off last direct financing round. Groupon's LTM Sales are based off its S-1 filing
- (5) Source: eBay's 10-Q filing on 10/21/2011
- (6) Source: Amazon's 10-Q filing on 10/26/2011
- (7) Source: LinkedIn's 10-Q filing on 8/9/2011

Profitability Margins

	Ref.	LTM Financial Statistics (In Millions)			LTM Profitability Margins		
		LTM Gross Profit	LTM Operating Profit	LTM Net Income	Gross Profit	Operating Profit	Net Income
Zynga	1	\$641.22	\$154.95	\$88.36	72%	17%	10%
Groupon	2	\$1,103.00	(\$554.54)	(\$527.71)	86%	-43%	-41%
eBay	3	\$9,455.40	\$2,775.24	\$2,284.83	71%	21%	17%
Amazon	4	\$9,819.00	\$1,076.00	\$871.00	23%	2%	2%
LinkedIn	5	\$341.65	\$27.58	\$20.16	83%	7%	5%
Mean		\$4,272.05	\$695.85	\$547.33	67%	1%	-1%
Median		\$1,103.00	\$154.95	\$88.36	72%	7%	5%

Ref.

- (1) Source: Zynga's Amended S-1 filing on 10/13/2011
- (2) Source: Groupon's Amended S-1 filing on 11/1/2011
- (3) Source: eBay's 10-Q filing on 10/21/2011
- (4) Source: Amazon's 10-Q filing on 10/26/2011
- (5) Source: LinkedIn's 10-Q filing on 8/9/2011

MidasLP Valuation Analysis Social Media Cross Segment Leaders (Preliminary Draft Estimates)

	Users	LTM or available	Valuation (Recent)			Source: www.MidasLP.com		
		Est. Revenues	Non-Sec. Round Or Filing	Revenues/User	Value/User	Revenues Multiple	Ref.	
Facebook	750 m	\$3,000 m	\$50,000 m	\$4.00	\$66.67	17 x	1-3	
Twitter	200 m	\$150 m	\$8,400 m	\$0.75	\$42.00	56 x	4-6	
Skype	663 m	\$860 m	\$8,500 m	\$1.30	\$12.82	10 x	7-9	
Zynga	232 m	\$839 m	\$17,500 m	\$3.62	\$75.43	21 x	0-12	
LinkedIn	120 m	\$400 m	\$7,500 m	\$3.33	\$62.50	19 x	13	
GroupON	116 m	\$2,500 m	\$25,000 m	\$21.55	\$215.52	10 x	4-15	

Ref.

(1) Facebook users - Source Facebook website

(2) Facebook 2010 revenues - Source - Womack, Brian (December 16, 2010). "Facebook 2010 Sales Said Likely to Reach \$2 Billion"

MidasLP Facebook revenue estimate is average of 2010 and 2011 estimated revenues

(2b) Facebook 2011 revenues - eMarketer- http://www.emarketer.com/Reports/All/Emarketer_2000757.aspx

(3) Facebook valuation from Goldman Sachs/DST purchase from Facebook of class A stock

(4) Twitter revenues - Wired - <http://www.wired.com/epicenter/2011/01/twitter-revenues/>

(5) Twitter valuation - <http://allthingsd.com/20110801/twitter-confirms-funding-with-dst/> 12/10 received \$200 m from KPCB at \$3.7 b value

(6) Twitter number of users, Media Bistro. - http://www.mediabistro.com/alltwitter/how-many-twitter-users_b13110 also -

<http://socialmediatoday.com/imckeevocaniccom/282916/how-many-users-does-twitter-really-have>

(7) Skype number of users - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>

(8) Skype revenues - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>

(9) Skype valuation: Microsoft agreed to acquire Skype for \$8.5b. Skype has approx 10% active user base i.e.. less than stated # of users

(10) Zynga users - SEC Filing - <http://www.sec.gov/Archives/edgar/data/1439404/000119312511219334/ds1a.htm>

(11) Zynga valuation, CNBC, http://www.cnbc.com/id/43564083/Zynga_IPO_Implies_a_15_20_Billion_Valuation

(12) Zynga revenues - WSJ et al, utilizes a non-GAAP measure that is accepted but non-GAAP see -

<http://www.businessinsider.com/chart-of-the-day-zynga-revenue-net-income-2011-7>

(13) LinkedIn users, revenues and valuation are all public information (NYSE:LNKD)

(14) GroupON revenues and users estimates, SEC + MidasLP, <http://www.sec.gov/Archives/edgar/data/1490281/000104746911007178/a2204399zs-1a.htm>

MidasLP 12 month revenues estimate based on 6 months ending June 2011 revenues of \$1.5 billion.

(15) GroupON valuation estimates, Reuters, - <http://www.reuters.com/article/2011/08/12/us-groupon-valuation-idUKTRE77B5QL20110812>

Source - www.MidasLP.com

MidasLP Accredited Investor Form

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- (1) More detailed access to our research offerings
- (2) Current or future investment opportunities in our funds; or
- (3) Gaining access to our public due diligence data room (this contains a sample of our detailed analysis including collected data from third parties on companies that we may invest in or target as well as investment reports)

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- You are a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with your spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same level in the current year.
- The investor is a bank as defined in Section 3(a)(2) of the Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Administration Act of 1958; any plan established and maintained by a state, its political subdivisions or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirement Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with decisions made solely by accredited investors.
- The investor is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- The investor is an organization described in Section 501(c)(3) of the Internal Revenue Code or a corporation, a Massachusetts or similar business trust, or partnership) not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- The investor is an entity in which all of the equity owners are Accredited Investors.
- The investor is a trust with total assets in excess of \$5,000,000, not formed the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in rule 506(b)(2)(ii) of the Act.

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MidasLP

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