Internet Ad Revenue +23%

Driving the Increases...

**Social**
“Unlocking of ad dollars into social channels”
- Facebook
- Twitter
- LinkedIn
- Foursquare

**Brand**
“Accelerating shift of brand dollars to online channels”
- WPP
- Google
- Omnicom Group
- Solve Media

**Technology**
“Continued evolution of Technology”
- DoubleClick
- Demdex
- MediaMath
- AppNexus
- AdMeld
- DataXu
- Dapper

**Search**
“Remains primary form of discovery, both online as well as mobile”
- Google
- Bing
- Yahoo!
Social Ad Platforms Arrive

- Marketing firms are expected to spend over $3B for online media ads in 2011 up from an estimated $2B in 2010
- New social networks are rapidly developing that form tight connections across diverse categories

### Facebook
- Facebook emerges as the clear #1 in social-based Internet advertisements with an estimated 32% of total Internet display ad impressions at Q1 2011
- An estimated 750M users registered as of Q1 2011 up from an estimated 500M users as of Q1 2010

### Twitter
- Market leader in micro-blogging
- Experienced 26% growth in registered users from 75M in 2010 to 95M in 2011
- Tweets per Day have grown from 27M in 2010 to 95M in 2011
- Nearly 70% of users have a Twitter biography in 2011, up from 31% in 2010

### foursquare
- Market leader in location based social networking
- An estimated 500K brands and companies are using foursquare to connect with users and more than 10K developers are taking advantage of its API
- Reached 10M user accounts in July 2011, adding nearly 1M users in May and June 2011

### LinkedIn
- Successful IPO in Q2 2011
- Experienced 138% growth in registered users from 50M in 2010 to 119M in 2011
- Global presence with nearly 56% of registered users living outside the U.S.
- Estimated that 80% of companies use social media for recruitment and of these, 95% of them use LinkedIn

Source: Gridley estimates, Company Reports, Tech Crunch and Search Engine Journal
Online Branding

• Brand spend continues to shift from traditional media to digital media
• Within digital media, advertisers are paying greater attention to branding opportunities, moving beyond performance-based campaigns

![Branding Shifting to Online Ads](chart)

*Source: Credit Agricole Securities, Gridley estimates*
Evolution in Ad Technology is Enabling this Growth

Direct Response Orientation

Tech-driven inventory selling
- Ad server infrastructure
- Ad networks

Creating “markets” for inventory
- Ad exchanges / marketplaces

Managing multiple ad channels
- Supply side technologies
- Data management platforms

Intelligently buying into pools of liquidity
- Demand side technologies
- Trading desks

Brand Orientation

Engagement driven advertising
- Social
- Mobile
- Display

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Engagement driven advertising
- Social
- Mobile
- Display
Search

• Worldwide Internet users conduct over 200 billion searches each month
• Google drives roughly 46% of overall online ads with annual growth estimated at +20%
• Search should continue to be driven by leaders Google, Yahoo! and bing
• Search expected to benefit from growth of the mobile Internet

Leading the Search

($ in billions)

Source: Baird Equity Research, Gridley estimates and Search Engine Journal
There are strong headwinds at the “Macro Economy” level…

**July 21**: European leaders hold emergency summit meeting due to debt issues of Spain, Italy and Greece

**Aug 2**: S&P closed below the 1,258-point mark – putting it in negative territory for the year

**Aug 6**: S&P Strips U.S. of Top Credit Rating

**Week of Sept 19**: the Dow Jones Industrial Average plunged 6.4%, its worst week since October 2008

**Sept 1**: U.S. Job Report shows zero jobs added in August

**Sept 21**: Prospect of a Greek Debt Default drives global markets lower

**July 26**: U.S. Commerce Department announces that Q2 2011 real GDP growth was significantly below expectations

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Perspective Since Q2 2011

...but the “Digital Economy” continues to achieve significant milestones

Q2 Momentum:
- Coupons.com valued at $1B
- Foursquare valued at $600M
- Microsoft acquires Skype
- Groupon & Zynga file IPOs
- LinkedIn goes public

**July 6:** Twitter seeks $7B valuation

**Aug 9:** Apple becomes the World’s Largest Company

**Aug 12:** Google acquires Motorola Mobility for $12.5B

**Aug 15:** Buddy Media valued at $500M

**July 21:** CB Insights reports record Q2 VC activity of 768 deals and $7.6B

**Sept 20:** Gridley launches “Gridley’s Guide to Digital New York”

**Sept 26:** Tumblr valued at $800M

The “Digital Economy” has outperformed the S&P 500 in Q3 2011

(1) The “Digital Economy” Index includes Microsoft, Adobe, Omnicom, Apple, Amazon, Ebay, Google, IAC, IPG and WPP
What is Next?

- Gridley believes that innovations in commerce, social, mobile and video will create opportunities for established companies and new entrants

<table>
<thead>
<tr>
<th>Commerce</th>
<th>Social</th>
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<tbody>
<tr>
<td>• New business models have been disruptive to traditional commerce channels</td>
<td>• Social now driving disproportionate amount of consumer attention globally</td>
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<td>– Flash sales, daily deals, subscription commerce</td>
<td>• Social developing into a true “platform”</td>
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<tr>
<td>• Digital commerce beginning to converge with offline retail, potentially tapping into a new trillion dollar market</td>
<td>• Social beginning to drive all forms of internet consumption – communication, content, entertainment, commerce and discovery</td>
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<th>Mobile</th>
<th>Video</th>
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<tr>
<td>• Mobile quickly becomes a primary media consumption device, in line with TV usage</td>
<td>• Online video consumption growing at 40%+ y-o-y</td>
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<td>• Mobile applications quickly broadening out into areas of commerce, social and payments</td>
<td>• Online video just beginning to have an impact on traditional channels</td>
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<tr>
<td>• Google has publicly stated that it expects mobile to account for over 50% of its search volumes over time</td>
<td>– 8 of the 9 largest subscription-TV providers in the U.S. lost subscribers in Q2 2011</td>
</tr>
<tr>
<td></td>
<td>– Netflix’s shift to streaming testament to opportunity for IP video</td>
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