



Morgan Stanley

Tech IPO Markets 2009: Back to Basics Or Not?

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Post October 2008, Markets Have Found New Levels

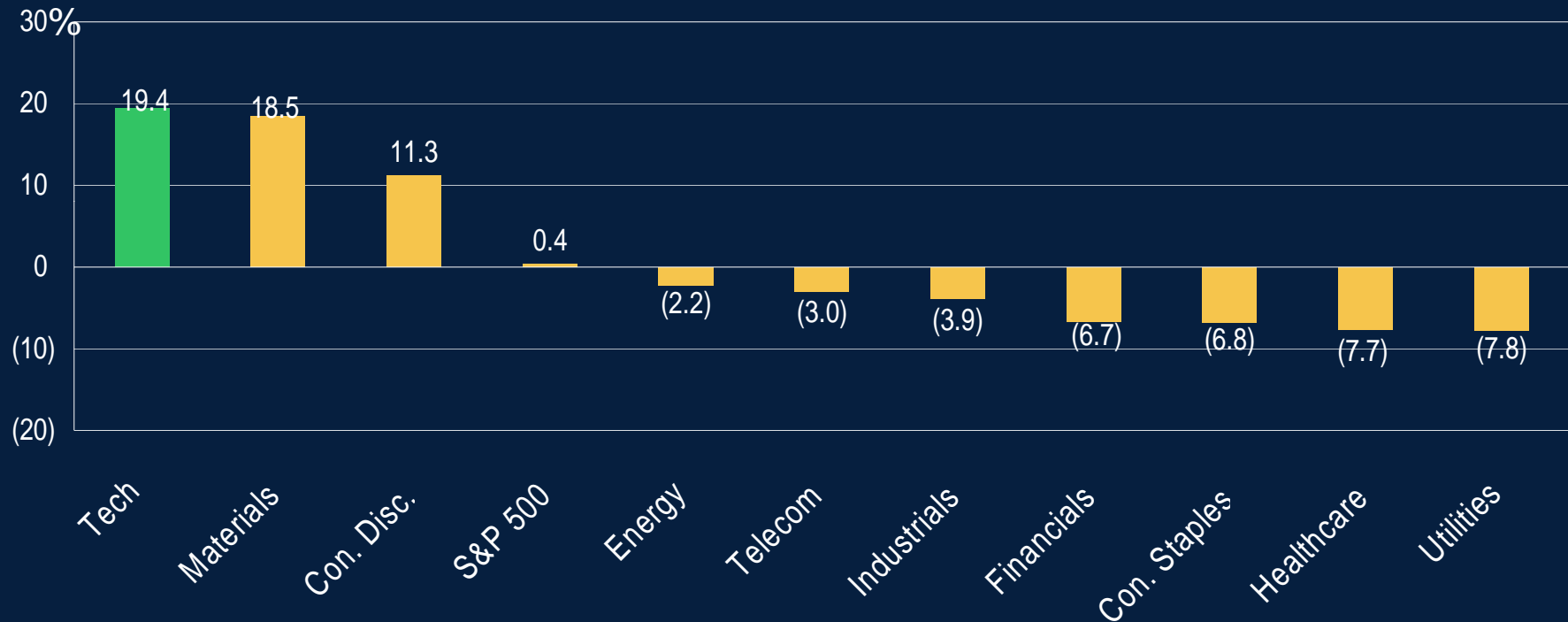
Market Performance Since January 1, 2008



Source FactSet

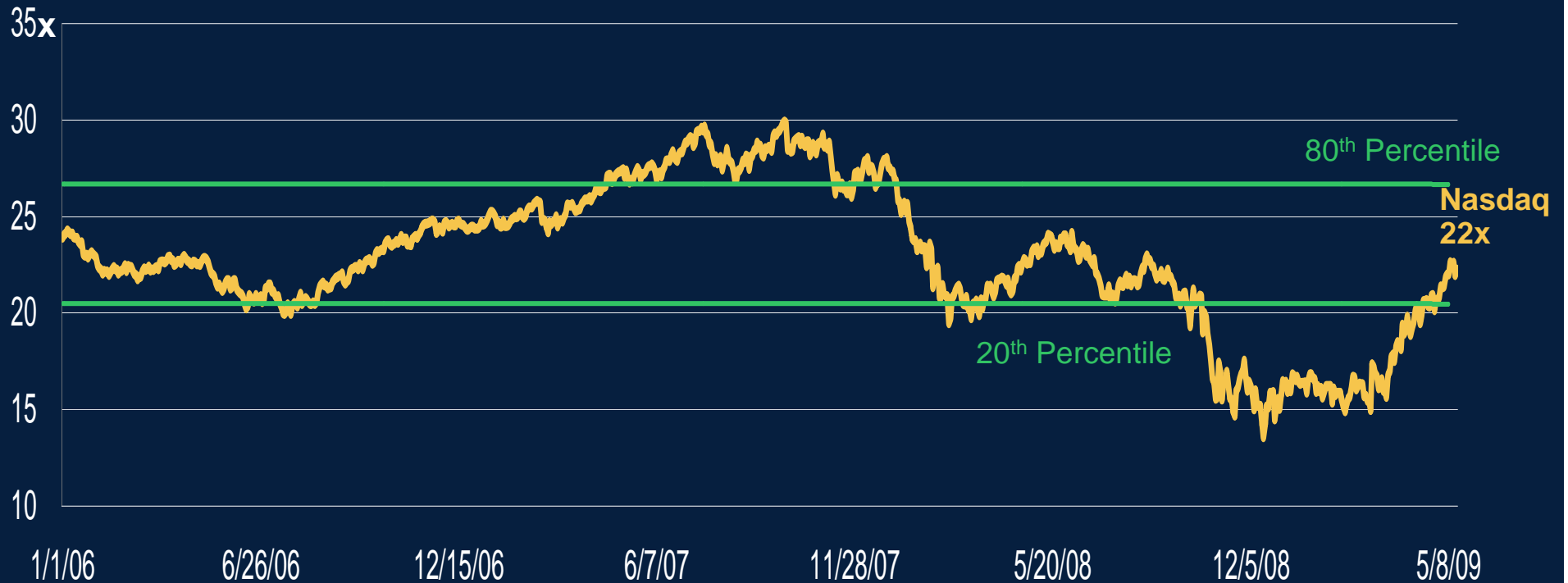
Technology Sector Has Led The Market Rebound

S&P 500 Industry Sector Performance 2009 YTD



Tech Public Valuations Have Reversed to the Mean

Nasdaq NTM Price / Earnings Multiple



What's It Like to Be a Public Software/Internet Company?

Public Company Operating Metrics

Public Company Trading Metrics

	09E / 08A Rev. Gr. (%)	10E / 09E Rev. Gr. (%)	09E Op. Margin (%)	LTM Stock Perf. (%)	Market Value (\$MM)	CY09E AV / Sales (x)	CY09E P/E (x)
75 th Percentile	8.7%	13.3%	21.0%	(20.2%)	\$1,427	2.3x	33.4x
Median	(3.4%)	8.1%	8.3%	(40.3%)	\$369	1.5x	20.4x
25 th Percentile	(10.7%)	4.5%	0.4%	(53.5%)	\$158	0.9x	15.7x

What's Working in Today's Tech IPO Markets?

- “Recession Proof” Markets
- Defensibility
- Profitability First, Relative Growth Second
- Predictable Business Models
- “Hand on the ROI Dial” Management Style
- “Something New” Sells



What To Do? Disrupt Your Business At All Levels

Old Playbook

- Product Innovation
- Build Direct Sales
- Drive Revenue
- Revenue Model is X
- Employees as Afterthought
- Service? What's That?
- We Need to Get to \$\$MM Sales
- M&A: We'll Sell to the Usual Suspects



Disruptive Playbook

- Continuous Innovation / Community R&D
- Sales Virality / Lead Gen Science
- Drive Customer Lifetime Value
- Revenue Model is X, Y, Z, A, B, C
- Culture is Competitive Advantage
- Customer Fanaticism = LT Profit
- Own a Platform and Own Data
- M&A Chessboard is Dynamic: Find the "Wildcard" Acquiror

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Thank you.

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