INTERNET TRENDS 2015 – CODE CONFERENCE

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kpcb.com/InternetTrends

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Outline

1) Internet – Two-Thirds of a Generation In...
2) Key Internet Trends
3) Re-Imagining Continues...
4) America's Evolving Work Environment...
5) Big Internet Markets = China / India
6) Public / Private Company Data
7) One More Thing...
8) Ran Outta Time Thoughts / Appendix

INTERNET TRENDS –
TWO-THIRDS OF A GENERATION IN…
TWO-THIRDS OF NEXT GENERATION OUT…

Internet Users – 1995 → 2014...
<1% to 39% Population Penetration Globally

1995

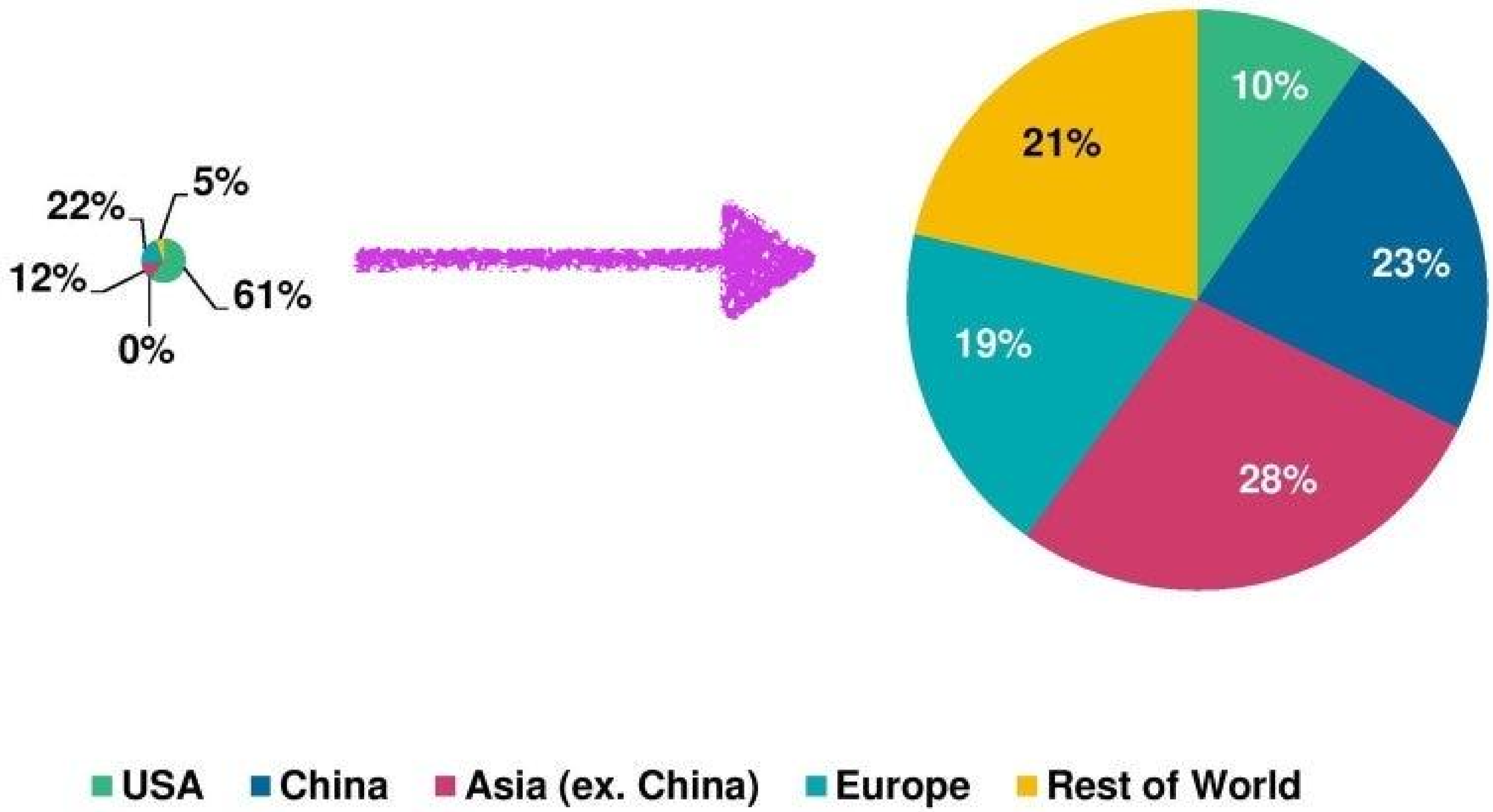
35MM+ Internet Users

0.6% Population Penetration

2014

2.8B Internet Users

39% Population Penetration



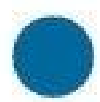
Source: Euromonitor, ITU, US Census.

Mobile Phone Users – 1995 → 2014...
1% to 73% Population Penetration Globally

1995

80MM+ Mobile Phone Users

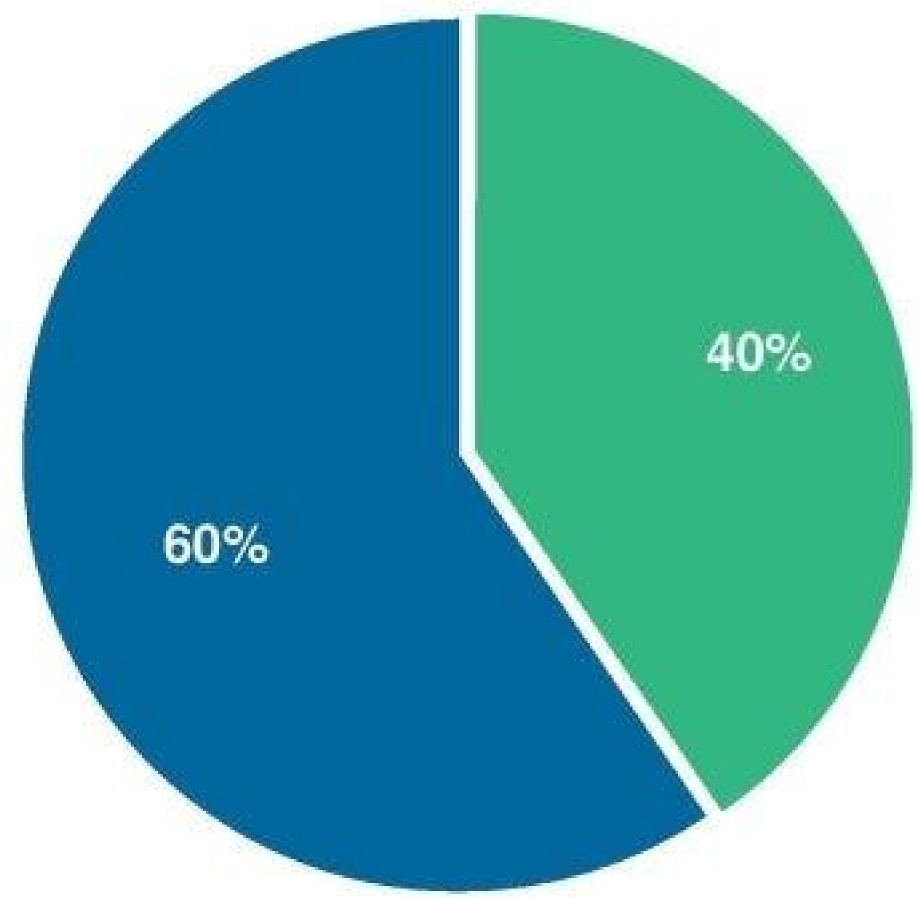
1% Population Penetration



2014

5.2B Mobile Phone Users

73% Population Penetration



■ Smartphone ■ Feature Phone

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Source: Informa, World Cellular Information Service (WCIS). Assumes in 1995, one mobile phone subscription per unique user (no duplication).
Note: In 2014, user base per KPCB estimates based on Morgan Stanley Research and ITU data. Smartphone users & mobile phone users represent unique individuals owning mobile devices; mobile subscribers based on number of connections & may therefore overstate number of mobile users.

Public Internet Company Market Capitalizations – 1995 → 2015...

Top 15 Companies by Market Capitalization = 1995 @ $17 Billion → 2015 @ $2.4 Trillion

Global Public Internet Companies, Ranked by Market Capitalization

As of December, 1995

	Company	Home Country	Market Cap. ($MM)
1	Netscape	USA	$5,415
2	Apple	USA	3,918
3	Axel Springer	Germany	2,317
4	RentPath	USA	1,555
5	Web.com	USA	982
6	PSINet	USA	742
7	Netcom On-Line	USA	399
8	IAC / Interactive	USA	326
9	Copart	USA	325
10	Wavo Corporation	USA	203
11	iStar Internet	Canada	174
12	Firefox Communications	USA	158
13	Storage Computer Corp.	USA	95
14	Live Microsystems	USA	86
15	iLive	USA	57
Total Market Cap of Top 15			**$16,752**

As of May, 2015

	Company	Home Country	Market Cap. ($MM)
1	Apple	USA	$763,567
2	Google	USA	[illegible]
3	Alibaba	China	232,755
4	Facebook	USA	226,009
5	Amazon.com	USA	199,139
6	Tencent	China	190,110
7	eBay	USA	72,549
8	Baidu	China	71,581
9	Priceline.com	USA	62,645
10	Salesforce.com	USA	49,173
11	JD.com	China	47,711
12	Yahoo!	USA	40,808
13	Netflix	USA	37,700
14	LinkedIn	USA	24,718
15	Twitter	USA	23,965
Total Market Cap of Top 15			**$2,415,867**

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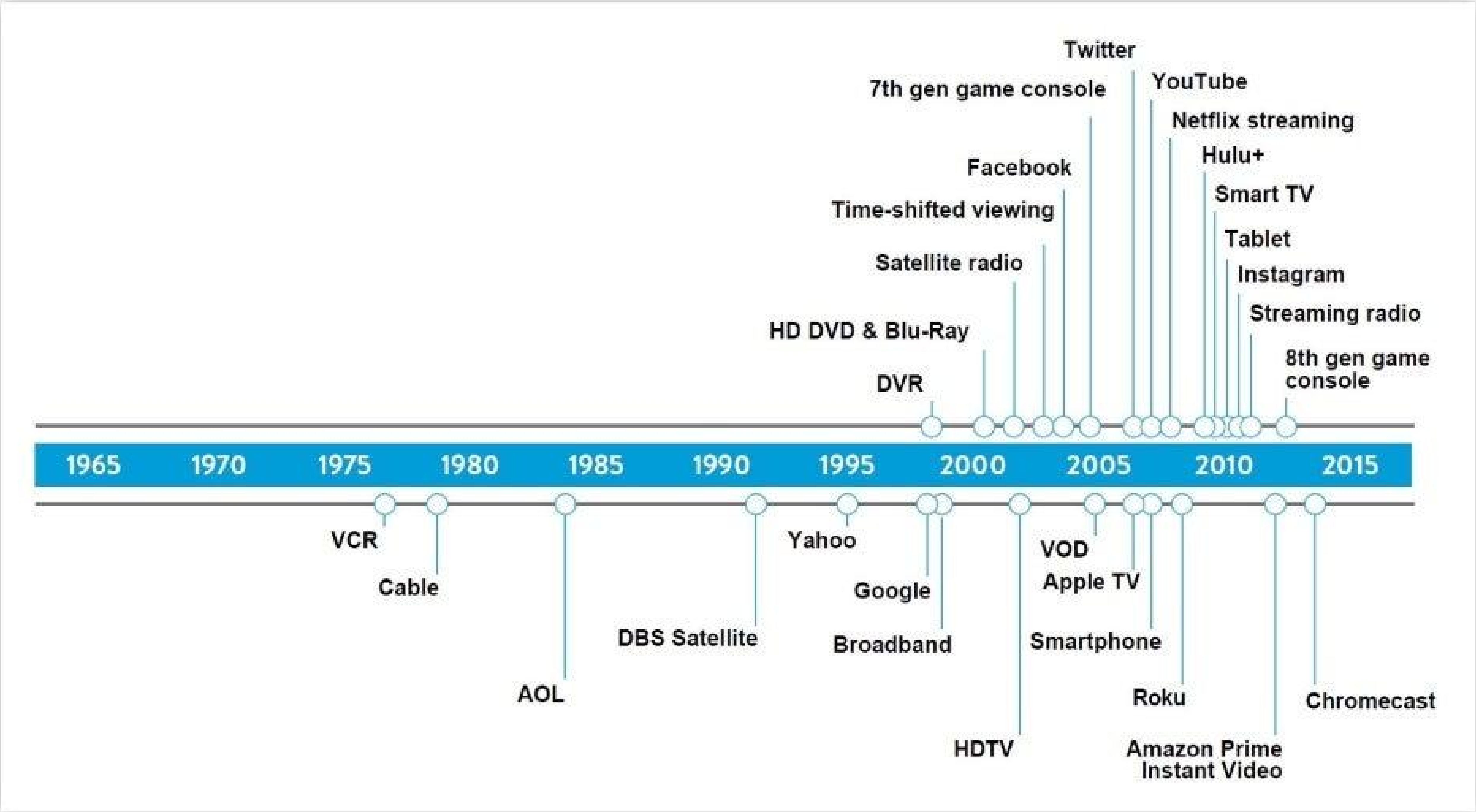
Source: Morgan Stanley, Capital IQ, Bloomberg.
Note: Market capitalizations are as of May 22, 2015 and December 31, 1995, respectively

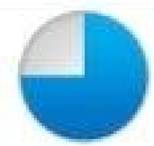
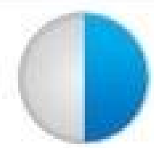
User Control of Content Up Significantly – 1995 → 2015

Evolution of Content Discovery, 1975 – 2015, per Nielsen



Source: Nielson, 12/14.

Impact of Internet Has Been Extraordinary & Broad... But – in Many Ways – It's Just Beginning

Sector of Economy / Society, USA	Internet Impact, to Date
Consumer	
Business	
Security / Safety / Warfare	
Education	
Healthcare	
Government / Regulation / Policy Thinking	

Note: Harvey Balls estimate degree to which Internet has changed behavior / outcomes in selected sectors of economy / society, 4/15.

Extraordinary & Broad…

But

It’s Just Beginning

KEY INTERNET TRENDS

Global Internet User + Smartphone Subscription Growth = Good, But Growth Rate Continues to Slow*

- **Internet User Growth = Solid, But Slowing**

  @ 2.8B, +8% in 2014 vs. +10% in 2013, +11% in 2012

  Net New User Additions = ~Flat @ ~200MM in 2014 / 2013 / 2012

  China Users = +7%, USA = +2%, India = +33%, Japan = Flat, Brazil = +4%

- **Smartphone Subscription Growth = Strong, But Slowing**

  @ 2.1B, +23% in 2014 vs. +27% in 2013, +65% in 2012

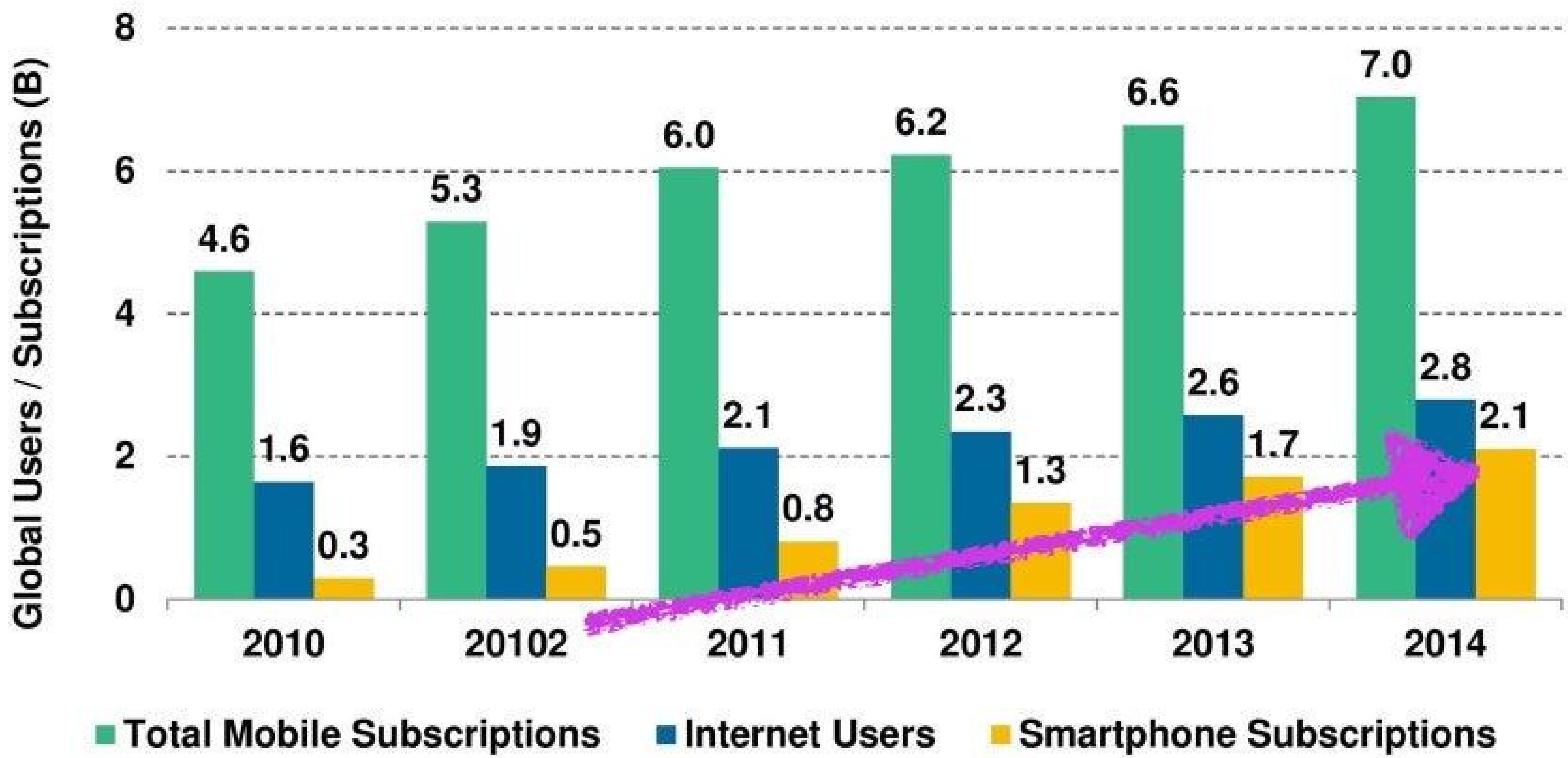
  Net New Sub Additions = ~Flat @ ~370MM+ in 2014 / 2013

  China Subs = +21%, USA = +9%, India = +55%, Japan = +5%, Brazil = +28%

*Details on Internet Users & Smartphone Subscribers in Appendix.

Incremental Internet + Smartphone *Users* = Harder to Garner Owing to Phase in Adoption Cycles...

Global Smartphone Subscriptions @
76% Penetration of Internet Users
30% Penetration of Mobile Subscriptions



Source: ITU, Informa. Details on Internet Users & Smartphone Subscribers in Appendix.

...Incremental Internet + Smartphone *Users* = Harder to Garner Owing to Dependence on Developing Markets

Developing Markets Tend to Have Lower GDP per Capita / Spending Power / Infrastructure

$44K = Average GDP Per Capita...

In 5 Countries with >50MM Population & ~ / >50% Smartphone Sub Penetration...

USA / Japan / Germany / UK / France

$13K = Average GDP Per Capita...

In 16 Countries* with >50MM Population & ~ / < 50% Smartphone Sub Penetration...

China / India / Brazil / Indonesia / Russia / Mexico / Philippines / Thailand / Italy / Turkey / Nigeria / Vietnam / Egypt / Iran / Pakistan / Myanmar

Source: US Census, Informa. GDP per capita is adjusted for purchasing-power parity, from IMF.
*These 16 countries encompass 3.1B mobile non-smartphone subscriptions, 52% of world's smartphone subscriptions (27% ex. China), 62% of non-smartphone (feature phone) subscriptions.

Global Internet *Usage* (Data Traffic) Growth Strong = +21% Y/Y Aided by Mobile + Video

Consumer Internet Traffic, Global =
+21% in 2014 vs. +24% in 2013, +31% in 2012

Consumer Internet *Video* Traffic, Global =
64% of consumer traffic in 2014 vs. 62% in 2013, 57% in 2012

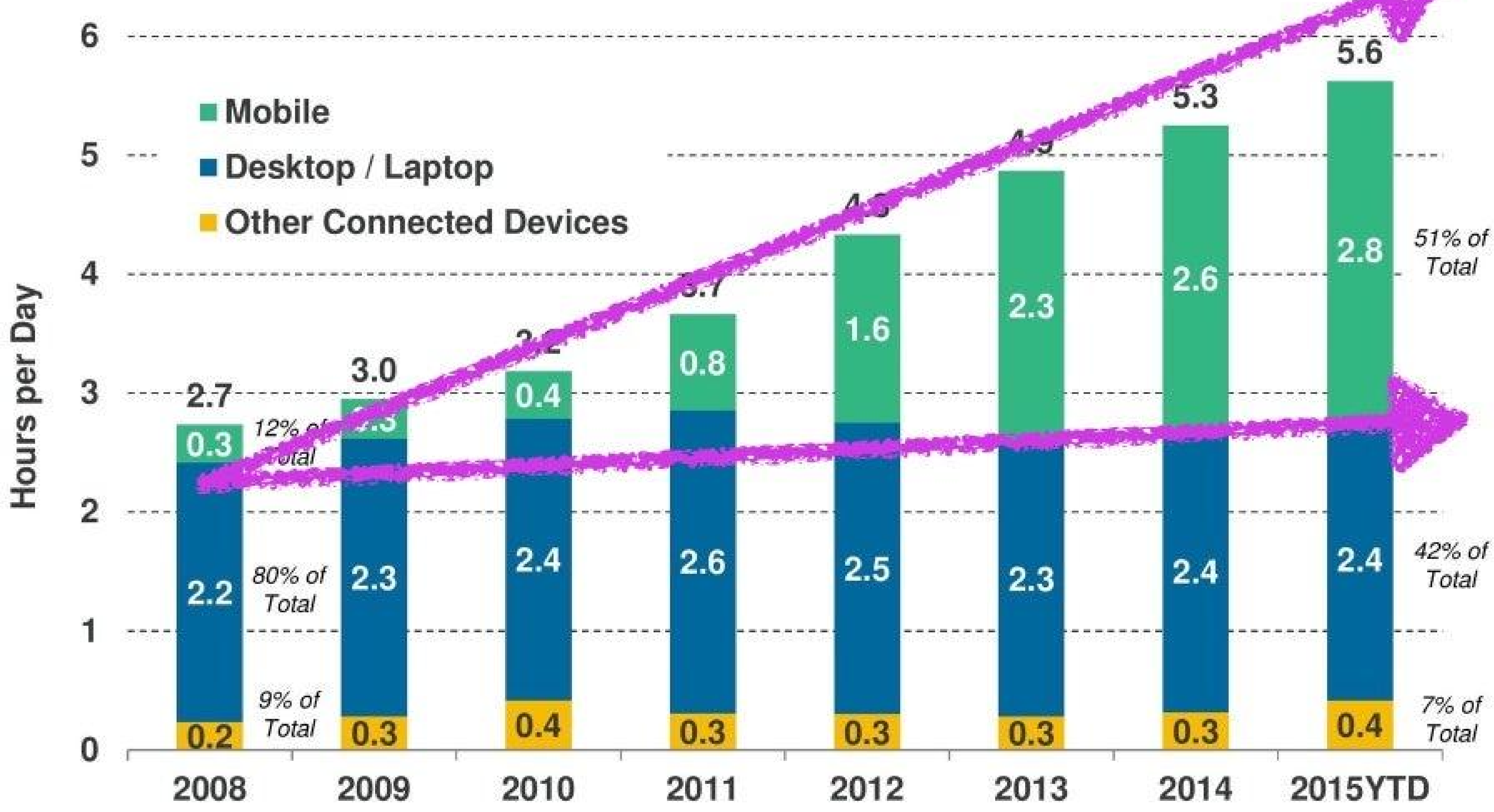
Mobile Data Traffic, Global =
+69% in 2014 vs. +81% in 2013, +70% in 2012

Mobile *Video* Traffic, Global =
55% of mobile traffic vs. 52% in 2013, 50% in 2012

Source: Cisco, 2015.

Internet *Usage* (Engagement) Growth Solid
+11% Y/Y = Mobile @ 3 Hours / Day per User vs. <1 Five Years Ago, USA

Time Spent per Adult User per Day with Digital Media, USA, 2008 – 2015YTD



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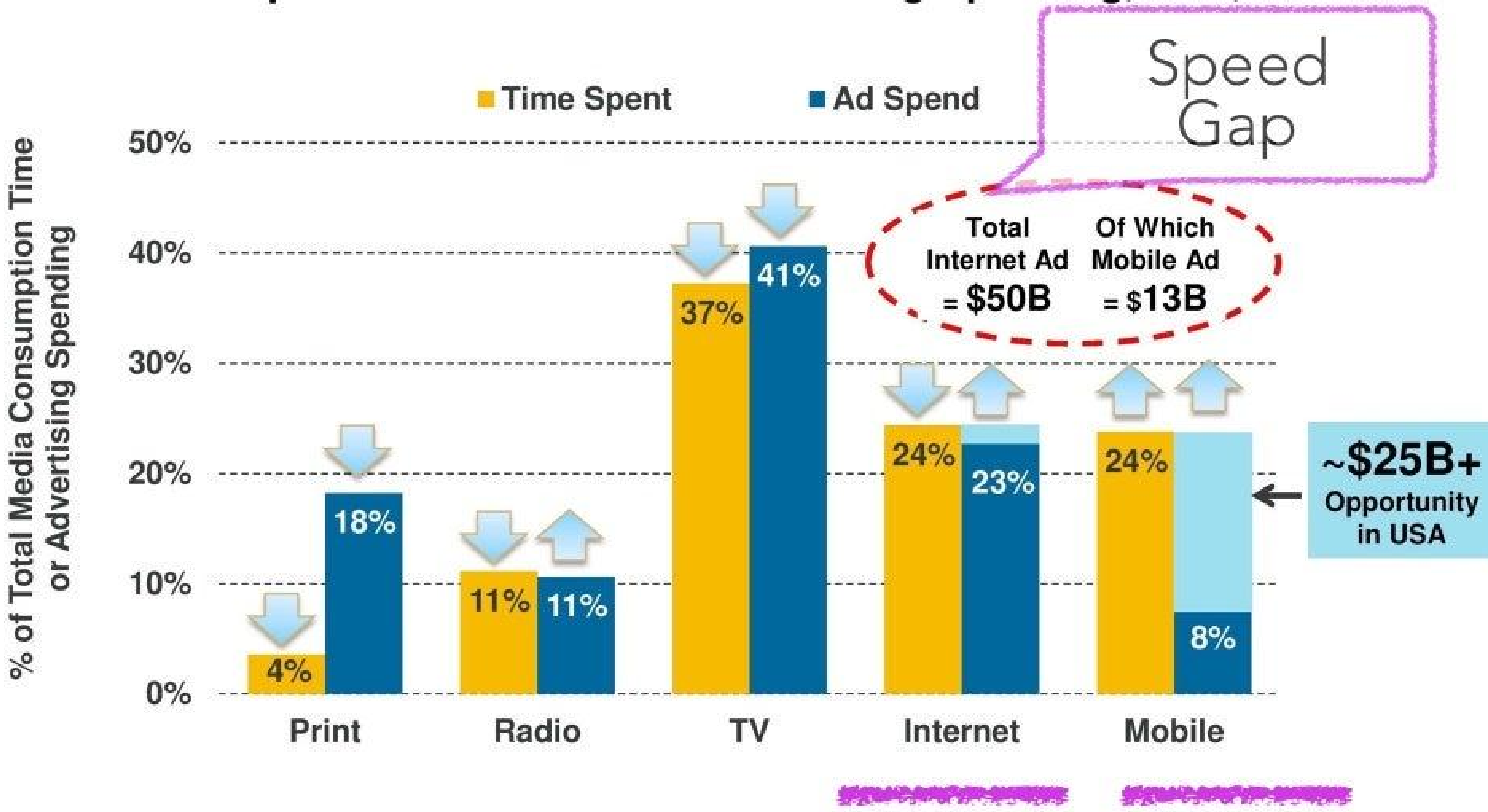
Source: eMarketer 9/14 (2008-2010), eMarketer 4/15 (2011-2015). Note: Other connected devices include OTT and game consoles. Mobile includes smartphone and tablet. Usage includes both home and work. Ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking.

Advertising & Monetization =

Mobile Remains Compelling...
Growth Rates for Leaders
Still High But Slowing

Remain Optimistic About Mobile Ad Spend Growth... Print Remains Way Over-Indexed Relative to Time Spent

% of Time Spent in Media vs. % of Advertising Spending, USA, 2014



Source: Advertising spend based on IAB data for full year 2014. Print includes newspaper and magazine. ~$25B+ opportunity calculated assuming Mobile ad spend share equal its respective time spent share. Time spent share data based on eMarketer 4/14 (adjusted to exclude outdoors / classified media spend). Arrows denote Y/Y shift in percent share.

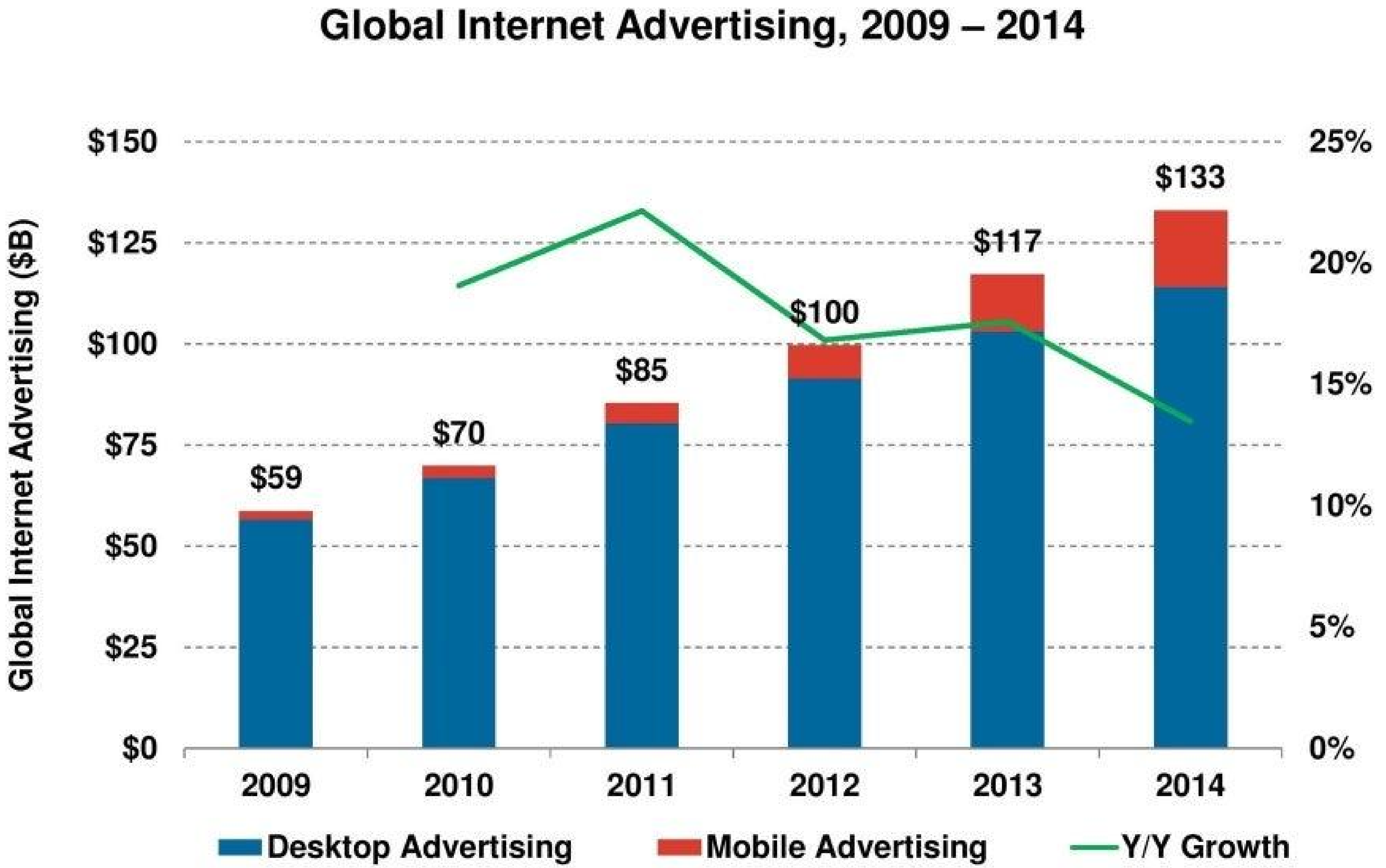
ARPU (+ MAU) Growth Strong But Slowing for Internet Leaders

Advertising ARPU, Annualized ($), MAUs

Ad ARPU Annualized ($)	Q1:13	Q2:13	Q3:13	Q4:13	Q1:14	Q2:14	Q3:14	Q4:14	Q1:15
Facebook ($)	**$4.60**	**$5.65**	**$6.14**	**$7.76**	**$7.24**	**$8.26**	**$8.87**	**$10.47**	**$9.36**
Y/Y Growth	*15%*	*32%*	*39%*	*51%*	*57%*	*46%*	*44%*	*35%*	*29%*
MAU (MM)	**1,110**	**1,155**	**1,189**	**1,228**	**1,276**	**1,317**	**1,350**	**1,393**	**1,441**
Y/Y Growth	*23%*	*21%*	*18%*	*16%*	*15%*	*14%*	*14%*	*13%*	*13%*
Twitter ($)	**$1.97**	**$2.22**	**$2.65**	**$3.65**	**$3.55**	**$4.09**	**$4.51**	**$6.00**	**$5.14**
Y/Y Growth	*52%*	*48%*	*61%*	*69%*	*80%*	*85%*	*70%*	*65%*	*45%*
MAU (MM)	**204**	**218**	**232**	**241**	**255**	**271**	**284**	**288**	**302**
Y/Y Growth	*48%*	*44%*	*39%*	*30%*	*25%*	*24%*	*23%*	*20%*	*18%*

Source: SEC Filings, Morgan Stanley Research. ARPU = Average Revenue per User, defined as annualized revenue per Monthly Active User (MAU).

Internet Advertising = Mobile Growing Strongly (+34% Y/Y) = @ Just 14% of Total While Desktop Decelerating (+11%)



Source: PWC Global Entertainment & Media Outlook.

New Things
Vendors / Brands / Consumers
Should Be Excited About...