INTERNET TRENDS 2014 – CODE CONFERENCE

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May 28, 2014

kpcb.com/InternetTrends

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Outline

1) Key Internet Trends
2) Status Update – Tech Stocks / Education / Healthcare
3) Re-Imagining Continues
4) Screen + Video Growth = Still Early Innings
5) China's Epic Share Gains
6) Public Company Trends
7) One More Thing(s)
8) Ran Outta Time Thoughts / Appendix

KEY INTERNET TRENDS

High-Level User / Usage Trends*

- **Internet Users**
  <10% Y/Y growth & slowing   fastest growth in more difficult to monetize developing markets like India / Indonesia / Nigeria

- **Smartphone Subscribers**
  +20% strong growth though slowing   fastest growth in underpenetrated markets like China / India / Brazil / Indonesia

- **Tablets**
  +52% early stage rapid unit growth

- **Mobile Data Traffic**
  +81% accelerating growth...video = strong driver

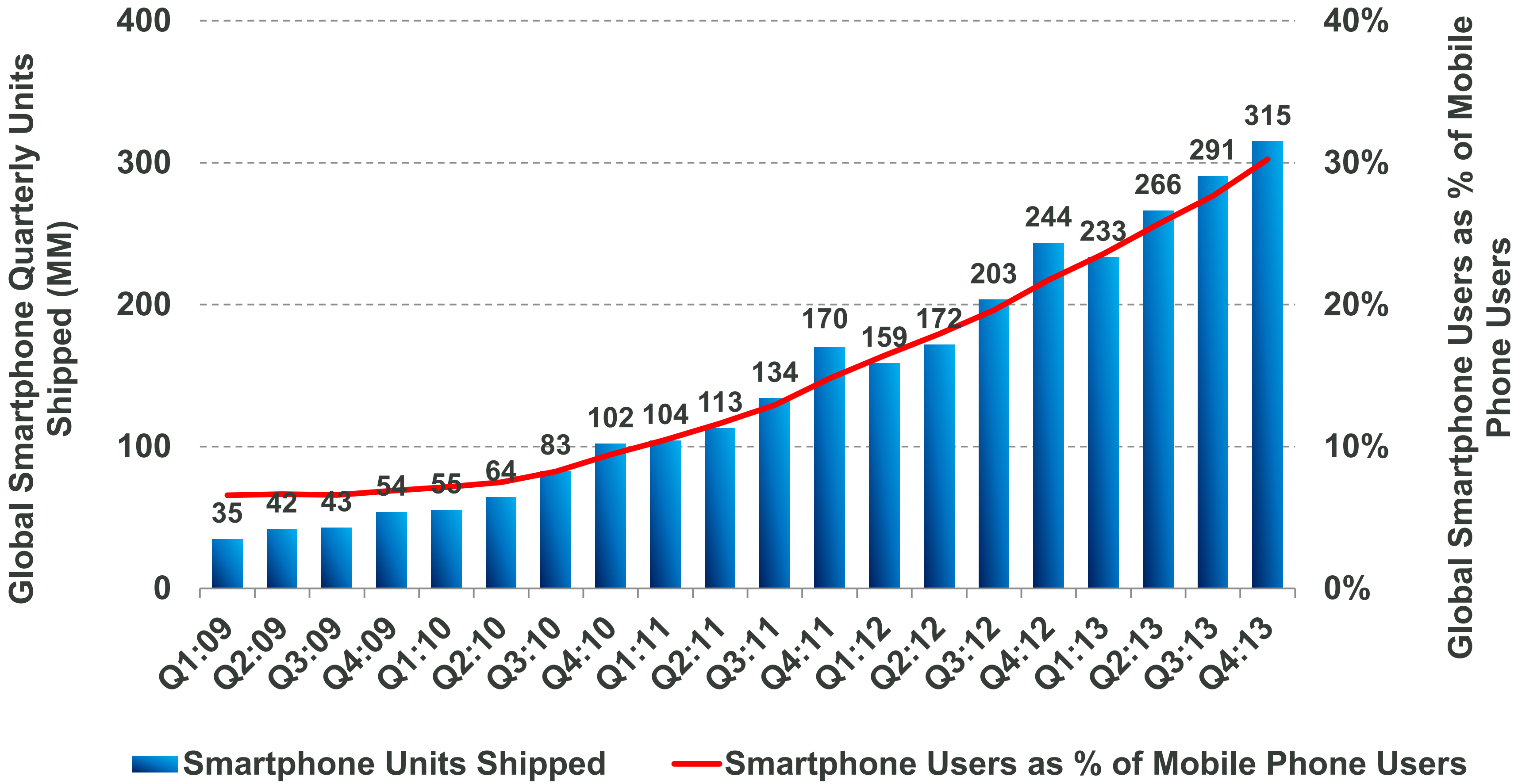
*Details on Internet Users & Smartphone Subscribers in Appendix. Source: Tablet growth per Morgan Stanley Research, 5/14. Mobile traffic per Cisco Visual Networking Index, 5/14.

Mobile Usage Growth =

Very Strong

Smartphone Users = Still Lots of Upside @ 30% of 5.2B Mobile Phone User Base

Global Smartphone Quarterly Unit Shipments & Smartphone Users as % of Mobile Phone Users, 2009 – 2013



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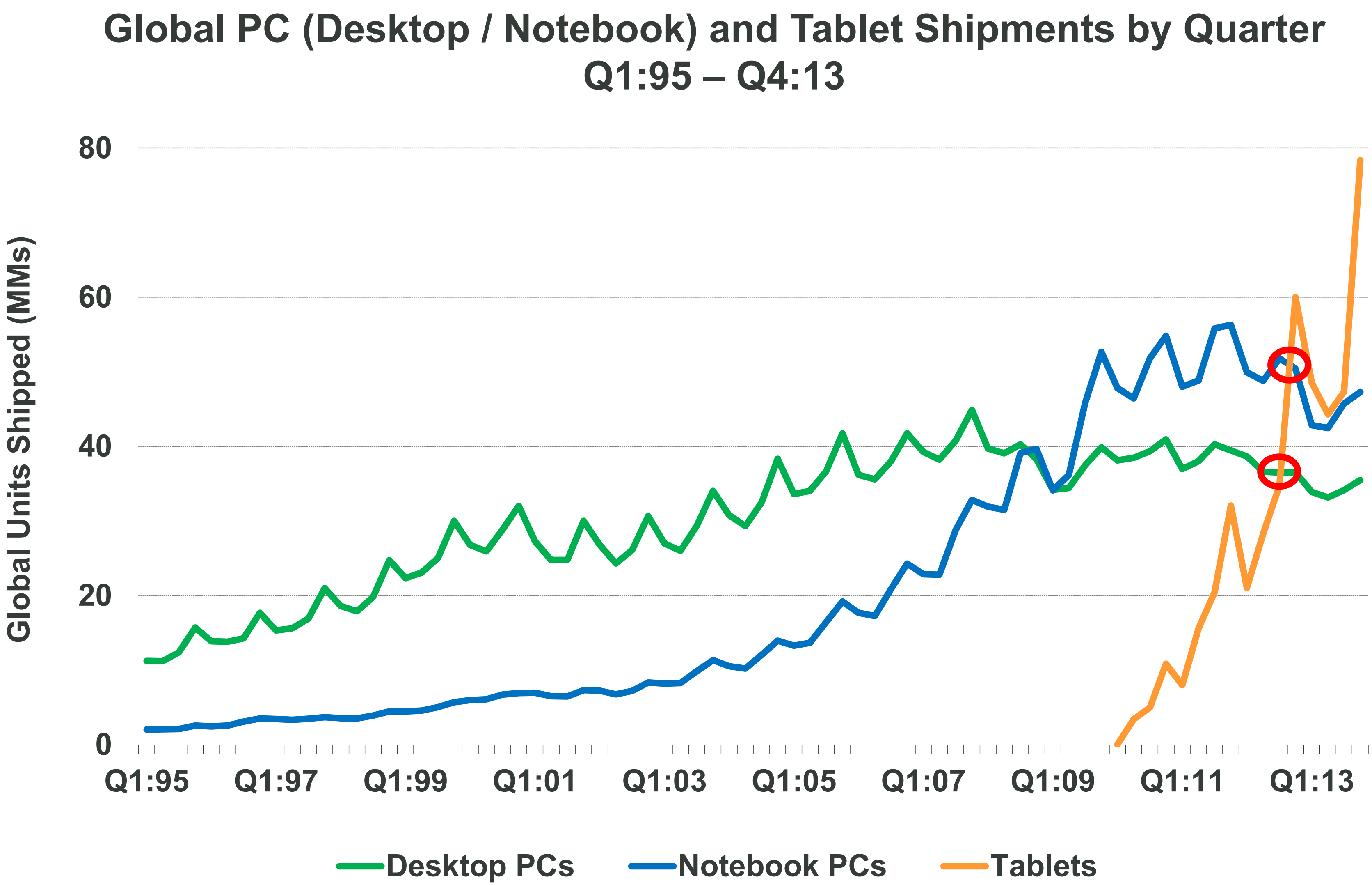
Source: Smartphone shipments per Morgan Stanley Research. User base per KPCB estimates based on Morgan Stanley Research and ITU data. Smartphone users & mobile phone users represent unique individuals owning mobile devices, as noted on slide 8; Mobile Subscribers based on number of connections & may therefore overstate number of mobile users.

Tablet Units = Growing Faster Than PCs Ever Did
+52%, 2013



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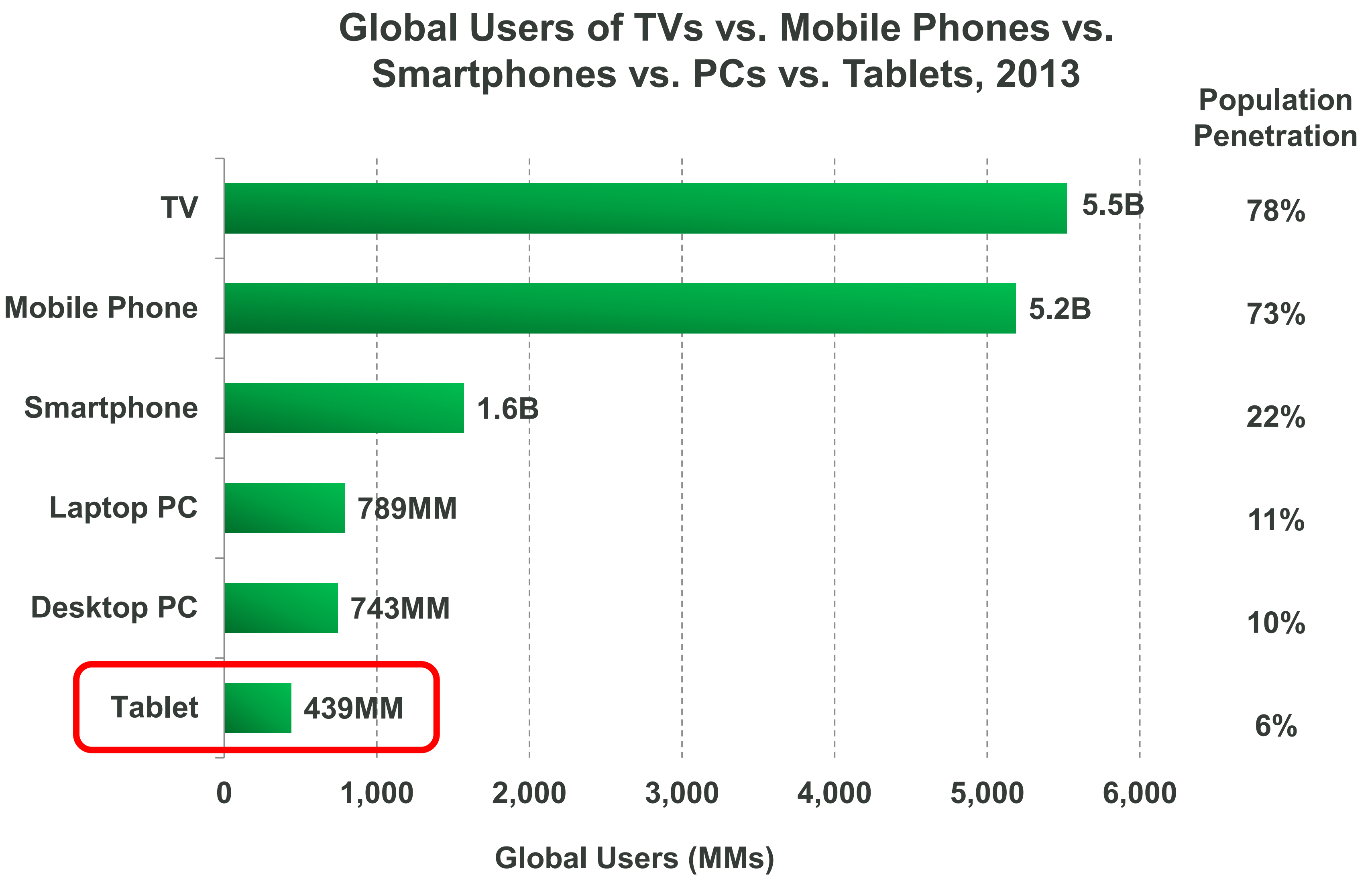
Source: Morgan Stanley Research. Note: Notebook PCs include Netbooks.

Tablet Users = Loads of Growth Ahead @ 56% of Laptops / 28% of Smartphones / 8% of TVs



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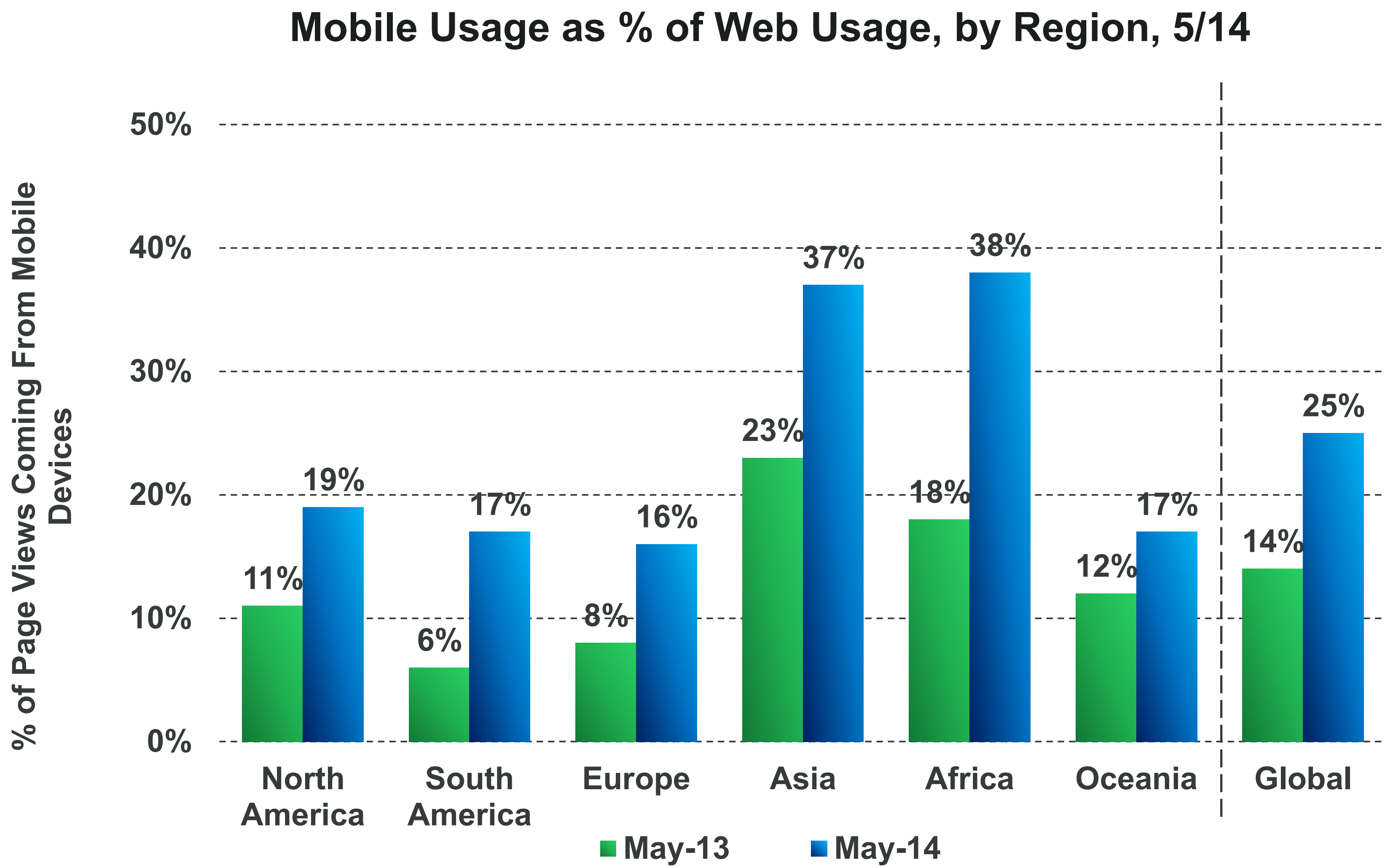
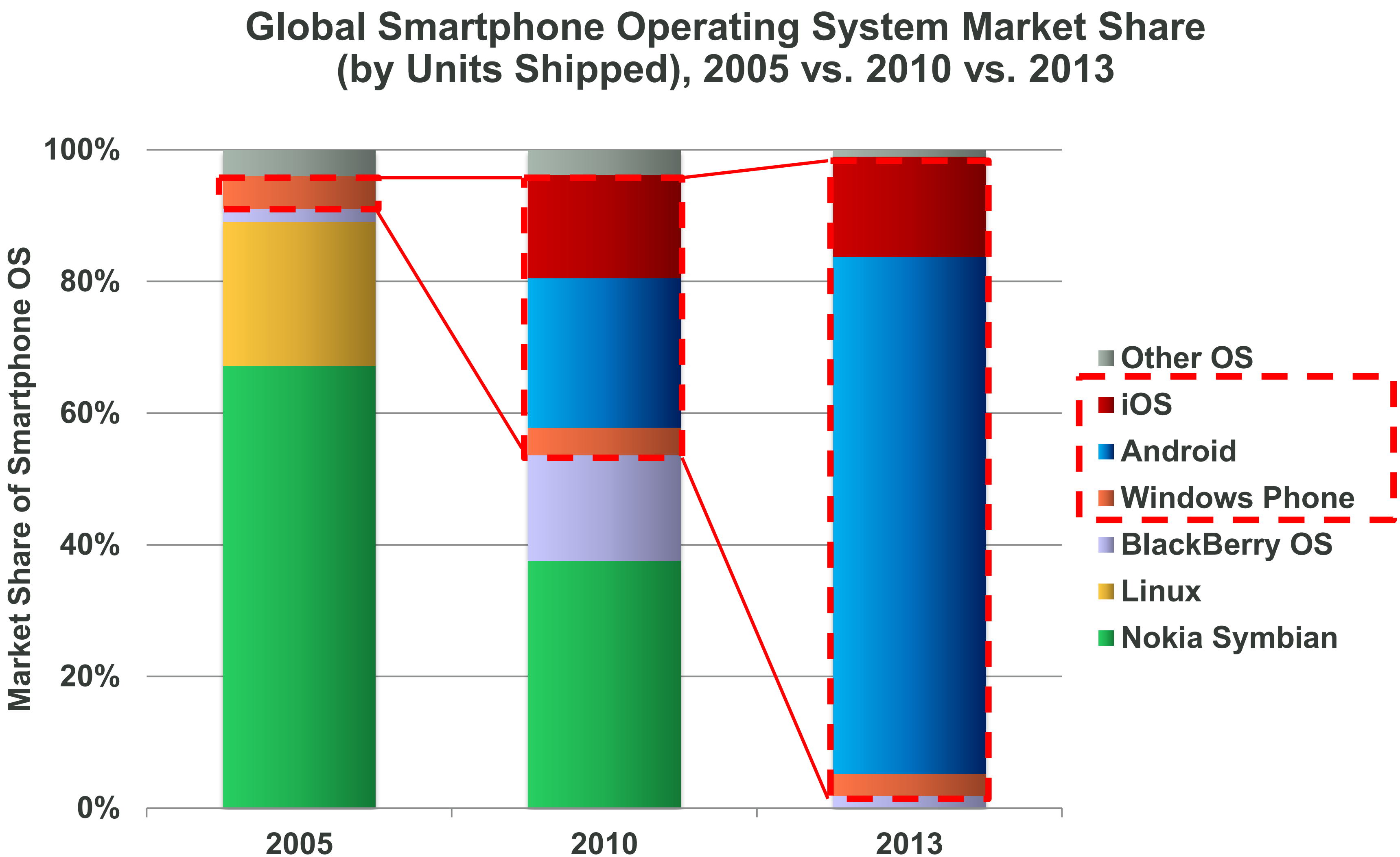
Source: KPCB estimates based on Morgan Stanley Research and ITU data. TV Users is estimate for users with TVs in household, given 1.4B households with TVs in world.

Mobile Usage = Continues to Rise Rapidly @ 25% of Total Web Usage vs. 14% Y/Y



Source: StatCounter, 5/14.

Global Smartphone Operating Systems 'Made in USA' 97% Share from 5% Eight Years Ago



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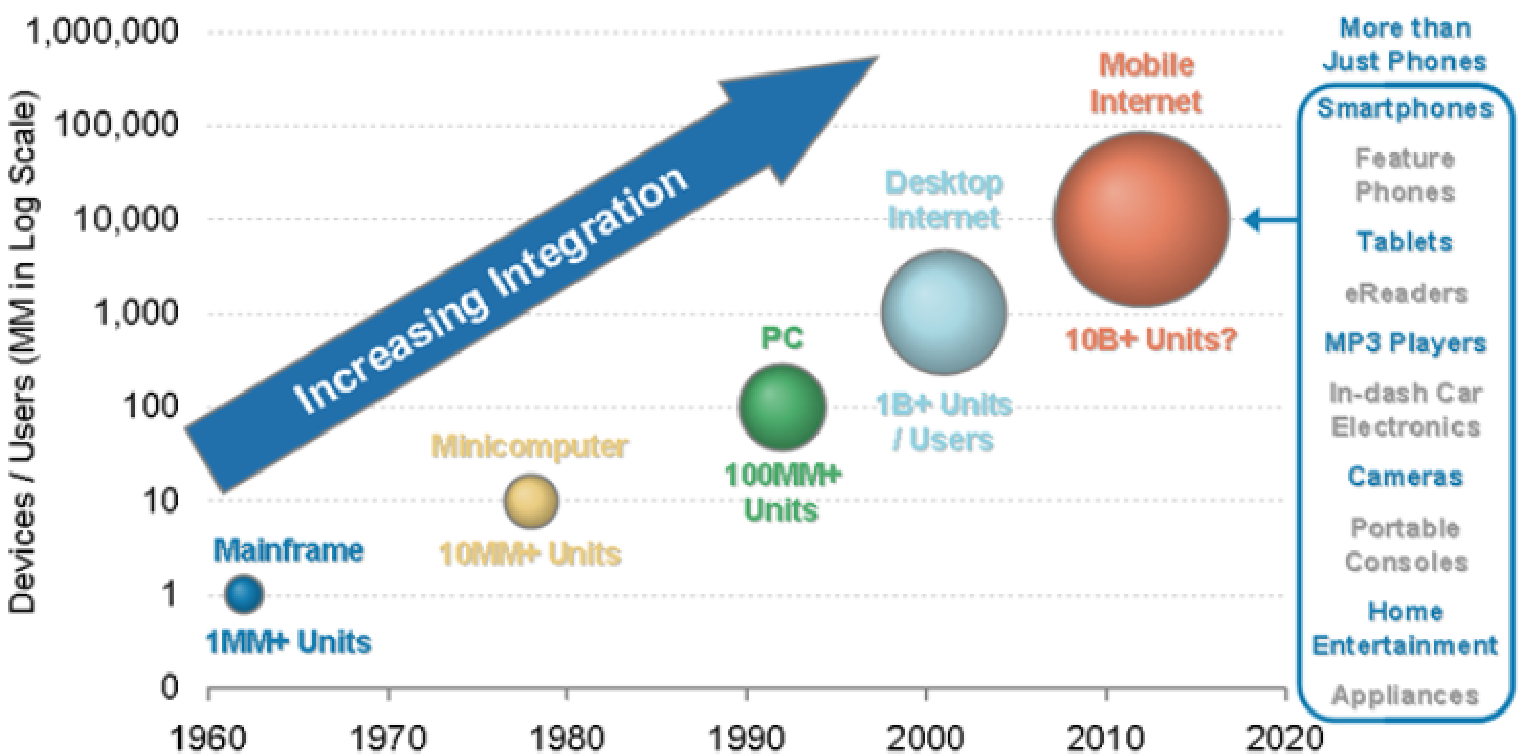
Source: 2005 & 2010 data per Gartner, 2013 data per IDC.

Each New Computing Cycle = 10x > Installed Base than Previous Cycle

Exhibit 29

Each new computing cycle typically generates around 10x the installed base of the previous cycle

Devices or users in millions; logarithmic scale

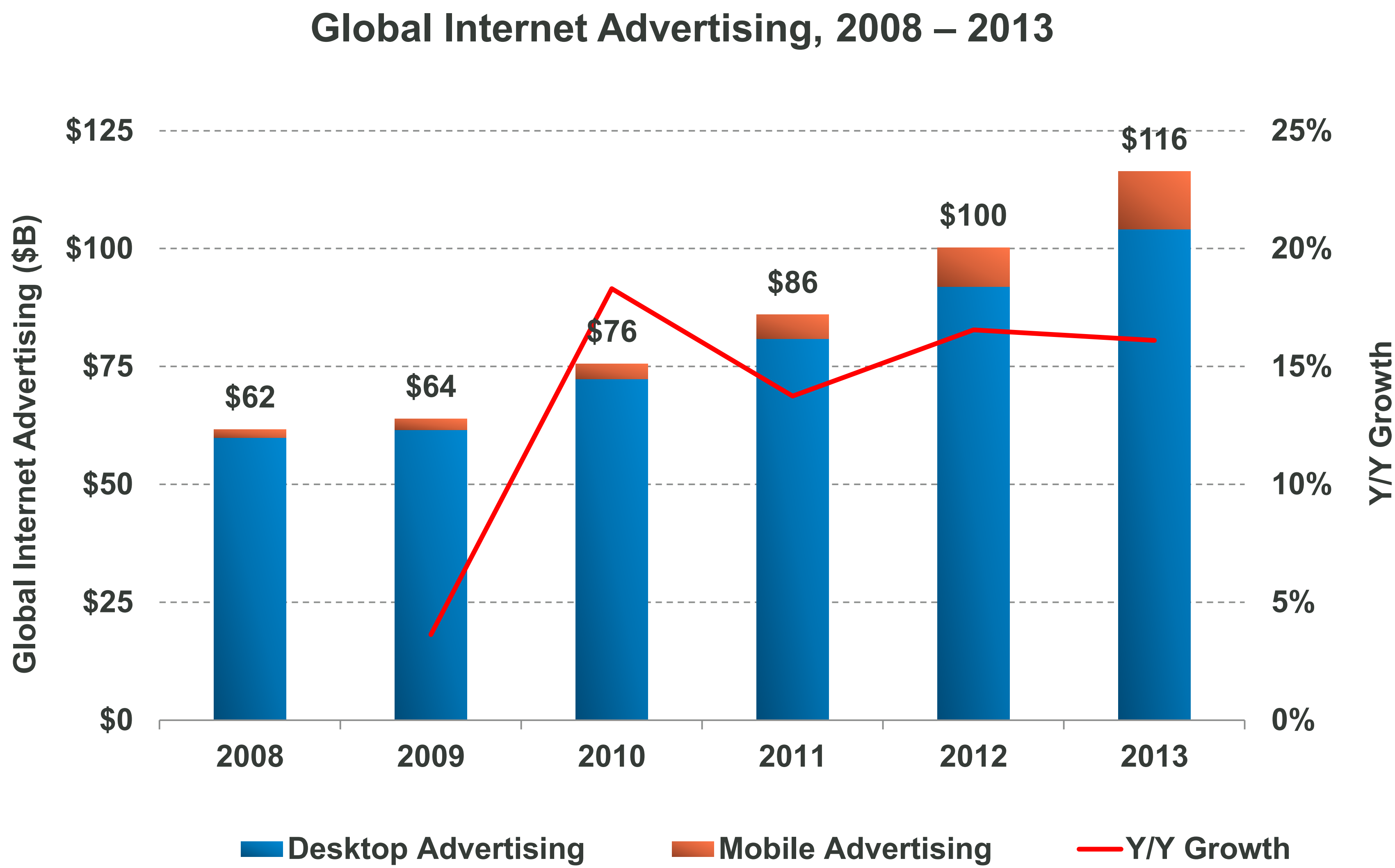


Source: Morgan Stanley Mobile Internet Report (12/09)

Advertising / Monetization =

Mobile Especially Compelling

Internet Advertising = Remains Strong +16%...Mobile +47% to 11% of Total



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Source: PWC Global Entertainment & Media Outlook, 2013.

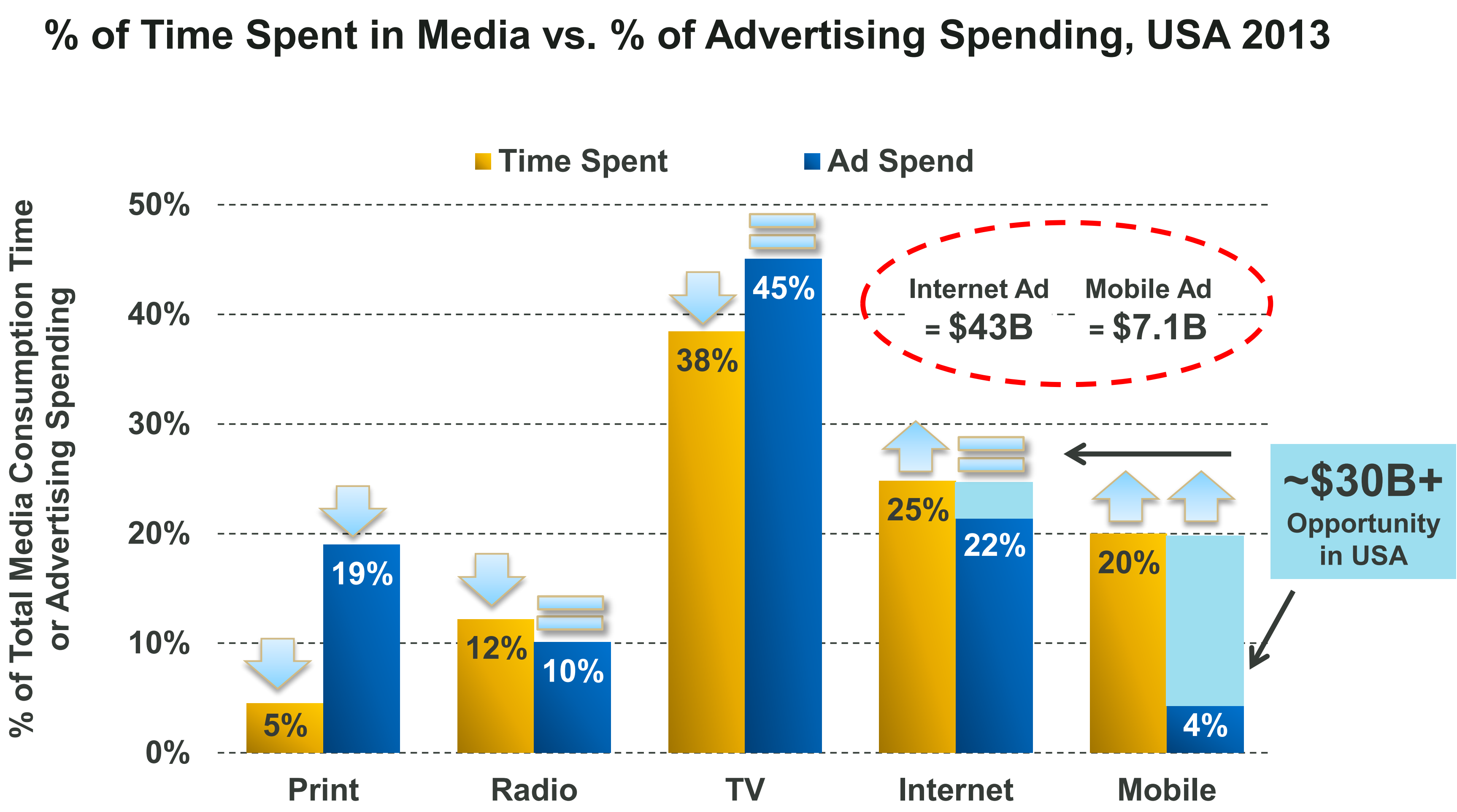
ARPU Upside for Facebook + Twitter
Google ARPU = 6x Facebook   Facebook = 2x Twitter

Annualized Ad ARPU ($) & Mobile % of MAU

Annualized Ad ARPU ($)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13	Q1:14
Google ($)	**$37**	**$37**	**$38**	**$43**	**$42**	**$41**	**$41**	**$46**	**$45**
Y/Y Growth	*9%*	*6%*	*6%*	*14%*	*14%*	*11%*	*10%*	*8%*	*8%*
Facebook ($)	**$4.00**	**$4.28**	**$4.43**	**$5.15**	**$4.60**	**$5.65**	**$6.14**	**$7.76**	**$7.24**
Y/Y Growth	*1%*	*(2%)*	*7%*	*12%*	*15%*	*32%*	*39%*	*51%*	*57%*
Mobile % of MAU	*54%*	*57%*	*60%*	*64%*	*68%*	*71%*	*74%*	*77%*	*79%*
Twitter ($)	**$1.29**	**$1.50**	**$1.64**	**$2.15**	**$1.97**	**$2.22**	**$2.65**	**$3.65**	**$3.55**
Y/Y Growth	*90%*	*134%*	*108%*	*93%*	*52%*	*48%*	*61%*	*69%*	*80%*
Mobile % of MAU	--	--	--	--	--	*75%*	*76%*	*76%*	*78%*

Source: SEC Filings & Comscore. ARPU = Average Revenue per User, defined as annualized revenue per Monthly Active User (MAU). Google ARPU is calculated using Google's gross revenue & Comscore unique visitors.

Remain Optimistic About Mobile Ad Spend Growth Print Remains Way Over-Indexed



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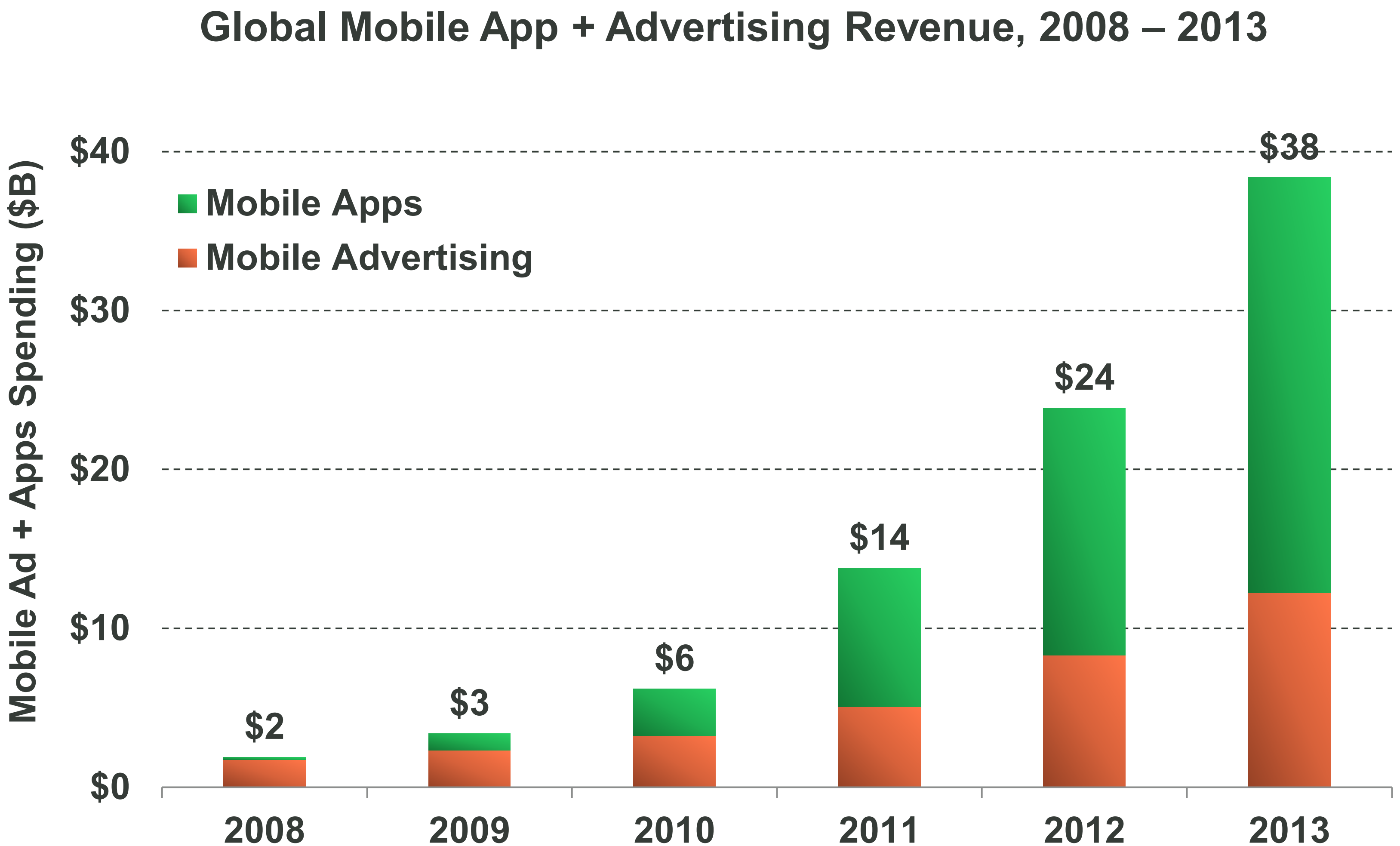
Source: Advertising spend based on IAB data for full year 2013. Print includes newspaper and magazine. $30B+ opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share. Time spent share data based on eMarketer 7/13 (adjusted to exclude outdoors / classified media spend). Arrows denote Y/Y shift in percent share.

Mobile App Revenue = Still Trumps Mobile Ad Revenue @ 68% of Mobile Monetization



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Source: Global Mobile App revenue per Strategy Analytics; comprises virtual goods, in-app advertising, subscription, & download revenue. Global Mobile Advertising revenue per PWC; comprises browser, search & classified advertising revenue.

Cyber Threats Intensifying

Cybersecurity Trends – Kevin Mandia (Mandiant / FireEye)

1) **# of Active Threat Groups Rising Rapidly** =
   300 (+4x since 2011) per Mandiant tracking

2) **Increased Nation-State Activities***

3) **Vulnerable Systems Placed on Internet Compromised in <15 Minutes****

4) **+95% of Networks Compromised in Some Way**

5) **As Mobile Platforms Grow, Directed Attacks Will Rise**

Source: *FireEye Operation Saffron Rose, **Honeynet Project.

STATUS UPDATE –
TECH STOCKS / EDUCATION / HEALTHCARE

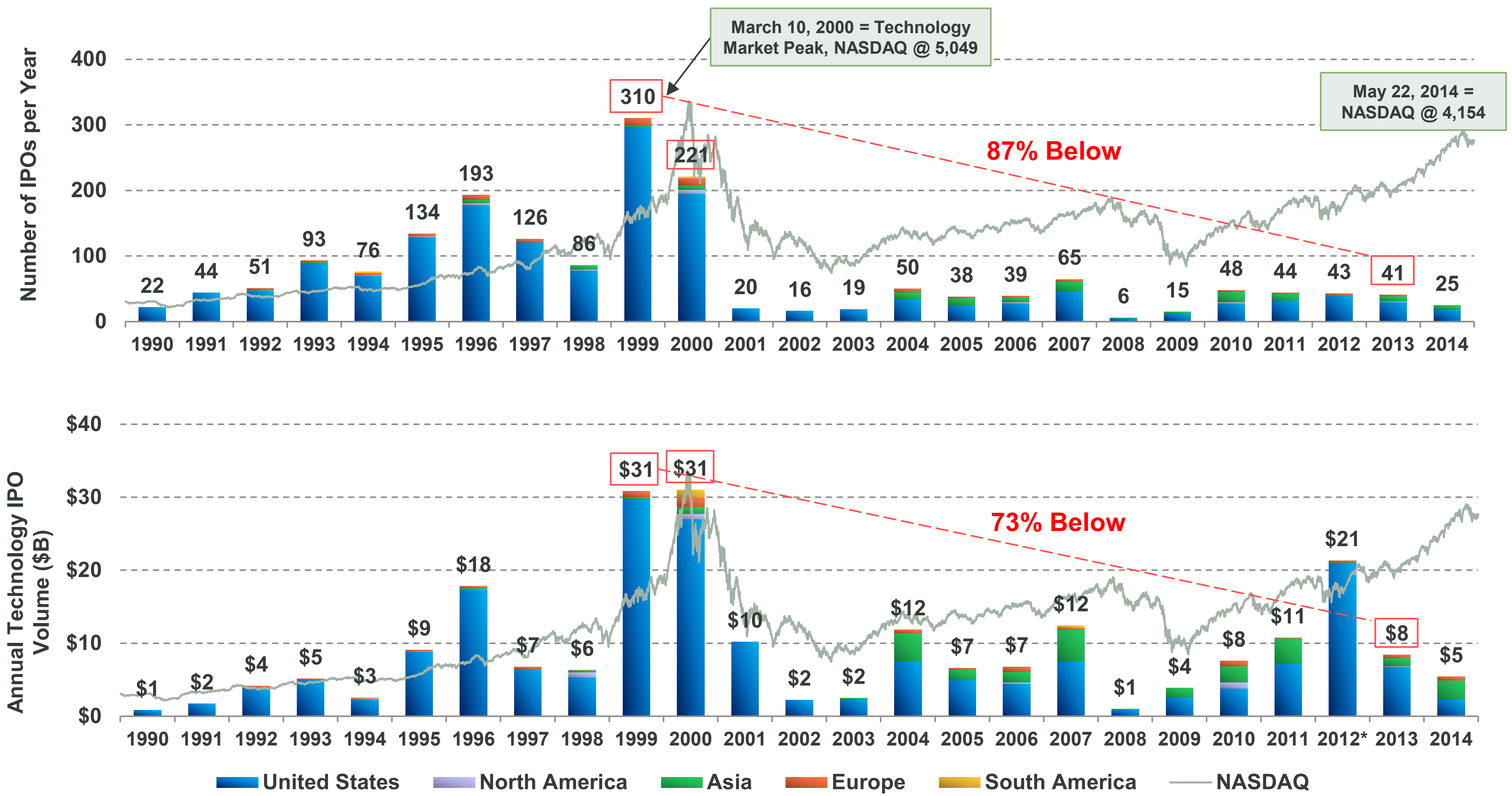
Technology Company Valuation Excess?

Some? Yes...

But, Let's Look @ Patterns

2013 Technology IPOs = $ Volume 73% Below 1999 Peak Level NASDAQ 18% Below March 2000 Peak

Global Technology IPO Issuance, 1990 – 2014YTD



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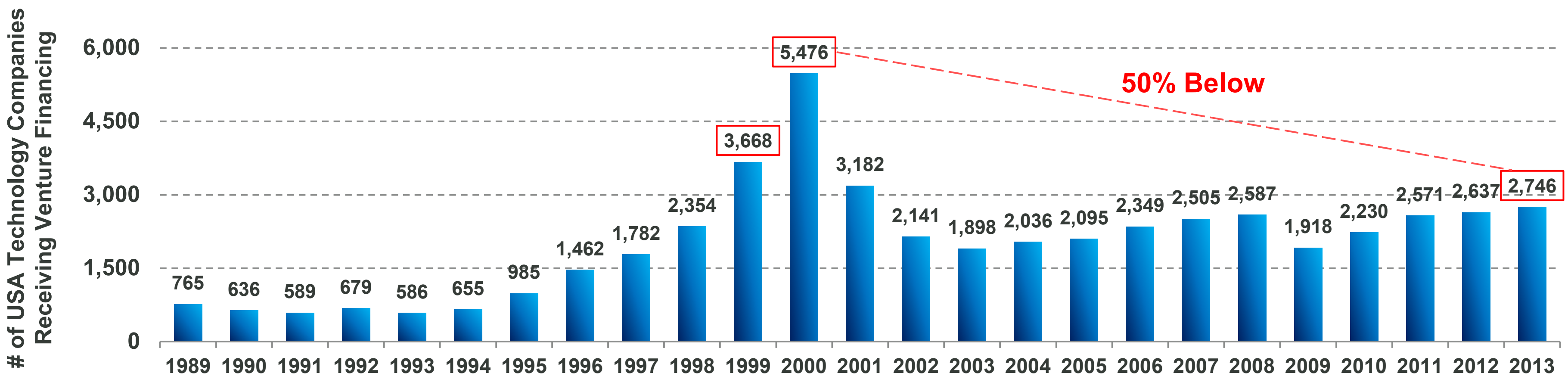
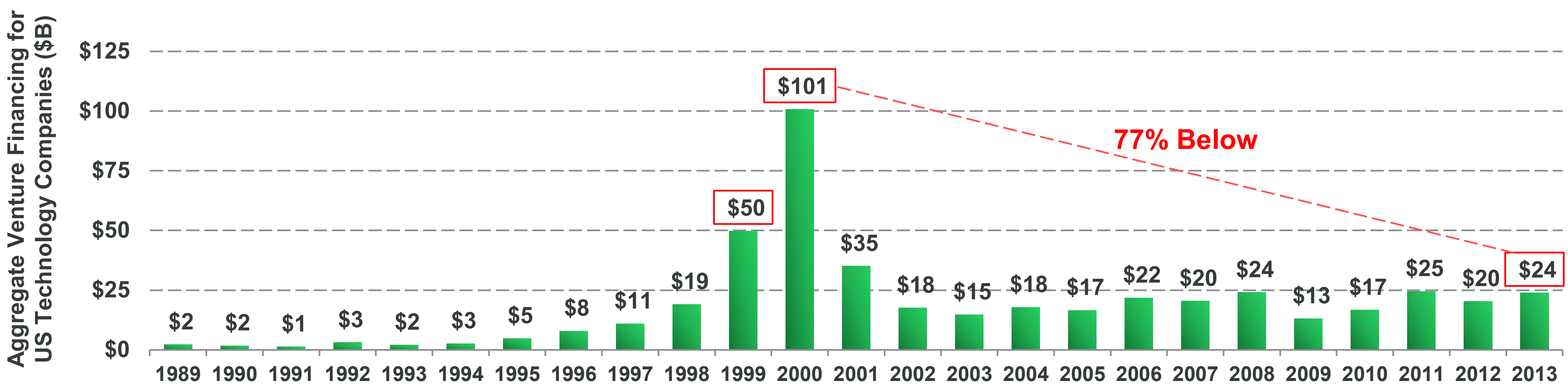
*Facebook = 75% of 2012 IPO $ value.
Source: Morgan Stanley Equity Capital Markets, 2014YTD as of 5/21/14, data per Dealogic, Bloomberg, & Capital IQ.

2013 Venture Financings =
$ Volume 77% Below 2000 Peak Level

USA Technology Venture Capital Financing, 1989 – 2013



Funding per Financing ($MM)	*$3*	*$3*	*$2*	*$5*	*$4*	*$4*	*$5*	*$5*	*$6*	*$8*	*$14*	*$18*	*$11*	*$8*	*$8*	*$9*	*$8*	*$9*	*$8*	*$9*	*$7*	*$7*	*$10*	*$8*	*$9*



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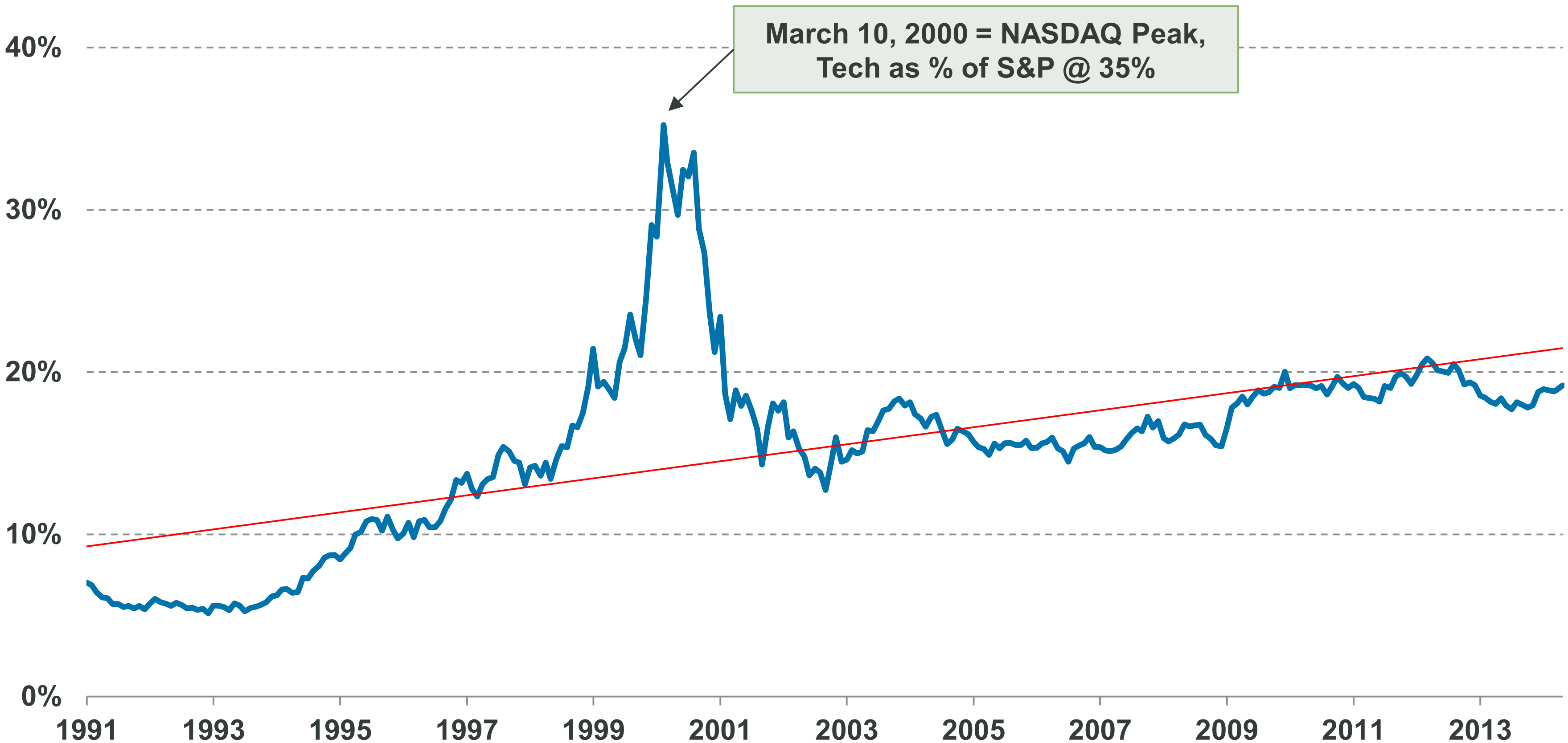
Source: Thomson ONE. Funding per Financing ($MM) calculated as total venture financing per year divided by number of deals.

Tech Companies @ 19% of S&P500 Value = Well Below 35% March, 2000 Peak Level

Technology Company Market Value as % of S&P500, 1991 – 2014YTD



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Source: Morgan Stanley, Bloomberg, CapIQ, 2014YTD as of 5/21/14.

Education =

May Be @ Inflection Point

Education Realities = Facts – USA...

Education is Important – Getting education right is crucial for future success

Education is Expensive

- **Secondary School Costs** – USA ranks 4th globally in expenditure per student among 34 OECD countries*
- **Higher Education Costs** – 71% of 4-year college grads = $30K average student loan debt. All in, this $1T+ exceeds credit card & auto loan debt

Education Results Often Subpar

- **Public Schools** – Rank 27th globally in math / 20th in science / 17th in reading
- **College Job Prep** – 1/3 of four-year college graduates feel their education did not prepare them well for employment

*USA ranks behind Luxembourg / Switzerland / Norway. Source: OECD Programme for International Student Assessment, 2011 & 2012. The Institute for College Access & Success, 2014. Consumer Financial Protection Bureau. 'Voice of the Graduate,' McKinsey / Chegg.

Education Realities = Reasons for Optimism

- **People Care About Education** – 8 in 10 Americans say education issue is extremely / very important to them

- **Personalized Education Ramping** – People learn in different ways and Internet offers many options – on own terms and at low cost – to many, with real-time feedback

- **Distribution Expanding & Education Start Up Costs Declining** – Direct to consumer / teacher allows education products to receive rapid mass adoption productization / distribution costs falling

Source: GfK Public Affairs & Corporate Communications, 2012

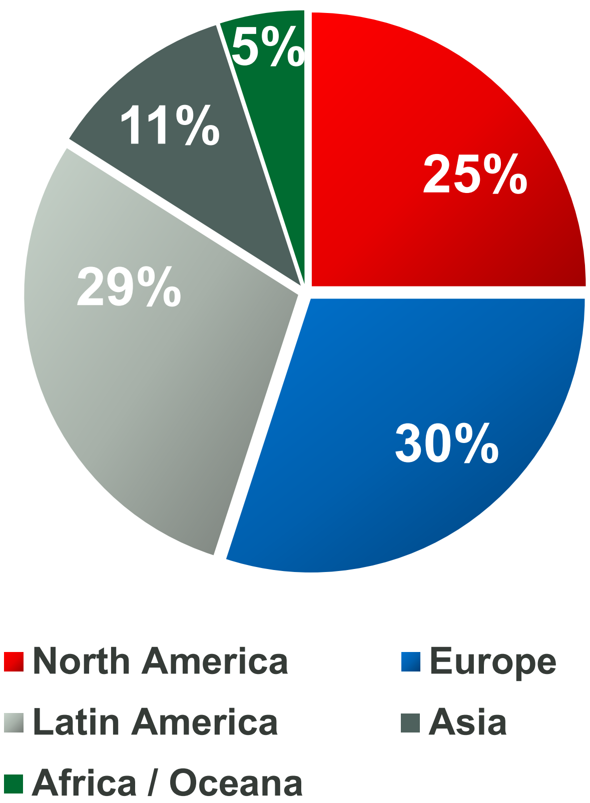
Education Realities = Green Shoots Data

- **Graduation Rates Rising** – 81% of high school freshman graduated in 2012, up from 74% five years ago
- **Language Learning Easier / Fun** – 25MM+ people (+14x Y/Y) use Duolingo app to learn new language
- **Communication Easier** – 12MM+ teachers / students / parents (+15x Y/Y) use Remind101 to send 500MM+ messages
- **Behavior Feedback Easier** – 35MM+ teachers / students / parents using ClassDojo to help improve student behavior through real-time feedback
- **Online Courses Can Help Learning Process (for Teachers + Students)**
  - 430MM+ views (+69% Y/Y) on Khan Academy YouTube channel, 10MM MAUs
  - 65MM+ courses (+59% Y/Y) from iTunes U Open University downloaded
  - 7MM+ students (+ >2x Y/Y) enrolled in Coursera courses

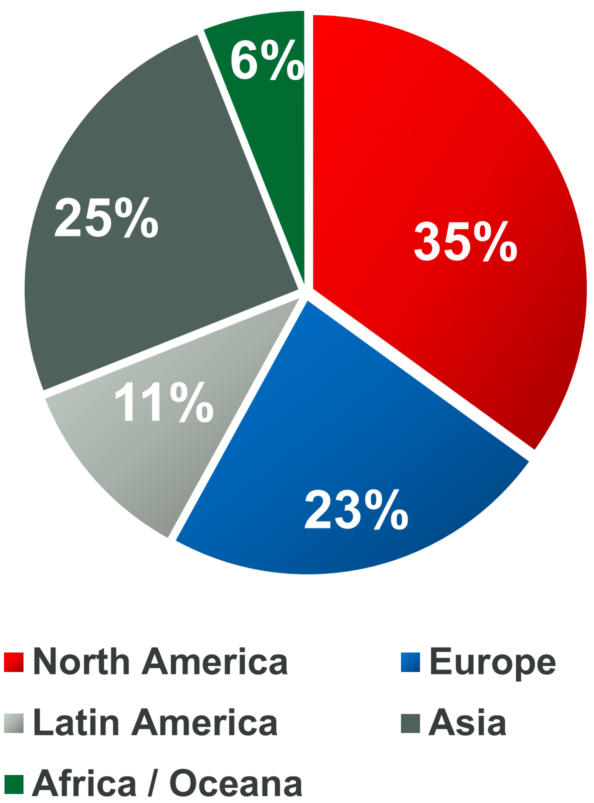
Source: National Center for Education Statistics, 2014. Company data.

Online Education = It's a Global Thing

Duolingo (25MM Users)
Traffic Distribution, 4/14



Coursera (7MM Users)
Student Distribution, 3/14



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Source: Duolingo, Coursera.

Healthcare =

May Be @ Inflection Point

Healthcare Realities = Facts – USA...

- **Costs Up to 17% of GDP** – @ $2.8T in 2012, +2x as percent of GDP in 35 years
- **Waste = 27% of Spend** – $765B of healthcare spend estimated from excess costs: $210B = unnecessary services; $190B = excess administrative; $55B = missed prevention opportunities; $310B = inefficient delivery of care / fraud / inflated prices (2009)
- **Employers Carry Big Burden** – $620B spend by employers for 150MM Americans (2014E)   costs up 28% vs. 5 years ago   67% CFOs indicate healthcare costs = leading economic concern
- **Individual Costs Rising** – >25% of family income likely to go to healthcare spending in 2015E vs. 18% in 2005...top 5% healthcare consumers (most with multiple chronic illnesses) spent 50% of healthcare dollars (2009)   >50% of personal bankruptcies driven by healthcare costs
- **Chronic Conditions = +75% of Spend** – Most costly = cancer / diabetes / heart disease / hypertension / stroke   1 in 2 Americans has at least 1 chronic condition, 1 in 4 has 2+   32% of Americans obese in 2008, up from 15% in 1990
- **Behavior = Root Cause of Many Health Problems** – Health risk behaviors cause chronic diseases. 52% of adults did not meet recommendations of physical activity (2011)   50% of those with chronic conditions not complaint with taking medicine to manage disease = $100B on avoidable hospitalizations (2010)

Source: Beth Seidenberg, KPCB General Partner; Lynne Chou, KPCB Partner. Sources: Healthcare costs per Center for Medicaid and Medicare Services (CMS). Healthcare waste data per Institute of Medicine. Employers' healthcare costs per CMS, Kaiser Family Foundation, BAML CFO Outlook Report, Towers Watson. Individual healthcare costs per ChartPack, Leerink & Kaiser. Chronic conditions data per CMS, The New England Journal of Medicine. Behavior data per Centers for Disease Control & New England Journal of Medicine.

Healthcare Realities = Reasons for Optimism

- **Digital Technology Enables Change** – Healthcare system has relied on antiquated systems

- **Government Enabled Change Pushes Technology**
  - *HITECH Act* – $35B administered by Office of the National Coordinator for Electronic Health Records (EHR) + health information technology in 2013 penalties exist for non-compliance
  - *Affordable Care Act* – Coverage expansion in works

- **Consumerization of Healthcare –** Majority (52%) of consumers want to access tools / websites rankings for quality / satisfaction / patients reviews of doctors + hospitals

Source: Beth Seidenberg, KPCB General Partner; Lynne Chou, KPCB Partner. Sources: ACA data per CBO office. HITECH Act data per HIMSS Report Frost and Sullivan & HealthIT. Consumerization of healthcare data from Deloitte, 2012.

Healthcare Realities = Green Shoots Data

- **Digitization of Healthcare Happening**
  - *Providers Using Fully Functioning EHR* – 84% of Hospitals / Academic / Institutional practices 51% (& rising) of office-based practices
  - *Consumers Happy to Communicate via Email* – 62% for healthcare concerns
  - *Digital Health Venture Investments Rising* – +39% Y/Y to $1.9B (2013, USA)

- **Quality Over Quantity Incentives Being Implemented**
  - *Payers Incentivized to Engage Patients / Improve Care / Outcomes / Reduce Costs*
  - *Providers Shifting to Value-Based from Fee-for-Service Payments*
  - *Employers Lowering Costs by Offering Services to Improve Engagement / Choices / Care* – 46% of employers will enact participatory / outcomes based incentives (like weight loss / cholesterol levels) By 2015, 60% will offer price transparency tools from health plans

- **Patient Engagement Rising & Yielding Results**
  - *Redbrick Health* – employer engagement platform = 4:1 ROI savings per participant
  - *Teladoc* – employer focused telemedicine platform = $798 savings per consultation vs. office visit & ER over 30 days
  - *Mango Health* – adherence app = 84% Statin adherence vs. 52% market average
  - *WellDoc* – chronic disease platform = diabetes app prescription with reimbursement

Source: Beth Seidenberg, KPCB General Partner; Lynne Chou, KPCB Partner. Sources: Digitization data per Black Book, Deloitte, & Rock Health. Incentives data per Leerink. Employers lowering costs data per Towers Watson. Company data.

RE-IMAGINING CONTINUES

Re-Imagining
Messaging / Communications

A Tweet – David Sacks (Yammer CEO / Founder)

David Sacks
@DavidSacks

Both WhatsApp and Secret represent the ascendency of the phone book over the friend graph. It's back to the future.

Reply Retweet Favorite More

3:17 PM - 19 Feb 2014

Global OTT (Over-the-Top) Messaging Services = >1B Users in <5 Years

Global Messaging Ecosystem – Select Players, 2013

WhatsApp (USA), 4+ Years

MAUs = **400MM**, +100% Y/Y
Messages / Day = **50B**, +178% Y/Y

Tencent WeChat (China), 3+ Years

MAUs = **355MM**, +125% Y/Y

Line (Japan), 2+ Years

MAUs = **280MM**
Messages / Day = **10B**
Revenue = **$388MM**, +5x Y/Y (Q4:13)

KakaoTalk (Korea), 3+ Years

Messages / Day = **5.2B**, +24% Y/Y
Revenue = **$203MM**, +4xY/Y

Snapchat (USA), 2+ Years

Messages / Day = **1.2B**

Viber (Israel), 3+ Years

MAUs = **100MM**

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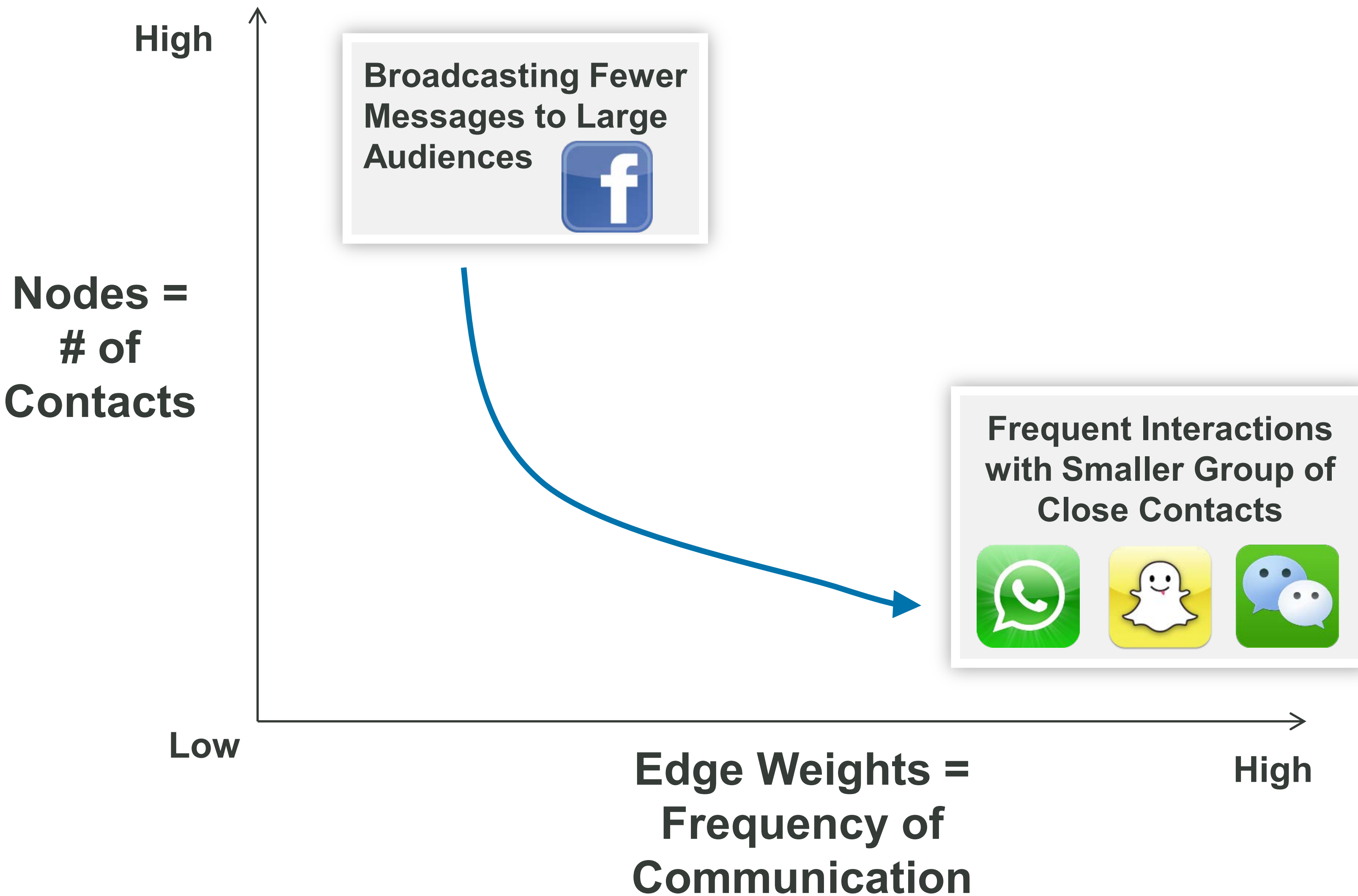
Source: Publicly disclosed company data for 2013. Note: Snapchat messages / day comprises number of snaps sent per day and number of stories viewed per day.

Evolution of Messaging → New Social Graphs
Edges = Potentially More Value than Nodes



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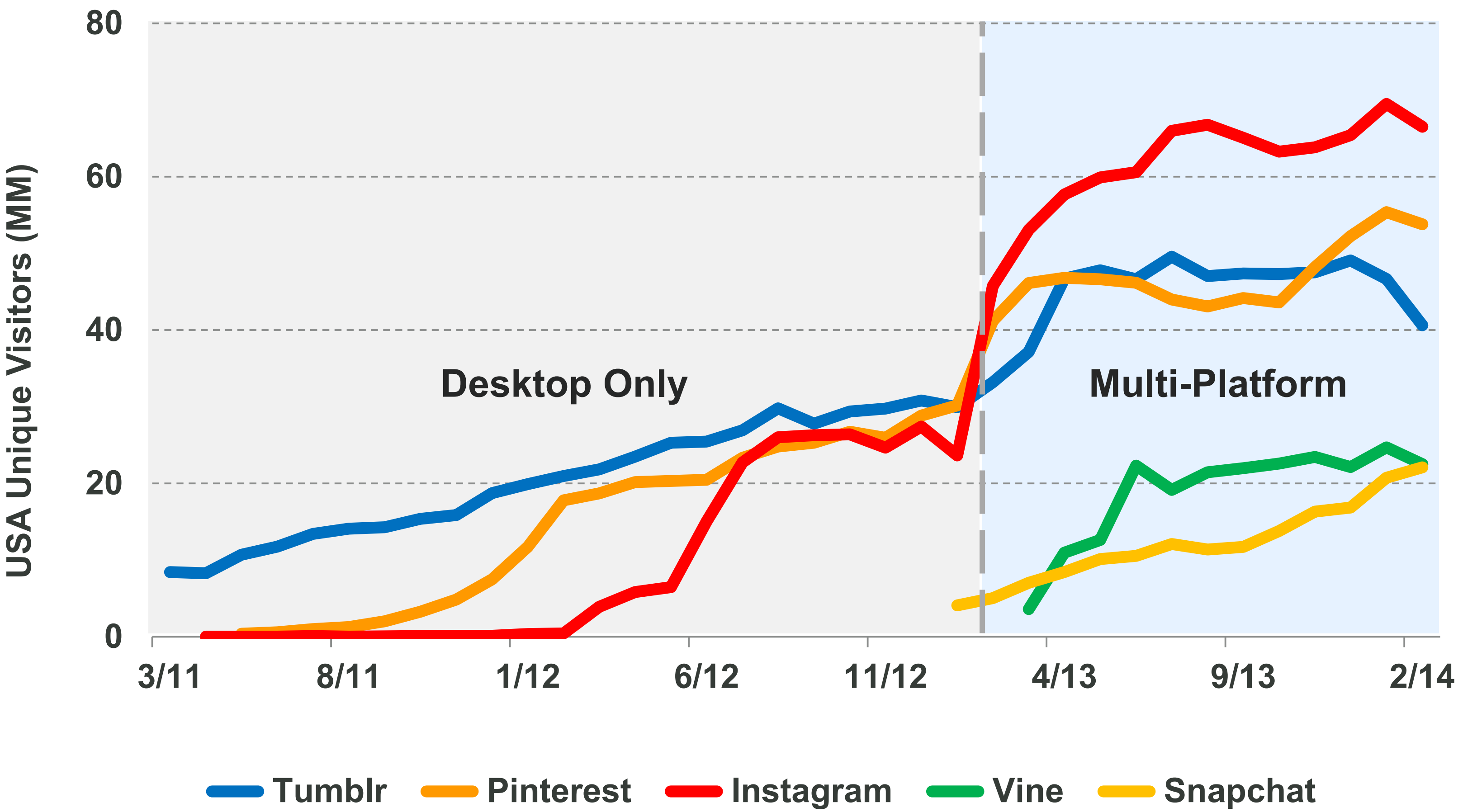
Source: Anjney Midha, KPCB Associate; Jared Morgenstern, KPCB Entrepreneur Partner.

Evolution of Communications → Image + Video Sharing Rising Rapidly

'Visual Web' Social Networks: Unique Visitors Trend, USA, 3/11 – 2/14

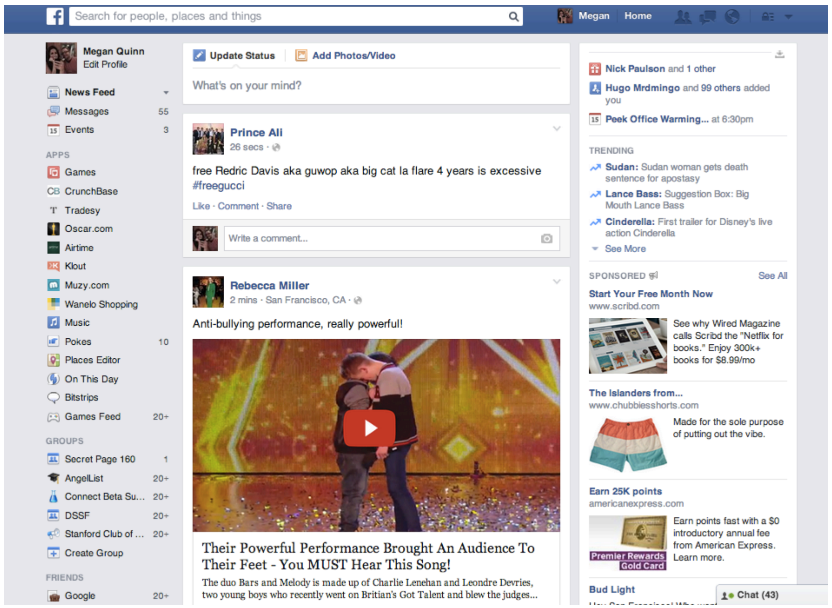


Source: Comscore, State of Digital Advertising Q1 2014, 4/14.

Re-Imagining Apps

Evolution of Apps → Internet Unbundling

First, multi-purpose web apps



then, multi-purpose mobile apps

now, single-purpose = 'there's an app for that'

@KPCB Source: Megan Quinn, KPCB Partner.

Evolution of Apps → Internet Unbundling = Rise Of Invisible App

now some apps are disappearing altogether

Foursquare Swarm | **Runkeeper Breeze** | **Dark Sky** | **WUT**

We're entering the age of apps as service layers.

These are apps you have on your phone but only open when you know they explicitly have something to say to you.

They aren't for 'idle browsing,' they're purpose-built & informed by contextual signals like hardware sensors, location, history of use & predictive computation.

– Matthew Panzarino, *TechCrunch*, 5/15/14

Source: Matthew Panzarino, Techcrunch.

Re-Imagining Distribution Channels & Content

Social *Distribution* Leaders = Facebook / Pinterest / Twitter

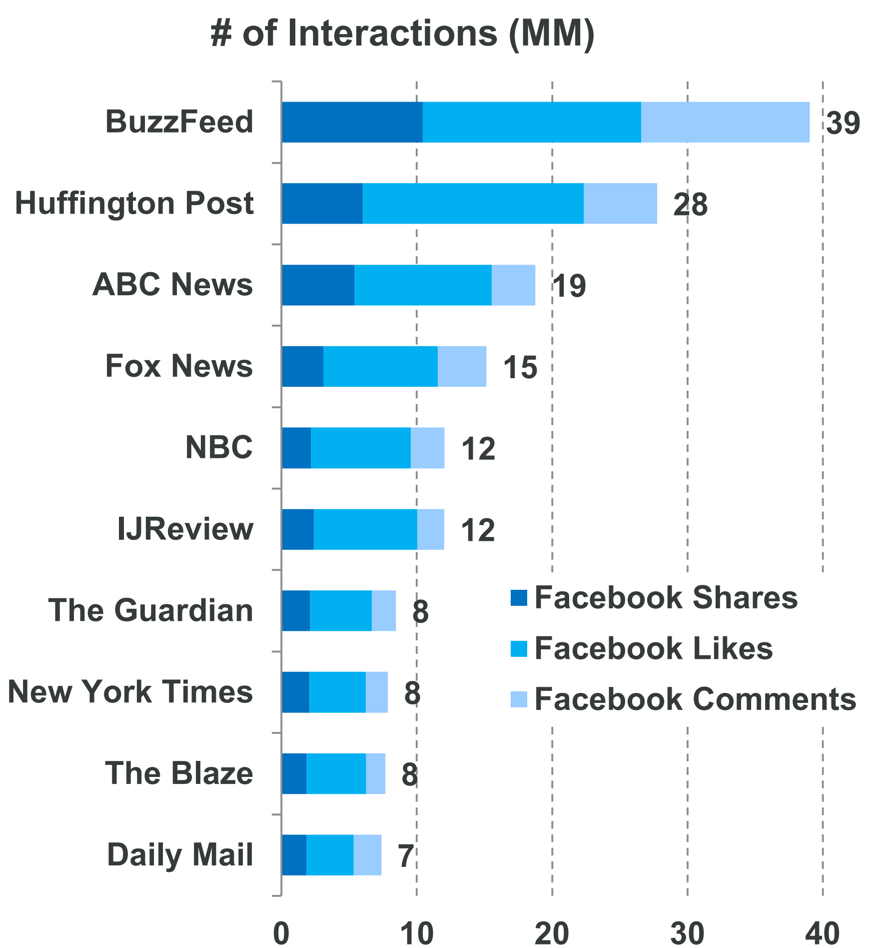
- **Social Media Traffic Referral Leaders =** Facebook / Pinterest / Twitter with estimated 21%, 7%, 1% of global referrals, per Shareaholic, 3/14.

- **Social Distribution Happens Quickly =** Average article reaches ***half*** total social referrals in 6.5 hours on Twitter, 9 hours on Facebook, per SimpleReach, 5/14.

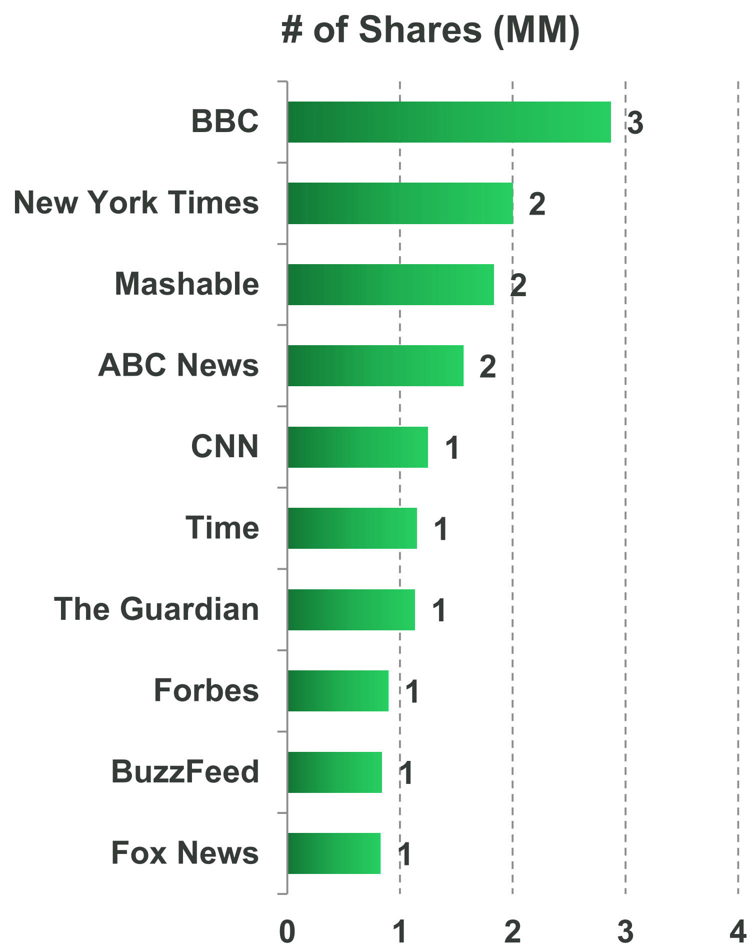
Source: Shareaholic, 3/14. SimpleReach, 5/14. Note: Traffic referral % is percentage of total traffic referrals across Shareholic network.

Social News *Content* Leaders = BuzzFeed / Huffington Post / ABC News

Top Facebook News Publishers, 4/14



Top Twitter News Publishers, 4/14



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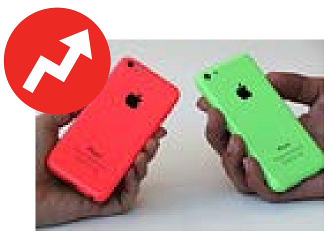
Source: NewsWhip - Spike, 4/14.

Re-Imagining Content + Content Delivery = BuzzFeed Lists / Quizzes / Explainers / Breaking / Video / Mobile

BuzzFeed

130MM+ Unique Visitors +3x Y/Y (5/14)
>50% Mobile, >75% Social, >50% age 18-34



15 Things You Didn't Know Your iPhone Could Do
17MM+ views

What State Do You Actually Belong In?
40MM+ views

Why I Bought A House In Detroit For $500
1.5MM+ views

Photoshopping Real Women Into Cover Models
13MM+ video views

Source: Buzzfeed, 5/14.

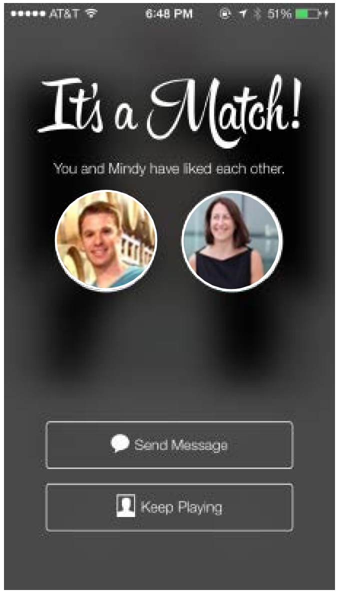
Re-Imagining Day-to-Day Activities

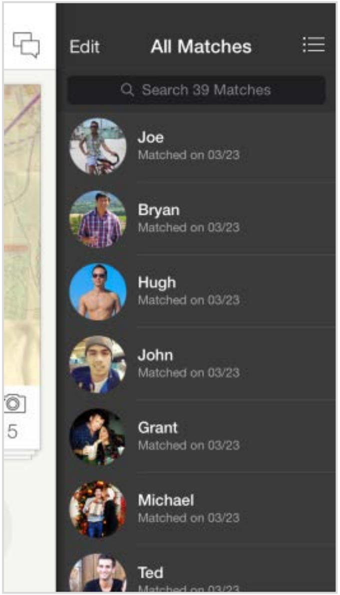
Re-Imagining How People Meet

~70K Bars / Nightclubs, USA

Tinder

800MM Swipes per day, +21x Y/Y
11MM Matches per day, +21x Y/Y





Source: IBIS World, 5/14. Company data.

Re-Imagining Local Services / Reputation = Leverage + Efficiency

airbnb	6MM Guest Stays 550K Listings, +83% Y/Y	11x Ratio Guest Stays / Listings
Alibaba 淘宝网 Taobao.com 天猫 TMALL.COM	231MM Buyers, +44% Y/Y 8MM Sellers	29x Ratio $31K / Year Avg to Alibaba's China Retail Marketplace Sellers
grubHub	39MM Meal Orders, +74% Y/Y 29K Restaurants, +3X Y/Y	1,367x Ratio $35K / Year Avg to Restaurants

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All data for 2013. Sources: Company data, SEC filings. Airbnb Listings is total number at year-end. In 2013, Alibaba's China retail marketplaces comprised of Taobao, Tmall, and Juhuasuan, which generated Gross Merchandise Volume of $248B from 8MM active sellers. GrubHub's average annual $ to restaurants calculated using 2013 Gross Food Sales totaling $1B+ across 29K restaurants on platform.

Re-Imagining Grocery Shopping

>47% of Online Transactions Use ‘Free-Shipping,’ vs. 35% Five Years Ago

Same-Day Local Delivery = Next Big Thing

Instacart

Amazon Fresh

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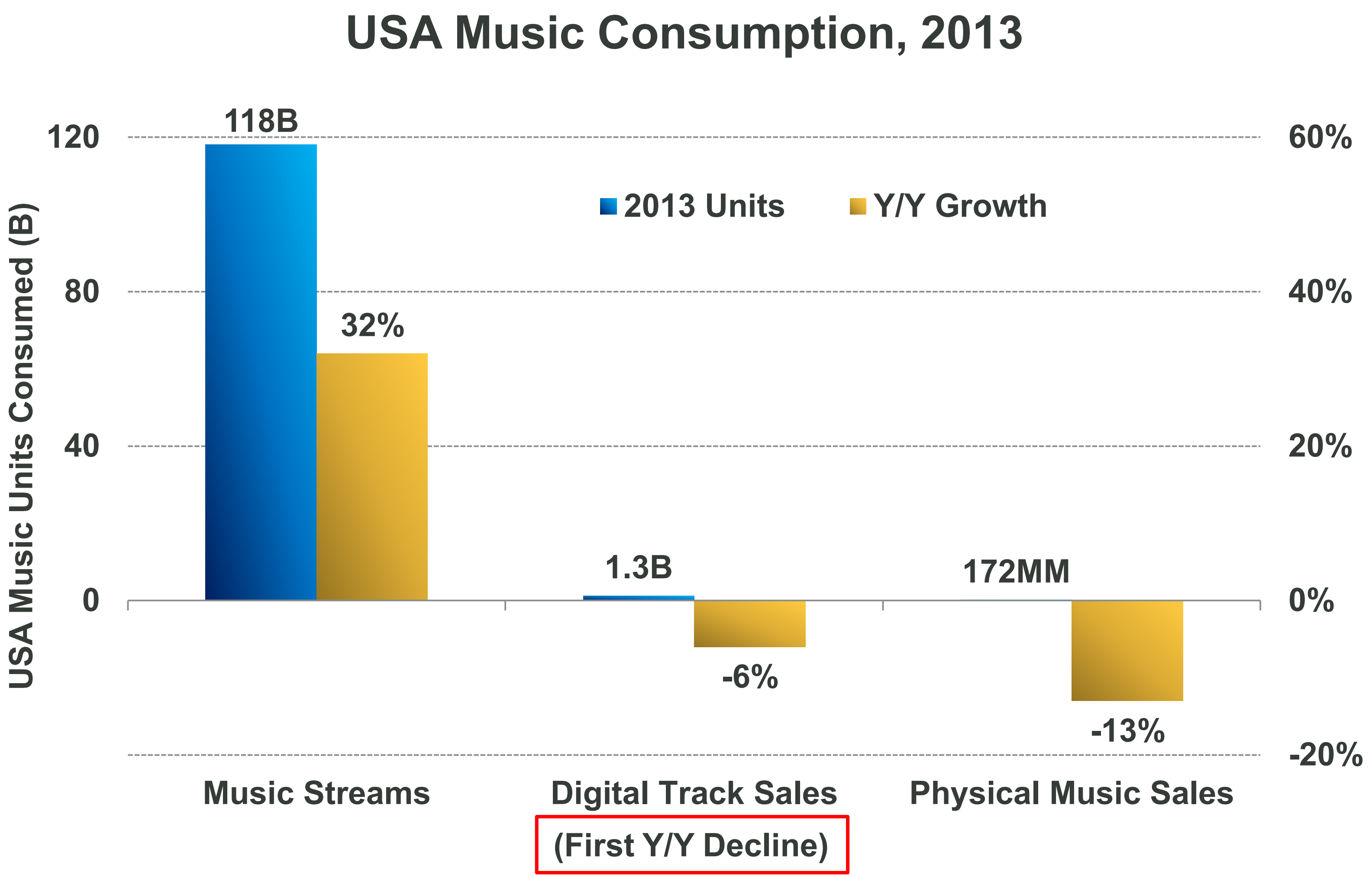
Source: Comscore. Images: Indiana Public Media, Film North Florida; Kearny Hub, Wall Street Journal.

Re-Imagining Media (Music) Consumption = Streaming +32%, Digital Track Sales -6%



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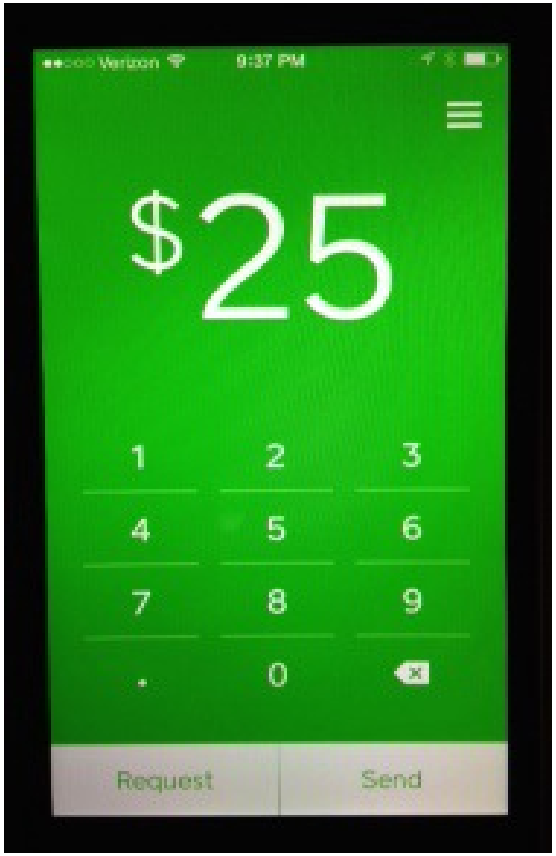
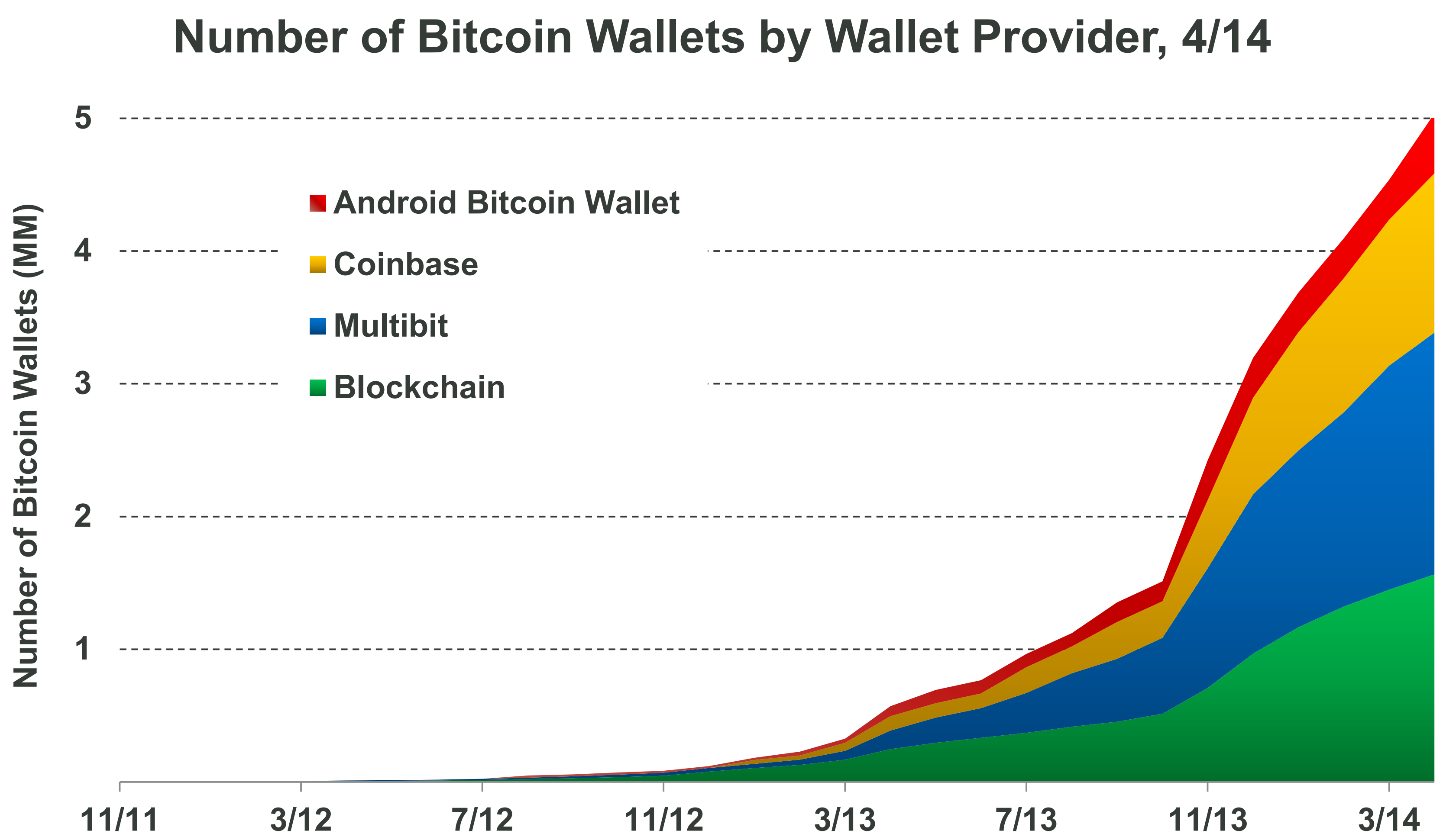
Source: Nielsen & Billboard 2013 US Music Report, 1/14. Note that absolute consumption comparisons are apples-and-oranges as tracks / physical sales are likely played multiple times but data is illustrative as growth rate is key indicator.

Re-Imagining Money

Re-Imagining Money



Fact that ~5MM Bitcoin Wallets (+8x Y/Y) Exist Proves Extraordinary Interest in Cryptocurrencies



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Source: CoinDesk. Largest wallet providers (Blockchain / MultiBit / Coinbase / Bitcoin Wallet) at ~4.9MM wallets account for majority of Bitcoin wallets created.

Re-Imagining
an
Industry Vertical

Internet Trifecta = Critical Mass of Content + Community + Commerce

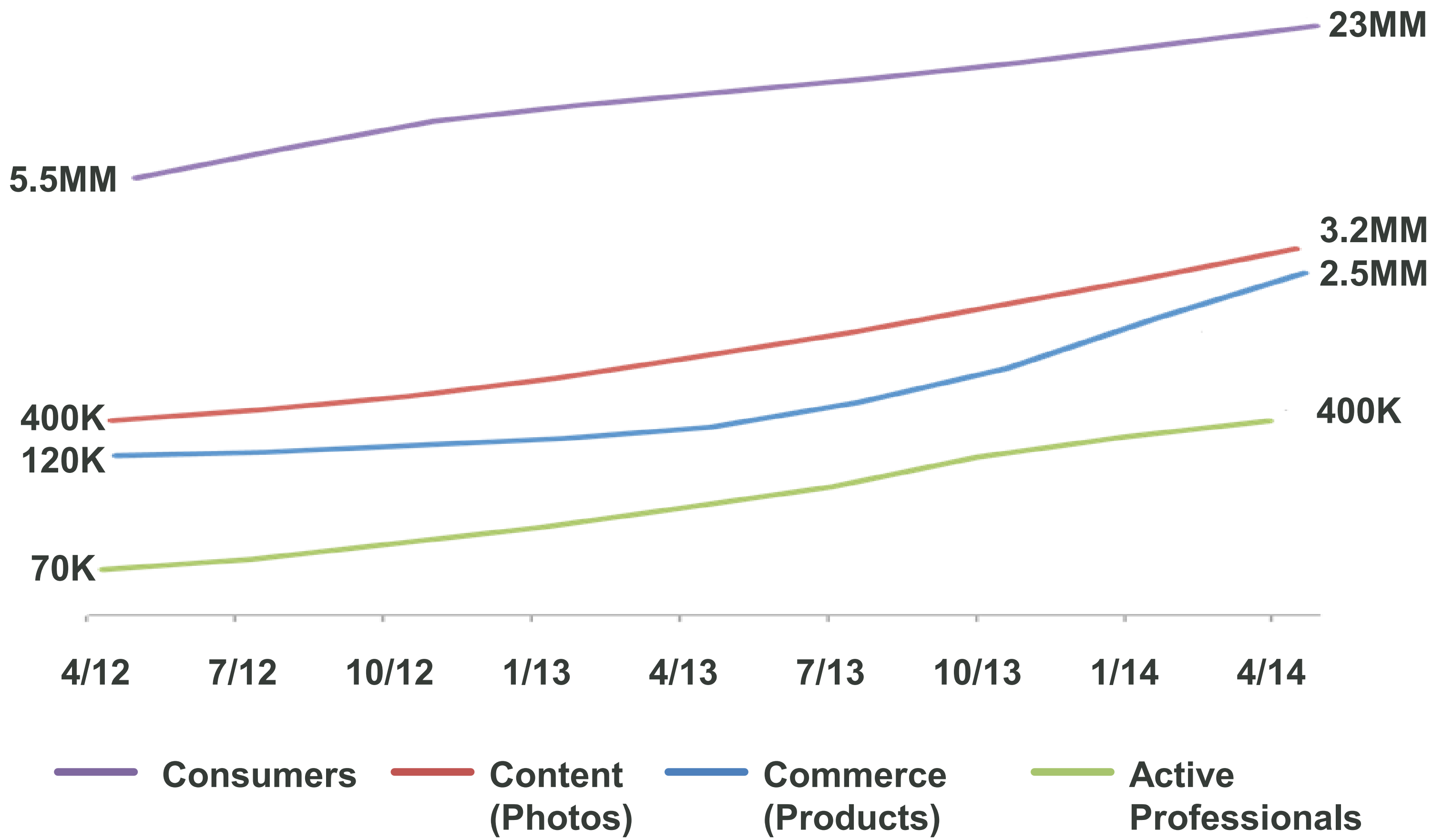
1) **Content** =
   Provided by Consumers + Pros

2) **Community =**
   Context & Connectivity Created by & for Users

3) **Commerce** =
   Products Tagged & Ingested for Seamless Purchase

Internet Trifecta = Critical Mass of Content + Community + Commerce

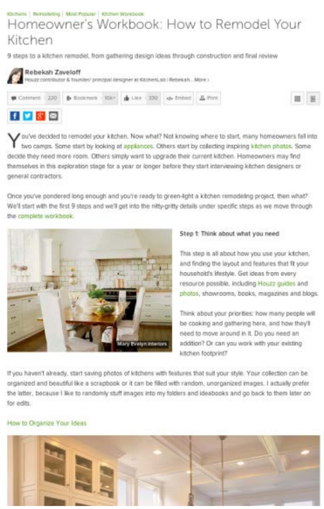
Houzz – Content (Photos) / Community (Professionals + Consumers) / Commerce (Products), 4/12 – 4/14

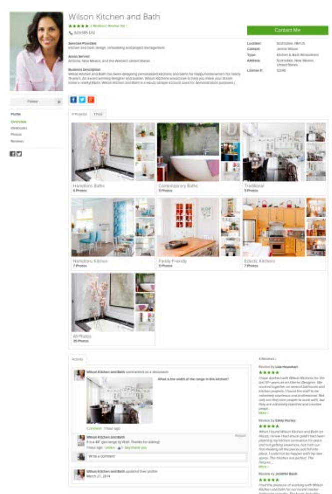


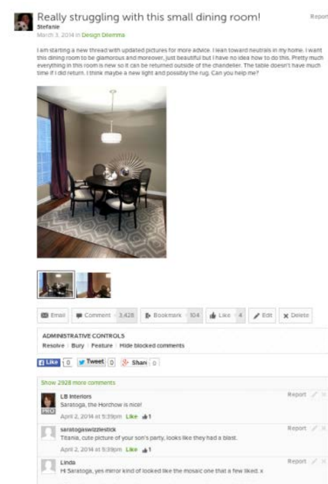
Source: Houzz, Consumer defined as unique monthly users, Active Professional defined as active users of Houzz with a business profile.

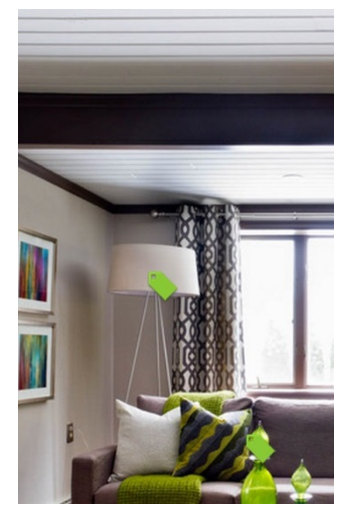
Houzz = Ecosystem for Home Renovation & Design

Content		Community		Commerce
Inspiration - Photos	**Editorial - Guides / Articles**	**Services – Professionals**	**Discussions**	**Products**
~3MM (+230% Y/Y) World's largest photo database	10K (+143%) 'Wikipedia' of home design	400K (+198%) Portfolios & reviews	800K (+225%) Pro & homeowner support / advice	2.5MM (+590%) Discover & purchase









Source: Houzz, 4/14.

***Biggest
Re-Imagination of All =***

***People Enabled With
Mobile Devices + Sensors
Uploading Troves of
Findable & Sharable Data***

More Data + More Transparency = More Patterns & More Complexity

Transparency

Instant sharing / communication of many things has potential to make world better / safer place but potential impact to personal privacy will remain on-going challenge

Patterns

Mining rising volume of data has potential to yield patterns that help solve basic / previously unsolvable problems but create new challenges related to individual rights

Big Data Trends

1) Uploadable / Findable / Sharable / Real-Time Data Rising Rapidly

2) Sensor Use Rising Rapidly

3) Processing Costs Falling Rapidly While The Cloud Rises

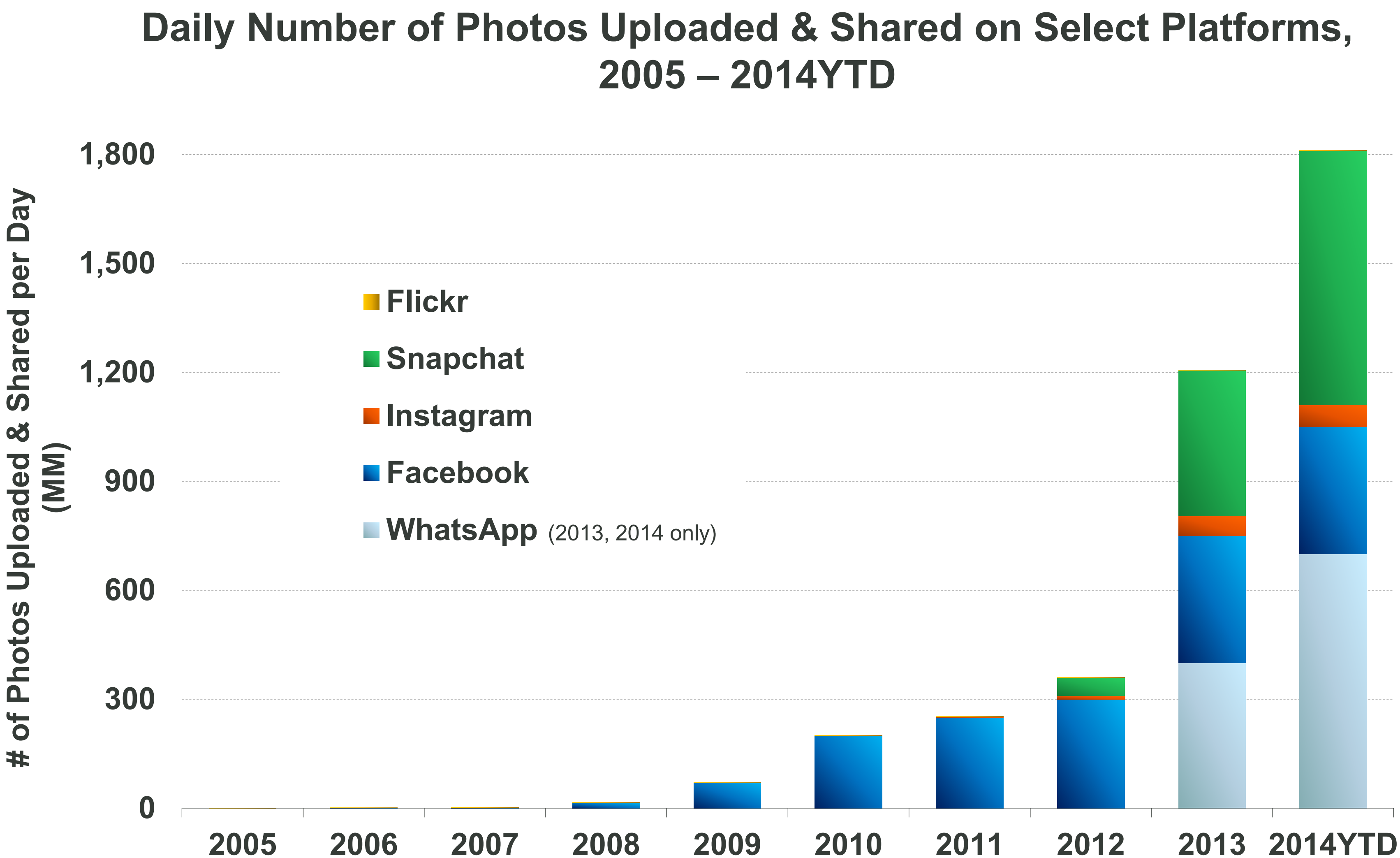
4) Beautiful New User Interfaces – Aided by Data-Generating Consumers – Helping Make Data Usable / Useful

5) Data Mining / Analytics Tools Improving & Helping Find Patterns

6) Early Emergence of Data / Pattern-Driven Problem Solving

Uploadable / Sharable / Findable Real-Time Data Rising Rapidly

Photos Alone = 1.8B+ Uploaded & Shared Per Day
Growth Remains Robust as New Real-Time Platforms Emerge



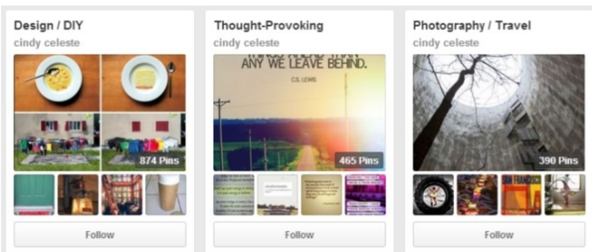
@KPCB

Source: KPCB estimates based on publicly disclosed company data, 2014 YTD data per latest as of 5/14.

Uploadable / Sharable / Findable – Mojo Update

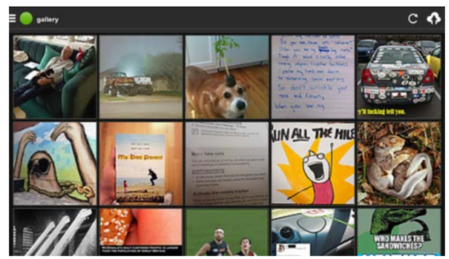
Pinterest

- 750MM+ cumulative Boards (4/14)
- 30B+ cumulative Pins
- +50% Pin growth vs. 10/13



IMGUR

- 130MM MAUs (3/14)
- 3B page views per month
- 1.5MM images uploaded & 1.3B images viewed per day



Fitbit

- 47B → 2.4T steps (2011 → 2013)... Distance = Earth to Saturn

MyFitnessPal

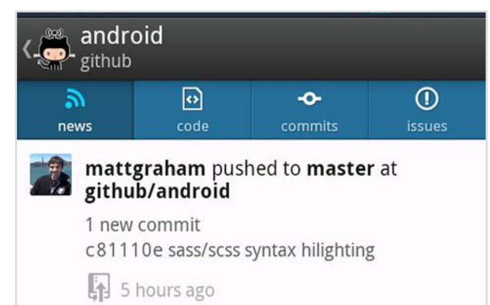
- 65MM registered users (+50% Y/Y, 5/14)
- 100MM+ pounds lost by users since inception

Eventbrite

- $1B gross ticket sales in 2013 (+60% Y/Y)
- 58MM tickets sold (+61% Y/Y)
- 1MM events in 187 countries

Github

- 13MM repositories in 2013 (+100% Y/Y)
- 10K users added per weekday



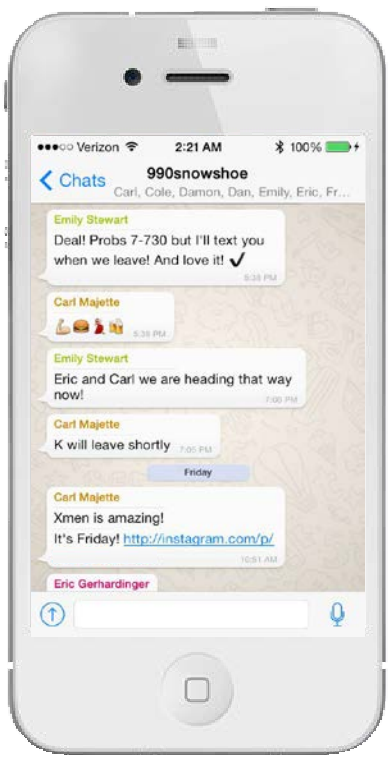
@KPCB

Source: Company data.

Uploadable / Sharable / *Not* Findable* – Mojo Update

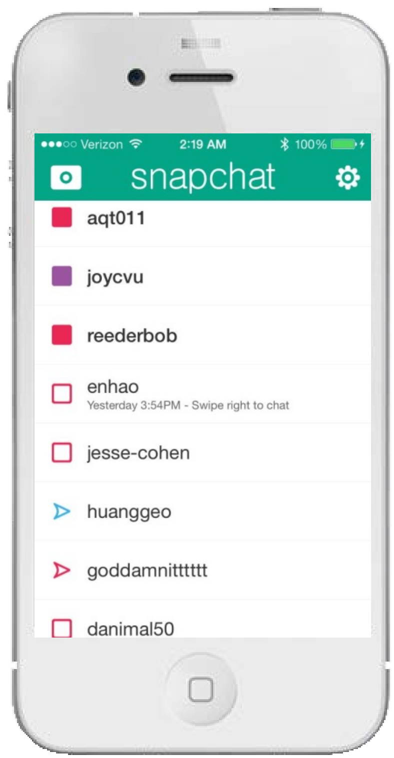
WhatsApp

- 50B messages sent per day (2/14)
- 700MM photos per day (4/14)
- 100MM videos per day



Snapchat

- 700MM+ snaps shared per day (4/14)
- 500MM stories viewed per day



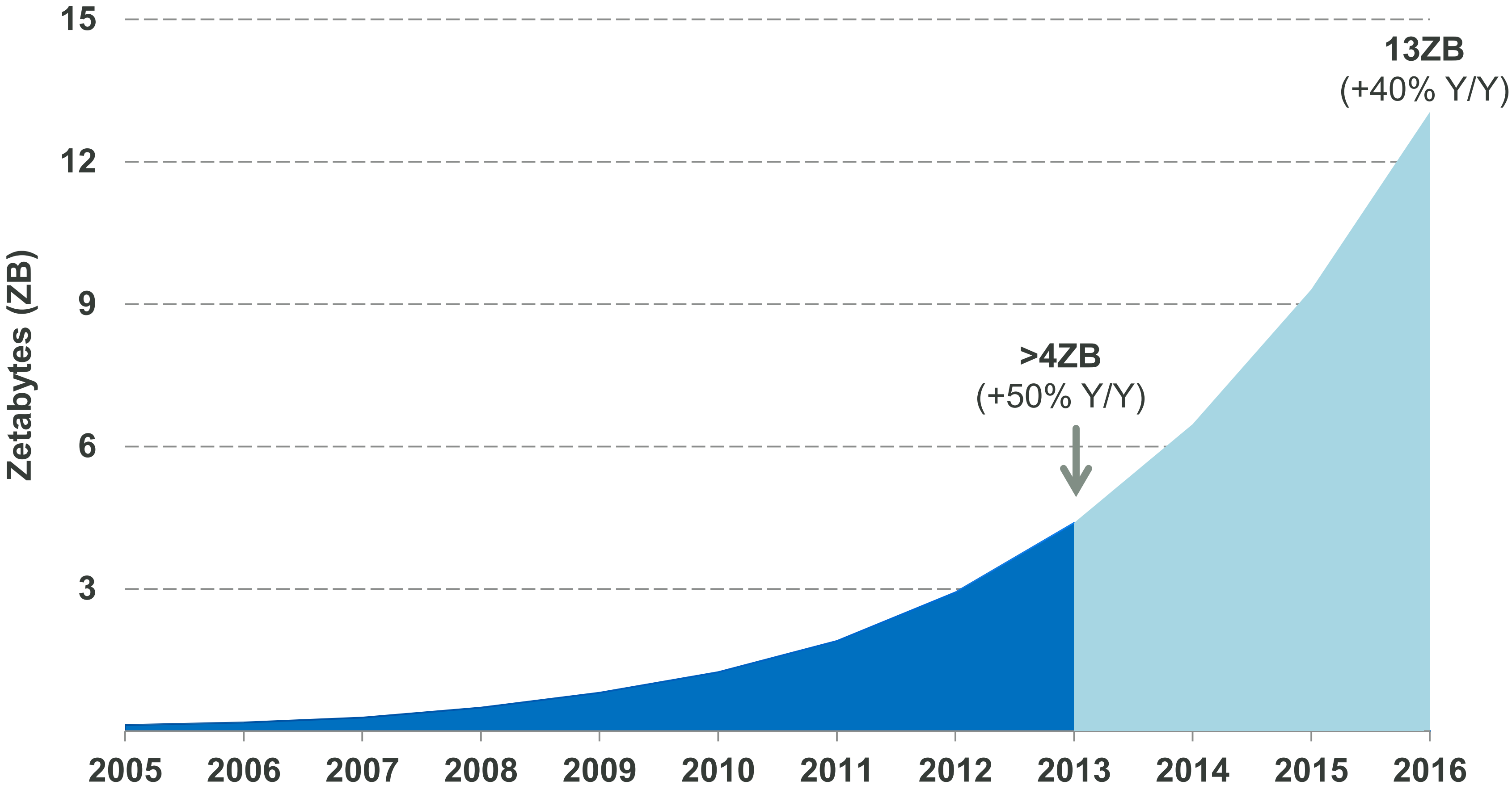
Tinder

- 800MM swipes per day (+21x Y/Y, 5/14)
- 11MM matches per day (+21x Y/Y)

*Note: "Not findable" = uploaded content not searchable / publicly available
Source: Company data.

'Digital Universe' Information Growth = Robust +50%, 2013

2/3rd's of Digital Universe Content = Consumed / Created by Consumers Video Watching, Social Media Usage, Image Sharing



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Note: 1 petabyte = 1MM gigabytes, 1 zetabyte = 1MM petabytes.
Source: IDC Digital Universe, data as of 5/14.

Sensor Use

Rising Rapidly

@KPCB

Sensors = Big / Broad Business, Rapid Growth, Rising Proliferation *IN* Devices

Apple

iPhone (2007)
3 Sensors

iPhone 5s (2013)
5 Sensors

- Accelerometer / proximity / ambient light

- 3-axis gyro / fingerprint / accelerometer / proximity / ambient light

Samsung

Galaxy S (2010)
3 Sensors

Galaxy S5 (2014)
10 Sensors

- Accelerometer / proximity / compass

- Gyro / fingerprint / barometer / hall (recognizes whether cover is open/closed) / RGB ambient light / gesture / heart rate / accelerometer / proximity / compass

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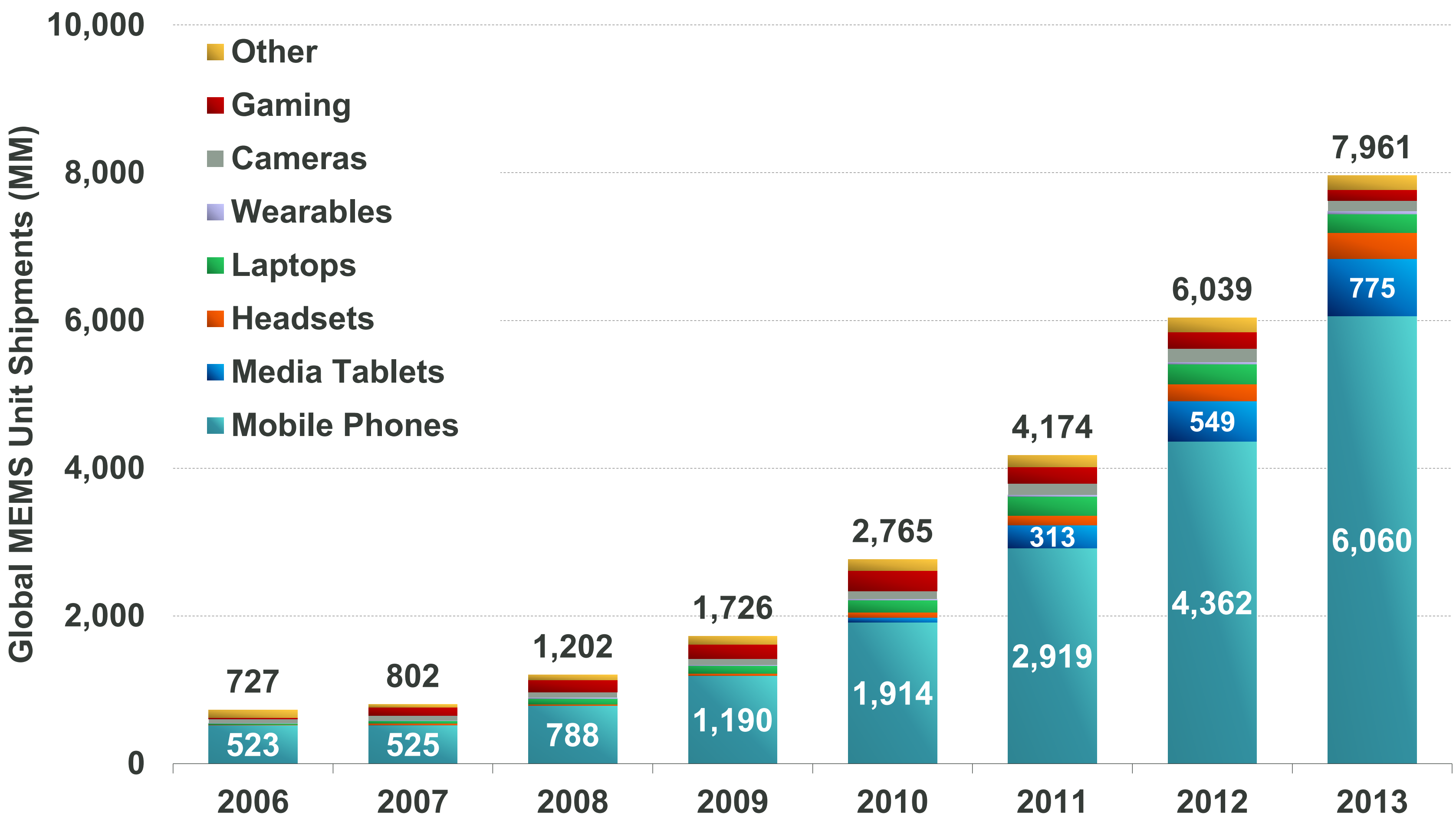
Note: Sensor count for illustrative purposes only – Apple & Samsung sensor count methodology may differ.
Source: Publicly available data from Apple & Samsung, and third party reviews.

Sensors = Big / Broad Business (+32% Y/Y to 8B) Rising Proliferation *OF* Devices

Global MEMS Unit Shipments by Consumer Electronics Device, 2006 – 2013

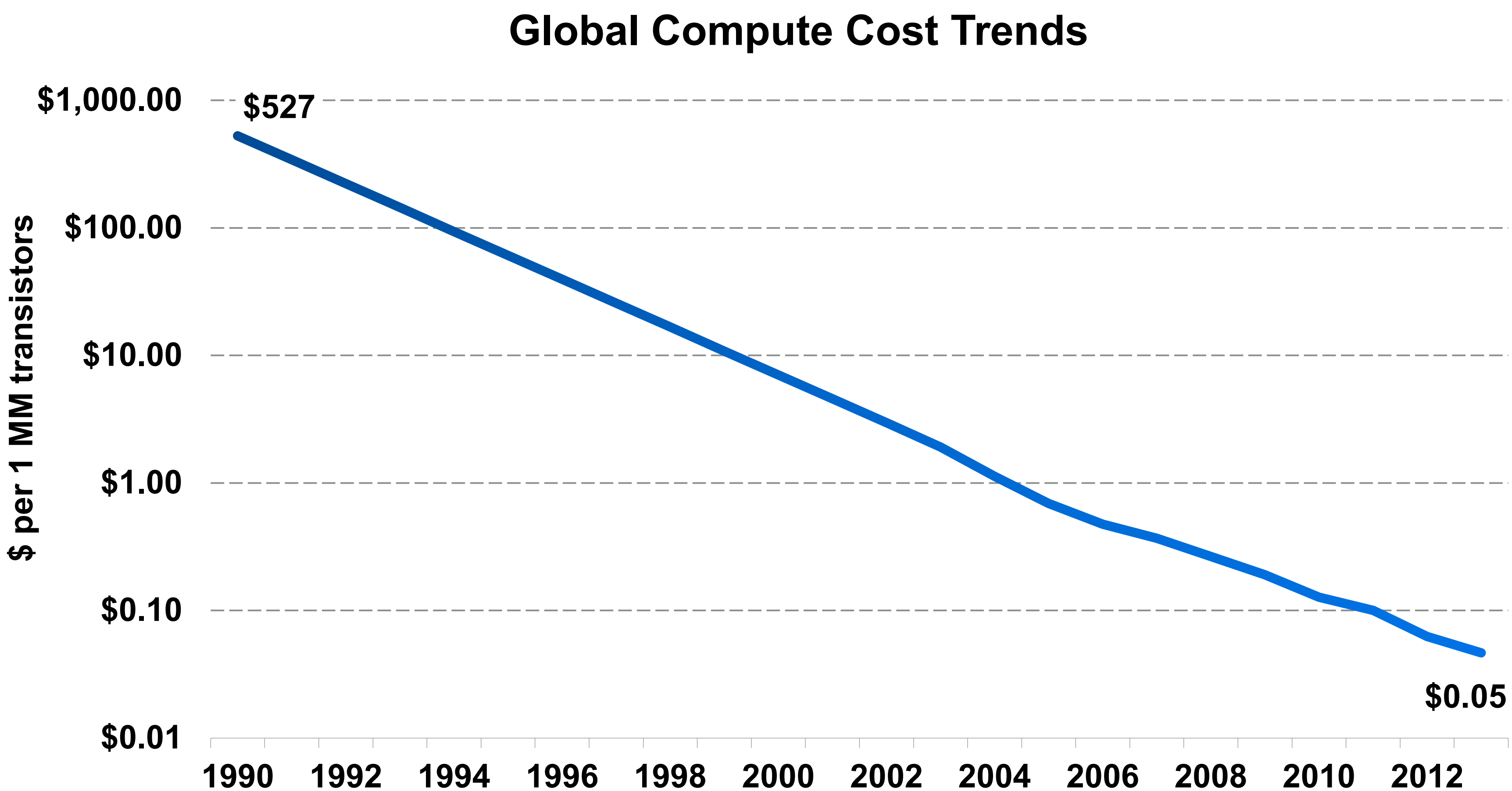


Source: IHS Consumer & Mobile MEMS Market Tracker, April 2014.
MEMS = microelectromechanical systems. Includes sensors + actuators (a type of motor that is responsible for moving or controlling a mechanism or system, such as an autofocus system in a camera).

Processing Costs Falling Rapidly While The Cloud + Accessibility Rise

Compute Costs Declining = 33% Annually, 1990-2013

Decreasing cost / performance curve enables computational power @ core of digital infrastructure



Note: Y-axis on graph is logarithmic scale.
Source: John Hagel, Deloitte, 5/14.

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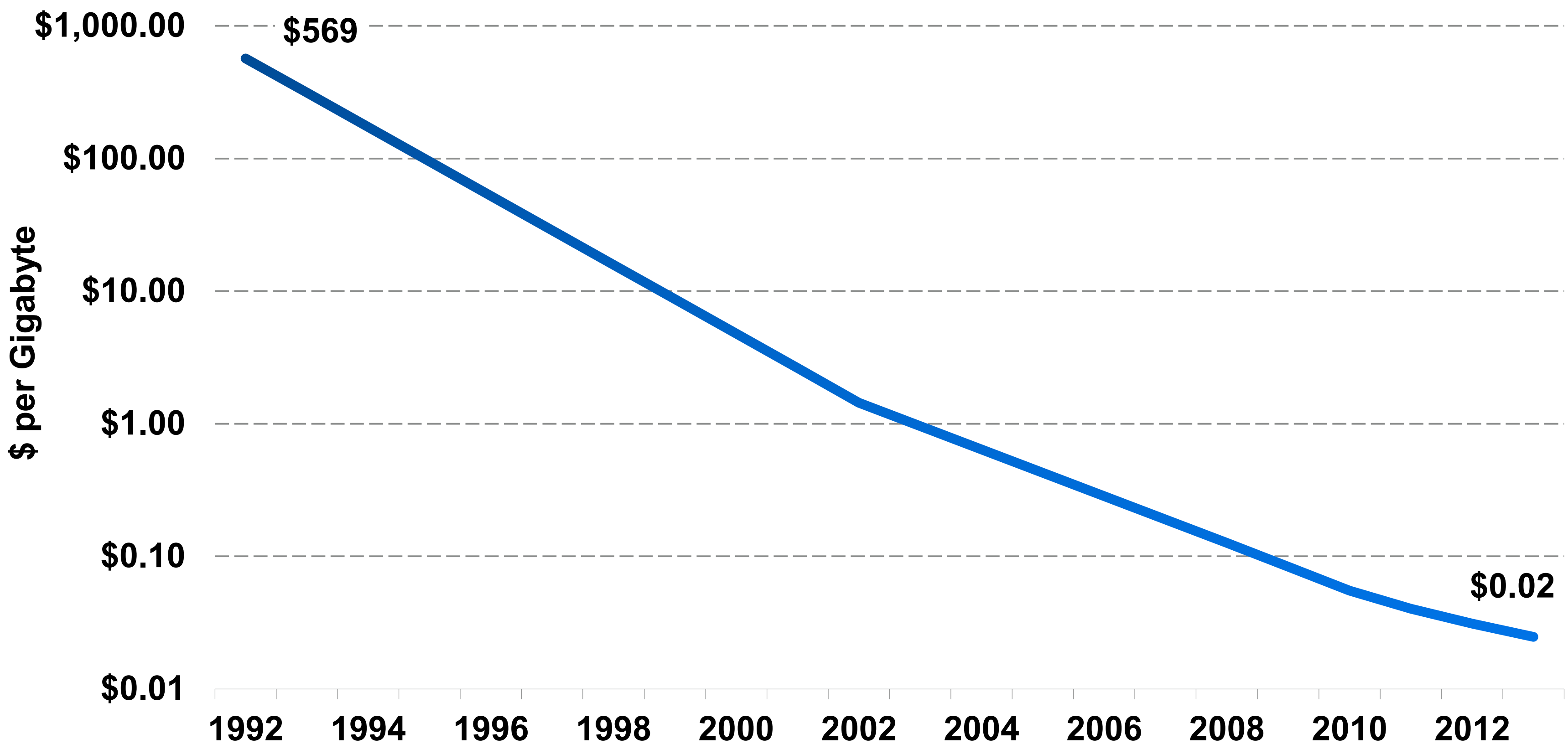
Storage Costs Declining = 38% Annually, 1992-2013

Decreasing cost / performance of digital storage enables creation of more / richer digital information

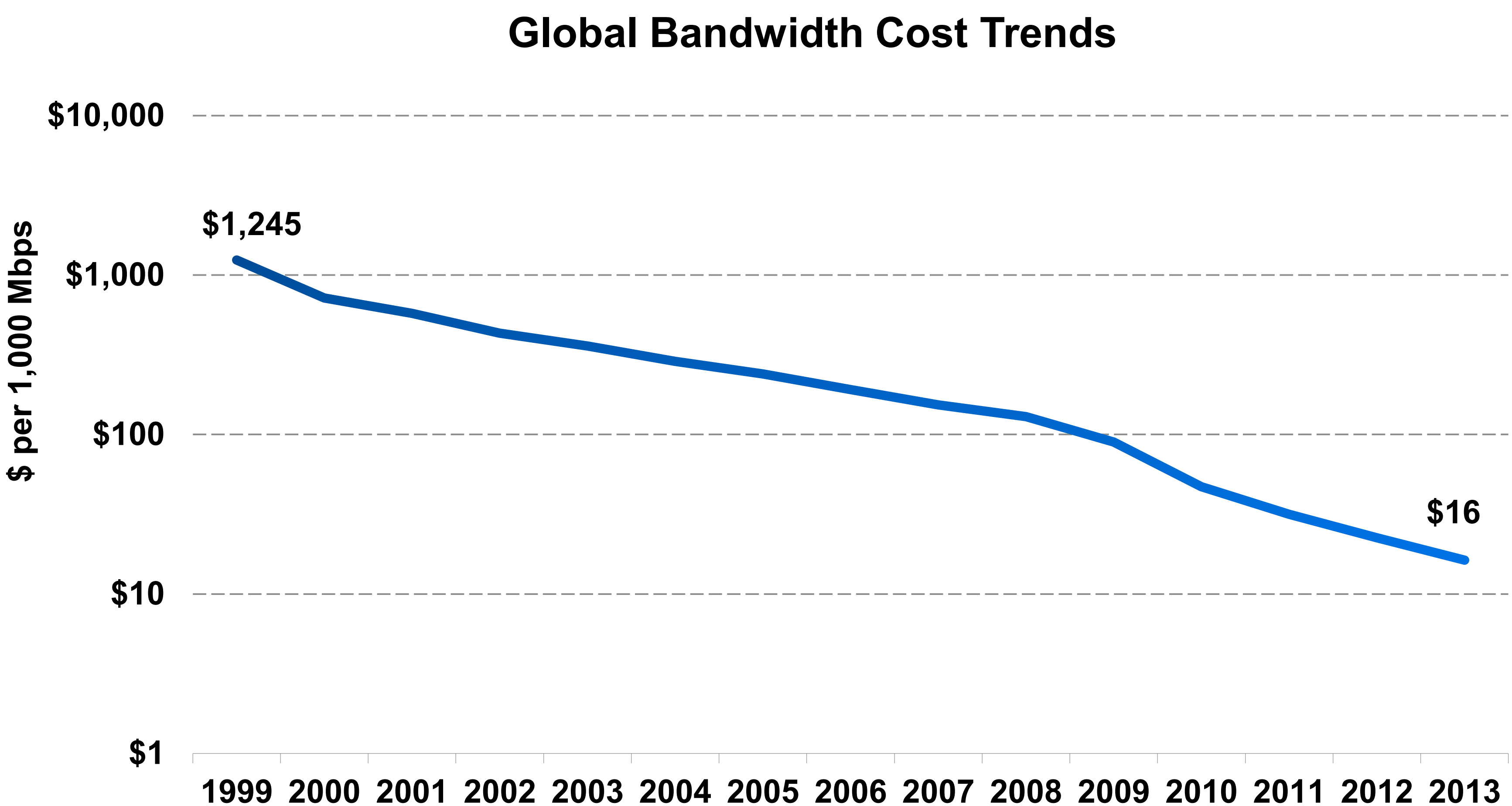
Global Storage Cost Trends



Note: Y-axis on graph is logarithmic scale.
Source: John Hagel, Deloitte, 5/14.

Bandwidth Costs Declining = 27% Annually, 1999-2013

Declining cost / performance of bandwidth enables faster collection & transfer of data to facilitate richer connections / interactions

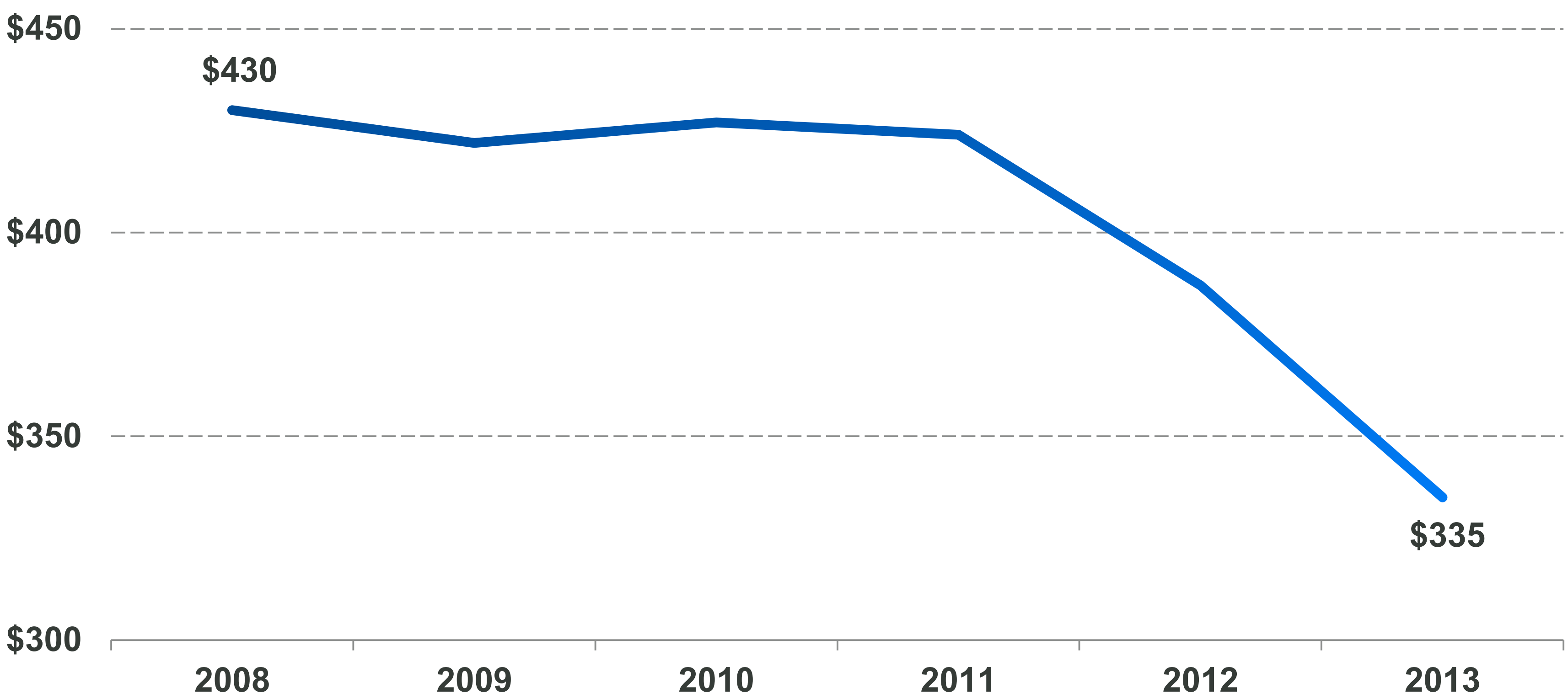


Note: Y-axis on graph is logarithmic scale.
Source: John Hagel, Deloitte, 5/14.

Smartphone Costs Declining = 5% Annually, 2008-2013

Smartphone prices continue to decline, increasing availability to masses

Average Global Smartphone Pricing Trends



Source: IDC, 5/14.

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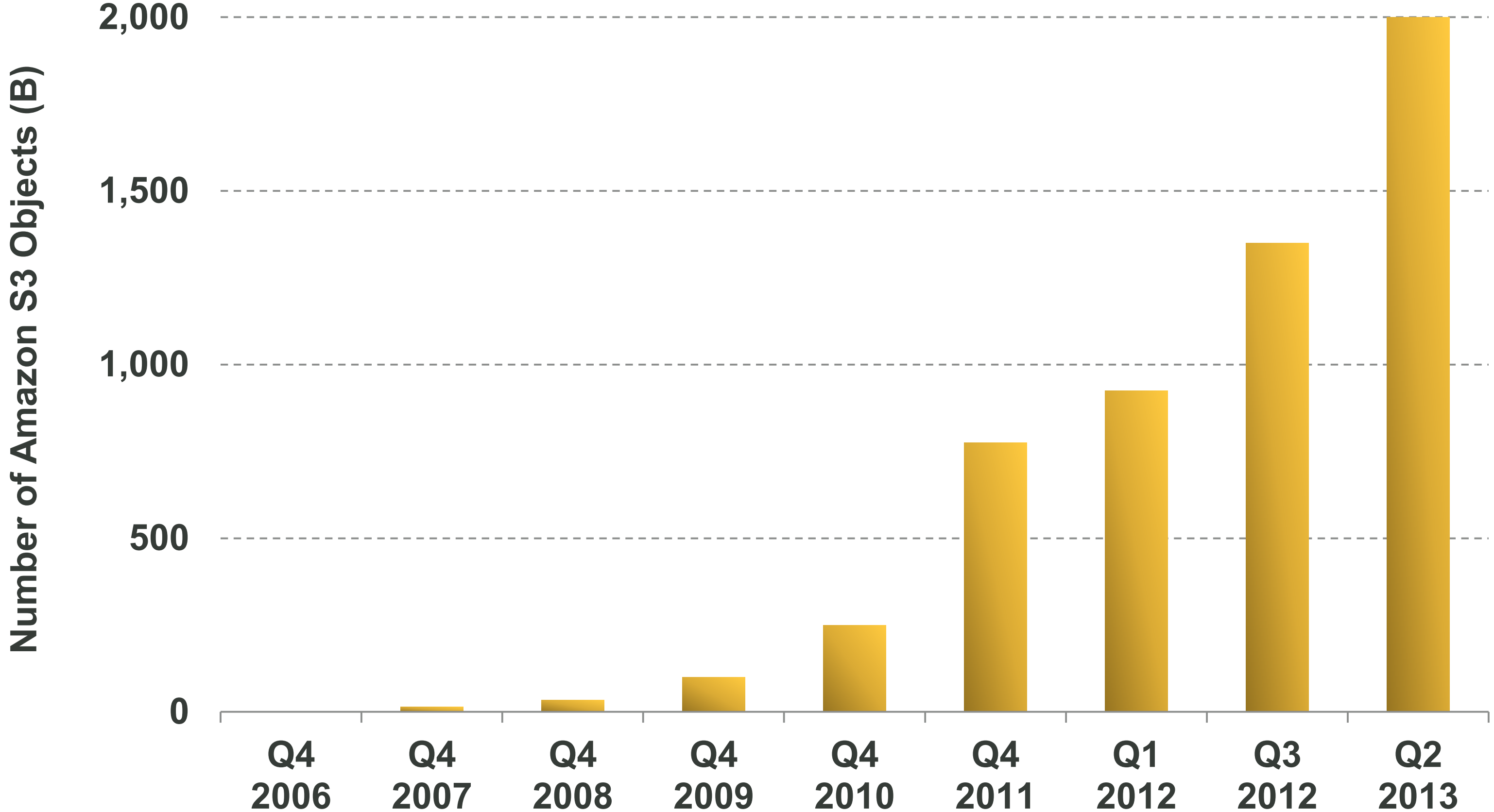
While The Cloud Rises

Amazon Web Services (AWS) Leading Cloud Charge

Objects Stored in Amazon S3* (B)



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*Note: S3 is AWS' storage product and used as proxy for AWS scale / growth .
Source: Company data.

Beautiful New User Interfaces
– Aided by Data-Generating Consumers –
Helping Make Data Usable / Useful

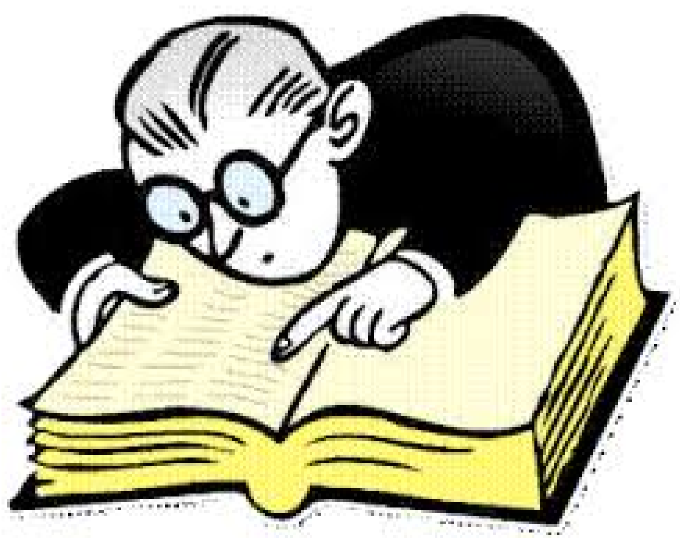
Challenging Non-Cloud Business Models

Startups – Often Helped by Crowdsourcing – Often Don't Have Same Challenges with Error-Prone Legacy Data

New Companies – With New Data from New Device Types – Doing Old Things in New Ways & Growing Super Fast

Re-Imagining User Interfaces – Finding a Local Business

Yellow Pages



Yelp

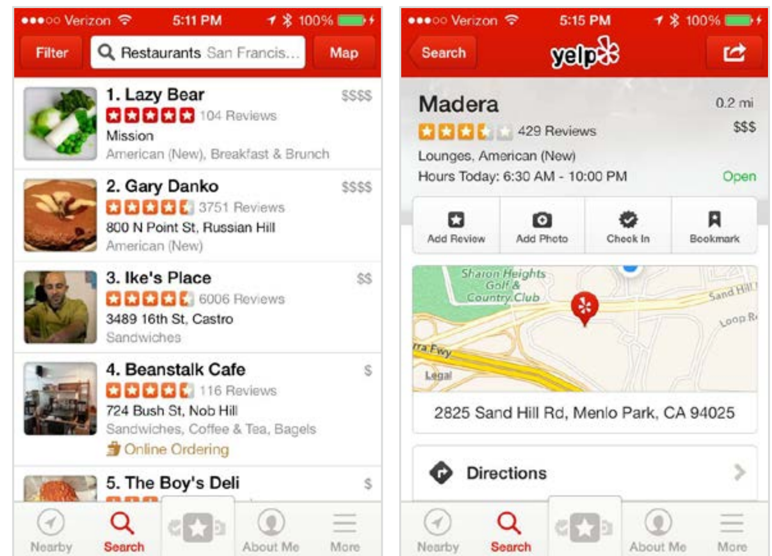
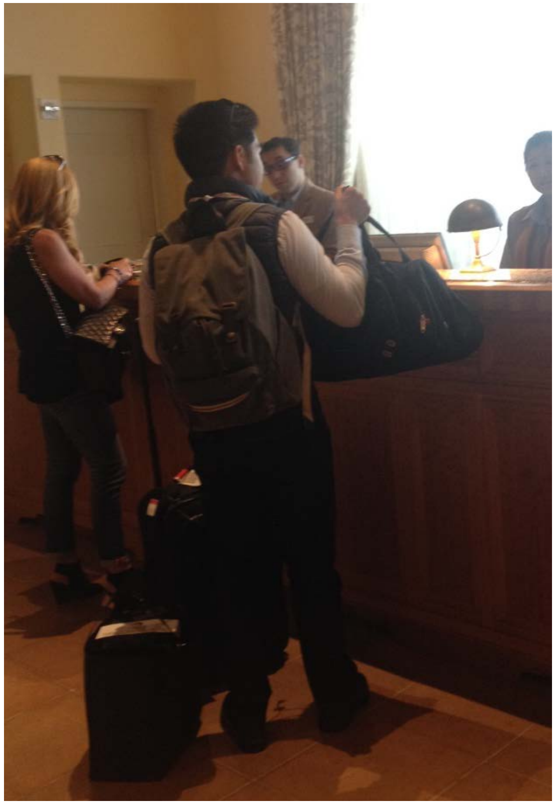


Image: wordwatch.com.

Re-Imagining User Interfaces – Finding a Place to Stay

Booking Hotel Room



Airbnb

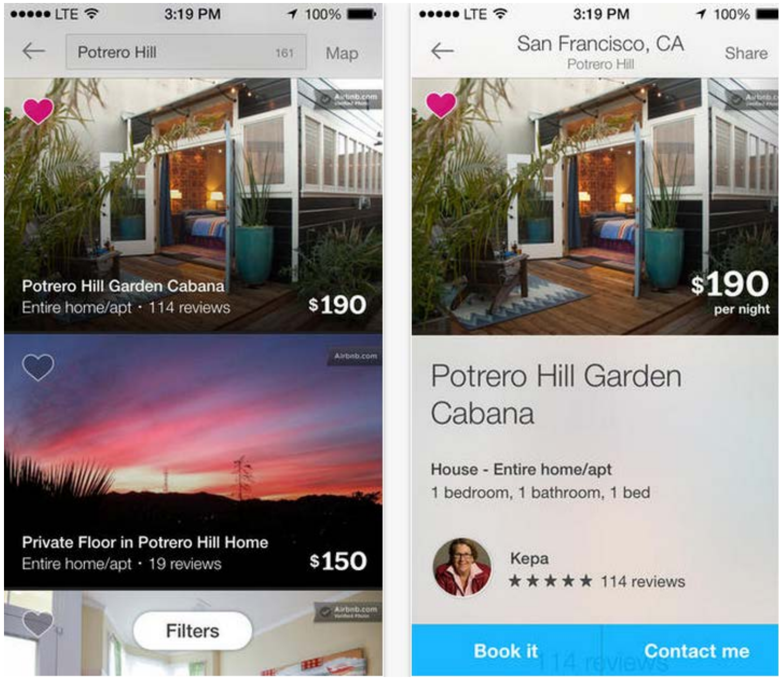
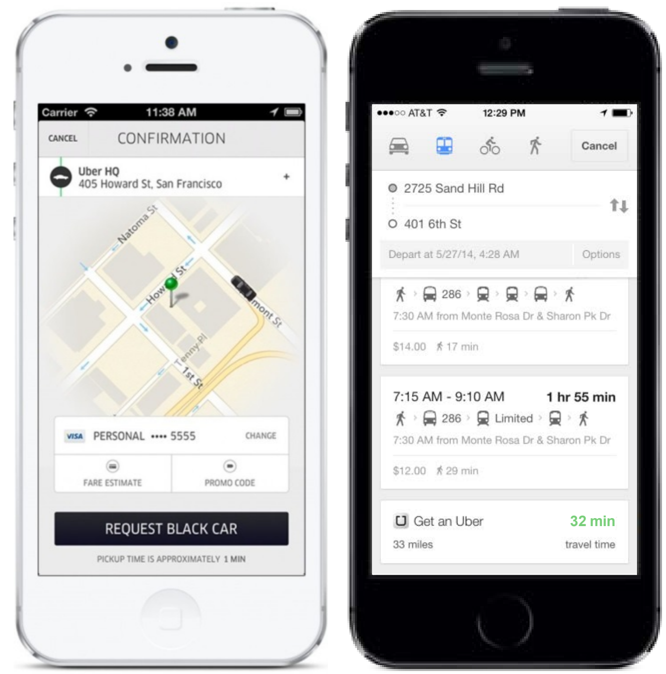


Image: iTunes.

Re-Imagining User Interfaces – Organized Logistics / People Moving

Hailing Cab

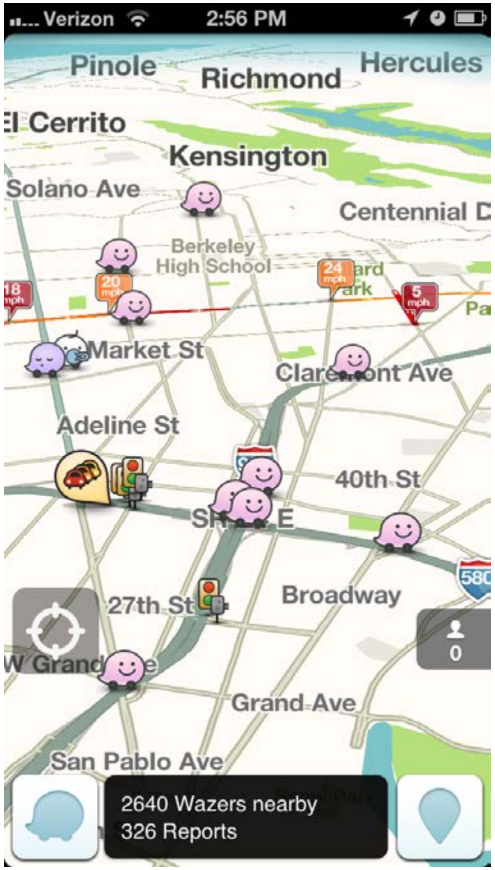
Uber



Re-Imagining User Interfaces – Managing Traffic With Crowdsourcing

Driving in Traffic

Waze

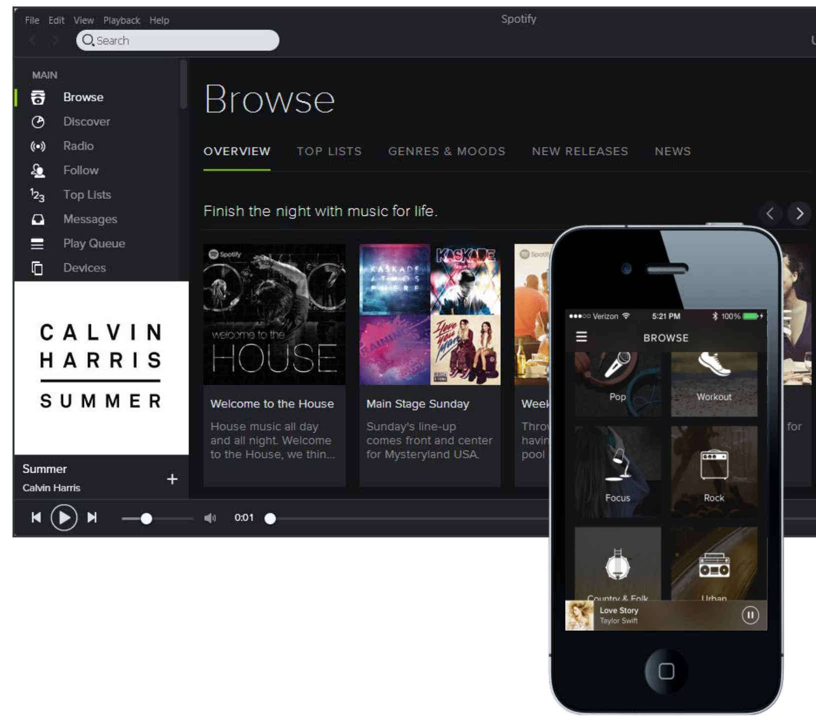


Images: THEMETAQ, streettrafficapp.

Re-Imagining User Interfaces – Finding Music

Satellite Radio

Spotify



Images: Spotify.

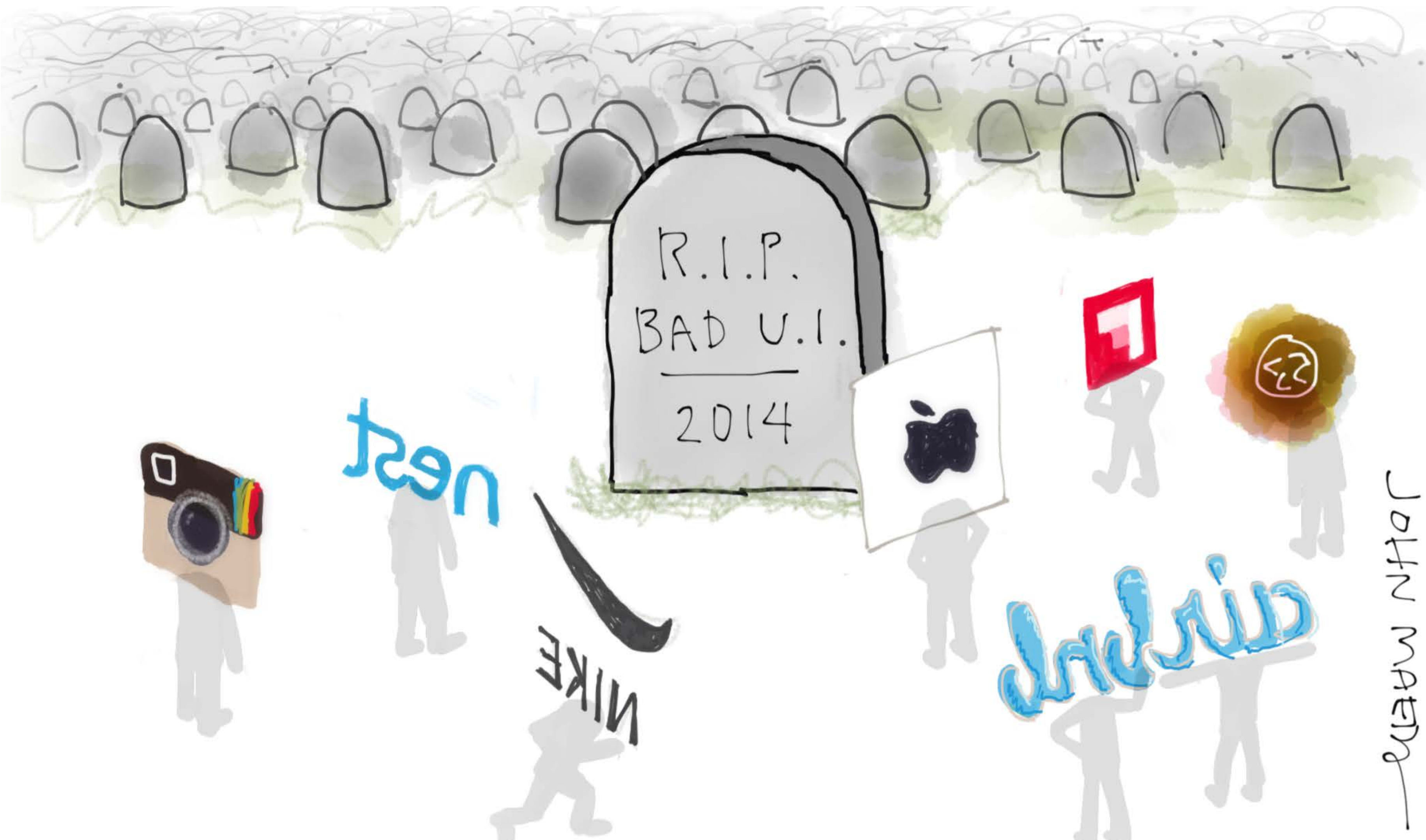
Re-Imagining User Interfaces – Finding Video With Voice

TV Remote Control

Amazon Fire TV

Images: idownloadblog, diytrade.com.

R.I.P. Bad User Interfaces



@KPCB Source: John Maeda, KPCB Design Partner, 5/14.

Data Mining / Analytics Tools Improving & Helping Find Patterns

34% (& Rising) of Data in 'Digital Universe' = Useful but Only 7% Tagged   1% Analyzed

Significant Portion (34%) of IDC Digital Universe Data = Useful –

Derived from embedded systems / data processing / social media / photos / sounds

Small Portion (7%) Data = Tagged –

Fastest growing segment of valuable data comes from Internet of Things (IoT) – billions of sensors / intelligence systems capturing / sending data, increasingly in real-time

Immaterial Portion (1%) Data = Analyzed –

Newer tech companies are making it easier to understand / make use of increasing amount of data

Source: IDC, 5/14.

Data Mining / Analytics Tools that Mine / Organize Data = Playing Catch Up to Demand & Growing Fast

Jawbone
Health Wearable

- 100MM nights of sleep logged = 27K years
- 50B activity data points crunched per week
- 1MM personalized insights per week

Dropcam
Home Monitoring

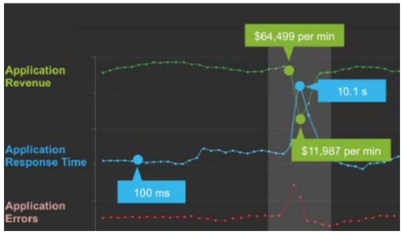
- ~100B video frames processed per hour
- +300% Y/Y revenue growth, 2013

Netflix
Media Personalization / Discovery

- Terabytes of user data analyzed to generate personalized media recommendations
- 44MM subscribers (+25% Y/Y, 2013)

AppDynamics
App Performance Monitoring

- 500B Web / mobile transactions instrumented / tracked
- 1.4MM hours saved waiting on apps
- 1,200 enterprise customers

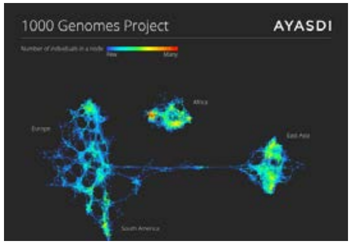


SnapLogic
Cloud Integration / Data Transmission

- 500MM+ machine / device scans integrated per day
- 160+ data / cloud connectors on SnapStore
- +128% Y/Y subscription revenue, 2013

Ayasdi
Automated Insight Discovery

- Auto extracts business insights from datasets with 1MM+ features
- 120K hours saved of manual data analysis in 2013
- +451% Y/Y bookings growth, 2013



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Source: Company data.

Early Emergence of Data / Pattern-Driven Problem Solving

Big Data = Being Used to Solve Big Problems

Google Voice Search
Voice Recognition

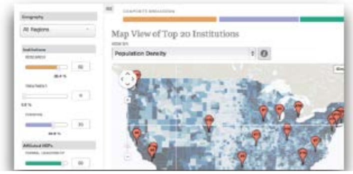
- Uses neural nets to reduce speech recognition errors by 25%
- Used by 1/6 of Google's U.S. mobile users

Nest
Energy

- 2B+ Kilowatt hours (kWh) of energy saved since 2011*
- Reduces heating / cooling costs up to 20%...an estimated annual savings of $173 per thermostat

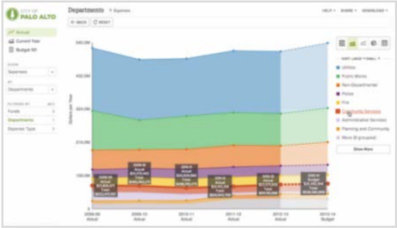
Zephyr Health
Healthcare & Life Sciences

- Hundreds of millions healthcare data points ingested / organized (+192% Q/Q, Q3:13)
- 3,500+ independent life sciences sources used daily (+159% Q/Q & accelerating), spanning all major disease areas
- +111% Y/Y contracted revenue growth, 2013



OpenGov
Government Financials

- Compiles data of 37K US governments
- Real-time queries across millions of rows of transactions
- Adding new paying government customer every 4 days (& accelerating)

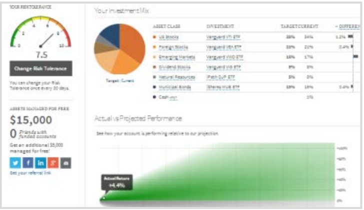


Automatic
Connected Car

- Collects / analyzes hundreds of millions of data points daily
- Provides personalized feedback to drivers, saving up to 30% in fuel costs
- Discovered driving over 70 MPH saves <5% time, but wastes $550 gas / year

Wealthfront
Investment Management

- +4.6% return vs. average mutual fund**
- 200K risk questionnaires completed
- 650K free trades, saving clients $5MM+
- 10K+ clients
- $800MM+ AUM, +700% since 1/13



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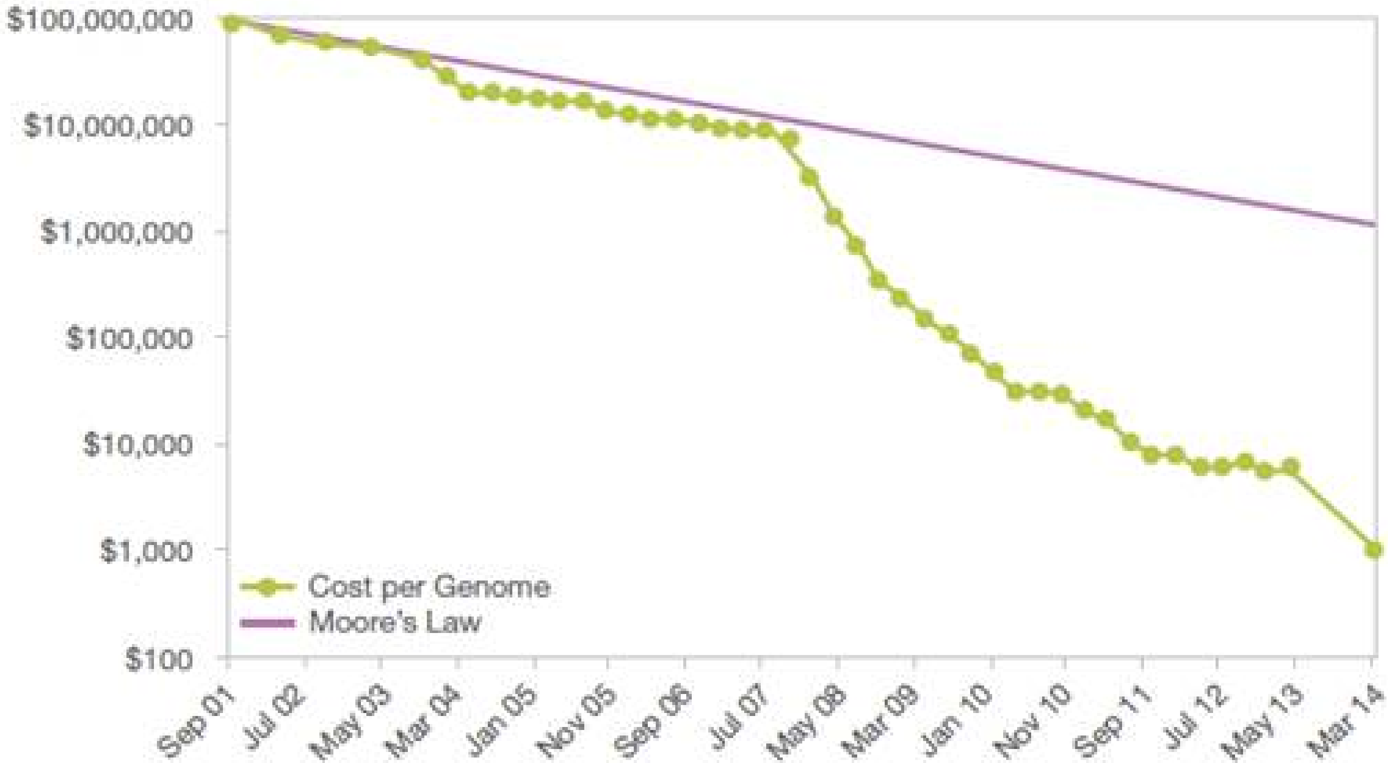
*Based on Nest comparison of actual schedules and set points to a hypothetical (holding constant temperature). **Includes fees + underperformance; client savings of $5MM+ assumes $8 per trade retail.
Source: Company data.

Cost / Time to Sequence Genome Down to $1,000 / 24 Hours – Treasure Trove of Patterns Will Rise Rapidly

*Accurate diagnosis is foundation for choosing right treatments for patients & clinical lab tests provide critical information health care providers use in ~70% of decisions**

*Genetic & genomic testing can be at heart of a new paradigm of [precision] medicine that is evidence-based & rooted in quantitative science***



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*UK Department of Health. ** American Clinical Laboratory Association / BattelleTechnology Partnership Practice. Image: Illumina.
Note: Genome sequencing data per Eric Schaldt. $1,000 cost is price of sequencing a genome at 30x coverage in the Mount Sinai Genome Core, 5/14.

Biggest
Re-Imagination of All =

People Enabled With
Mobile Devices + Sensors
Uploading Troves of
Findable & Sharable Data =

Still Early & Evolving Rapidly

SCREEN + VIDEO GROWTH = STILL EARLY INNINGS

Future of TV – Reed Hastings (Netflix CEO / Founder)

1) *Screens Proliferating*

2) *[Traditional] Remote Controls Disappearing*

3) *Apps Replacing Channels*

4) *Internet TV Replacing Linear TV*

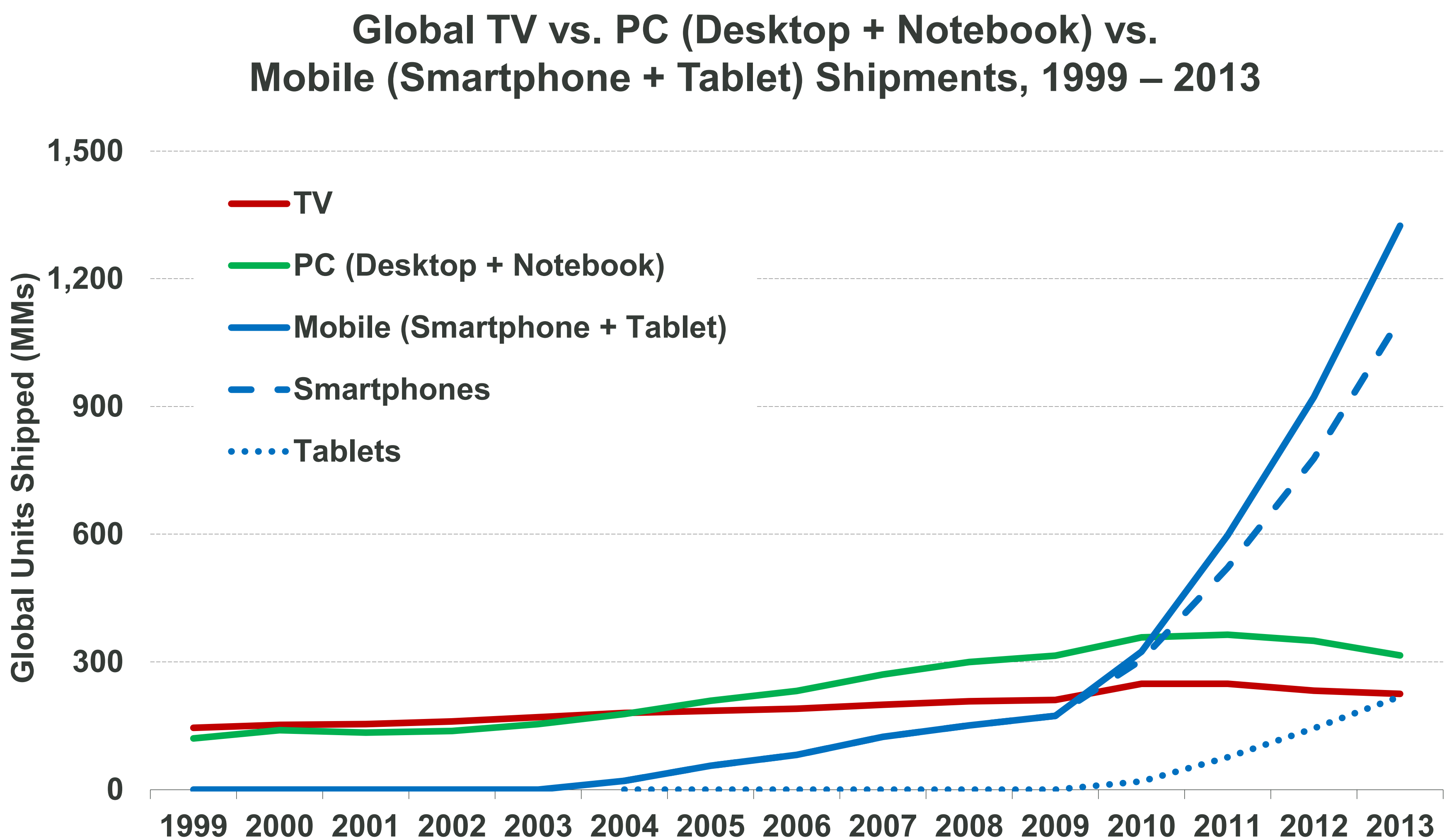
Source: Netflix Long Term View.

Screens Proliferating

Screens Today = You Screen I Screen We All Screen

@KPCB Image: Telegraph.

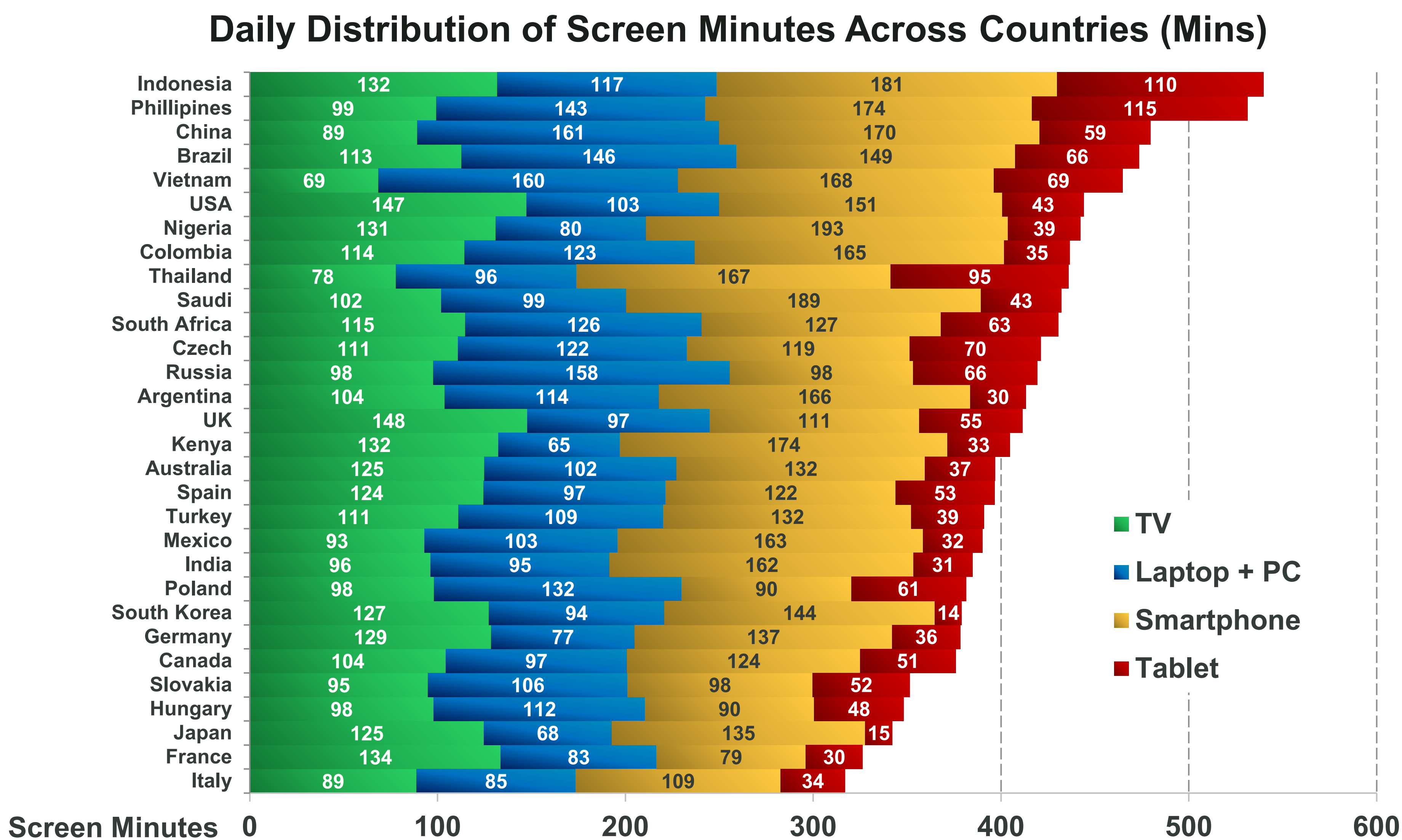
Mobile (Smartphone + Tablet) Shipments = 4-5x Unit Volume of TV & PC   Just 10 Years Since Inception



@KPCB

Sources: TV unit shipments per NPD DisplaySearch (2004-2013 data) and Philips (1999-2003 data). PC (laptop + desktop) and smartphone + tablet unit shipments per Morgan Stanley Research.

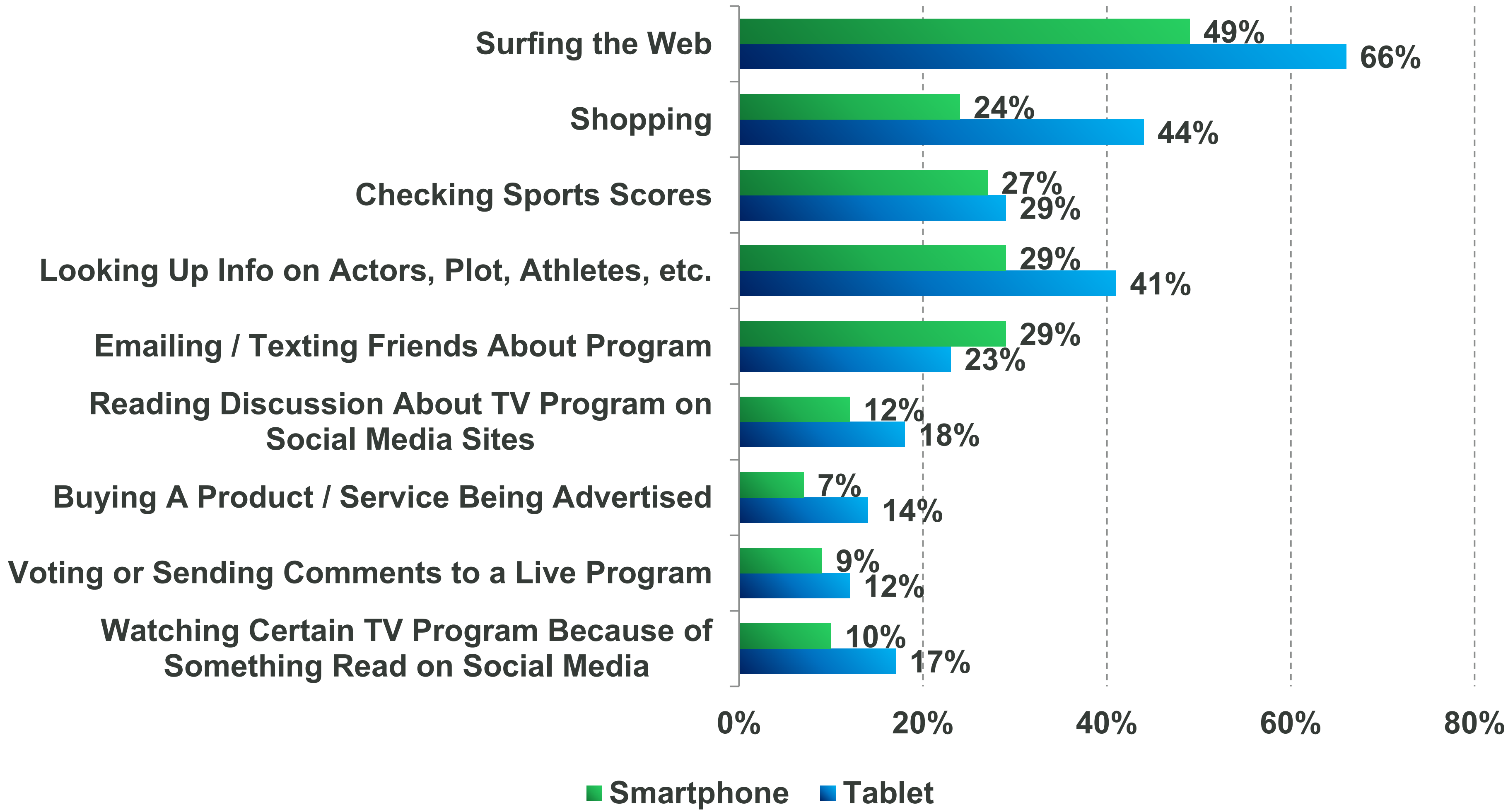
Smartphones = Most Viewed / Used Medium in Many Countries, 2014



Source: Milward Brown AdReaction, 2014.
Note: Survey asked respondents "Roughly how long did you spend yesterday watching television (not online) / using the internet on a laptop or PC / on a smartphone or tablet?" Survey respondents were age 16-44 across 30 countries who owned or had access to a TV and a smartphone and/or tablet. The population of the 30 countries surveyed in the study collectively represent ~70% of the world population.

Mobile Owners (84%) Use Devices While Watching TV ~2x Higher Over 2 Years

What Connected Device Owners are Doing While Watching TV, USA

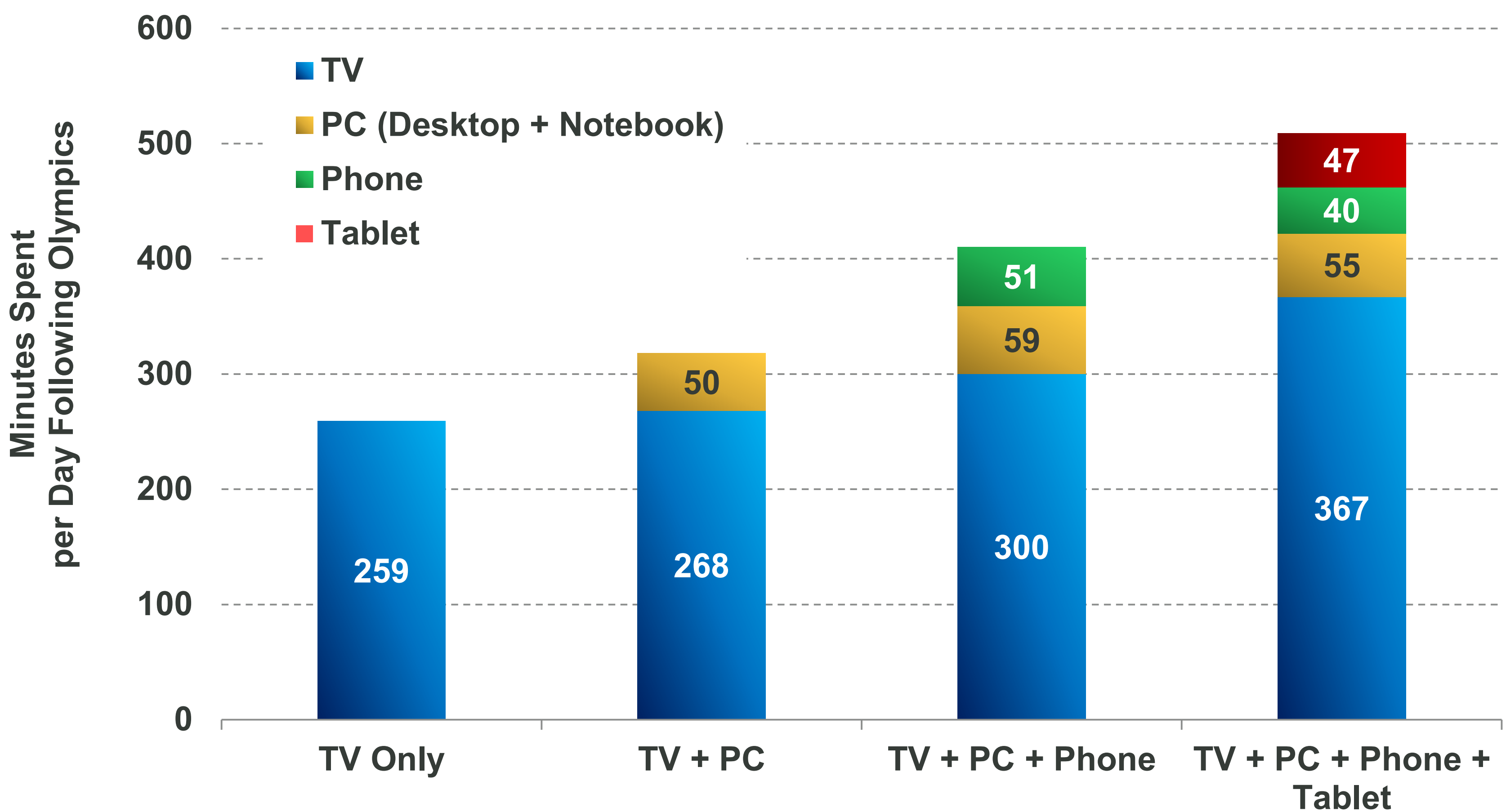


@KPCB

Source: Nielsen Connected Devices Report, Q3:13.
Note: Data gathered from USA general population sample 13+ years old with 9,448 respondents who own a Tablet, e-Reader, Smartphone, or Streaming Capable Device. Study conducted in 9/13.

Media Engagement Rises With Screen Usage = 2x Higher for 4 Screen Users vs. Solo TV During Olympics

Average Minutes per Day Following the Olympics, by Device, 2012 Olympics Fans



@KPCB

Source: ComScore Single Source Multi-Platform Study, London Olympics Lab for NBC, 7/12.
Note: Data based on total day time spent. N = 720 panelists that use multiple devices and are Olympic fans.

More Screens = Consumers Get *More* Content in *Less* Time?

5 Hours of
TV Screen Media

=

4 Hours of Content +
1 Hour of Commercials

vs.

5 Hours of
Multiple Screen Media

Smartphone (35%) + TV (27%) +
PC (26%) + Tablet (12%)

=

>5 Hours of Content?

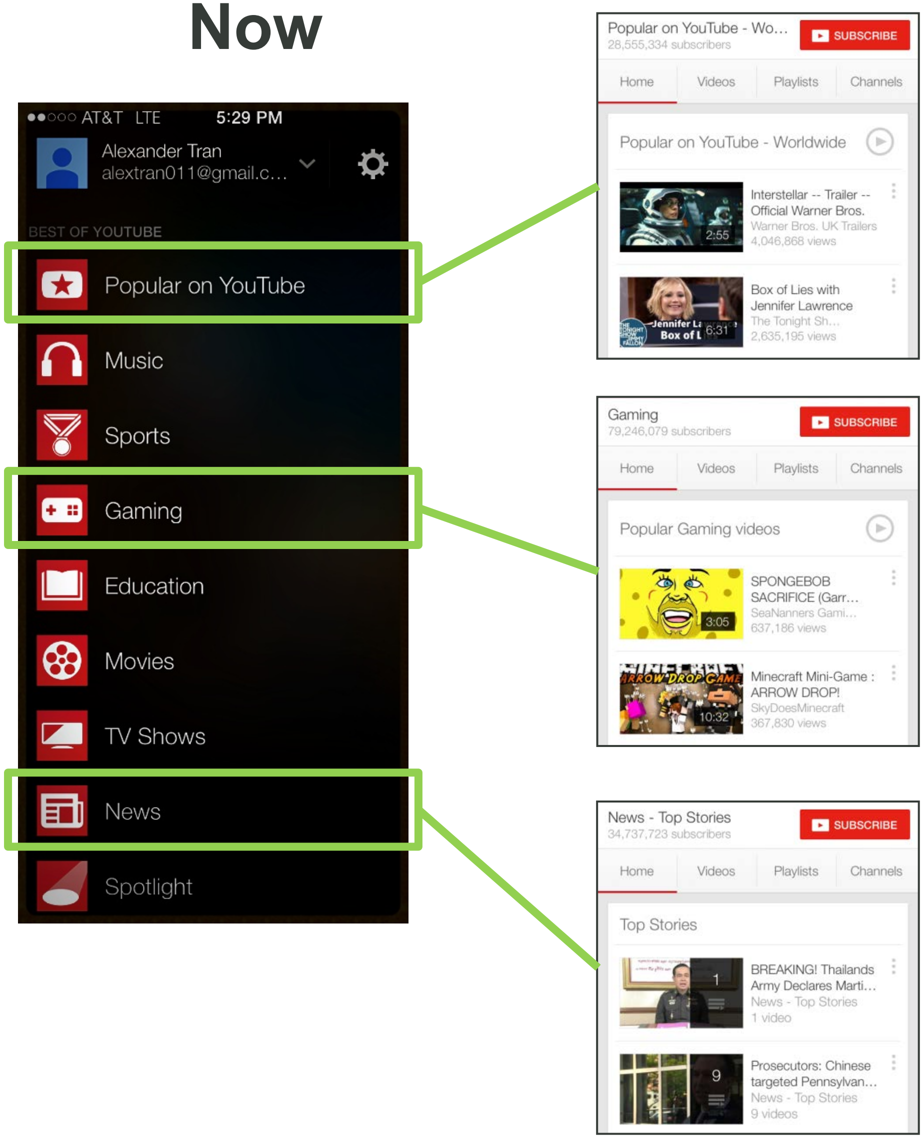
Sources: Millward Brown AdReaction, 2014. Nielsen TV Advertising Audiences Report, 5/14.
Note: Average global daily screen media time = 417 minutes, of which 147 are on smartphones, 113 on TV, 108 on PC (desktop + notebook), 50 on Tablets. In 2013, an average of 14 minutes of commercials were shown for each hour of Network TV Programming.

[Traditional] Remote Controls Disappearing

Re-Imagining Remote Controls = The 'Now' = A New IP-Enabled Search Engine

Then

Now



@KPCB Images: eBay, YouTube.

As Smartphones Eclipsed Feature Phones

Smart TV Adapters + Smart TVs = Game Changers for Internet-Enablement of Screens (Big & Small)

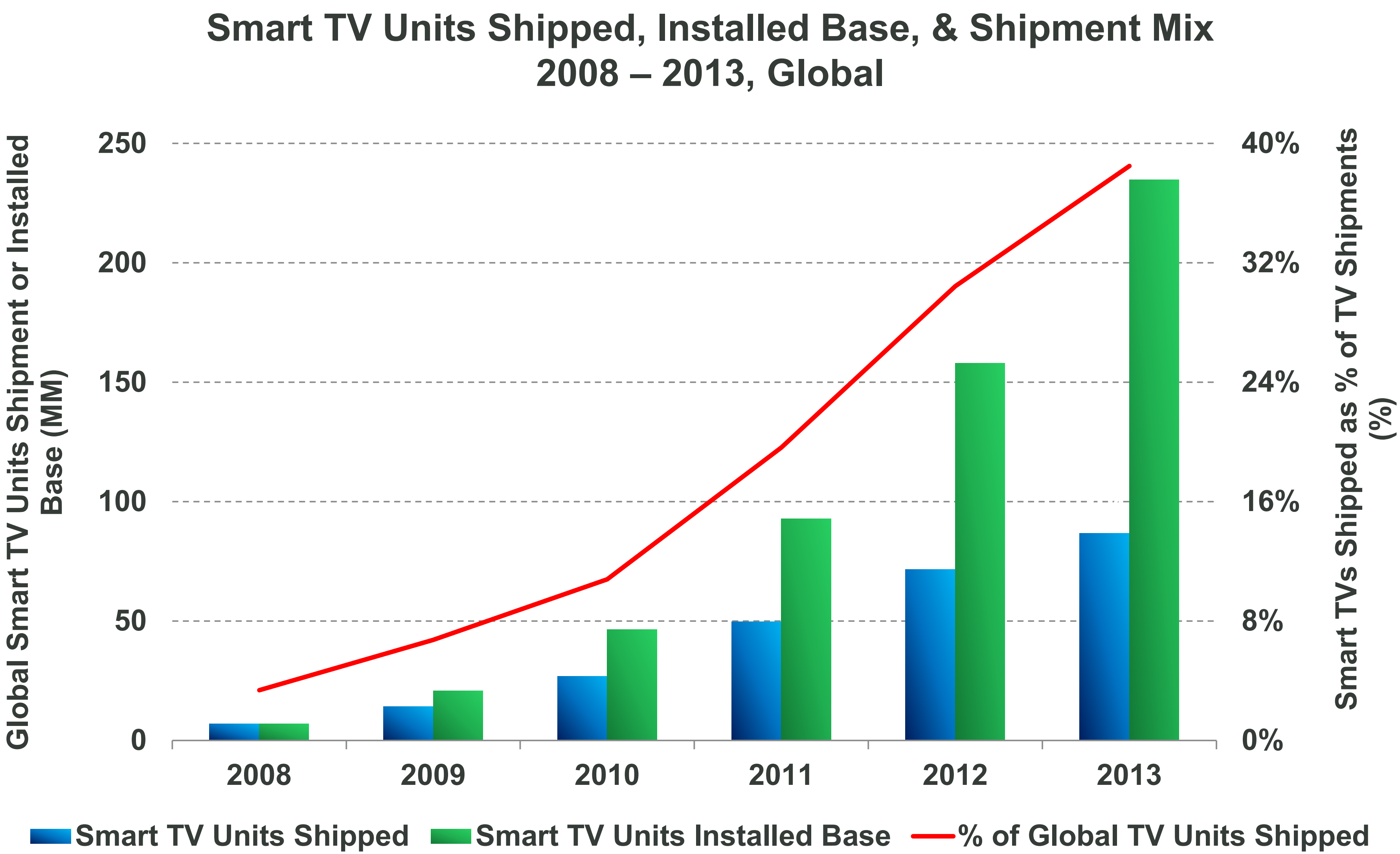
Smart TV Adapters = Tens of Millions of Users
Google Chromecast + Amazon Fire TV Raise Bar

	Company / Product	Launch Date
New	Amazon Fire TV	4/14
	Google Chromecast	7/13
	Roku	5/08
	Apple TV	1/07
Old	Nintendo Wii Nintendo Wii U	12/06
	Sony PlayStation 3 Sony PlayStation 4	11/06
	Microsoft Xbox 360 Microsoft Xbox One	11/05

@KPCB

Source: Company data.

Smart TV Shipments = Rising % of TVs Shipped
39% = 2013   Still <10% Installed Base



Source: Generator Research, 2014.
Note: Smart TVs defined as internet-enabled television sets and exclude connected devices or adapters that stream content to television sets, such as game consoles or hybrid set-top boxes.

Apps Replacing Channels

Linear TV Channels Increasingly = On-Demand Apps

ESPN

- 34MM (52%) ESPN digital users access ESPN just on smartphones / tablets = 48% of time spent on ESPN digital properties, 4/14

BBC

- 234MM requests for TV programs on iPlayer in 2/14, +21% Y/Y
- 46% of requests from mobile / tablet vs. 35% Y/Y

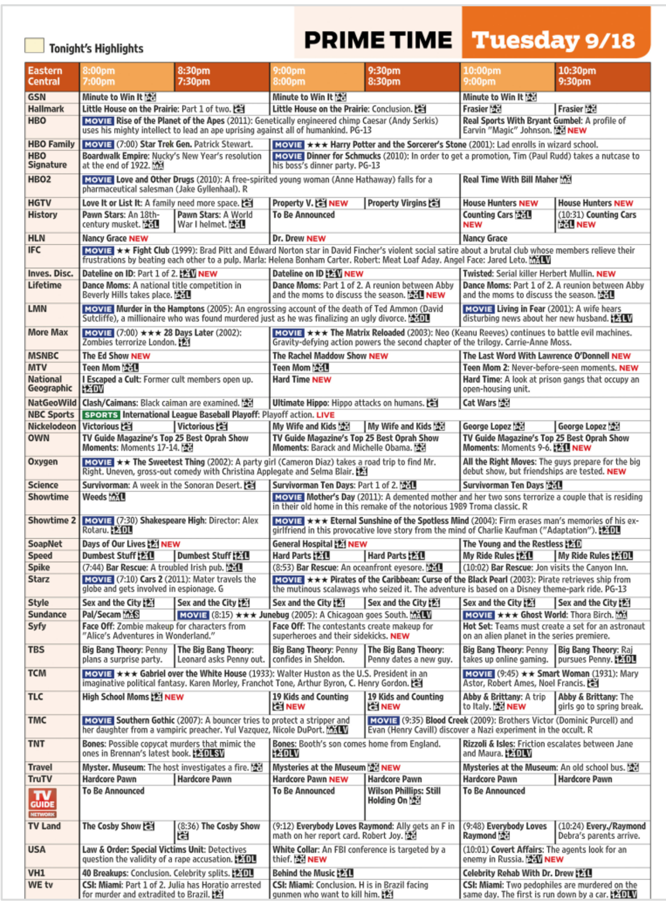
HBO

- 1,000+ hours of video content

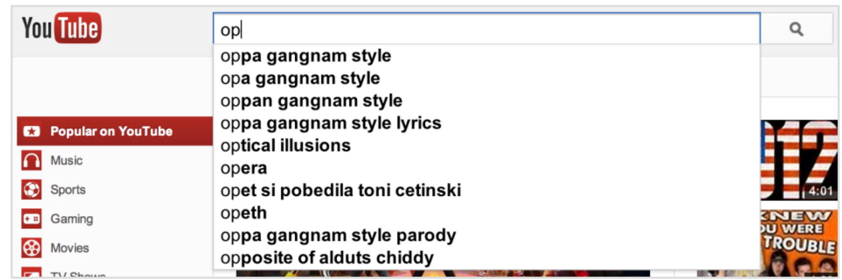
Sources: ESPN, BBC, HBO.

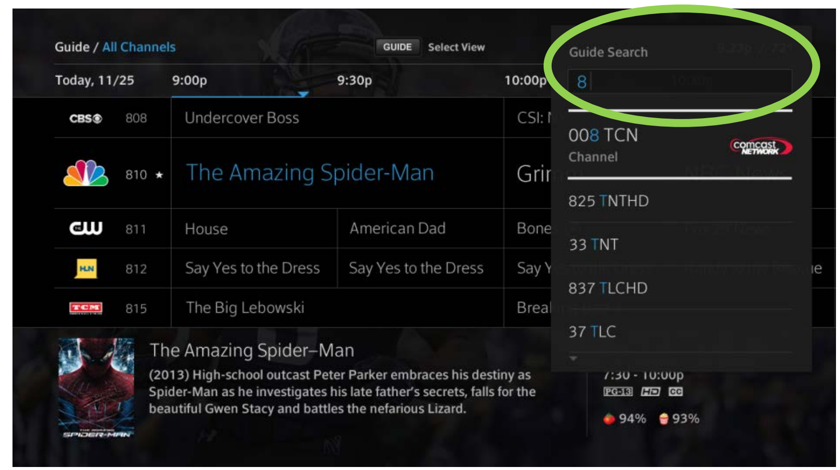
Internet = *Evolved* from Directory to Search / Apps
TV = *Evolving* from Directory to Apps / Search

TV Guide



YouTube - Search Bar
Comcast - X1 Guide





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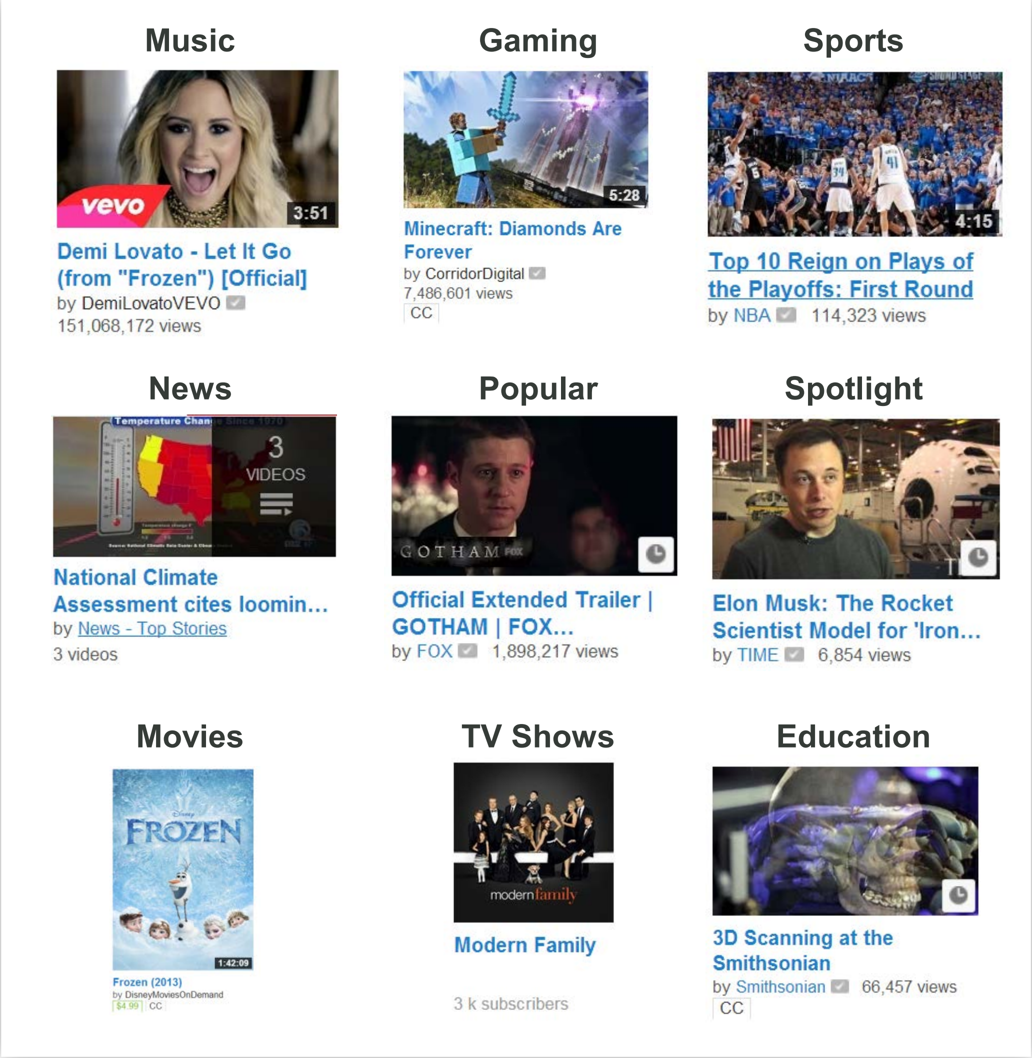
Images: YouTube, Comcast, mag+

There's a Bevy of
New Channels on
Premier Distribution Network
YouTube

Of Which 40% (& Rising)
# of Users Are Mobile

YouTube Channels = Huge Reach + Growth

Channel	Subscribers (MM)	Y/Y Growth (%)
Music	85	166%
Gaming	79	165%
Sports	78	164%
News	35	213%
Popular	28	133%
Spotlight	22	342%
Movies	18	195%
TV Shows	12	106%
Education	10	--



Source: YouTube.
Note: Y/Y growth rates as of 5/14.

Consumers Love Video – Long-Form & More / More Short-Form

Every New Medium → New Stars YouTube Top Videos = 6 - 26MM Subs Top 10 Video Average Duration = ~7 Minutes

Video Game Commentator
PewDiePie
26MM+ subscribers,
+230% Y/Y

Comedy Duo
Smosh
17MM+ subscribers,
+81% Y/Y

Spanish Comedian
HolaSoyGerman
17MM+ subscribers,
+157% Y/Y

Comedian
nigahiga
12MM+ subscribers,
+50% Y/Y

Make-Up Artist
Michelle Phan
6MM+ subscribers,
+70% Y/Y

Style and Beauty Blogger
Bethany Mota
6MM+ subscribers,
+180% Y/Y

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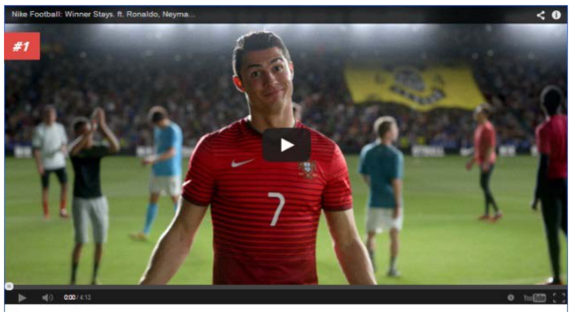
Source: YouTube, 5/14.
Note: Y/Y growth rates as of 5/14. Select Top YouTube channels that primarily feature a new artist. Excludes channels that aggregate videos around specific topics.

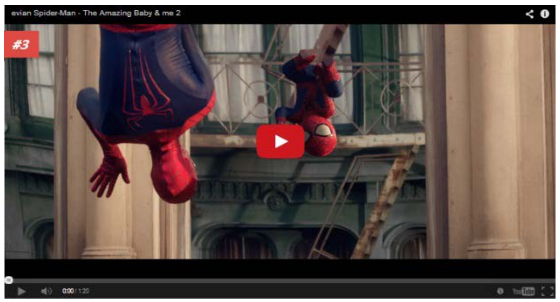
Consumers Loving Best Ads = The Art of Short-Form

#1 = Nike Football
@ 49MM+ Views



#2 = Dove: Patches
@ 20MM+ Views

#3 = Evian Spider Man
@ 16MM+ Views



#4 = Castrol Footkhana
@ 14MM+ Views

#5 = "Unsung Hero" (Thai Life)
@ 12MM+ Views

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Source: YouTube

Ads the Digital Way
Google TrueView = Game-Changer

YouTube's TrueView Ads =
'Cost-per View' Video Marketing

AdWords Dynamically Places Video Ad Content on Google / YouTube Users Can Skip

- **Ads = Great Content** – Transformation potential from commercials users want to skip to short-form content users choose to watch

- **Advertisers Win** – Better results as only pay for users who are engaged & watch video   improves direct click-through options with consumers

- **Data** – As YouTube collects data on how users engage with ads, it continues to improve the user experience and advertiser ROI

Evian Baby & Me = Most Watched YouTube Ad Of 2013 = 87MM+ views

Source: YouTube.

Fans Trump Audiences – Alex Carloss (YouTube)

An audience tunes in when they're told to,
a fanbase chooses when and what to watch

An audience changes the channel
when their show is over

A fanbase shares, comments, curates, creates

Consumers Voting for Social Video / TV

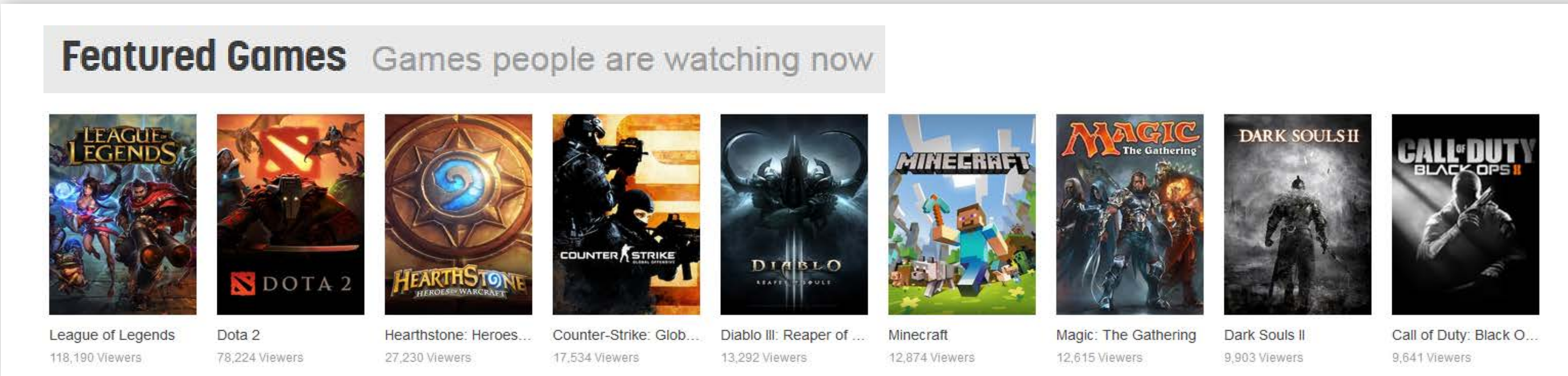
New Genre(s) of Video = 'Spectator Gaming'* – Players → Players / Active Spectators

Twitch

45MM MAUs (12/13) vs. 8MM Three Years Ago (7/11)

12B Minutes Watched / Month, +2x Y/Y

900K Broadcasters / Month, +3x Y/Y



Twitch = Top Live Video Streaming Site by Volume, USA, 4/14

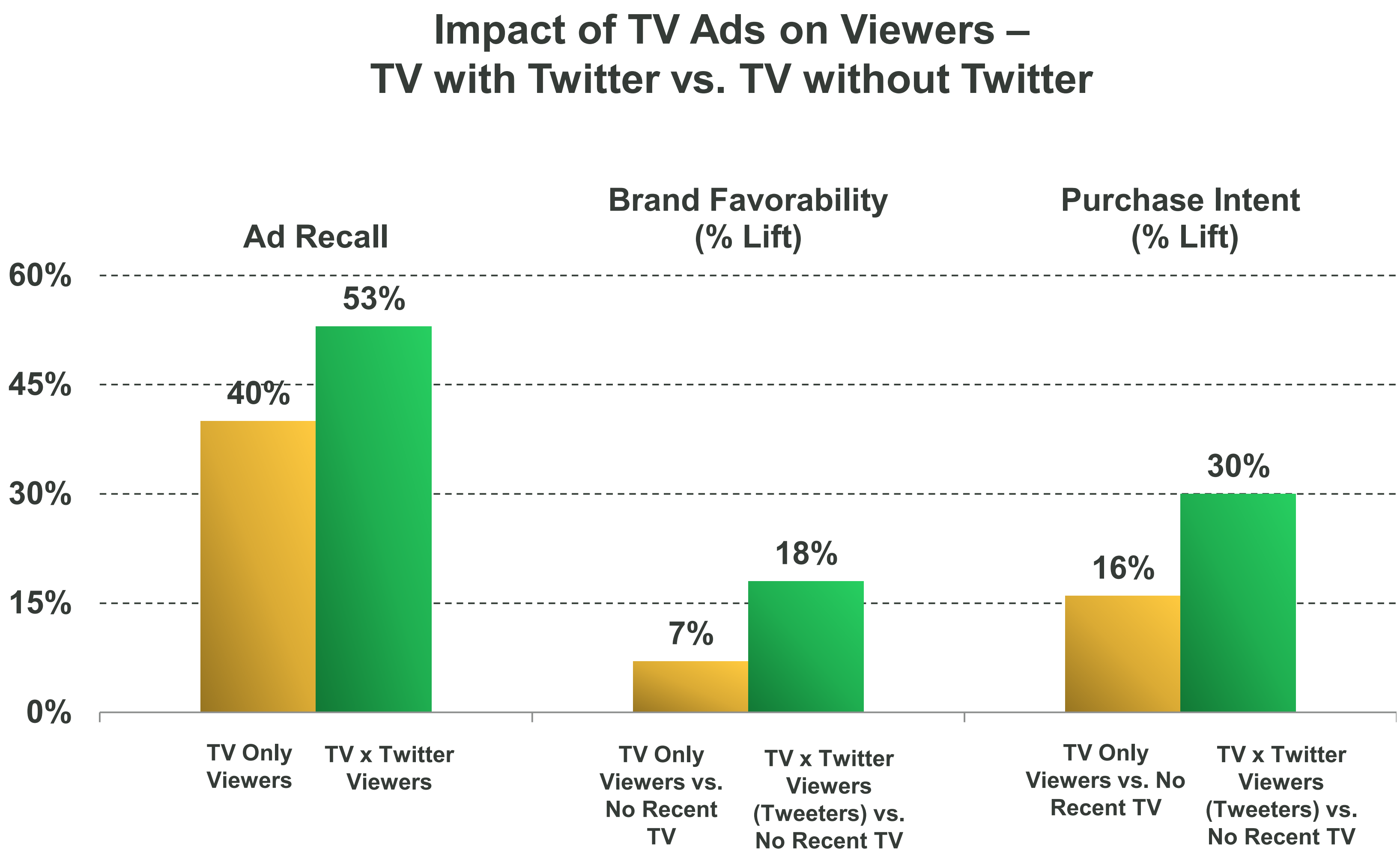
Rank	Site	Volume (%)
1	Twitch	44%
2	WWE	18%
3	Ustream	11%
4	MLB.com	7%
5	ESPN	6%

Source: Company data. Qwilt, 4/14.
*ReadWrite

Social TV =

Can Provide Advertiser Lift

TV + Twitter = Boosts Ad Impact

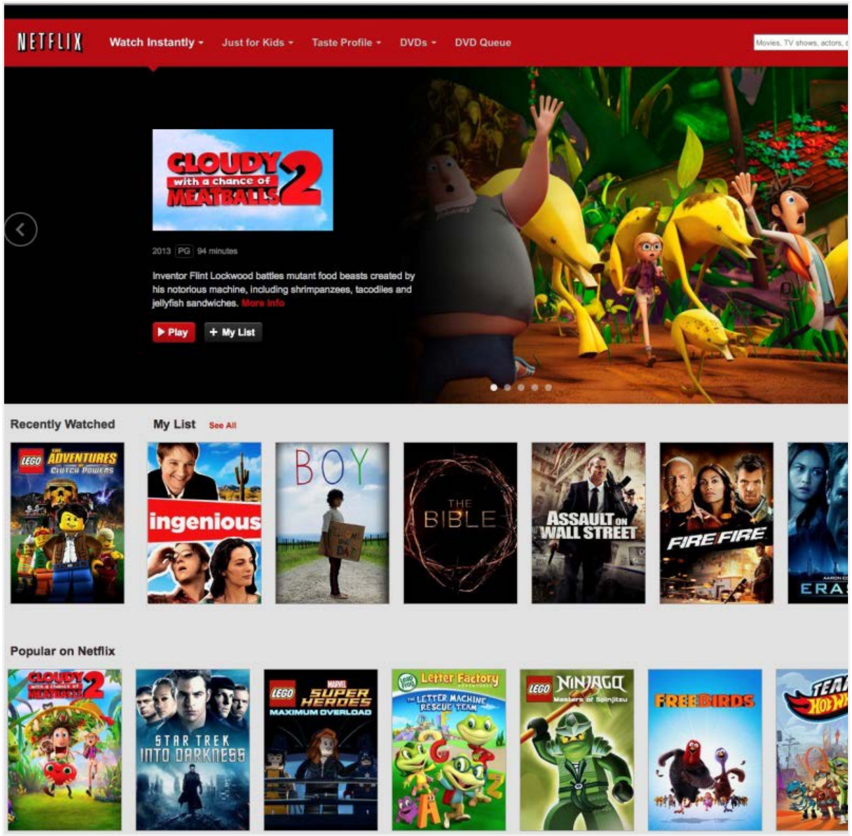


Source: Twitter x TV Study, Millward Brown Digital, 12/13.
Note: TV x Twitter users defined as people who used Twitter while watching TV.
N = 7,500+ respondents who were part of a study to assess impact of TV ads among people who watched TV with and without Twitter.

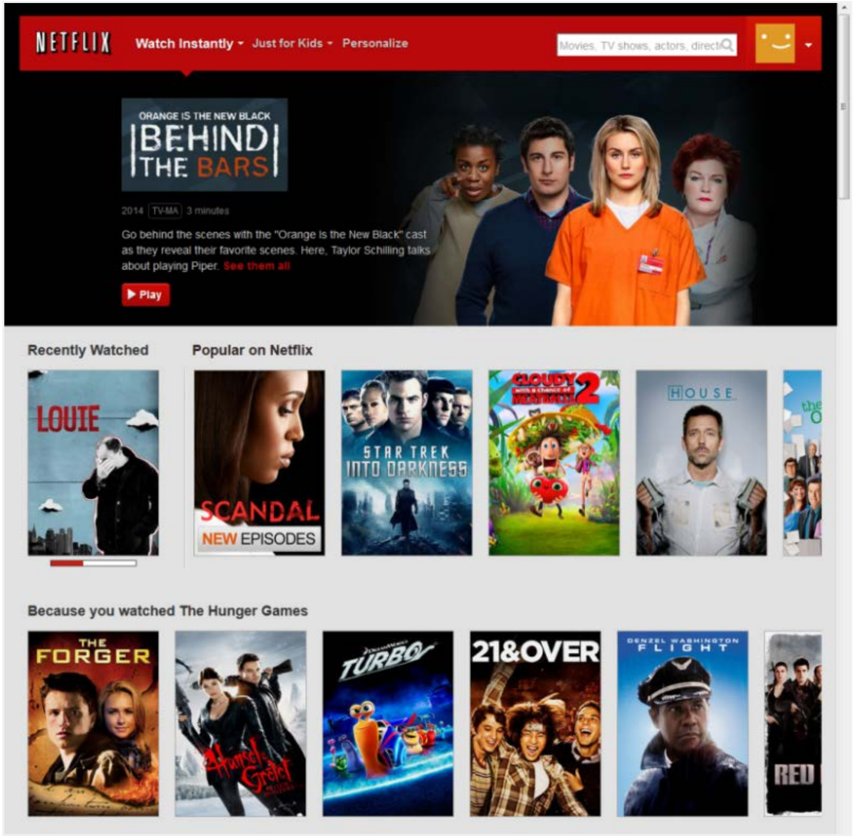
Consumers Voting for Personalization

Netflix = Personalization

A Father of Two



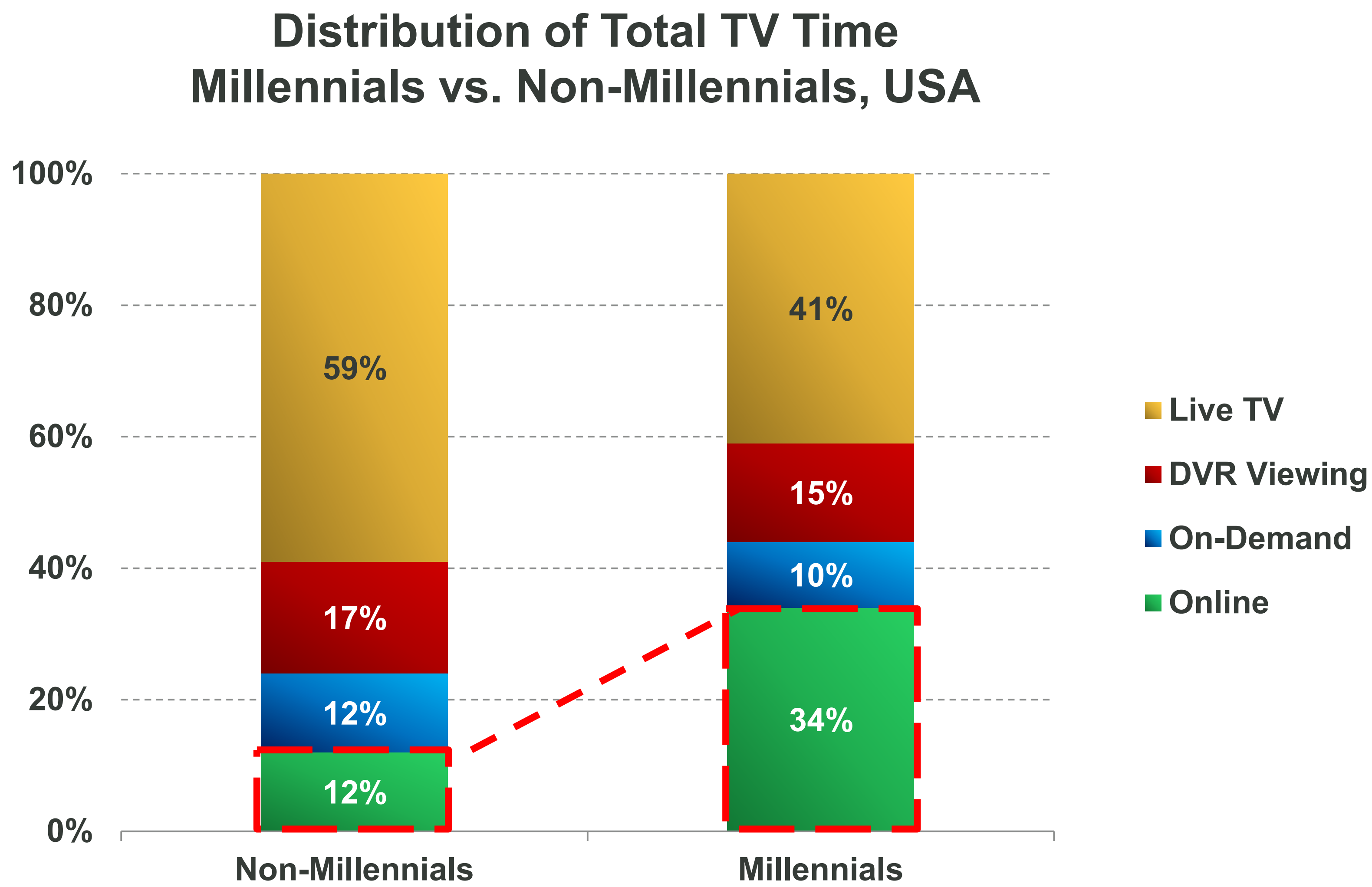
A Female Millennial



Images: Screenshot of Netflix homepages of two subscribers.

Younger Consumers Voting for On-Demand Video

Millennials = 34% of TV Time Online, ~3x > Non-Millennials



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Source: Verizon Digital Media Study, 3/14.
Note: Study encompassed quantitative survey of 1,000 USA consumers (800 millennials age 16-34 and 200 non-millennials age 35-64). Data collected on 11/13.

Internet TV Replacing Linear TV *–*

Early Stages of TV Golden Age With Epic Content Creation / Consumption / Curation / Distribution

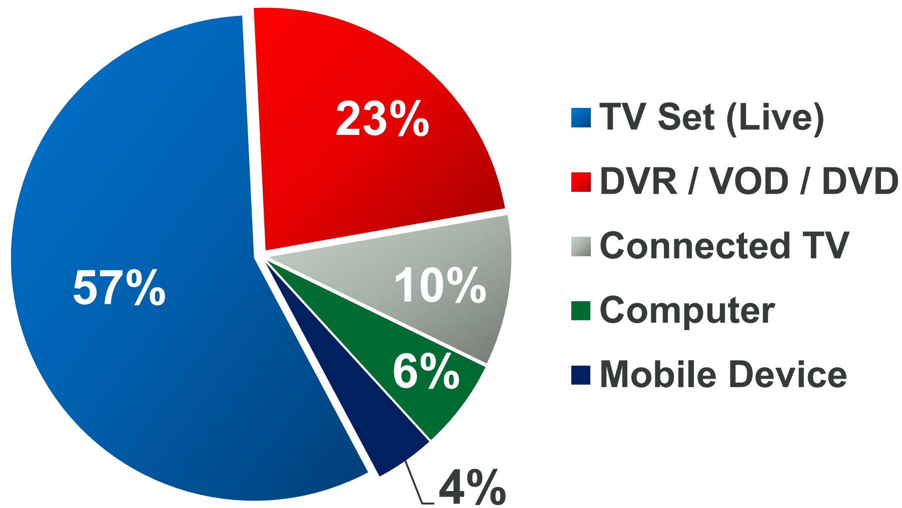
Consumers Increasingly Expect to Watch TV Content On Own Terms

Device Share of TV Content, USA, 1/14

Circa 1950

TV Set (Live) = 100% of viewing

Circa 2014



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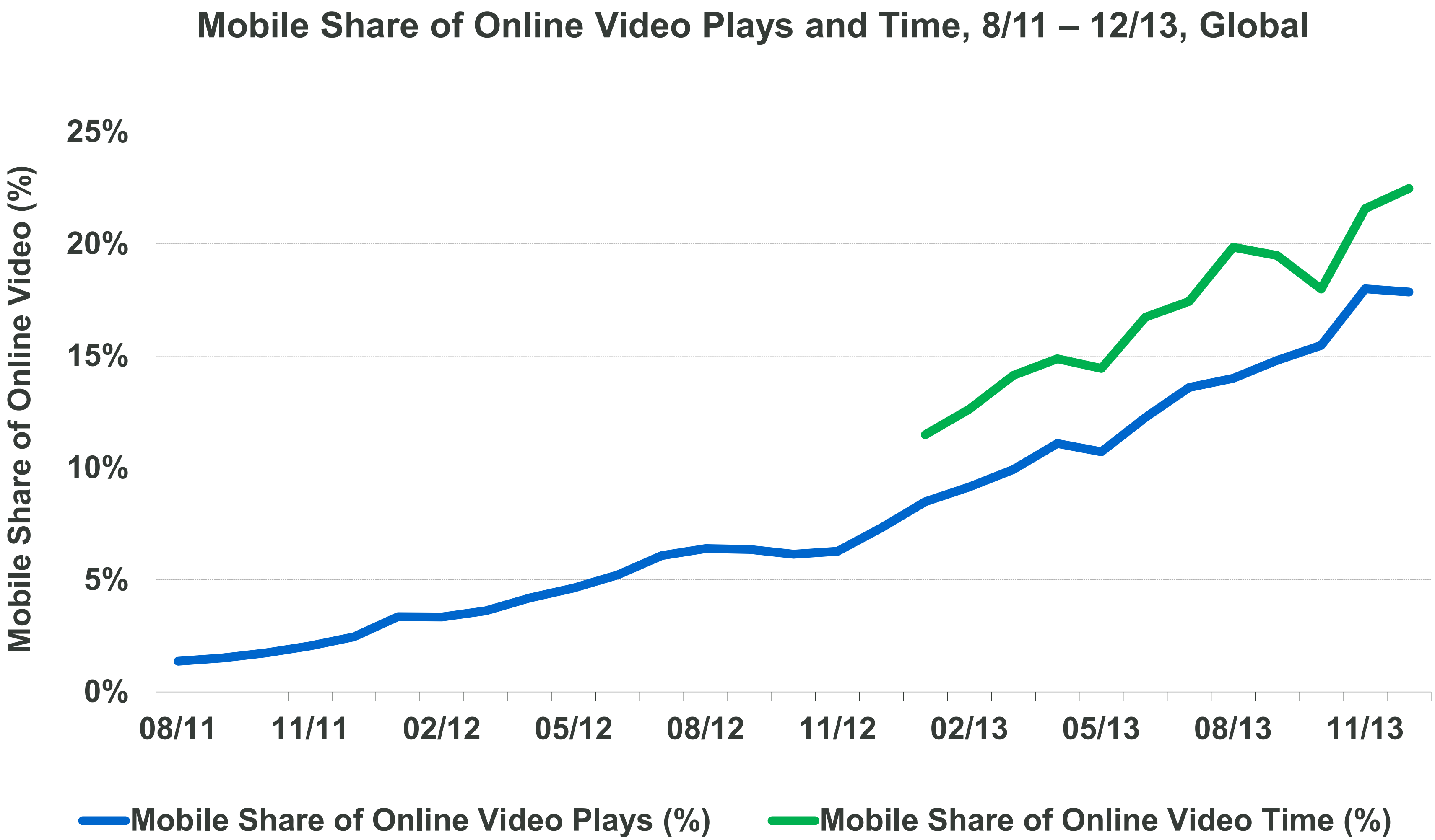
Source: Horowitz Associates, State of Cable and Digital Media Report, 4/14.
Note: Study based on 1,200 interviews in 1/14 among heads of households (18+) who watch any kind of TV.
Live TV defined as watching linear programming that is not time-shifted from original programming time intended.
TV Content defined as any type of video content. Computer includes desktop + notebook. Mobile includes smartphone + tablet.

Mobile = More & More Video Consumption 22% (+2x Y/Y) of Online Video Time Spent



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Source: Ooyala Global Video Index.
Data based on anonymized viewing habits of nearly 200MM unique viewers in over 130 countries and data from Ooyala's video publishers, which include hundred of broadcasters and operators.

Future of TV – Reed Hastings (Netflix CEO / Founder)

1) *Screens Proliferating*

2) *[Traditional] Remote Controls Disappearing*

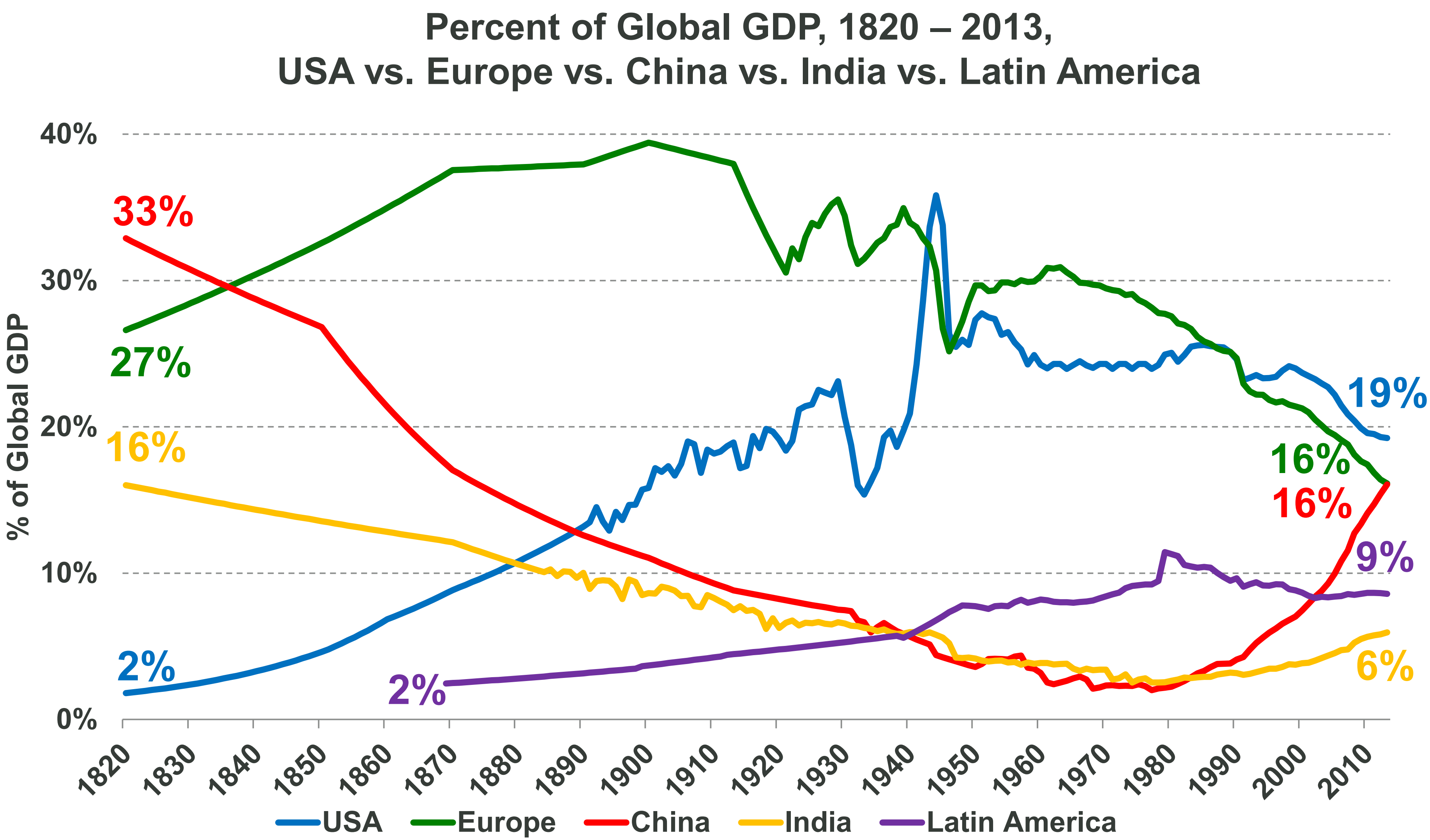
3) *Apps Replacing Channels*

4) *Internet TV Replacing Linear TV*

Source: Netflix Long Term View.

CHINA’S EPIC SHARE GAINS

Global GDP = China Rise Continues



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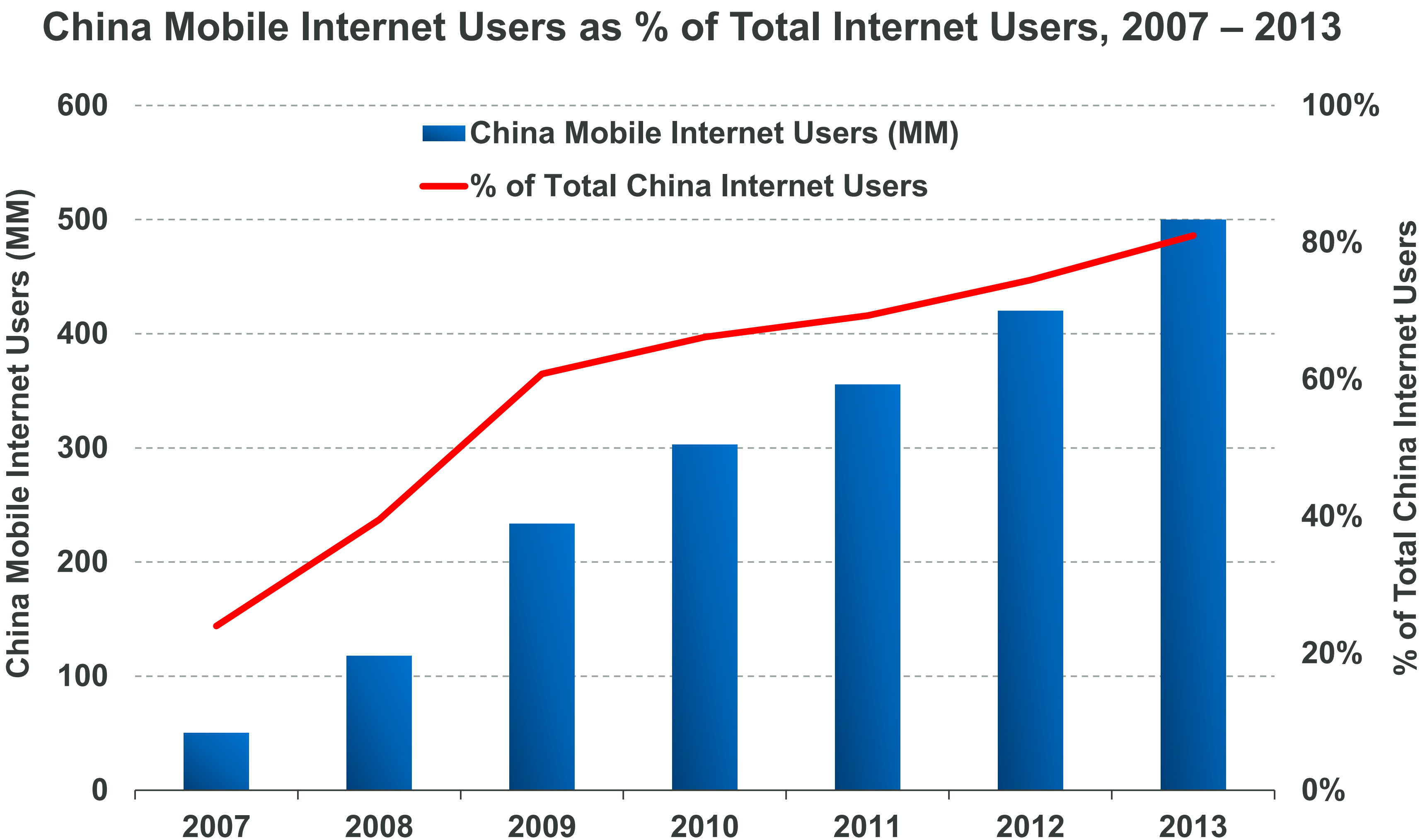
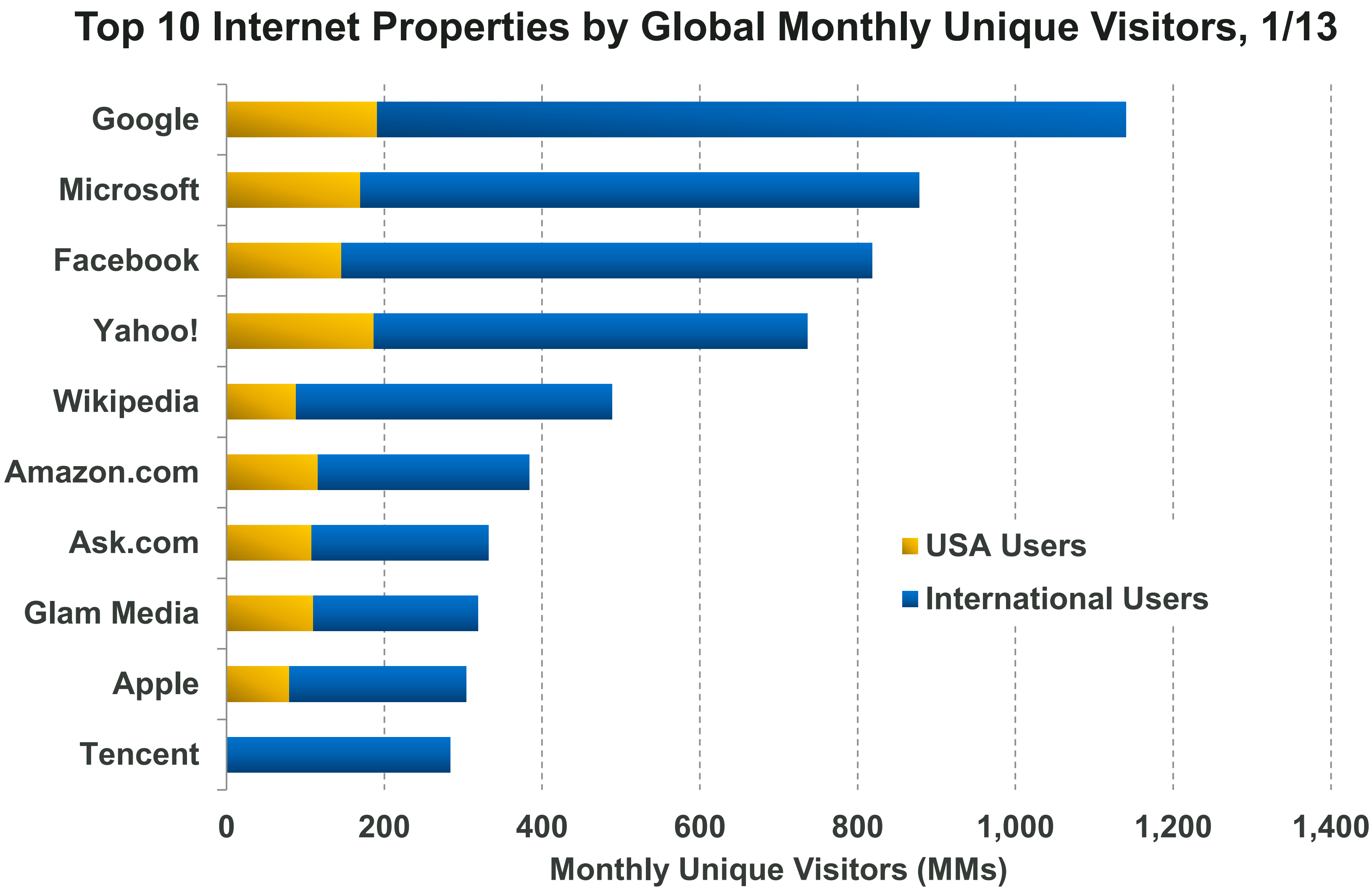
Source: Angus Maddison, University of Groningen, OECD, data post 1980 based on IMF data (GDP adjusted for purchasing power parity).

500MM (80%) of China Internet Users = Mobile More Critical Mass than Any Place in World



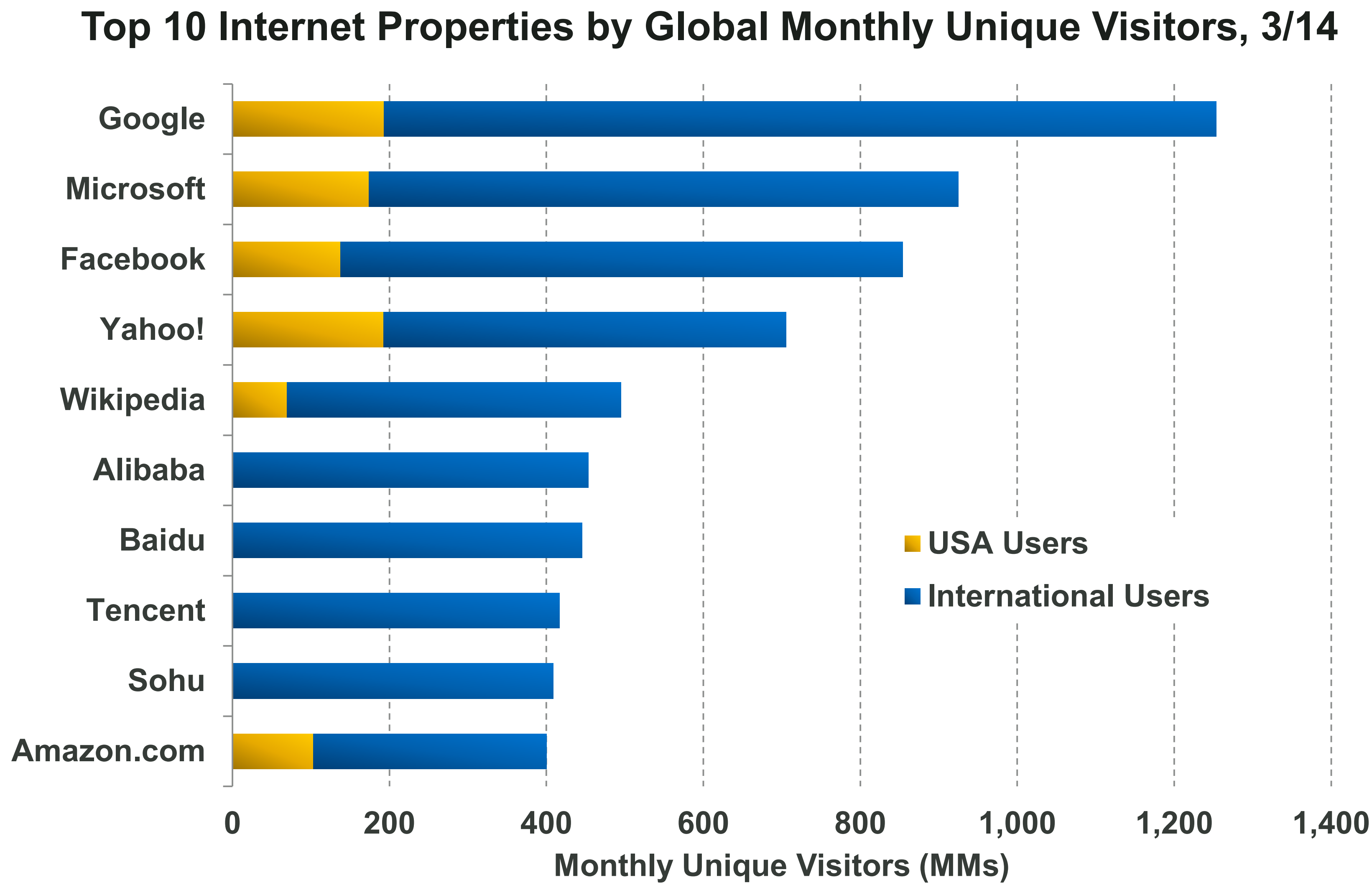
Source: CNNIC.

1/13 – 9 of Top 10 Global Internet Properties 'Made in USA' 79% of Their Users Outside America



Source: comScore, 1/13.

3/14 – 6 of Top 10 Global Internet Properties 'Made in USA' >86% of Their Users Outside America   China Rising Fast



Source: comScore, 3/14.

China = Mobile Commerce Innovation Leader

Source: Liang Wu, Hillhouse Capital*

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Tencent WeChat = 400MM Mobile Active Chat Users Increasingly Using Payments + Commerce

WeChat ‘My Bank Card’ Page

Manage money / invest in money market funds via WeChat Payment

Order taxi - powered by Didi - pay via WeChat Payment

New Year Lucky Money – fun / social game to incentivize users to link bank cards to WeChat Payment
5MM users used on Chinese New Year Eve, 2014

Find restaurants / daily group buy deals - powered by Dianping - pay via WeChat Payment

@KPCB Source: Tencent, Liang Wu (Hillhouse Captial).

Tencent WeChat Services = Virtual Assistant

WeChat Service Accounts =
Interactive Accounts with Communication / CRM / Ordering Capability

Personal Banker

China Merchant Bank allows customers to check & repay balances and ask live questions via WeChat

Shopping Assistant

Mogujie / Meilishuo (fashion discovery & shopping sites) give customers tailored suggestions via WeChat

Private Chef

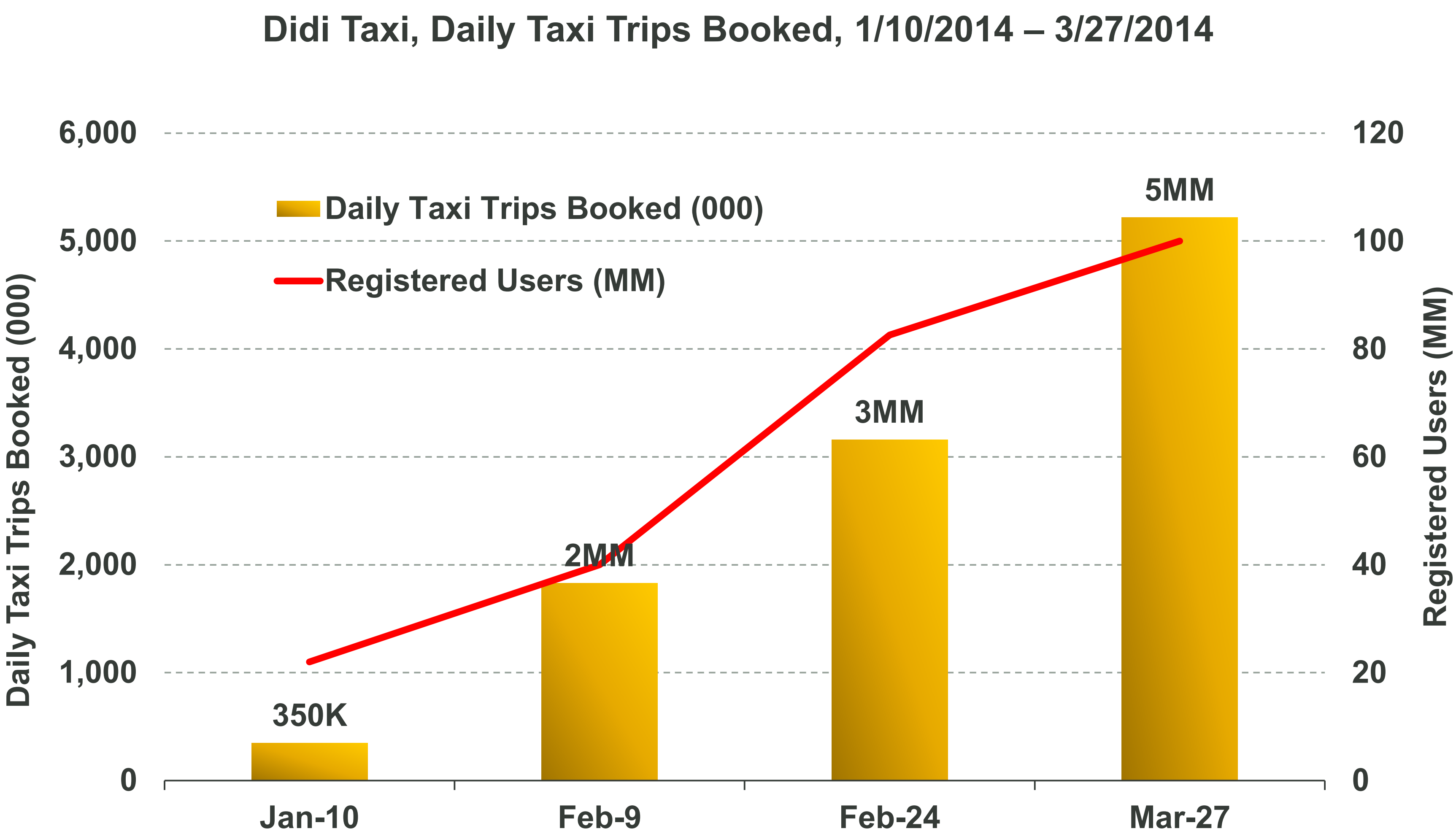
Hahajing (a chain deli restaurant) allows customers to order & deliver food via WeChat

Grocery Getter

Xiaonongnv (a grocery delivery startup) prepares fresh groceries & delivers to your address via WeChat

Source: Liang Wu (Hillhouse Captial).

Didi Taxi – 100MM+ Users = 5MM+ Daily Rides, +15x in 77 Days Driven by WeChat Payment Integration & Subsidy*



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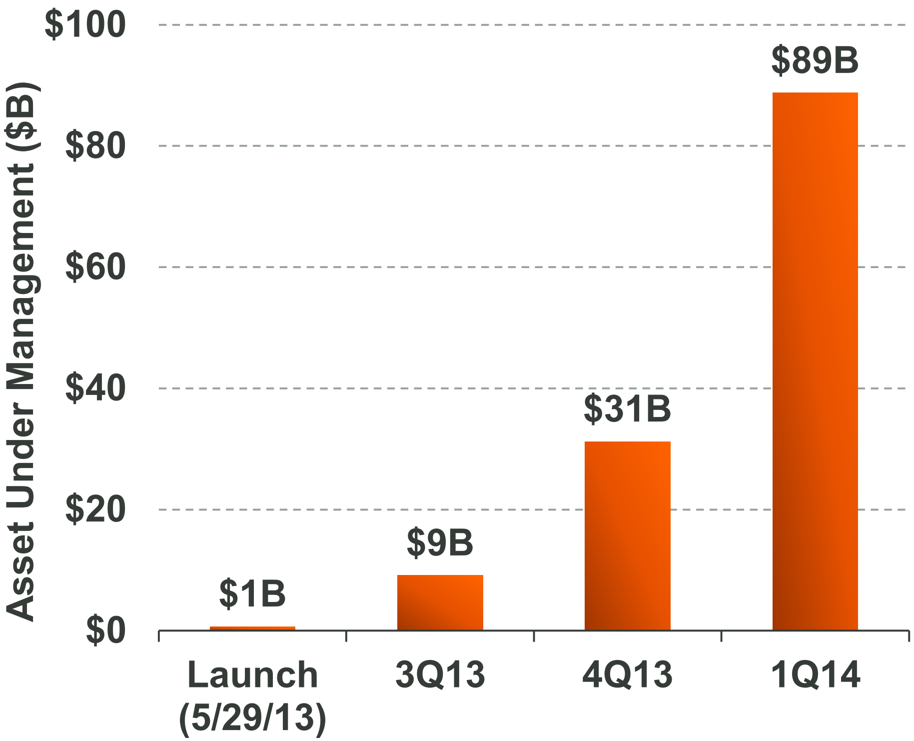
Note: * Subsidy ranges from $1-3 per ride. Estimated total subsidy during this period was ~$233MM.
Source: Didi, Liang Wu (Hillhouse Captial).

Alipay Yu'E Bao – Mobile Money Market Fund Launch Drove $89B AUM* in 10 Months

- Simple, fun-to-use mobile product
- Built on top of Alipay – the most popular online payment platform in China with 160MM+ accounts.
- Technology enables same-day settlement.

- $0 → $89B asset under management in 10 months
- Top 3 global money market fund by assets under management (AUM)

Alipay Yu'E Bao Assets Under Management, 5/13 to C1:14



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*Note: AUM is asset under management, Fidelity and Vanguard manage more assets than Alipay's Yu'E Bao.
Source: Alipay, Liang Wu (Hillhouse Capital).

PUBLIC COMPANY TRENDS

Global Internet Public Market Leaders = Apple / Google / Facebook / Amazon / Tencent

Rank	Company	Region	2014 Market Value ($B)	2013 Revenue ($MM)
1	Apple	USA	$529	$173,992
2	Google	USA	377	59,825
3	Facebook	USA	157	7,872
4	Amazon	USA	144	74,452
5	Tencent	China	132	9,983
6	eBay	USA	66	16,047
7	Priceline	USA	63	6,793
8	Baidu	China	59	5,276
9	Yahoo!	USA	35	4,680
10	Salesforce.com	USA	33	4,071
11	JD.com	China	29	11,454
12	Yahoo! Japan	Japan	25	3,641
13	Netflix	USA	24	4,375
14	Naver	Korea	23	2,190
15	LinkedIn	USA	19	1,529
16	Twitter	USA	18	665
17	Rakuten	Japan	16	4,932
18	Liberty Interactive	USA	14	11,252
19	TripAdvisor	USA	13	945
20	Qihoo 360	China	11	671
Total			$1,787	$404,644

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Source: CapIQ. 2014 market value data as of 5/23/2014.
Note: Colors denote current market value relative to Y/Y market value. Green = higher. Red = lower. Purple = newly public.

Global Internet Leaders = Intense M&A + Investment Activity

Company / Market Cap ($B)	Volume, 2012-2014YTD ($B)	Select Transactions, 2012-2014YTD					
Google $377B	$6B (M&A)	DeepMind	$400MM (1/14)	Nest	$3B (1/14)	Waze	$1B (6/13)
	$3B* (Investments)	Cloudera	$160MM* (3/14)	DocuSign	$100MM* (3/14)	Uber	$258MM (8/13)
Facebook $157B	$24B (M&A)	Oculus	$2B (3/14)	WhatsApp	$19B+ (2/14)	Instagram	$1B (4/12)
Tencent $132B	$7B* (Investments)	JD.com	$3B (3/14)	CJ Games	$500MM (3/14)	Activision Blizzard	$429MM (7/13)
Alibaba TBD	$5B (M&A)	ChinaVision	$800MM (3/14)	AutoNavi	$1B+ (2/14)		
	$5B* (Investments)	Youku Tudou	$1B (4/14)	Weibo	$1B (4/13)		

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Source: Morgan Stanley IBD & public filings. CapIQ, 2014 market value data as of 5/23/2014.
Note: Includes investments that corporations and their subsidiaries/affiliates have made in companies. Google's Docusign investment represents the latest round; however, the Company had been a previous investor.
*Some data may include entire funding round, of which a portion may be attributable to investors other than the Company listed here.

ONE MORE THING(S)

From One Extreme
To the Other

Live Streaming = Oculus Rift-Enabled Drones?

Image: Mashable.

Re-Imagining Global Access to Internet? ☹

@KPCB Source: Hola.

Thanks

KPCB Partners
Especially Alex Tran / Cindy Cheng / Alex Kurland who helped take spurts of ideas and turn them into something we hope is presentable / understandable

Participants in Evolution of Internet Connectivity
From creators to consumers who keep us on our toes 24x7

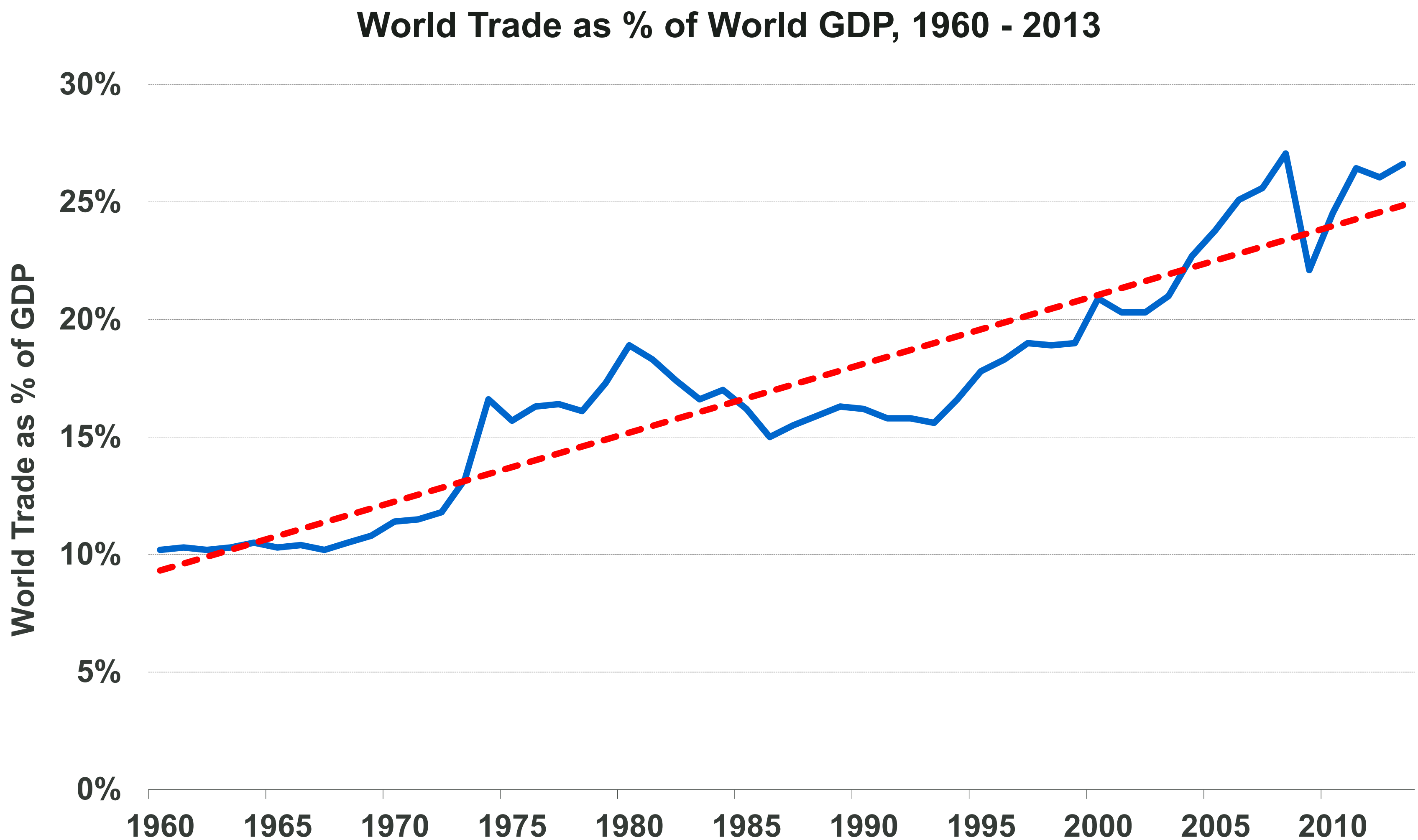
Walt & Kara
For continuing to do what you do so well

RAN OUTTA TIME THOUGHTS / APPENDIX

IMMIGRATION UPDATE

REPORT: http://www.kpcb.com/file/kpcb-immigration-in-america-the-shortage-of-high-skilled-workers

Global Economies / People = Increasingly Connected / Co-Dependent



Source: Trade data per World Trade Organization (WTO), GDP data per United Nations (UN).
Note: World trade calculated as the sum of all countries' imports (or exports). The biggest trading partners of USA includes EU nations, Canada, China, Mexico, Japan and South Korea.

60% of Top 25 Tech Companies Founded by 1st and 2nd Generation Americans = 1.2MM Employees, 2013

Founders / Co-Founders of Top 25 USA Public Tech Companies, Ranked by Market Capitalization

Rank	Company	Mkt Cap ($MM)	LTM Rev ($MM)	Employees	1st or 2nd Gen Immigrant Founder / Co-Founder	Generation
1	Apple	$529,000	$176,035	80,300	Steve Jobs	2nd-Gen, Syria
2	Google	376,536	62,294	47,756	Sergey Brin	1st-Gen, Russia
3	Microsoft	331,408	83,347	99,000	--	--
4	IBM	188,205	98,827	431,212	Herman Hollerith	2nd-Gen, Germany
5	Oracle	187,942	37,902	120,000	Larry Ellison / Bob Miner	2nd-Gen, Russia / 2nd-Gen, Iran
6	Facebook	157,448	8,916	6,337	Eduardo Saverin	1st-Gen, Brazil
7	Amazon.com	143,683	78,123	117,300	Jeff Bezos	2nd-Gen, Cuba
8	Qualcomm	134,827	25,712	31,000	Andrew Viterbi	1st-Gen, Italy
9	Intel	130,867	52,892	107,600	-- *	--
10	Cisco	125,608	47,202	75,049	--	--
11	eBay	65,927	16,561	33,500	Pierre Omidyar	1st-Gen, France
12	Hewlett-Packard	63,903	111,820	317,500	William Hewlett	--
13	Priceline	62,767	7,133	9,500	Jay Walker	--
14	EMC	54,458	23,314	63,900	Roger Marino	2nd-Gen, Italy
15	Texas Instruments	49,920	12,303	32,209	Cecil Green / J. Erik Jonsson	1st-Gen, UK / 2nd-Gen, Sweden
16	VMware	41,549	5,376	14,300	Edouard Bugnion	1st-Gen, Switzerland
17	Automatic Data Processing	38,014	11,958	60,000	Henry Taub	2nd-Gen, Poland
18	Yahoo!	35,258	4,673	12,200	Jerry Yang	1st-Gen, Taiwan
19	salesforce.com	32,783	4,405	13,300	--	--
20	Adobe Systems	32,004	4,047	11,847	--	--
21	Cognizant Technology	29,583	9,245	171,400	Francisco D'souza / Kumar Mahadeva	1st-Gen, India** / 1st-Gen, Sri Lanka
22	Micron	29,253	13,310	30,900	--	
23	Netflix	24,120	4,621	2,327	--	--
24	Intuit	22,595	4,426	8,000	--	--
25	Sandisk	21,325	6,341	5,459	Eli Harari	1st-Gen, Israel
Total Founded by 1st or 2nd Gen Immigrants		**$2,053,676**	**$577,580**	**1,226,873**		

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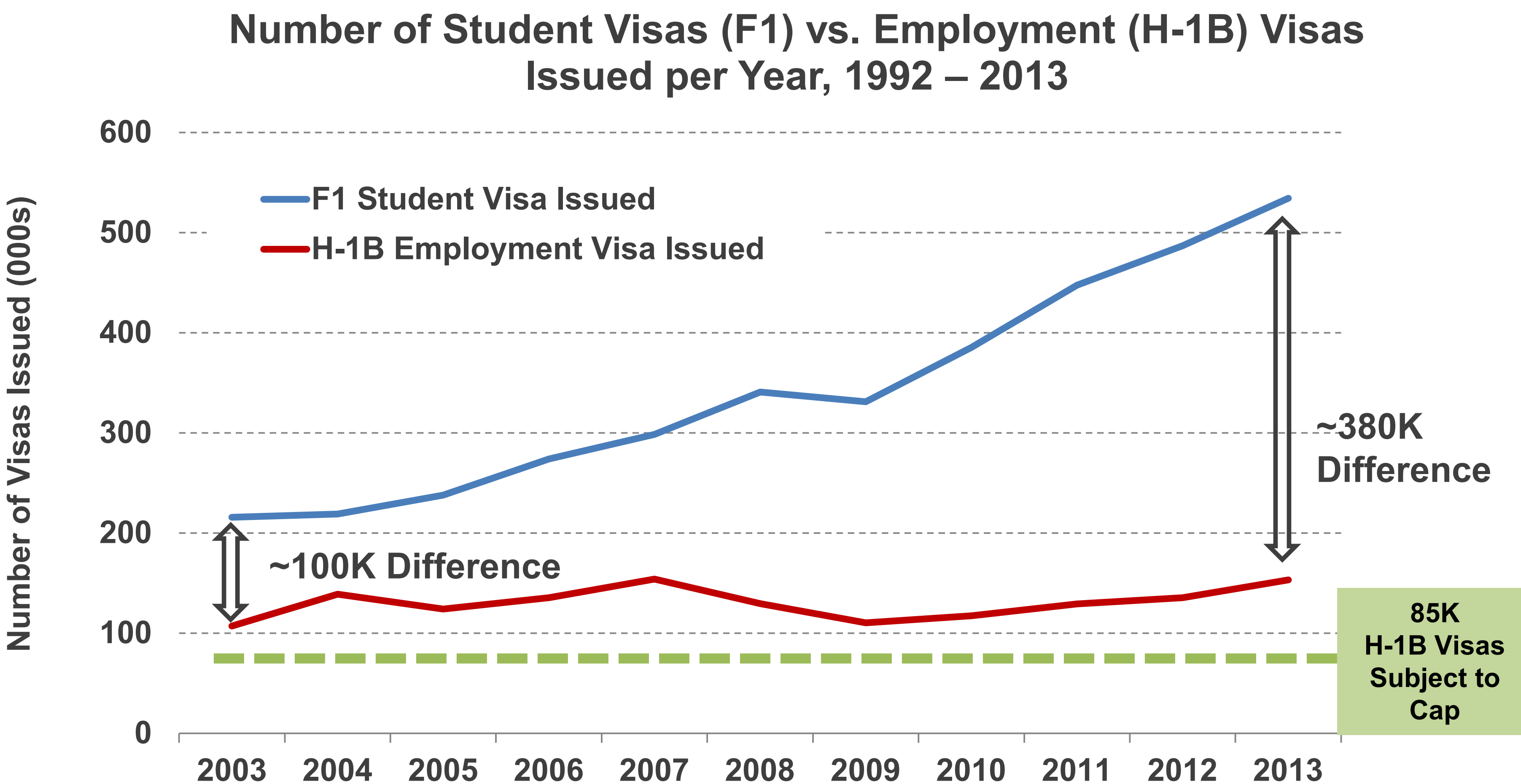
Source: CapIQ, Factset as of 5/14. "The 'New American' Fortune 500", a report by the Partnership for a New American Economy; "American Made, The Impact of Immigrant Founders & Professionals on U.S. Corporations."
*Note: while Andy Grove (from Hungary) is not a co-founder of Intel, he joined as COO on the day it was incorporated. **Francisco D'souza is a person of Indian origin born in Kenya.

USA Sending More Qualified Foreign Students Home Post Graduation – 3.5x Rise in Student & Employment Visa Issuance Gap Over Decade



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Source: U.S. Department of State, 5/14.

USA, INC. UPDATE

REPORT: http://www.kpcb.com/usainc/USA_Inc.pdf
VIDEO: http://www.kpcb.com/insights/2011-usa-inc-video

USA Inc. Income Statement, F2013 – Revenue (Taxes) +13%...Expenses -2%...-24% Net Margin

USA Inc. Profit & Loss Statement, F1998 / F2003 / F2008 / F2013

	F1998	F2003	F2008	F2013	Comments
Revenue ($B)	**$1,722**	**$1,783**	**$2,524**	**$2,775**	**On average, revenue grew 3% Y/Y over the past 15 years**
Y/Y Growth	***9%***	***-4%***	***-2%***	***13%***	
Individual Income Taxes*	$829	$794	$1,146	$1,316	Largest driver of revenue
% of Revenue	*48%*	*45%*	*45%*	*47%*	
Social Insurance Taxes	$572	$713	$900	$948	Payroll tax on Social Security & Medicare
% of Revenue	*33%*	*40%*	*36%*	*34%*	
Corporate Income Taxes*	$189	$132	$304	$274	Fluctuates significantly with economic conditions
% of Revenue	*11%*	*7%*	*12%*	*10%*	
Other	$133	$144	$174	$237	Includes estate & gift taxes / duties & fees; relatively stable
% of Revenue	*8%*	*8%*	*7%*	*9%*	
Expense ($B)	**$1,652**	**$2,160**	**$2,983**	**$3,455**	**On average, expense grew 5% Y/Y over the past 15 years**
Y/Y Growth	***3%***	***7%***	***9%***	***-2%***	
Entitlement / Mandatory	$870	$1,168	$1,582	$2,049	Significant increase owing to aging population and rising healthcare costs
% of Expense	*53%*	*54%*	*53%*	*59%*	
Non-Defense Discretionary	$273	$434	$518	$551	Includes education / law enforcement / transportation / general government
% of Expense	*17%*	*20%*	*17%*	*16%*	
"One-Time" Items	--	--	$14	--	Includes discretionary spending on TARP, GSEs, and economic stimulus
% of Expense	*--*	*--*	*0%*	*--*	
Defense	$268	$405	$616	$633	Significant increase owing to on-going War on Terror
% of Expense	*16%*	*19%*	*21%*	*18%*	
Net Interest on Public Debt	$241	$153	$253	$221	Decreased owing to historic low interest rates
% of Expense	*15%*	*7%*	*8%*	*6%*	
Surplus / Deficit ($B)	**$69**	**-$377**	**-$459**	**-$680**	**USA Inc. median net margin between 1998 & 2013 = -16%**
Net Margin (%)	***4%***	***-21%***	***-18%***	***-24%***	

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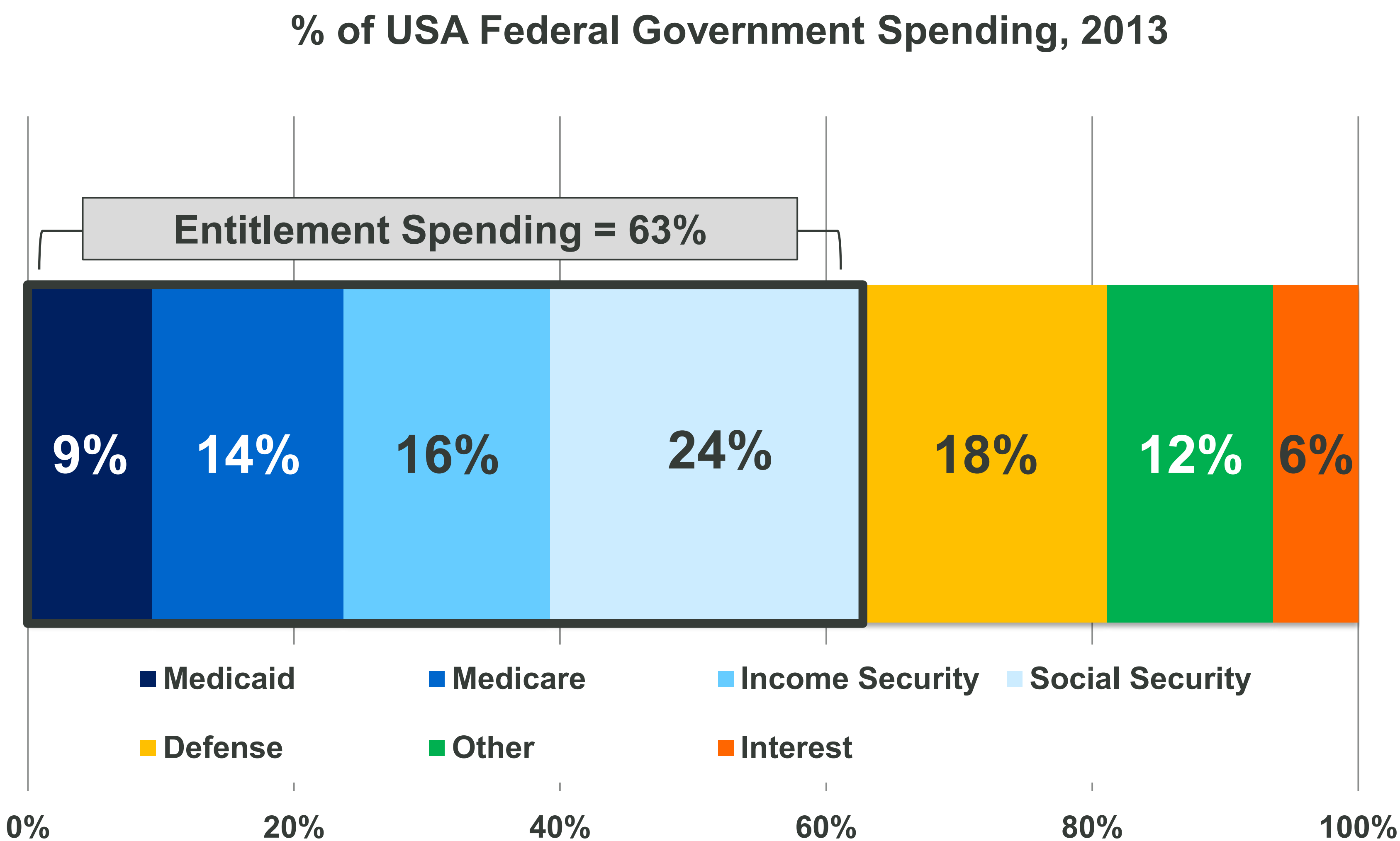
Source: White House Office of Management and Budget.
Note: USA federal fiscal year ends in September; *individual & corporate income taxes include capital gains taxes. Non-defense discretionary includes federal spending on education, infrastructure, law enforcement, judiciary functions.

Where Your Tax Dollars Go –
Entitlements as % of Government Spending = 63% vs. 59% Y/Y



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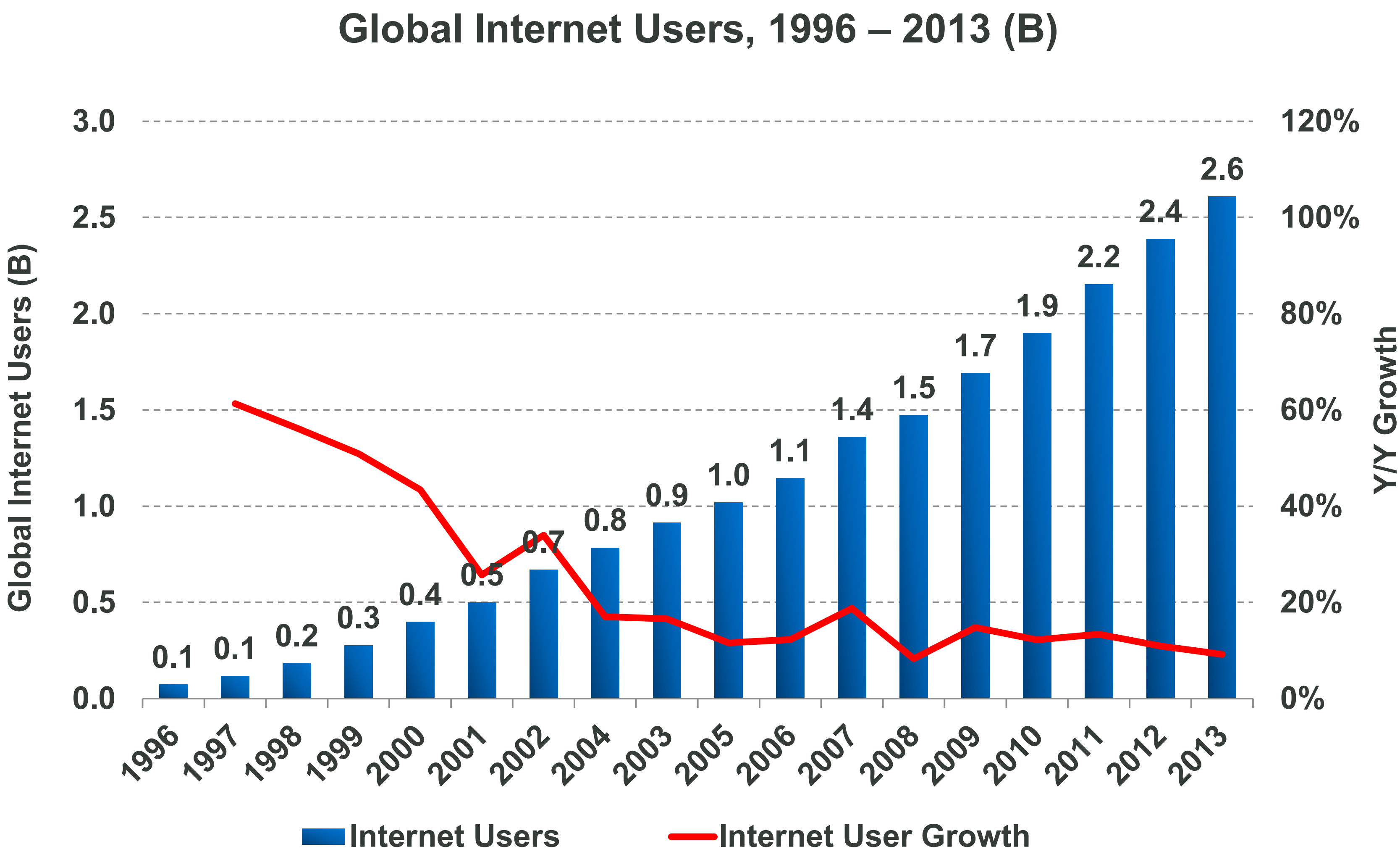
Source: White House OMB.
Note: Income security includes unemployment; food, nutrition and housing assistance; federal retirement.
Other expenses include transportation, education, justice, and other general government functions.

KEY INTERNET TRENDS

Internet User Growth =
+9% in 2013 vs. +11% in 2012 = Solid, But Slowing



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Source: United Nations / International Telecommunications Union, US Census Bureau, Euromonitor International.

Established ‘Big’ Internet Markets (China / USA / Japan / Brazil / Russia) = +7% Growth in 2013 vs. 8% Y/Y = Slowing, Past / Near 50% Penetration

Countries with Internet Penetration >45%, 2013

Rank	Country	2013 Internet Users (MMs)	2013 Internet User Growth	2012 Internet User Growth	Population Penetration	Total Population (MMs)
1	China	618	10%	10%	46%	1,350
2	USA	263	2	2	83	316
3	Japan	101	0	1	79	127
4	Brazil	100	12	12	50	201
5	Russia	76	9	14	53	143
6	Germany	68	1	1	84	81
7	United Kingdom	55	1	3	87	63
8	France	55	5	4	83	66
9	Iran	45	16	19	56	80
10	South Korea	41	1	0	84	49
11	Turkey	36	6	9	45	81
12	Italy	36	2	6	58	61
13	Spain	34	7	3	72	47
14	Canada	30	5	4	87	35
15	Poland	25	0	4	65	38
	Top 15	1,583	6%	7%	58%	2,739
	World	2,609	9%	11%	37%	7,098

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Source: United Nations / International Telecommunications Union, US Census Bureau.
China Internet user data from CNNIC (12/2013). Iran Internet user data from KPCB estimates per data from Islamic Republic News Agency, citing data released by the National Internet Development Center.

‘Big’ Internet Markets (India / Indonesia / Nigeria / Mexico / Philippines) = +20% Growth in 2013 = Strong, Material Penetration Upside

Countries with Internet Penetration ≤45%

Rank	Country	2013 Internet Users (MMs)	2013 Internet User Growth	2012 Internet User Growth	Population Penetration	Total Population (MMs)
1	India	154	27%	36%	13%	1,221
2	Indonesia	71	13	15	28	251
3	Nigeria	57	19	21	33	173
4	Mexico	46	11	14	38	119
5	Philippines	38	27	18	36	106
6	Egypt	38	13	29	44	85
7	Vietnam	37	14	16	39	92
8	South Africa	20	20	41	41	49
9	Pakistan	19	12	14	10	193
10	Thailand	18	12	6	27	67
11	Ukraine	15	17	22	34	45
12	Kenya	14	17	105	32	44
13	Venezuela	13	11	9	44	28
14	Peru	11	7	5	38	30
15	Uzbekistan	10	22	52	37	29
	Top 15	560	18%	24%	22%	2,532
	World	2,609	9%	11%	37%	7,098

Source: United Nations / International Telecommunications Union, US Census Bureau. Indonesia Internet user data from APJII (1/2014).

Established 'Big' Smartphone Markets (USA / Japan / UK / Germany / Korea) = +17% Growth in 2013 = Slowing, Well Past 50% Penetration

Markets with >45% Penetration

Rank	Country	2013 Smartphone Subs (MMs)	2013 Smartphone Sub Growth	Population Penetration	Total Population (MMs)	2014E Smartphone Sub Growth
1	USA	188	21%	59%	316	12%
2	Japan	99	5	78	127	5
3	UK	43	18	68	63	12
4	Germany	40	34	49	81	31
5	Korea	38	18	79	49	5
6	France	33	29	50	66	21
7	Saudi Arabia	30	20	110	27	15
8	Poland	22	29	57	38	24
9	Australia	19	20	85	22	12
10	Canada	18	21	53	35	15
11	Malaysia	16	23	54	30	21
12	Netherlands	12	18	69	17	13
13	Taiwan	11	23	49	23	27
14	Sweden	9	10	94	10	4
15	UAE	9	20	160	5	14
	Top 15	588	19%	65%	910	13%
	World	1,786	28%	25%	7,098	24%

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Source: Informa. Note: Japan data per Gartner, Morgan Stanley Research, and KPCB estimates.

Developing 'Big' Smartphone Markets (China / India / Brazil / Indonesia / Russia) = +32% Growth in 2013 = Strong, Material Penetration Upside Remains

Markets with ≤45% Penetration

Rank	Country	2013 Smartphone Subs (MMs)	2013 Smartphone Sub Growth	Population Penetration	Total Population (MMs)	2014E Smartphone Sub Growth
1	China	422	26%	31%	1,350	19%
2	India	117	55	10	1,221	45
3	Brazil	72	38	36	201	30
4	Indonesia	48	42	19	251	36
5	Russia	46	30	33	143	27
6	Mexico	22	49	19	119	39
7	Egypt	21	41	25	85	36
8	Italy	21	33	34	61	41
9	Spain	21	20	44	47	17
10	Philippines	20	43	19	106	36
11	Nigeria	20	43	12	173	39
12	South Africa	20	32	41	49	27
13	Thailand	18	27	27	67	24
14	Turkey	18	32	22	81	28
15	Argentina	17	40	41	43	34
	Top 15	905	33%	23%	3,996	28%
	World	1,786	28%	25%	7,098	24%

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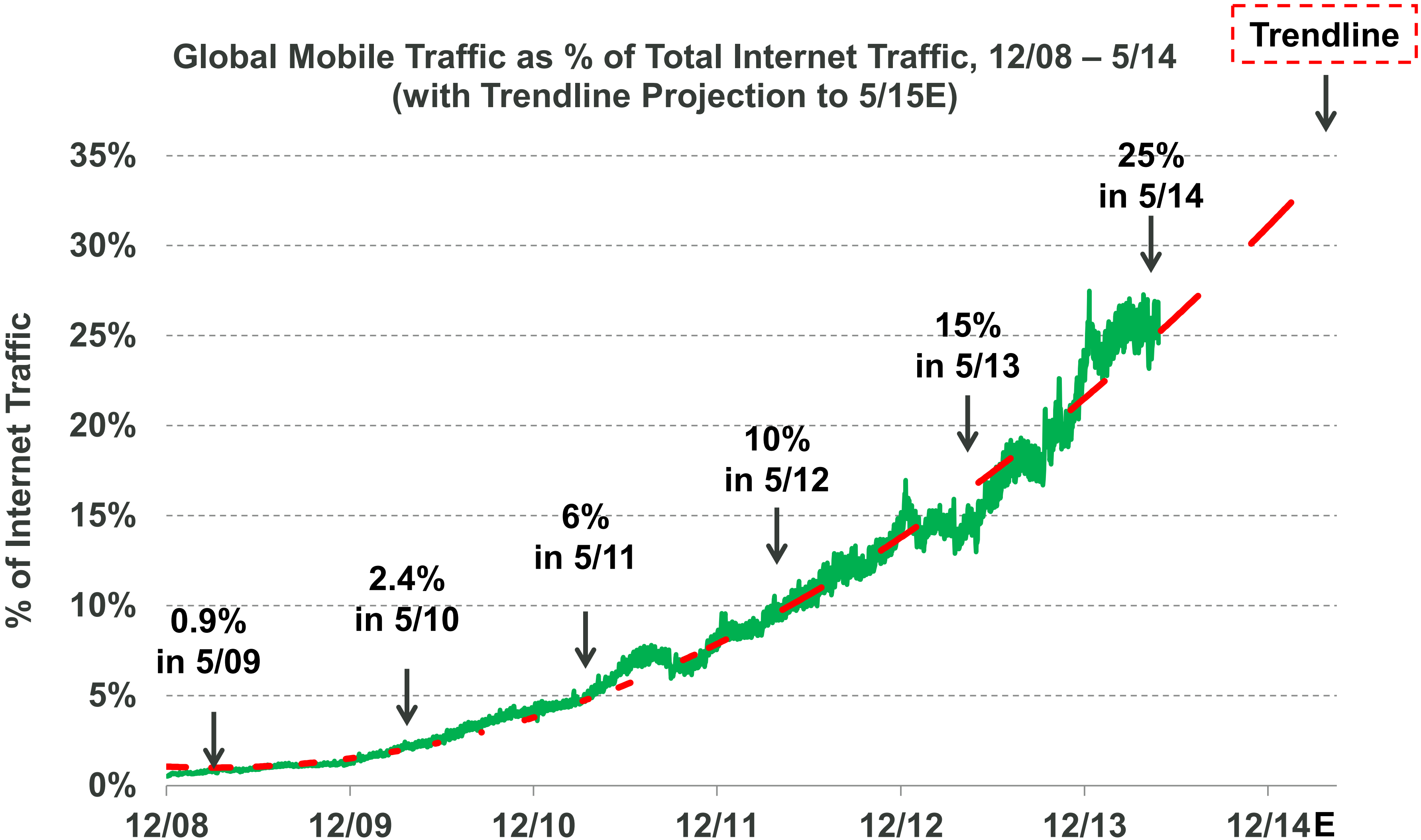
Source: Informa.

Mobile Traffic as % of Global Internet Traffic = Growing >1.5x per Year & Likely to Maintain Trajectory or Accelerate



Source: StatCounter Global Stats, 5/14. Note that PC-based Internet data bolstered by streaming.

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PUBLIC COMPANY TRENDS

Financial Philosophy – Michael Marks (Stanford GSB)

1) **Three Ways to Get Capital into Company** – Sell stock, borrow money, earn it. Earn it is best!

2) **Balance Sheets Matter** – Without a balance sheet, it's hard to understand where a company stands.

3) **Great Companies Grow Revenue, Make Profits *and* Invest for Future** – Companies that do just 2 of 3 are signing up for being just ‘OK,’ not ‘great.’

4) **Companies Learn to Make Money *or* Not** – Companies that make money generally continue to do so, companies that don't make money generally continue that also. It becomes core to ‘culture.’

Tech Companies = Top 1 or 2 Sector by Market Cap in S&P500 for Nearly 2 Decades

20 Years Ago:
Dec 1994 – S&P500 = $3.2T

Sector	Weight	Largest Companies
CONS. STAPLES	14%	COCA-COLA ALTRIA
CONS. DISC.	13%	MOTORS LIQUIDATION FORD
INDUSTRIALS	13%	GENERAL ELECTRIC 3M
FINANCIALS	11%	AIG FANNIE MAE
TECHNOLOGY	11%	IBM MICROSOFT
HEALTHCARE	10%	MERCK JOHNSON & JOHNSON
ENERGY	9%	EXXON MOBIL
TELECOM	8%	SOUTHWESTERN BELL GTE
MATERIALS	7%	DUPONT DOW CHEMICAL
UTILITIES	4%	SOUTHERN COMPANY DUKE ENERGY

Peak of NASDAQ:
Mar 2000 – S&P500 = $11.7T

Sector	Weight	Largest Companies
TECHNOLOGY	35%	MICROSOFT CISCO
FINANCIALS	13%	CITIGROUP AIG
CONS. DISC.	10%	TIME WARNER HOME DEPOT
HEALTHCARE	10%	MERCK PFIZER
INDUSTRIALS	8%	GENERAL ELECTRIC TYCO
TELECOM	7%	SOUTHWESTERN BELL AT&T
CONS. STAPLES	7%	WAL-MART COCA-COLA
ENERGY	5%	EXXON MOBIL CHEVRON
MATERIALS	2%	DUPONT ALCOA
UTILITIES	2%	DUKE ENERGY AES

Today:
May 2014 – S&P500 = $17.4T

Sector	Weight	Largest Companies
TECHNOLOGY	19%	APPLE GOOGLE
FINANCIALS	16%	WELLS FARGO JPMORGAN CHASE
HEALTHCARE	13%	JOHNSON & JOHNSON PFIZER
CONS. DISC.	12%	AMAZON.COM WALT DISNEY
INDUSTRIALS	11%	GENERAL ELECTRIC UNITED TECHNOLOGIES
CONS. STAPLES	11%	WAL-MART PROCTOR & GAMBLE
ENERGY	10%	EXXON MOBIL CHEVRON
MATERIALS	3%	DUPONT MONSANTO
UTILITIES	3%	DUKE ENERGY NEXTERA ENERGY
TELECOM	2%	VERIZON AT&T

Source: CapIQ, updated as of 5/21/14.

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We publish the Internet Trends report on an annual basis, but on occasion will highlight new insights. We will post any updates, revisions, or clarifications on the KPCB website.

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