

2012 Internet Sector Outlook

Switchfly Annual Conference

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Internet Sector Coverage – Large Cap 'Net Stocks

Rating = Buy

Company Name	Ticker	Price	Rating	Price Target
Amazon.com Inc	AMZN	\$187.68	1 (Buy)	\$215.00
eBay Inc	EBAY	\$32.95	1 (Buy)	\$39.00
Google Inc	GOOG	\$596.33	1 (Buy)	\$680.00
Priceline.Com Inc	PCLN	\$546.98	1 (Buy)	\$700.00

Rating = Neutral

Company Name	Ticker	Price	Rating	Price Target
Expedia Inc	EXPE	\$34.22	2 (Neutral)	\$32.00
Groupon, Inc.	GRPN	\$24.43	2H (Neutral, High Risk)	\$24.00
LinkedIn Corp.	LNKD	\$79.88	2 (Neutral)	\$80.00
Netflix Inc	NFLX	\$126.43	1H (Buy, High Risk)	\$130.00
Yahoo! Inc	YHOO	\$15.92	2 (Neutral)	\$18.00

Rating = Sell

Company Name	Ticker	Price	Rating	Price Target
Akamai Technologies Inc	AKAM	\$33.64	3 (Sell)	\$27.00

Internet Sector Coverage – Small/Mid Cap ‘Net Stocks

Rating = Buy

Company Name	Ticker	Price	Rating	Price Target
Ancestry.com	ACOM	\$33.09	1H (Buy, High Risk)	\$36.00
Active Network Inc	ACTV	\$15.36	1H (Buy, High Risk)	\$22.00
Bankrate Inc	RATE	\$24.76	1H (Buy, High Risk)	\$22.00
IAC/InterActiveCorp	IACI	\$45.80	1 (Buy)	\$53.00
OpenTable Inc	OPEN	\$52.00	1H (Buy, High Risk)	\$67.00
Pandora Media Inc	P	\$13.81	1H (Buy, High Risk)	\$25.00
ReachLocal Inc	RLOC	\$9.06	1H (Buy, High Risk)	\$14.00
Zillow Inc	Z	\$31.94	1H (Buy, High Risk)	\$36.00

Rating = Neutral

Company Name	Ticker	Price	Rating	Price Target
AOL Inc	AOL	\$18.32	2H (Neutral, High Risk)	\$20.00
Demand Media Inc	DMD	\$6.35	2H (Neutral, High Risk)	\$8.00
Blue Nile Inc	NILE	\$40.70	2 (Neutral)	\$41.00
HomeAway Inc	AWAY	\$27.02	2 (Neutral)	\$38.00
Monster Worldwide Inc	MWW	\$7.30	2 (Neutral)	\$95.00
Orbitz Worldwide Inc	OWW	\$3.76	2H (Neutral, High Risk)	\$3.00
ValueClick Inc	VCLK	\$18.42	2 (Neutral)	\$19.00
VistaPrint	VPRT	\$39.83	2 (Neutral)	\$38.00
WebMD Corp	WBMD	\$28.13	2H (Neutral, High Risk)	\$31.00
Tree.com	TREE	\$5.99	2 (Neutral)	n/a

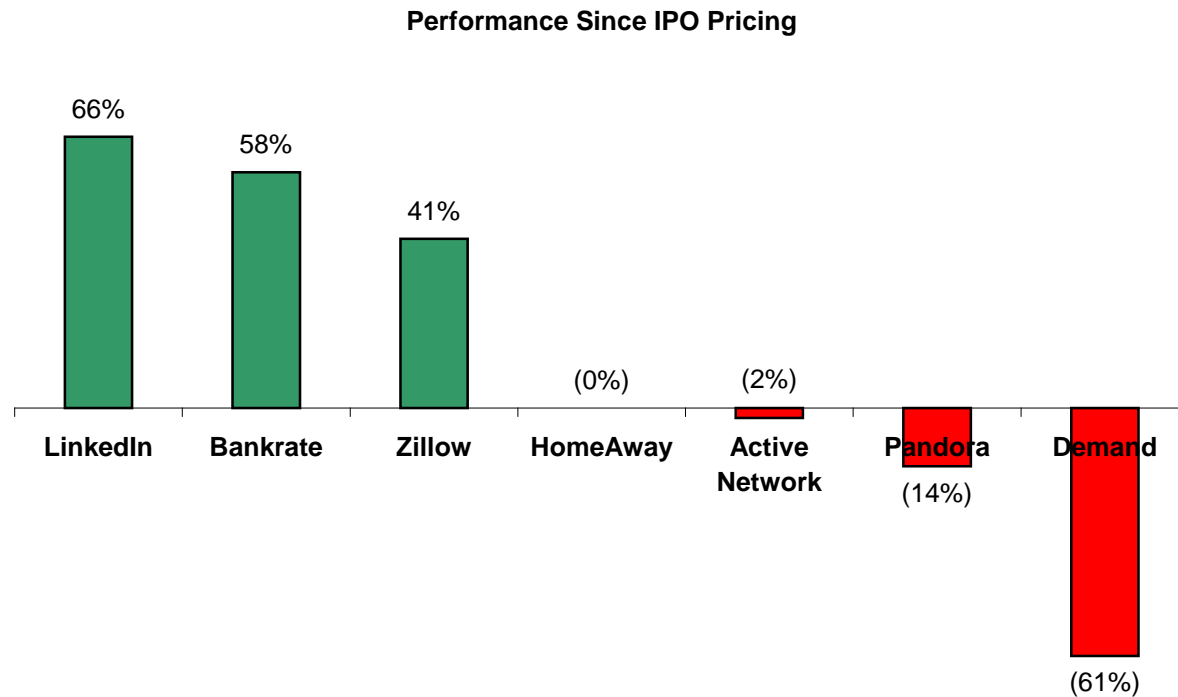
2011 Internet Stock Performance

	Price 12/27/2011	2009 Return	2010 Return	2011 Return
ACOM	\$22.99	--	102%	-19%
ACTV	\$13.03	--	--	--
AKAM	\$31.94	68%	86%	-32%
AOL	\$15.06	--	2%	-36%
AMZN	\$174.93	162%	34%	-3%
AWAY	\$22.36	--	--	--
DMD	\$7.13	--	--	-67%
EBAY	\$30.48	69%	18%	10%
EXPE	\$29.43	212%	-2%	17%
GOOG	\$642.18	102%	-4%	8%
GRPN	\$22.46	--	--	--
IACI	\$42.81	30%	40%	49%
LNKD	\$61.66	--	--	--
MWW	\$7.77	44%	36%	-67%
NFLX	\$69.17	84%	219%	-61%
NILE	\$39.38	159%	-10%	-31%
OPEN	\$39.65	--	177%	-44%
OWW	\$3.77	89%	-24%	-33%
P	\$9.98	--	--	--
PCLN	\$478.70	197%	83%	20%
RATE	\$20.50	--	--	--
RLOC	\$6.29	--	--	-68%
TREE	\$5.34	252%	3%	-43%
VCLK	\$16.56	48%	58%	3%
VPRT	\$31.38	204%	-19%	-32%
WBMD	\$37.40	63%	33%	-27%
YHOO	\$15.91	38%	-1%	-4%
Z	\$22.97	--	--	--
Average		114%	44%	-22%

Sources: CIRA Estimates, Reuters, Prices as of 2/3/2012
S&P 500 returned -39%, 23%, 13%, and -1% in '08, '09, '10 & '11 YTD respectively.

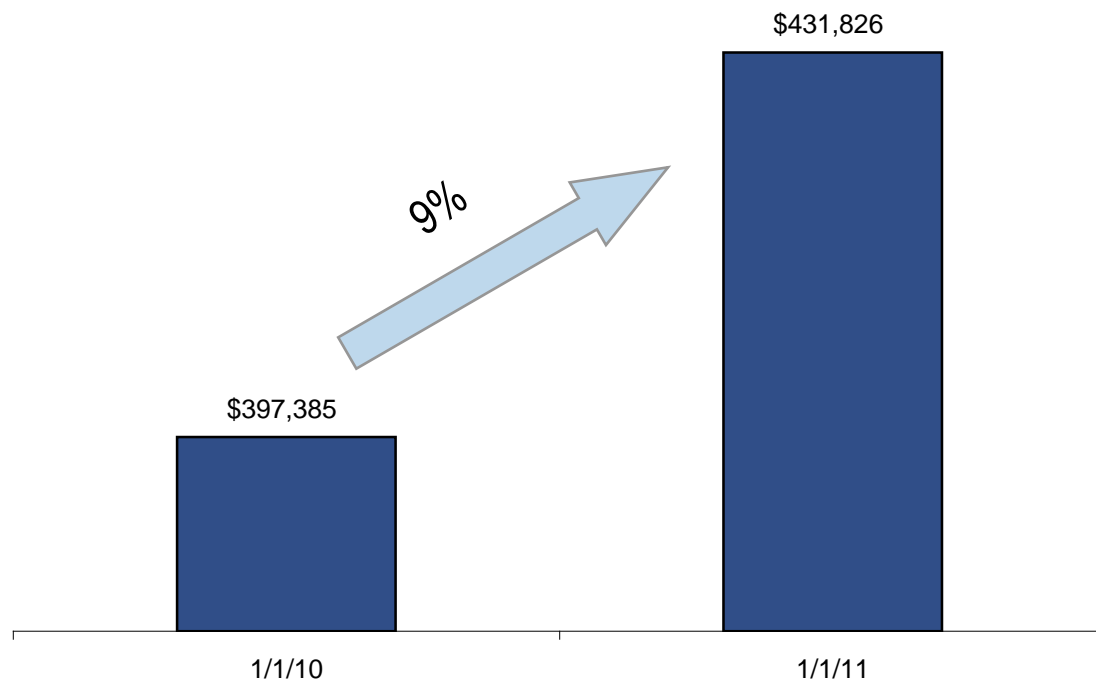
The 2011 Net IPOs' Track Record...

Only Three 'Net IPOs are Above Issue Price After 180 Days...



The 2011 Net IPOs' Track Record... A Different View

Aggregate Market Cap of 'Net Coverage Stocks



Amazon vs. Google Valuation Paradigm

	Amazon	Google
End Market Internet Penetration	9%	15%
x Current Net Market Share	11%	55%
Share of End Market	1%	8%

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Online Retail Should Continue Secular Shift In 2012...

Sales in \$B	2008	2009	2010	2011E	2012E	2013E
Total U.S. Retail (Adjusted)	\$1,851	\$1,777	\$1,877	\$1,964	\$2,062	\$2,145
Y/Y Change	-0.2%	-4.0%	5.6%	4.7%	5.0%	4.0%
Total U.S. Online Retail Sales	\$142	\$143	\$166	\$193	\$223	\$255
Y/Y Change	3.9%	0.8%	16.0%	16.4%	15.3%	14.3%
Online As % of Total Retail (Adjusted)	7.7%	8.1%	8.9%	9.8%	10.8%	11.9%
Y/Y Increase in Penetration	0.31%	0.38%	0.79%	0.99%	0.97%	1.07%

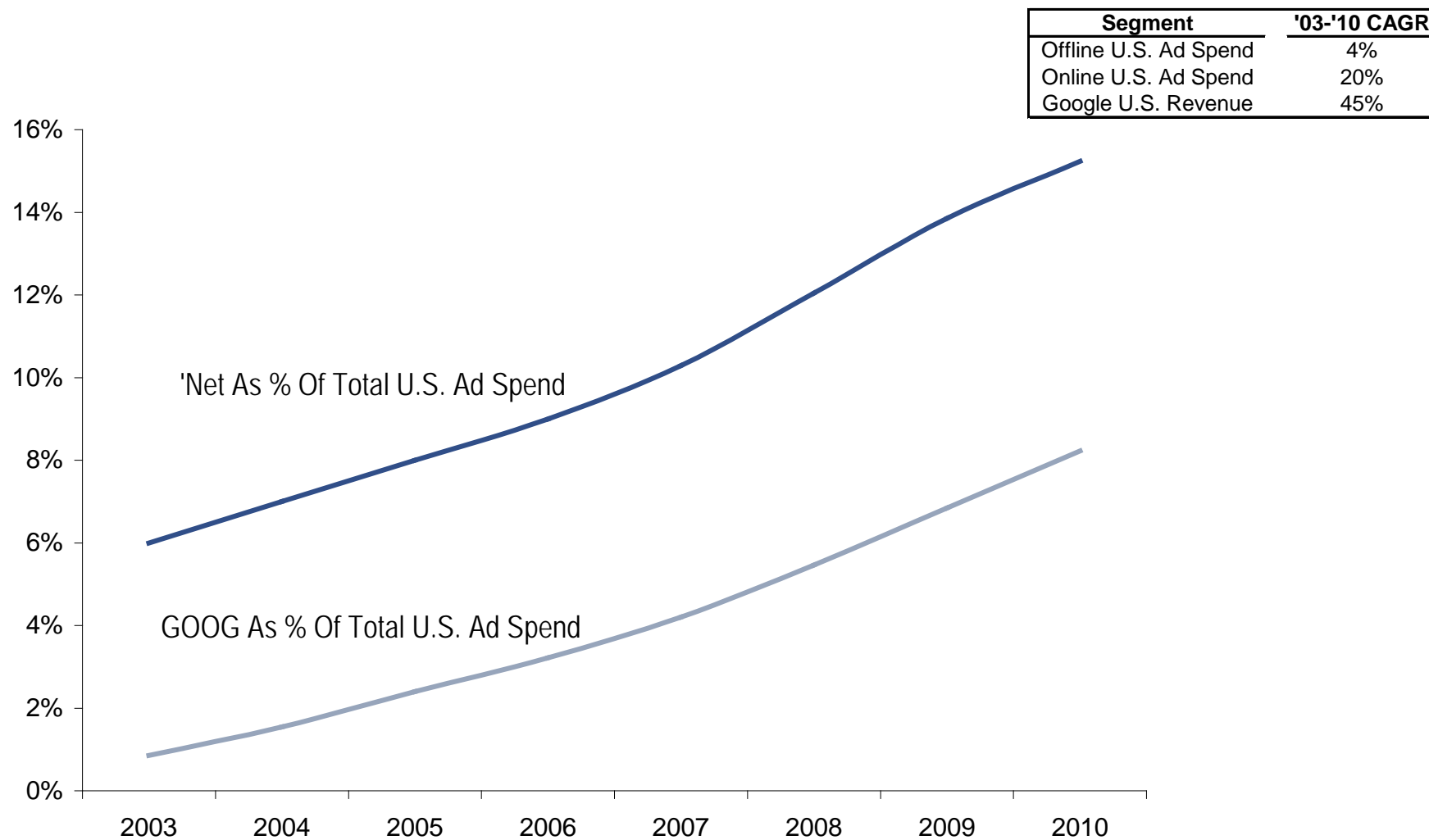
Online Advertising Should Also Continue Shift

Spend in \$B	2008	2009A	2010A	2011E	2012E	2013E
Total U.S. Ad Market	\$191	\$162	\$167	\$173	\$178	\$185
Y/Y Change	-7%	-15%	3%	4%	3%	4%
Internet	\$23	\$23	\$26	\$32	\$37	\$42
Y/Y Change	11%	-3%	15%	21%	17%	14%
Internet as % of Total	12%	14%	16%	18%	21%	23%
Y/Y Increase in Penetration	1.9%	1.7%	1.6%	2.6%	2.5%	2.0%

...And Online Travel Likely To Continue Secular Shift

Revenues in \$B	2008	2009	2010	2011E	2012E	2013E
Total U.S. Leisure Travel Market	177,420	160,228	172,217	183,393	193,055	201,364
Y/Y Change	4.4%	-9.7%	7.5%	6.5%	5.3%	4.3%
Total U.S. Online Travel Market	94,681	89,343	99,069	108,540	117,417	125,828
Y/Y Change	7.8%	-5.6%	10.9%	9.6%	8.2%	7.2%
Online as a % of Total	53.4%	55.8%	57.5%	59.2%	60.8%	62.5%
Y/Y Increase in Penetration	1.7%	2.4%	1.8%	1.7%	1.6%	1.7%

Google “Stole” The Last Ad Recovery



Could Amazon “Steal” The Next Retail Recovery?

Segment	'03-'10 CAGR
Offline U.S. Retail Spend	3%
Online U.S. Retail Spend	17%
Amazon N.A. Revenue	28%

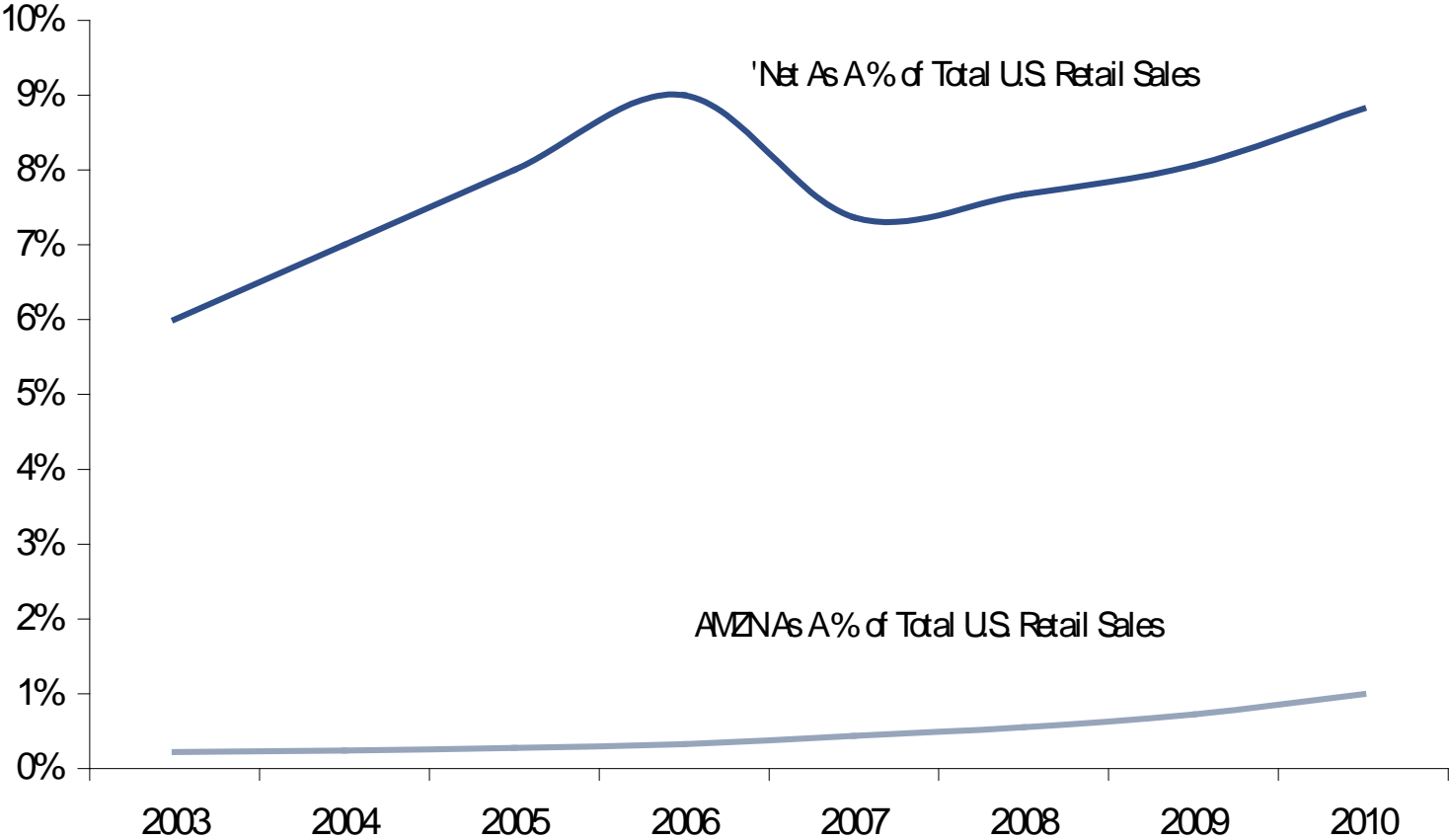


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2012 Internet Growth Drivers

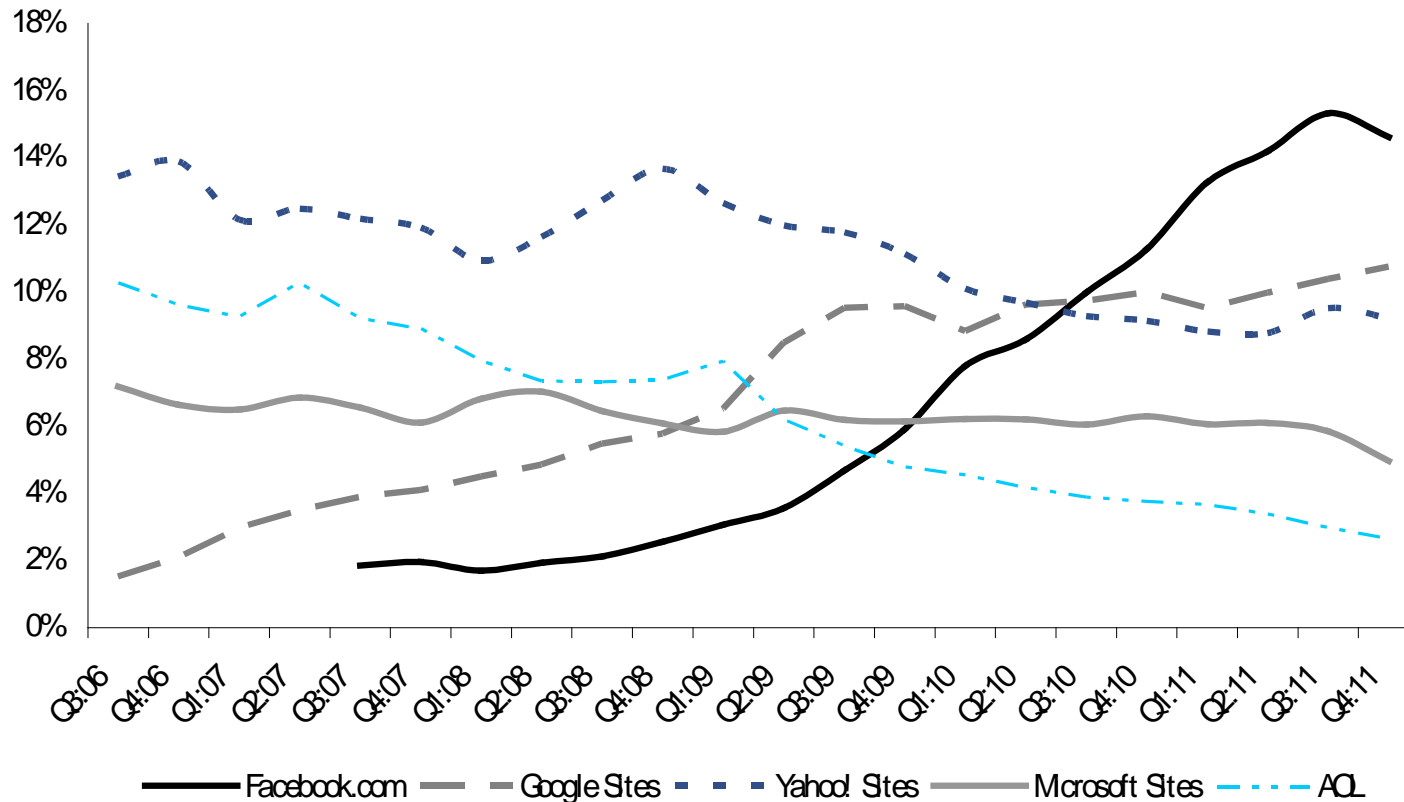
1. *The Rise Of All Things Mobile* – On The Cusp Of 10% Materiality
2. *The Rise Of All Things Social* – Facebook = 15% Of The Internet
3. *The Rise Of All Things Local* – New Market = New Revenue
4. *The Online Migration Of TV/Video Advertising* – Budgets Are (Finally) Shifting
5. *The Emergence Of Digital Goods* -- \$23B Market In 2012
6. *The Rise Of The Cloud* – \$36B Market in 2012
7. *The “Hardware-ization” Of ‘Net Companies* – Fire, MMI...

1) The Rise Of All Things Mobile

Company	Key Mobile Data points
Ancestry.com	Over 2MM Ancestry iPad & iPhone apps have been downloaded to date
Active Network	About 18% of Active's traffic is now coming via Mobile devices
Amazon	AMZN is currently generating \$2B to \$4B in sales via Mobile devices
eBay	Guided to \$4B in Mobile GMV & \$2B in Mobile TPV in 2011
Google	About 10% to 20% of all Search queries now come from Mobile devices
LinkedIn	About 10% to 15% of its unique visitors and page views come via Mobile apps
OpenTable	Over 15% of its Seated Diners come via Mobile devices
Pandora	Mobile devices now account for more than 60% of its Listener Hours
Priceline	Seeing 270% growth in Hotel Bookings via Mobile devices

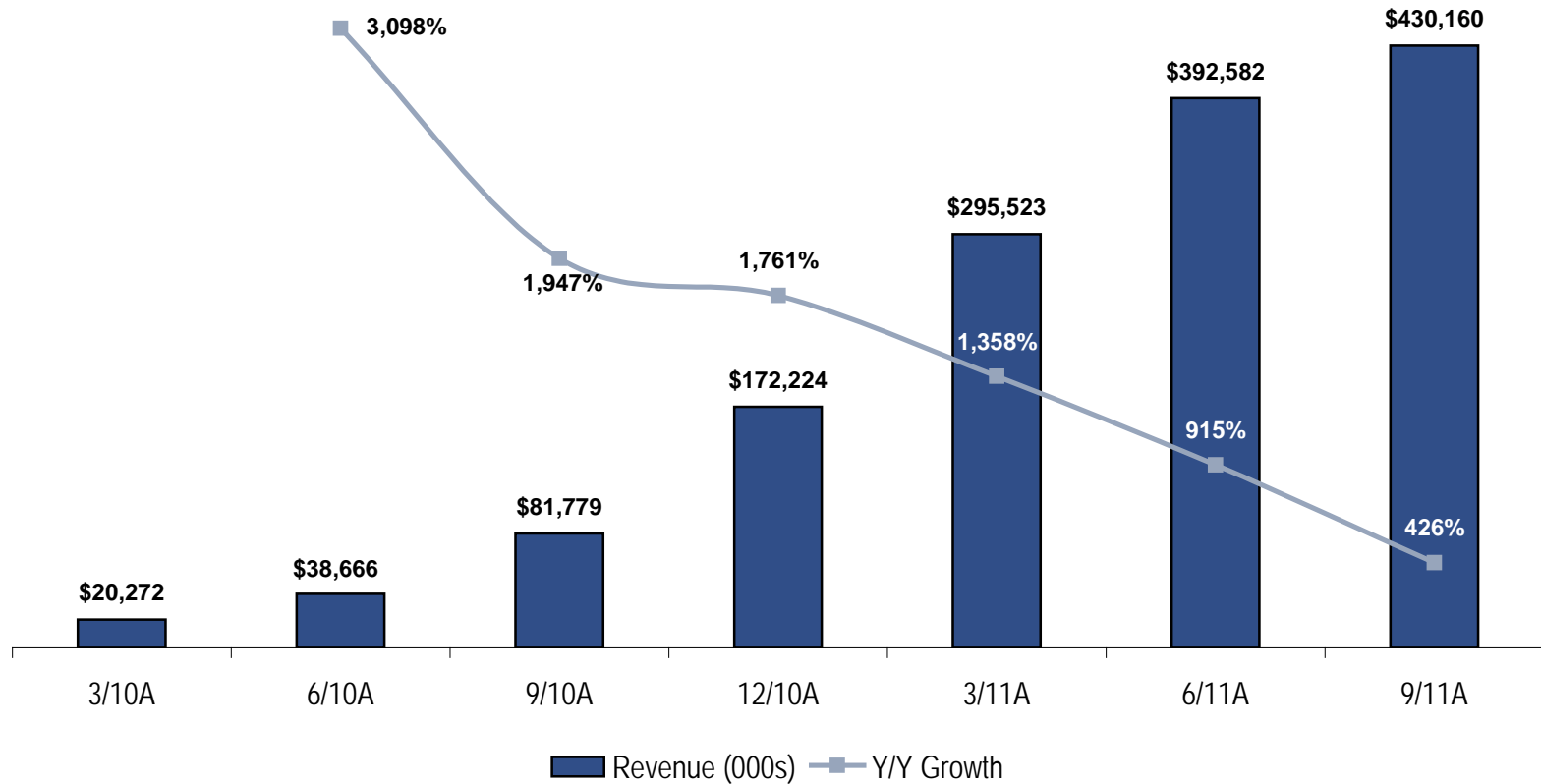
2) The Rise Of All Things Social

% Of Time Spent vs. Total Internet (U.S.)



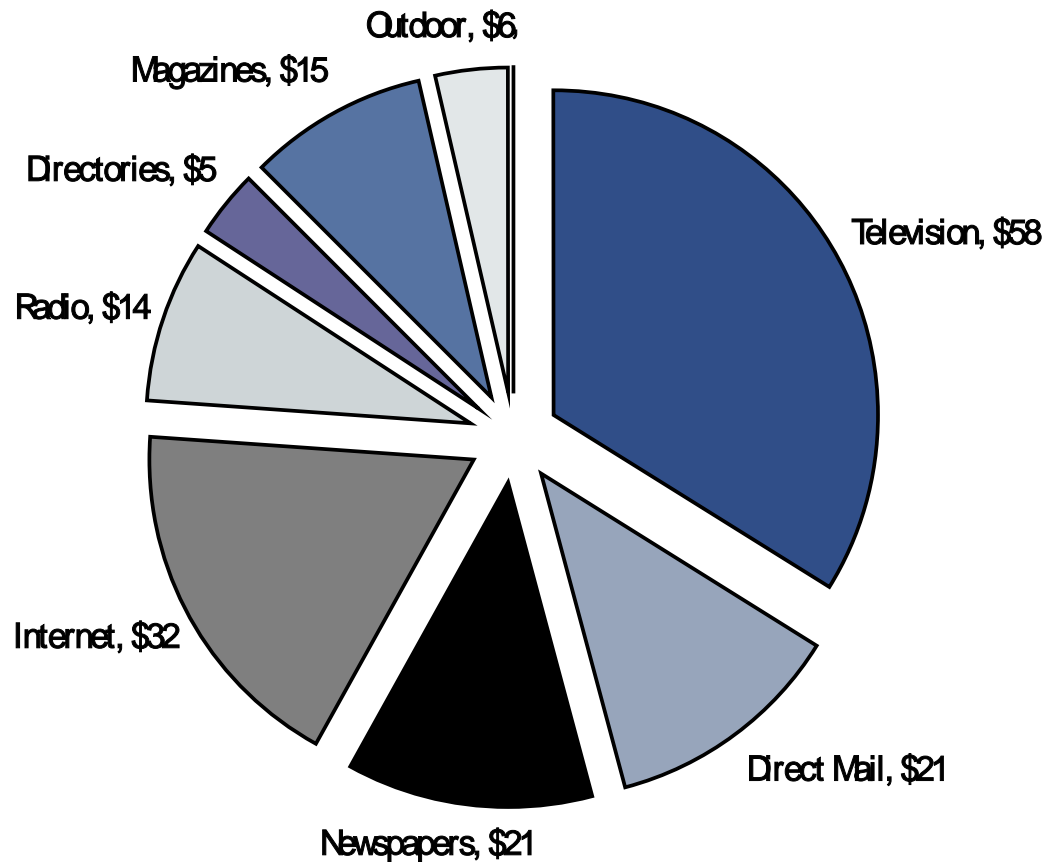
3) The Rise Of All Things Local

Groupon Revenue & Growth

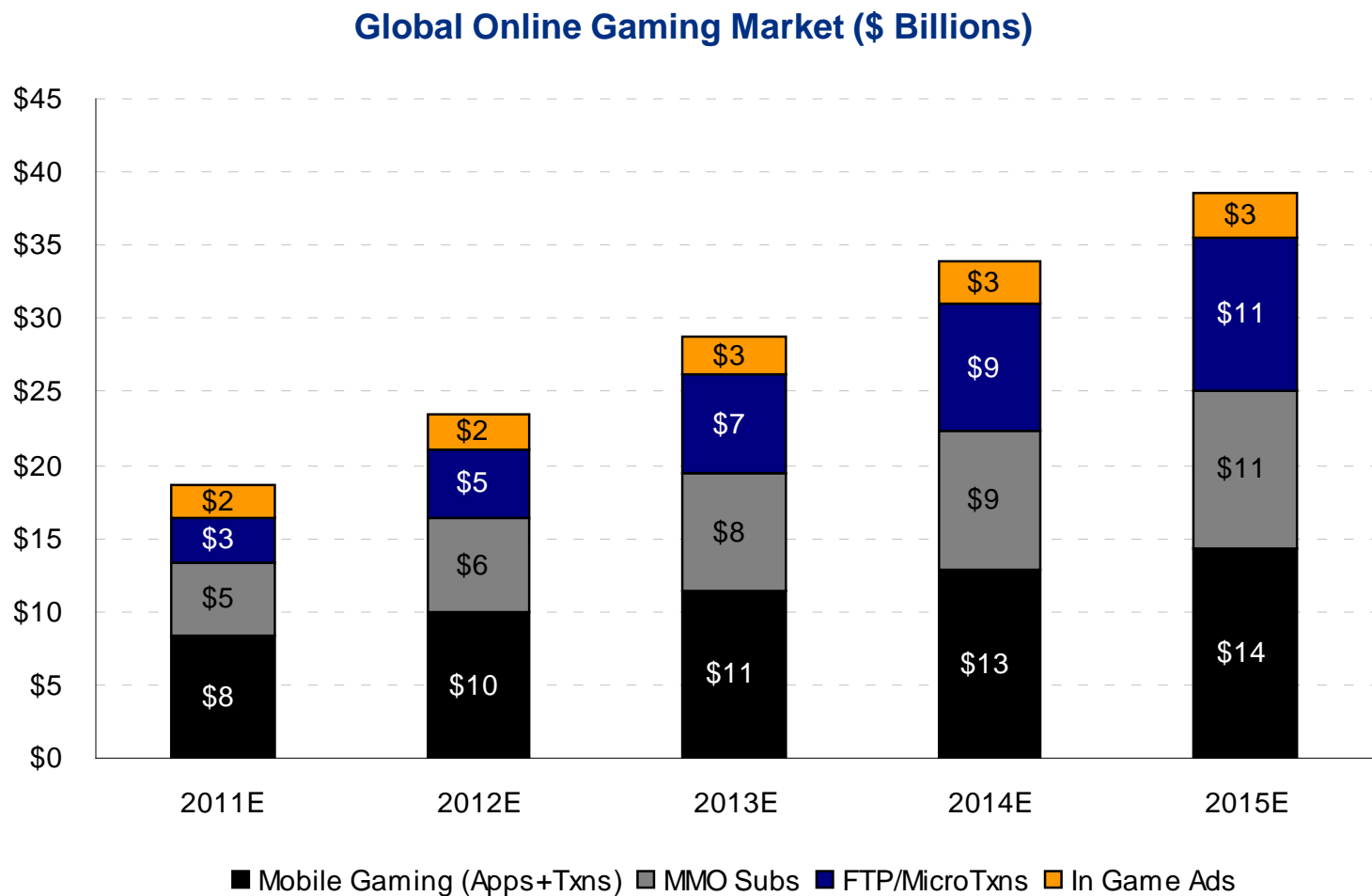


4) The Online Migration Of TV/Video Advertising

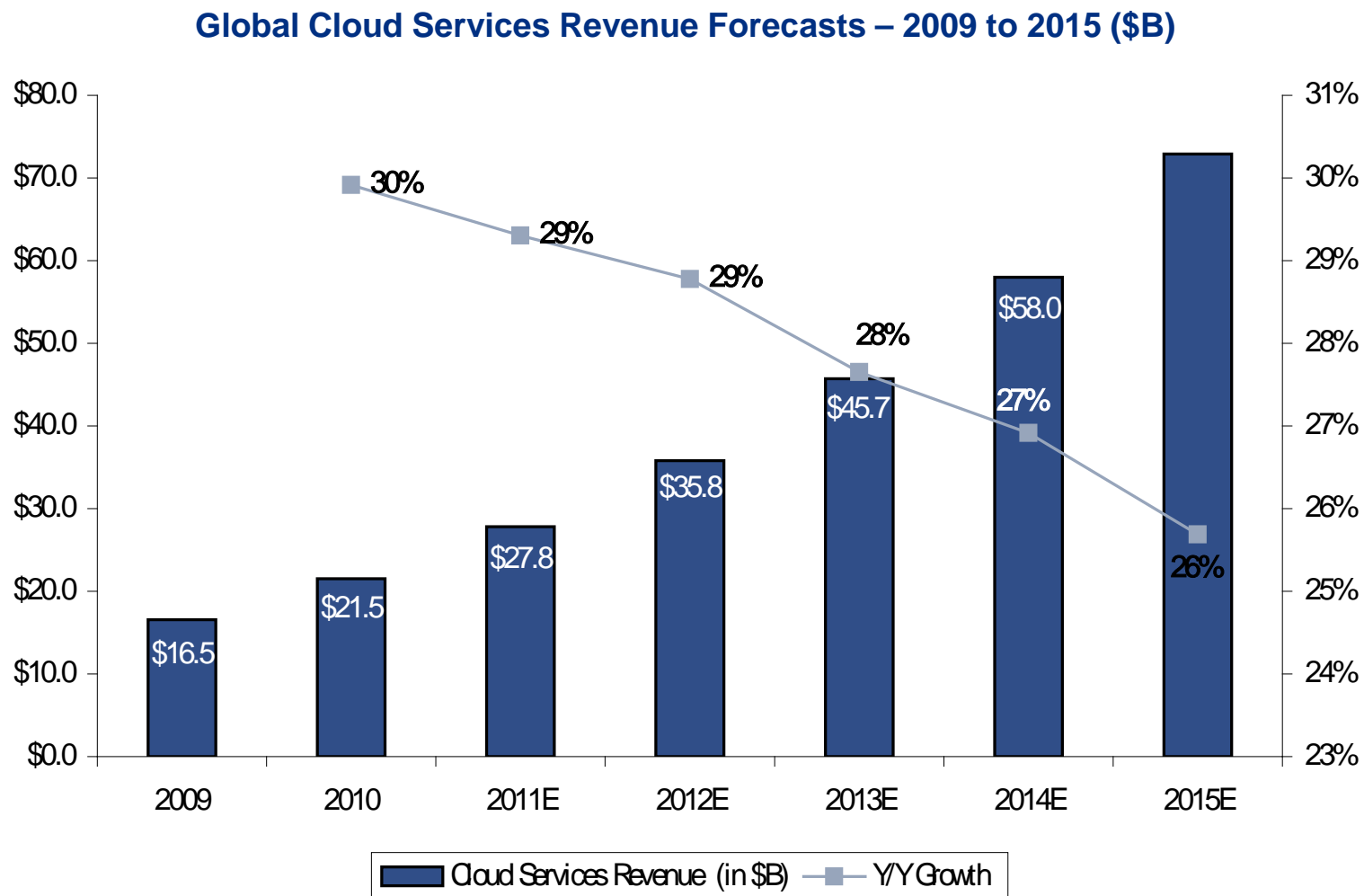
(\$ in Billions)



5) The Emergence Of Digital Goods



6) The Rise Of The Cloud



7) The “Hardware-ization” Of The Internet



Large Cap Internet Beneficiaries

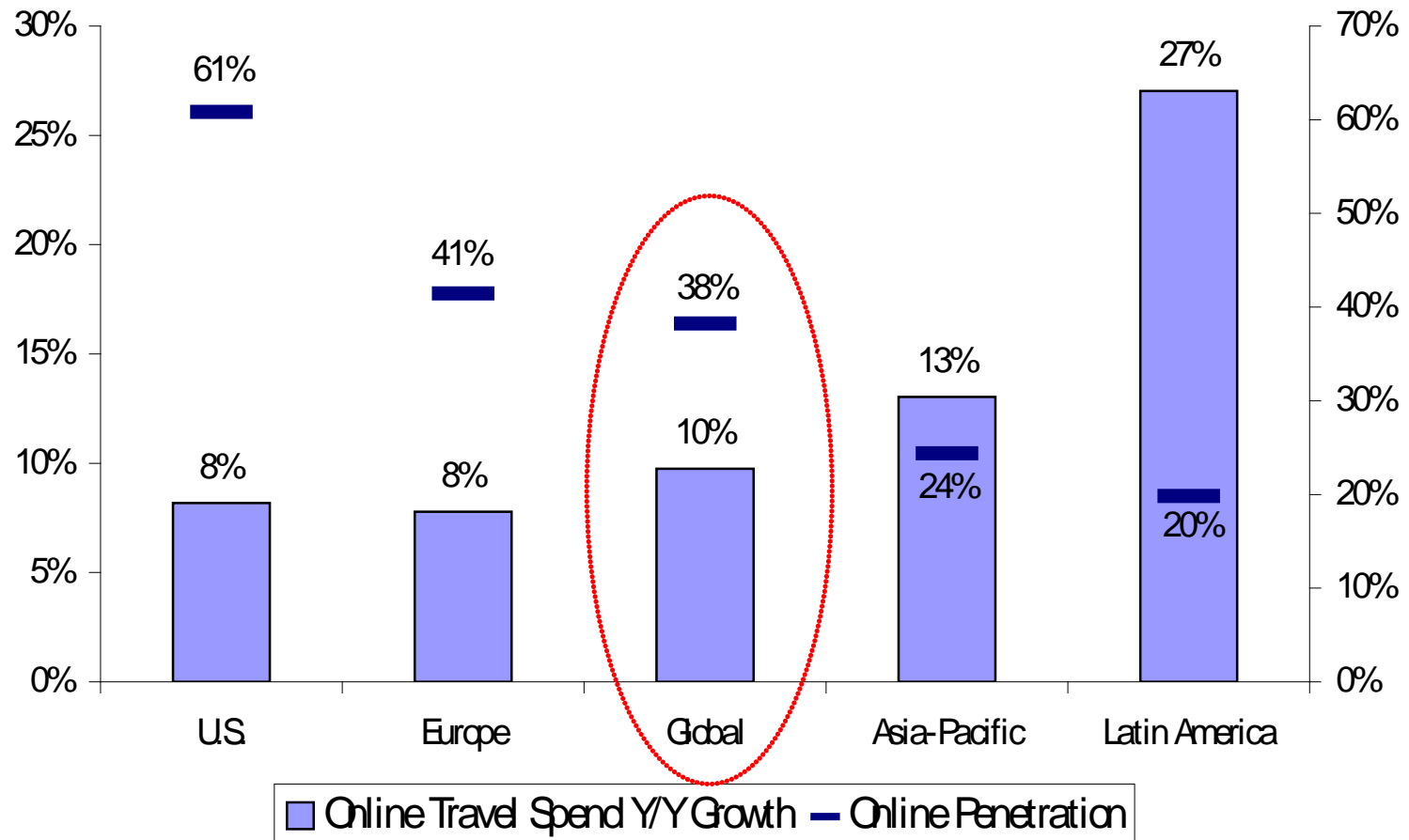
	AKAM	AMZN	EBAY	EXPE	GOOG	GRPN	IACI	LNKD	NFLX	PCLN	YHOO
Mobile	☐	☐	☐☐	☐	☐☐	☐	☐	☐	☐	☐	☐
Social			☐		☐	☐		☐			☐☐
Local		☐			☐	☐☐					
Digital Goods		☐	☐		☐						
Video / TV Advt					☐☐		☐				☐
Cloud	☐	☐☐			☐						
Hardware		☐☐			☐☐						

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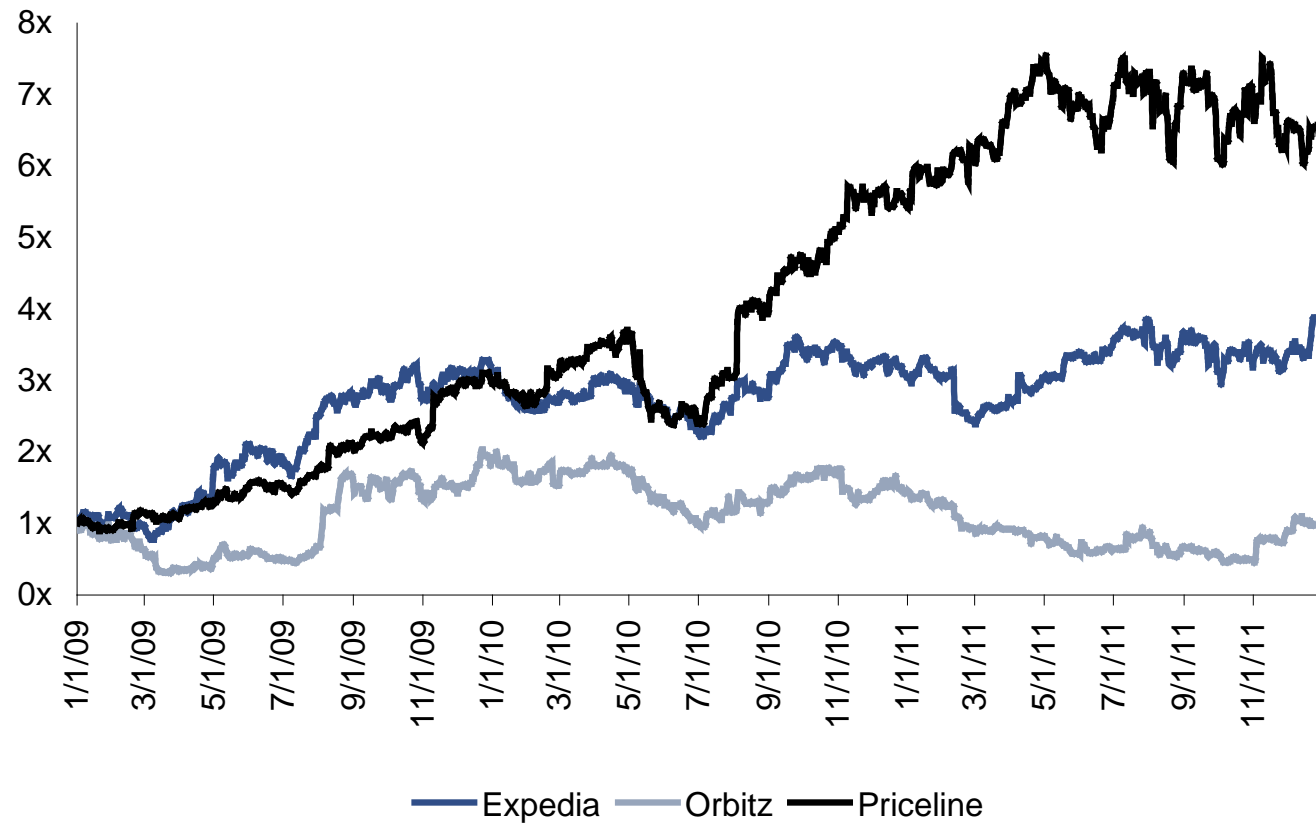
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Global Online Travel Spend Remains Robust

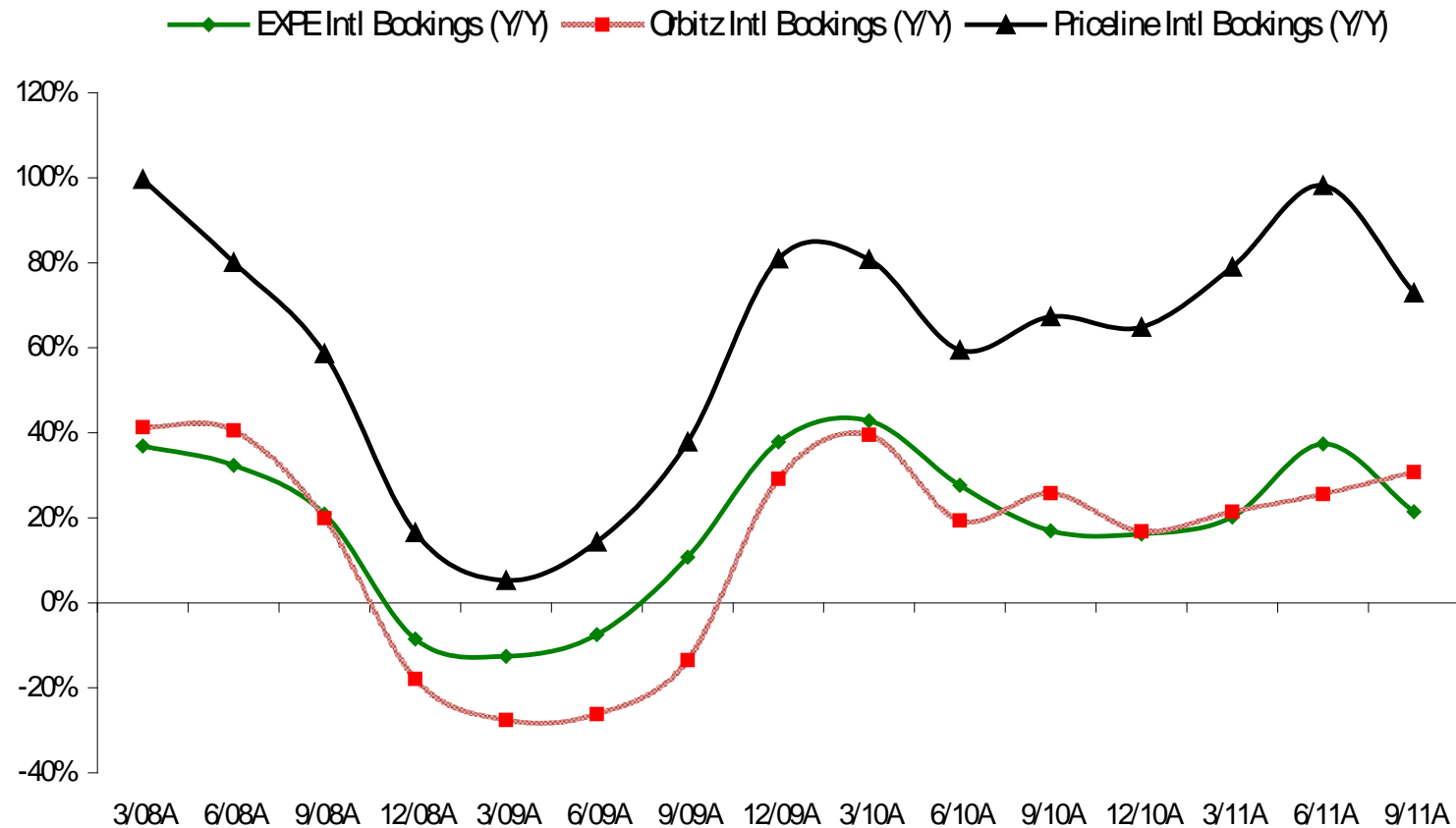
Projected 2012E Online Travel Spend – Y/Y Growth & Online Penetration By Geography



Consistent Stock Outperformance By PCLN...



...Driven By Consistent Bookings Outperformance By PCLN



What Explains The Performance Of Priceline?

1. **Geographic Positioning** – 80%+ of PCLN's Bookings are International...
2. **Product Positioning** – 90%+ of PCLN's Profits are Hotels...
3. **Cost Positioning** – PCLN has the highest conversion of Gross Profit \$ into EPS...
4. **Price Positioning** – PLCN generally has the lowest Hotel commission rates...
5. **Execution** – One of the top 3 proven management teams across the Internet...

Our PCLN Long Thesis

1. Still a significant global Hotel secular growth opportunity for PCLN
 2. Reasonably sustainable competitive advantages in Europe
 3. A bit of a countercyclical hedge in the U.S.
 4. A potentially significant Asia growth driver with Agoda
 5. A relatively consistent track record of market share gains
 6. One of the best management teams in the Internet sector
- Price Target @ \$700 is approx 23X multiple to our 2012 EPS estimate of \$30.50

The biggest risks we see to our PCLN Long Thesis remain:

1. Domestic opaque travel business faces inventory access challenges
2. PCLN could experience deleverage in its Online Advertising line
3. Exposure to potential weakening macro conditions in Europe & Euro FX swings
4. Google's acquisition of airfare technology company ITA

Appendix A-1

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Data current as of 9 Oct 2011

	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Investment Research & Analysis Global Fundamental Coverage	59%	34%	7%	10%	79%	10%
<i>% of companies in each rating category that are investment banking clients</i>	45%	42%	37%	50%	43%	46%

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