Internet Trends 2019

1) Users
2) E-Commerce + Advertising
3) Usage…
4) Freemium Business Models
5) Data Growth
6) …Usage
7) Work
8) Education
9) Immigration + USA Inc.
10) Healthcare
11) China (Provided by Hillhouse Capital)
Thanks

Bond Partners
Michael Brogan & Ansel Parikh helped steer ideas & did a lot of heavy lifting. Noah Knauf, Collin Ebert, Jesse Ellingworth, Everett Randle, Nancy Xiao, Daegwon Chae, Paul Vronsky & Juliet de Baubigny also dug in & were more than on call with help.

Hillhouse Capital
Liang Wu & colleagues’ contribution of the China section provides an overview of the world’s largest market of Internet users.

Participants in Evolution of Internet Connectivity
From creators to consumers who keep us on our toes 24x7 & the people who directly help us prepare the report. And, Kara & team, thanks for continuing to do what you do so well.
Context…

We use data to tell stories of business-related trends we focus on. We hope others take the ideas, build on them & make them better.

At 3.8B, the number of Internet users comprises more than half the world’s population. When markets reach mainstream, new growth is harder to find as evinced by declining new smartphone shipments in 2018. While E-Commerce continues to gain share vs. physical retail, growth rates are slowing. While Internet advertising growth is solid & innovation is healthy, there are areas where customer acquisition costs may be rising to unsustainable levels.

While Internet user growth is slowing, global innovation & competition continue to drive product improvements, new types of usage & monetization – especially in areas of digital video, voice, wearables, on-demand + local services & traditionally underserved markets. Outside of USA, we focus on especially high growth & innovation in data-driven / direct fulfillment & financial services. We highlight massive global usage changes related to the evolution of images & interactive gaming as communications tools & the broad emergence of freemium businesses at scale.

The rapid rise of gathered / analyzed digital data is often core to the holistic success of the fastest growing & most successful companies of our time around the world. Context-rich data can help businesses provide consumers with increasingly personalized products & services that can often be obtained at lower prices & delivered more efficiently. This, in turn, can drive higher customer satisfaction.

Better data-driven tools can improve the ability for consumers to communicate directly & indirectly with businesses & regulators.

Core constituents (consumers / businesses / regulators) are increasingly drinking from a data firehose & management challenges continue to rise for all parties. Broad awareness of challenges (& related vigorous / heated debates) can be the first step in driving change.
Consumers are aware of concerns about Internet usage overload & are taking steps to reduce usage – leading USA-based Internet platforms have rolled out tools to help monitor usage & social media usage growth appears to be decelerating following a period of strong growth. Privacy & problematic content concerns are also top-of-mind & are following similar patterns.

Owing to social media amplification, reveals / actions / reactions about events can occur quickly – resulting in both good & bad outcomes. In markets where online real-time rating systems exist, accountability can be improved vs. offline options as consumers & businesses interact directly while regulators can also benefit.

Rapidly expanding connectivity has helped amplify voices of good & bad actors. This has brought new focus to an age-old challenge for regulators around the world – finding the most effective ways to amplify good & minimize bad, often resulting in different regional interpretations & strategies.

As Internet systems become increasingly sophisticated, data-rich & mission critical, so has the opportunity for cyber attacks. We are in a new era of cyber security where technology issues are increasingly intermixed with international diplomacy & defense.

We focus on the impact of the Internet on work (via on-demand services & remote options), education & healthcare – the materiality of current trends imply inflections are occurring. We update USA trending around government finances & the importance of immigration to the technology sector.

The Hillhouse Capital team provides insights into China – the largest market of Internet users & a leader in innovation / scale.
INTERNET USERS =

@ >50% GLOBAL PENETRATION…
NEW GROWTH REMAINS HARDER TO FIND
Global Internet User Growth = Solid But Slowing +6% vs. +7% Y/Y

Internet Users vs. Y/Y Growth

Internet user data is as of mid-year. Source: United Nations / International Telecommunications Union, USA Census Bureau, Pew Research (USA), China Internet Network Information Center (China), Islamic Republic News Agency / InternetWorldStats / Bond estimates (Iran), Bond estimates based on IAMA data (India), & APJII (Indonesia).
Global New Smartphone Unit Shipments = Declining -4% vs. 0% Y/Y

New Smartphone Unit Shipments vs. Y/Y Growth

Source: Katy Huberty @ Morgan Stanley (3/19), IDC.
Global Internet Users = 3.8B >50% of Population

Internet Penetration, 2018

Internet user data is as of mid-year. Source: United Nations / International Telecommunications Union, USA Census Bureau, Pew Research (USA), China Internet Network Information Center (China), Islamic Republic News Agency / InternetWorldStats / Bond estimates (Iran), Bond estimates based on IAMAI data (India), & APJII (Indonesia).
Global Internet Users = Asia Pacific Leads in Users + Potential

Internet Users by Region, 2018

Asia Pacific: 53% of Global Internet Users
Europe: 48% Internet User Penetration in Region
Africa & Middle East: 13%
Latin America & Caribbean: 10%
North America: 9%

Population

Internet user data is as of mid-year. Source: United Nations / International Telecommunications Union, USA Census Bureau, Pew Research (USA), China Internet Network Information Center (China), Islamic Republic News Agency / InternetWorldStats / Bond estimates (Iran), Bond estimates based on IAMAI data (India), & APJII (Indonesia).
Global Internet Users = China @ 21% of Total...India @ 12%...USA @ 8%

Source: United Nations / International Telecommunications Union, USA Census Bureau, Pew Research (USA), China Internet Network Information Center (China), Islamic Republic News Agency / InternetWorldStats / Bond estimates (Iran), Bond estimates based on IAMAI data (India), & APJII (Indonesia).
Global *Internet* Market Capitalization Leaders = USA Stable @ 18 of 30…China Stable @ 7 of 30

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Region</th>
<th>Market Cap Value ($B)</th>
<th>% Change</th>
<th>6/7/19</th>
<th>6/7/16</th>
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Total: $6,119

USA stable at 18 of 30 refers to the fact that 19 USA companies were in the top 30 using same parameters in 2018. China in 2018 = 8 of 30. Source: CapitalIQ data collected 6/7/19. Note: % change only applies to companies that were publicly traded on 6/7/16, private valuations not taken into account. Reflects a global list of publicly traded companies, some companies (e.g., Meituan Dianping) derive the majority of their revenue from one country. Companies selected are considered to be ‘pureplay’ Internet companies that do not derive a significant portion of revenues / profits from other business lines. Example companies that would be included otherwise = Reliance Industries (Refining), AT&T (Telecom), & Naspers (Television).
Global Market Capitalization Leaders = USA Stable @ 23 of 30…Technology Stable @ 9 of 30

USA stable at 23 of 30 refers to the fact that 21 USA companies were in the top 30 using same parameters in 2018. Technology in 2018 = 10 of 30.

Source: CapitalIQ data collected 6/7/19. Reflects a global list of publicly traded companies, some companies (e.g., ICBC) derive the majority of their revenue from one country.

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<td>Technology</td>
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<td>741</td>
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<td>Facebook</td>
<td>Technology</td>
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<td>495</td>
<td>+46%</td>
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<td>Tencent</td>
<td>Technology</td>
<td>China</td>
<td>398</td>
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<td>Home Depot</td>
<td>Retail</td>
<td>USA</td>
<td>217</td>
<td>+35%</td>
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</tbody>
</table>

Total: $11,264 to $7,385
Global Internet Market Capitalization Leader Revenue Growth = Slowing +11% vs. +13% (Y/Y – Q1 vs. Q4)

Global Internet Leaders – Revenue vs. Y/Y Growth

Source: CapitalIQ. Revenue from Microsoft / Amazon / Apple / Alphabet / Facebook / Tencent / Alibaba / Netflix / Adobe / PayPal / Salesforce.com / Booking.com / Recruit Holdings / ServiceNow / Workday / JD.com / Baidu / Activision Blizzard / Shopify / NetEase / eBay / Atlassian / MercadoLibre / Electronic Arts / Twitter / Square.

Note: *Uber, Meituan Dianping, Xiaomi and Spotify which had recent IPOs that did not provide detailed financials from Q1:15-Q4:16 that are necessary to illustrate the Y/Y growth rate & are therefore excluded. Due to their revenue scale relative to the cumulative group, they have minimal impact on overall growth rate.
Global Market Capitalization Leader Revenue Growth = Slowing +2% vs. +7% (Y/Y – Q1 vs. Q4)

E-COMMERCE + ONLINE ADVERTISING = SOLID… BUT SLOWING GROWTH
E-Commerce
E-Commerce Growth = Solid +12.4% vs. +12.1% (Y/Y – Q1 vs. Q4)

Source: St. Louis Federal Reserve FRED database. Note: Historic data (Pre-2016) adjusted / back-cast in 2017 by USA Census Bureau to better align with Annual Retail Trade + Monthly Retail Trade Survey data. Seasonally adjusted.
Physical Retail Growth = Solid +2.0% vs. +1.6% (Y/Y – Q1 vs. Q4)

Physical Retail Sales vs. Y/Y Growth, USA

Source: St. Louis Federal Reserve FRED Database. Note: Physical Retail includes all retail sales excluding food services, motor vehicles / auto parts & fuel.
E-Commerce Share =
Gains Continue @ 15% of Retail vs. 14% Y/Y

E-Commerce as % of Retail Sales, USA

Source: USA Census Bureau, St. Louis Federal Reserve FRED database. Note: 15% = Annualized share. Penetration calculated by dividing E-Commerce sales by “Core” Retail Sales (excluding food services, motor vehicles / auto parts, gas stations & fuel). All figures are seasonally adjusted. Per US Census Bureau, E-Commerce is ~10% of total retail sales in Q1:19, including out-of-scope channels such as gas stations, fuel dealers, etc.
Online Advertising
% Time Spent in Media vs. % Advertising Spending

### 2010

- **Print**: 8%
- **Radio**: 11%
- **TV**: 43%
- **Desktop**: 25%
- **Mobile**: 0.5%

### 2018

- **Print**: 3%
- **Radio**: 7%
- **TV**: 34%
- **Desktop**: 18%
- **Mobile**: 33%

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Internet Ad Spending (Annual)= Accelerated +22% vs. +21% Y/Y
Internet Ad Revenue (Quarterly – Leading USA Platforms) = Decelerating +20% vs. +29% (Y/Y – Q1 vs. Q4)

Leading USA-Based Online Ad Platform Revenue, Global

Source: Company public releases & Morgan Stanley estimates. Note: Includes Google / Facebook / Twitter / Amazon / Snapchat / Pinterest.
Internet Ad Platforms = Google + Facebook Lead But Others Gaining Share

Select USA-Based Advertising Platform Revenue, Global

Google +1.4x
Facebook +1.9x
Amazon / Twitter / Snap / Pinterest +2.6x

Source: Company public releases & Morgan Stanley estimates.
Internet Ad Buying = Programmatic Gains vs. Direct Continue… Negatively Impacting Pricing

Programmatic Buying – % Digital Display Advertising, Global

- 10% in 2012
- 62% in 2018

Source: Publicis / Zenith 2018 Programmatic Marketing Forecast. Note: Programmatic refers to ads bought both via real-time bidding & non real-time algorithmically-driven ad purchases. Does not include non-display advertising (e.g., Search)
Ad Share Gain Drivers =
Better Targeting + New Creative + Commerce + High-Relevance

**Facebook**

*Targeting*
Audience Customization

Why am I seeing this ad?

One reason you're seeing this ad is that Kit and Ace wants to reach people who may have visited their website or used one of their apps. This is based on information provided by Kit and Ace.

There may be other reasons you're seeing this ad, including that Kit and Ace wants to reach men ages 18 to 64 who live or were recently in the United States. This information is based on your Facebook profile and where you've connected to the internet.

Manage your ad preferences
Time control over the ads you see

**YouTube**

*Machine Learning*
Automatically Time-Edited Clips

**Pinterest**

*Commerce*
Shoppable Catalogs

**Twitter**

*High-Relevance*
Promoted Tweets

Source: Facebook / Google / Pinterest / Twitter
Customer Acquisition Cost (CAC) = Rising in Highly Competitive / Capitalized Sectors

Cost Per User Activation – Mobile Finance Apps, Global per Liftoff

Source: Liftoff’s 2019 / 2018 Mobile Finance App Report. Note: Report draws from internal Liftoff Data from 2/1/17 to 3/31/19, spanning 19B+ ad impressions across 5MM+ App installs, 270MM+ clicks & 3MM activations / registrations. Data focused on North America, Europe, Middle East, Africa & Asia Pacific. Note: Activation = Adding & depositing funds to an account, activating a spending card, opening an equities position or starting a paid subscription.
Reality =

CAC Can’t Exceed LTV for Very Long
Effective + Efficient Marketing =

One’s Own Product +
Happy Customers + Recommendations
Effective + Efficient Marketing = Can Be Free Trial / Tier

Online Streaming – Reasons For Trying New Service

- Free Trial / Tier: 42%
- Content Library: 38%
- Access to Exclusive Content: 29%
- Good User Experience: 26%

Source: 2BrightCove / YouGov survey of 10,502 adults in USA, UK, France, Australia, Germany, Canada & UAE, 9/18.
Happy Customers…
Spotify = Free User Conversion to Paid Subscribers…

Free Ad-Supported Product…

...Rising LTV / Subscriber Acquisition Cost Ratio

Our freemium model accounts for ~60% of our gross added premium subscribers... the ad-supported service is a subsidy program that offsets costs of new subscriber acquisition.

Developing a better user experience produces by far the most viral effect & impact when investing in growth. Engagement drives conversion from free consumption to paid subscription.

Barry McCarthy – CFO, Spotify, 3/18

Source: Spotify releases & Morgan Stanley estimates of LTV & SAC. Barry McCarthy @ Spotify Investor Day (3/18). Note: Morgan Stanley estimates LTV by calculating the value of a subscriber (including advertising revenue they generate before they upgrade to a paid user) accounting for gross margin & churn. Subscriber acquisition cost calculated by dividing sales & marketing spend in a relevant period by the number of new subscribers in the same period.
Happy Customers...
Zoom = Free User Conversion to Paid Subscribers

Free to Join, When Paid User Hosts...

_If Zoom app is installed, please click Join Meeting._

First-time user, please download Zoom app from Apple App Store.

...we really want to get customers to test our product...

It’s really hard to get customers to try Zoom without a freemium product...

We make our freemium product work so well...
If they like our product, very soon they are going to pay for the subscription.

The most important thing is to make sure the existing customer [is] happy rather than chasing after new prospects.

Our NPS is in the 67-69 range vs. our peers in the 20’s...
We do not want to spend money on [the] marketing side to generate leads.

Eric Yuan – Founder / CEO, Zoom, 8/17

...High LTV / CAC Ratio*

Goldman Sachs Investment Research LTV:CAC Estimate

Goldman Sachs Investment Research estimates of LTV & CAC. Note: “Goldman Sachs Investment Research calculated LTV as the value of $1 of Annual Recurring Revenue, discounted for GAAP gross margin, Goldman Sachs Investment Research estimated Gross Churn & an 11% assumed discount rate. CAC is calculated as the amount of Sales & Marketing expense in a relevant period, divided by the gross new Annual Recurring Revenue added in the same period.

FY = January
Effective + Efficient Marketing = Can Be Recommendations

**E-Commerce – Reasons for Trying New Subscription Box**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended by Someone</td>
<td>23%</td>
</tr>
<tr>
<td>Try Something New</td>
<td>22%</td>
</tr>
<tr>
<td>Financial Incentive</td>
<td>22%</td>
</tr>
<tr>
<td>Like the Product</td>
<td>12%</td>
</tr>
<tr>
<td>Like Subscription Model</td>
<td>11%</td>
</tr>
<tr>
<td>Flexibility to Cancel</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: McKinsey Research on E-Commerce Consumers (2/18). Note: Based on online survey from November 8 to 12, 2017, with responses from more than 5,093 participants in the United States. Of those, 4,057 (80 percent) were online shoppers, defined as people who had spent at least $25 online in the past month. Of those, 607 (15 percent) had subscribed to at least one service over the past 12 months.
Happy Customers…
Stitch Fix = Recommendations Drive Growth

Data-Driven / Personalized Recommendations…

The better way to [sell clothing] is through personalization – get to know product, get to know people & generate really good recommendations…

What’s really special about Stitch Fix is that 100% of what we sell is based on recommendations.

We have over 4,000 stylists…what makes them successful is listening, empathy & delivering what the client wants & doing that without judgment…Our business is about helping people feel their best, not necessarily selling the big high-end fashion trends.

Katrina Lake – Founder / CEO, Stitch Fix, 6/18

…Stitch Fix Active Clients

Source: Katrina Lake interview @ JPMorgan Technology, Media & Communications Conference (6/18). Stitch Fix SEC Filings.
Note: Active Client refers to a client who has checked out at least 1 recommended ‘Fix’ in the past 12 months.
Advertising TBDs
…privacy [concerns] are a headwind for [Facebook] in 2019. It's one of the factors that's contributing to our expected deceleration of revenue growth throughout the year.

You've got regulatory – which was GDPR in 2018… the regulatory arc will be longer-term in playing out…

Platforms like iOS are making bigger pushes in privacy & that has the potential impact… then changes that we're making ourselves…

we've elected to rollout GDPR-type controls globally…

later this year, we'll be launching Clear History, which will also affect our ability to do third-party targeting.

David Wehner – CFO, Facebook, 2/19
TBD = Impact on Ad Targeting…
Digital TV-Based Ads (Aided by In-Hand Mobiles)

Multi-Platform Data Improves Relevancy…

Nielsen Audience Report (USA)

88% = Use a Second Digital Device While Watching TV

71% = Look Up Content Related To Content They Are Watching

41% = Message Friends / Family About Content They Are Watching

…Creating Opportunities for Better Ad Experiences

INTERNET USAGE =

SOLID GROWTH…
DRIVEN BY INVESTMENT + INNOVATION
Usage
Digital Media Usage = Accelerating +7% vs. +5% Y/Y

Daily Hours Spent with Digital Media per Adult User, USA


Note: Other connected devices include OTT & game consoles. Mobile includes smartphone & tablet. Usage includes both home & work for consumers 18+. Non deduped defined as time spent with each medium individually, regardless of multitasking.
Usage Drivers
Global Internet / Technology Businesses = Investment Remains Robust
Investment (Public + Private) Into Technology Companies = High for Two Decades

Internet / Technology Businesses =

USA-Based

Innovation Remains Robust…
Device Time = Mobile > TV

Television & Mobile Daily Time Spent (Non-Deduped), USA

Source: eMarketer (10/18). Usage includes both home & work for consumers 18+. Non-deduped defined as time spent with each medium individually, regardless of multitasking. Updated from original 4/18 release in 10/18 by eMarketer.
Online Platform Time = YouTube + Instagram Gaining Most

% Internet Users Using Select Platforms > 1x per Day, Global*

<table>
<thead>
<tr>
<th>Platform</th>
<th>Q2:17</th>
<th>Q3:17</th>
<th>Q4:17</th>
<th>Q1:18</th>
<th>Q2:18</th>
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</tbody>
</table>

Source: Global Web Index Survey of 50K+ Global Internet users aged 16-64 (3/2017-12/2018). Note: WeChat is displayed as "Weixin" in China. *Countries surveyed include major Internet populations – Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Denmark, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UK, USA, United Arab Emirates, Vietnam. Toutiao estimate = ~4% of Internet users using Douyin in 2018….Not included owing to lack of trend data & regulatory action in period.
Video Time = Digital +2x in Five Years @ 28% of Total (vs. TV)

Video Watching Daily Minutes – Digital vs. TV, USA

Source: eMarketer (10/18). Usage includes both home & work for consumers 18+. Non de-duplicated defined as time spent with each medium individually, regardless of multitasking.
Video Time (Short-Form – Facebook Platform) = 1.5B DAUs + ~2x in One Year

Facebook Stories

Source: Facebook (8/18,12/18). Daily Active Users (DAU) = Users that interact with a Story daily.
Vertical segments of chart = owing to first reported DAU metric for each product. *Not de-duped across platforms.
Voice = 70MM Podcast Listener MAUs + ~2x in Four Years...

Podcast Listener MAUs, USA

Monthly Podcast Listeners, USA

22MM

70MM

80MM

40MM

0

2008 2010 2012 2014 2016 2018

Podcasts – Most Downloaded Apple Podcasts, 2018, USA

1) The Daily *The New York Times*
2) The Joe Rogan Experience Joe Rogan
3) Stuff You Should Know iHeartMedia
4) Fresh Air National Public Radio
5) The Dave Ramsey Show Dave Ramsey
6) My Favorite Murder Exactly Right
7) TED Talks Daily TED
8) Up First National Public Radio
9) The Ben Shapiro Show The Daily Wire
10) Pod Save America Crooked Media

Source: The Infinite Dial 2019 by Edison Research & Triton (2/19). National survey of 1,500 people ages 12+. The estimated share of USA respondents is the n multiplied by USA population over the age 13, per USA Census Bureau. Apple.
…Voice = 47MM Amazon Echo Base + ~2x in One Year

Amazon Echo Installed Base

- Installed Base, USA
- Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
- 2015 2016 2017 2018

Amazon Echo Skills

- Number of Skills

Source: Consumer Intelligence Research Partners LLC (Echo install base, 2/18), Various media outlets including Geekwire, TechCrunch, & Wired (Echo skills, 4/19)
Wearables = 52MM Users + ~2x in Four Years

Wearable Users, USA

Source: eMarketer (11/18). Users = Monthly Active adults 18+ years old who wear accessories or clothing embedded with electronics, software, or sensors that have the ability to connect to the Internet (via built-in connectivity or tethering), which in turn collects & exchanges data with a manufacturer, operator, or other connected devices.
On-Demand = 56MM Consumers + ~2x in Two Years

On-Demand Consumers, USA

On-Demand Products / Services – Consumer Spend, 2017, USA

Source: National Technology Readiness Survey (4/18). Note: authored by Rockbridge Associates, Inc. & A. Parasuraman, & is co-sponsored by the Center for Excellence in Service, Robert H. Smith School of Business, University of Maryland. The study is conducted online among a representative sample of consumers in a national panel, & represents the views of U.S. adults ages 18 & older. The sample size was 1,032 in 2016 & 1,004 in 2017. The margin of error is +/- 3 percentage points. 2018 figures are estimates.
Local = 236K Nextdoor Active Neighborhoods + ~2x in Two Years

Local Business Recommendations = 29MM, +71% Y/Y

Source: Nextdoor (5/19). 29MM = Cumulative local business recommendations on the platform, up 71% Y/Y vs. 17MM in 5/18.
Underserved Population = Square Seller Base Growing…

28% Points Faster in Lowest vs. Highest Income MSAs, USA*

**Square Capital Data**

$10,000

- **$4.5B** = Loans (2014-Q1:19)
- **58%** = Women-Owned Businesses
- **35%** = Minority-Owned Businesses
- **$6K** = Average Loan Size
  (~18x Smaller Than Average Small Business Administration Loans)*

**Growth in Number of Active Square Sellers**

*Square Capital Data*

*Source: Square (5/19). * Per Federal Reserve’s “Survey of Terms of Business Lending”, Aug 2017. Note: MSA = Metropolitan Statistical Areas. Active sellers are defined as those who have accepted five or more payments within the last 12 months. Square Capital Loans only available to Active Square Sellers. Data sourced from the Bureau of Economic Analysis’s 2017 report on “Annual Personal Income by Metropolitan Statistical Areas”. From 2014-2018, the adoption growth rate of the bottom 25 MSAs was on average 1.22x that of the top, demonstrating the utility & relevance of payment technology in less traditional areas.*
…Internet / Technology Businesses =

Non-USA-Based
Innovation Remains Robust…

Data-Driven / Direct
Fulfillment
Growing Rapidly…
We call it consumer-to-manufacturer, where we understand the users' needs first & enable upstream providers, be it farmers, manufacturers, etc. to produce appropriate products for our users. This is different from how the current system works, where upstream producers design, manufacture & sell without necessarily being in tune with the changing needs of their targeted users.

As we add more users to the network & also gain more data points through their increasing interaction with our platform, we can further refine our engine to deliver an even better user experience that keeps up with our users' evolving preferences.

Pinduoduo – Q4:18 Earnings Call, 3/19
Traditionally, local merchants in China – mostly micro & small businesses – have very few marketing channels available to them. We have become the go-to platform for local search & consumer service discovery.

*Based on our data analytics, we leveraged user search queries to connect them with high-quality local merchants who match their preference.* We are able to help merchants reach a vast quantity of potential consumers with a low upfront cost & high conversion rates.

Xing Wang – Co-Founder, Chairman & CEO, Meituan Dianping, 3/19
Latin America (Rappi) = Digitizing Delivery…
8MM Orders + ~2x in Four Months

**Rappi**

*Digital Delivery Platform*

**Monthly Orders, Latin America**

*Latin America has a great delivery culture. Cities are chaotic, delivery was super manual & not all stores offered it — there was plenty of inefficiency & high costs.*

*We thought: what if we digitized this ecosystem & started to deliver anything in under 30 minutes for less than a dollar?*

Simon Borrero, Sebastian Meija, Felipe Villanamarin, Andres Bilbao, Guillermo Plaza – Co-Founders, 6/19

Source: Rappi (6/19).
Indonesia (Tokopedia) = Improving Product Delivery Across 17K Islands… ~6MM Merchants + ~2x in One Year

Tokopedia

Same-Day Delivery

When we look at sales data… people from [one island] sometimes don’t want to buy products from sellers on [other islands].

We thought – what if we can [give] every business that joins us…a warehouse everywhere in Indonesia – every product bought on Tokopedia [could] be delivered same-day.

William Tanuwijaya – Co-Founder & CEO, Tokopedia, 2/19


BOND
Internet Trends 2019

60
Southeast Asia (Shopee) = Mobile-First Social Commerce…
$10B in Gross Merchandise Value + ~2x in One Year

Shopee’s ability to grow rapidly over a short period of time is a testament to its focus on building a mobile-centric, socially engaging marketplace with emphasis on high margin products from a highly diverse seller base.

…Shopee has combined its marketplace offering with integrated payments, logistics infrastructure & a comprehensive set of services.

Forrest Li – CEO, SEA Limited, 2/19
India (Reliance Jio) = Expanding Offline Access to E-Commerce…
307MM Subscribers + ~2x in One Year…

Reliance Jio

Connectivity + Retail

We are creating a hybrid, online-to-offline commerce platform by integrating Reliance Retail's physical marketplace with Jio's digital infrastructure & services.

This platform will bring together 350MM customer footfalls at Reliance Retail stores, 307MM Jio connectivity customers & 30MM small merchants all over India who provide the last-mile physical market connectivity.

Mukesh Ambani – Chairman, Reliance, 7/18

Source: Reliance Annual Report & Shareholder Meeting (7/18)
...India (Reliance Jio) = Broad Base of Jio Services for Consumers...
Data Usage + ~2x in One Year

### Reliance Jio

**Full Suite Apps**

- **JioCinema**: Explore the library of 1,200+ hours of entertainment, delay Indian, regional, and international content across genres
- **JioSaavn**: JioSaavn is all-in-one music, 45+ million songs, unmatchable daily, and unbeatable experiences
- **JioTV**: Watch from a catalog of 400+ TV channels including 50+ HD channels spread across 15 languages and 15 genres
- **JioNews**: Streaming News, Live TV, Videos, Magazines, newspapers in your preferred language
- **JioChat**: Connect with friends with live audio/video calls, up to 80-member voice and video calls
- **JioMoney**: Make payments faster than cash, use Jio exchanges, pay utility bills & verify exclusive deals - all on your smartphone

**Music...Movies...Television...News...Chat...Finance...Fashion...Security...Storage...Data Transfer**

### Data Usage, India

**Source**: Jio Releases & Morgan Stanley. **Note**: 1 petabyte = 1MM gigabytes. 1 Exabyte = 1,000 Petabytes.
…Internet / Technology Businesses =

Non-USA-Based
Innovation Remains Robust…

Data-Driven / Direct
Financial Services
Growing Rapidly
China (Alipay) = Broad Online / Offline Financial Services...
1B Users + ~2x in Two Years

Alipay

Payments / Financial Services

Alibaba has the most comprehensive ecosystem of commerce platforms, logistics & payment to support the digital transformation of the retail sector.

Ant Financial / Alipay is not only China's #1 mobile payments platform, but it is also a provider of financial services such as loans, wealth management & insurance products to hundreds of millions of consumers & millions of small businesses on the Alibaba platform.

Joe Tsai – Executive Vice Chairman, Alibaba, 2/18

Source: Alibaba Releases. Alibaba Earnings Call transcript (2/18)
A persistent problem in Korea has been the lack of mid-level interest-rate loans. The reason for this is because there hasn’t been adequate credit evaluation on filers with mid-level credit scores or small business owners.

*Data from the Toss mobile payment platform & its partners will help make better credit judgments on those filers when they are seeking loans.*

SG Lee – Co-Founder & CEO, Toss, 3/19
Europe (Revolut) = Personalized Banking…
4MM Users + ~2x in Ten Months

Personalization with the help of data / technology will allow people to have all their [financial] needs covered & what’s more – they will be able to choose all those setting themselves.

We’re also heavily investing in data science & engineering to automate, accelerate & increase the quality of these decisions.

Nikolay Storonsky – Co-Founder & CEO, Revolut, 11/18
Brazil (Nubank) = Banking / Consumer Credit…
~9MM Unique Customers + ~2x in One Year

Nubank

Banking / Credit

Total Unique Customers, Brazil

Nubank is the largest purely digital bank offering financial services for Brazil, including no fee credit cards, savings accounts (NuConta), P2P money transfer, bill payment, debit cards, salary account portability & a rewards program with real-time benefits.

Nubank also offers highly personalized loans at low prices owing to Nubank’s data-driven direct customer relationship.

Nubank – 5/19

Source: Nubank (5/19)
Latin America (MercadoLibre) = E-Commerce-Driven Digital Payments…
389MM Transactions + ~2x in Two Years

MercadoLibre

Marketplace / MercadoPago Payments

We continue to grow strongly & see tremendous potential in MercadoPago. Off-marketplace transactions already surpassed marketplace transactions.

This trend is compounded by our strong offline initiatives: building out our mobile POS network & MercadoPago’s wallet-enabled payments services.

Beyond payments, we are also seeing great adoption of our Asset Management & Credits products. These products facilitate access to financial services to millions of Latin Americans who are either unbanked or underbanked.

Pedro Arnt – CFO, MercadoLibre, 5/19

Source: MercadoLibre (5/19), Goldman Sachs Investment Research.
Only 27% of adults in Southeast Asia have bank accounts.

Not having a banking history means that a consumer is invisible to traditional financial institutions - no access to capital to grow businesses or pay for houses.

By launching GrabPay on top of Grab’s ride-sharing platform, Grab’s millions of users have access to financial services that they could not access via traditional banks & lenders.

Reuben Lai – Senior Managing Director, Grab Financial Group, 5/19

Usage =

Images…

*Increasingly Relevant Way to Communicate*
Images = Oldest Form of Transportable Communication

40K Years Ago = Oldest Known Image… Painting, Indonesia

5K Years Ago = Oldest Known Text… Cuneiform, Mesopotamia

131 Years Ago = Oldest Known Moving Image… Video, United Kingdom

Source: Maxime Aubert, Griffith University, Wikimedia, National Science Museum, London.
For Centuries…

People Have Learned to Write & Share Words…

Offline & One-to-One / Some…
Communication via Text (+ Numbers) = Foundational

Makes Ideas Transportable…

Martin Luther’s 95 Theses
(1500s)

…Simplifies Concepts…

Robert Recorde’s invention of ‘=’
(1500s)

…Enables Learning…

Modern ‘Public’ Primary Schools
(1800s – Present)

Note: 1800s chosen as date of ‘Modern Public Schools’ based on Byrk et al.’s ’Catholic Schools in the Common Good.’ Though public funds had been previously used to fund primary education, reforms in USA cities during the 1800s were the first to establish open, secular education, similar to contemporary ‘public schools’
…For Two Decades…

People Ramping
Image + Video Creation / Sharing…

Online & Often One-to-Many
Image Creation = Foundations Continue to Ramp

**Smartphone / Camera Base...**

Active Smartphones

- Smartphone Install Base, Global
- Smartphone Install Base, Global

**...Cellular Data Use...**

Cellular Data Traffic

- Monthly Uplink + Downlink Traffic, Global, Per Ericsson
- Monthly Uplink + Downlink Traffic, Global, Per Ericsson

**...Smartphone Power...**

Flagship iPhone Power / Storage

- GeekBench Processing Power Benchmark
- Maximum Storage

**...WiFi Reach...**

WiFi Networks

- WiFi Networks, Global
- WiFi Networks, Global

Source: Smartphone Installed Base Per Morgan Stanley (3/19). iPhone Power / Storage Per, GeekBench Browser, Apple. Note: Geekbench is a multi-platform benchmarking tool intended to compare the power of computer processors across generations, platforms & workloads. Maximum storage refers to largest storage capacity offered, as advertised. WiFi Data = WiGLE.net as of 5/29/18. Note: WiGLE.net is a submission-based catalog of wireless networks that has collected >6B data points since launch in 2001. Submissions are not paired with actual people, rather name / password identities which people use to associate their data. Ericsson Q4:18 Mobility Report.
Image Sharing = Foundations Continue to Ramp

Image Creation

Annual New Photos Taken, Global

Image Sharing

Instagram Monthly Active Users, Global

Image Creation + Sharing = Engagement Continues to Ramp…

Twitter (2006) = Text-Only

Twitter (2019) = Text + Images + Video

>50% of Tweet Impressions = Images / Video / Other Media

Source: Twitter. Note: Other media includes GIFs, Audio & other non image / video media types
...Image Creation + Sharing = Platform Functionality + Usage Continues to Ramp...

**Instagram Image Sharing Enhancement Evolution**

- **Image Editing / Sharing**
- **Data-Driven Discovery**
- **Image + Video Stories**
- **Commerce**

**2011**

**2015**

**2016**

**2019**

…Image Creation + Sharing = Platform Functionality + Usage Continues to Ramp

**Pinterest Image Sharing Enhancement Evolution**

- **2011**: Image Organization / Sharing
- **2012**: Video Organization / Sharing
- **2015**: Image-Powered Search
- **2019**: Image-Driven Discovery / Commerce

Source: Pinterest Releases (2011 / 2012 / 2015 / 2019)
Image-Based Communication =
Enabled by Computer Vision + Artificial Intelligence

Google Lens + AR Image Analysis / Communication Evolution

Visual Text Identification / Processing

Image Identification / Context

Contextual Augmented Reality

Real-Time Visual Text Translation

2017

2017

2018

2019

Source: Google (2017-2019)
People =

*Increasingly Telling Stories via Edited Images / Videos*
Edited Images = Growing Rapidly

Snap Lens Studio
User Generated / Custom Augmented Reality

Snap Community Lens Views

Source: Snap Inc. Q4:17 Earnings Call (2/18), Snapchat Blog Post (7/18), Adweek (11/18), Engadget (2/19)
Image-Based Design Fluency + Story-Telling =

Increasingly Self-Taught + Collaborative…
Still Early Innings
Design Fluency + Story-Telling (Canva) = Simple / Collaborative / Feedback-Driven Design

Choose Template

Publish Anywhere

Customize Design

Collaborate in Teams

Source: Canva (6/19)
People have always been visual – our brains are wired for images. Writing was a hack, a detour. Pictorial languages are how we all started to communicate – we are coming full circle.

We are reverting to what is most natural. Instagram has always been a communication platform, not an image sharing tool.

Instagram challenges the notion that beauty comes in a traditional, artsy form… it’s not about beauty, it’s about the story you tell.

*Instagram’s inherent feedback systems help users continuously improve communication skills.*

*Kevin Systrom* – Instagram Co-Founder, 5/19
Mallard Ducklings making a running leap into the water from the rock ledge at Argyle Lake, Babylon, Long Island. Mallard ducks are the most common & recognizable wild ducks in the Northern Hemisphere. They spend most of their time near natural bodies of water (ponds, marshes, streams, & lakes) where they feed on plants, invertebrates, fish, and insects. Mallards are dabbling, or surface-feeding, ducks because they eat by tipping underwater for food—head down, feet and tail in the air—rather than diving. Mallards also forage and graze for food on land. The male mallard duck, called a drake, sports a glossy green head, a white ring around its neck and a rich, chestnut-brown breast. The mallard duck’s outer feathers are waterproof, because of an oil that’s secreted from a gland near the tail. Soon after birth, baby ducks, called ducklings, open their eyes. A little more than a day after hatching, ducklings can run, swim, and forage for food on their own. They stay in the nest for less than a month. A group of ducklings is called a brood. Outside the nest, the brood sticks close by the mother for safety, often following behind her in a neat, single-file line. Mallard Duckling making a running leap into the water from the rock ledge at Argyle Lake, Babylon, Long Island. Mallard ducks are the most common & recognizable wild ducks in the Northern Hemisphere. They spend most of their time near natural bodies of water (ponds, marshes, streams, & lakes) where they feed on plants, invertebrates, fish, and insects. Mallards are dabbling, or surface-feeding, ducks because they eat by tipping underwater for food—head down, feet and tail in the air—rather than diving. Mallards also forage and graze for food on land. The male mallard duck, called a drake, sports a glossy green head, a white ring around its neck and a rich, chestnut-brown breast. The mallard duck’s outer feathers are waterproof, because of an oil that’s secreted from a gland near the tail. Soon after birth, baby ducks, called ducklings, open their eyes. A little more than a day after hatching, ducklings can run, swim, and forage for food on their own. They stay in the nest for less than a month. A group of ducklings is called a brood. Outside the nest, the brood sticks close by the mother for safety, often following behind her in a neat, single-file line. Mallard Duckling making a running leap into the water from the rock ledge at Argyle Lake, Babylon, Long Island. Mallard ducks are the most common & recognizable wild ducks in the Northern Hemisphere. They spend most of their time near natural bodies of water (ponds, marshes, streams, & lakes) where they feed on plants, invertebrates, fish, and insects. Mallards are dabbling, or surface-feeding, ducks because they eat by tipping underwater for food—head down, feet and tail in the air—rather than diving. Mallards also forage and graze for food on land. The male mallard duck, called a drake, sports a glossy green head, a white ring around its neck and a rich, chestnut-brown breast. The mallard duck’s outer feathers are waterproof, because of an oil that’s secreted from a gland near the tail. Soon after birth, baby ducks, called ducklings, open their eyes. A little more than a day after hatching, ducklings can run, swim, and forage for food on their own. They stay in the nest for less than a month. A group of ducklings is called a brood. Outside the nest, the brood sticks close by the mother for safety, often following behind her in a neat, single-file line.
Usage =

*Interactive Gaming...*

*Increasingly Relevant Way to Communicate*
Interactive Gaming Players = Accelerating @ 2.4B +6% vs. +5% Y/Y

Interactive Game Players = People who have played a game across console / PC / mobile platforms in the past year.
Interactive Gaming Innovation = Rising…Across Platforms

Game Engine Innovation…

Unreal Engine 4.21 continues our relentless pursuit of greater efficiency, performance & stability for every project on any platform. We made it easier to create faster…

We are always looking for ways to streamline everyday tasks so developers can focus on creating meaningful, exciting & engaging experiences...Iterate faster thanks to optimizations, run automated tests to find issues using the new Gauntlet automation framework, & speed up your day-to-day workflows...

Jeff Wilson – Unreal Engine Release Notes, Epic Games, 11/18

…Frequent Major Updates To Fortnite

Source: Epic Games. (11/18). Note: Major update = named / numbered update to Fortnite.
Interactive Gaming =

Real-Time
Play + Talk / Text + Watch…

Social in Nearly All Ways
Interactive Gaming (Play) = Fortnite @ 250MM+ Users + ~2x Y/Y Across Seven Platforms

Epic Fortnite Cross-Platform Evolution vs. Registered Users

1. September 2017: Fortnite Battle Royale launches on PC / Mac / PS4 / Xbox One with limited cross-platform support.
2. March 2018: V3.4 patch is released allowing users to send & receive squad invites cross-platform.
3. April 2018: Fortnite launches to public in iOS App Store, allowing cross-platform mobile play.
4. June 2018: Fortnite launches on Nintendo Switch... available on all major current generation consoles.
5. October 2018: Fortnite for Android launches to public.

Source: Epic Games (9/17-3/19)
Interactive Gaming (Text / Talk) = Discord @ 250MM Users + ~2x Y/Y

Discord Text / Voice Chat

Discord Registered Users

Source: Discord (5/17-4/19).
Interactive Gaming (Watch) = Twitch...Time + Viewers + ~2x in Two Years

**Average Daily Streaming Hours, Global (Blue Bar)**
- 2012: 30MM
- 2018: 120%

**Active Broadcasters***
- 2014: 4.2MM
- 2018: 80%

**Peak Concurrent Viewers**
- 2013: 1.2MM
- 2018: 80%

Source: TwitchTracker (4/19). Note: *Active broadcasters at year-end refers to the number of broadcasters who have streamed in the month of December for a given year. **Average concurrent users refers to the average daily peak of users viewing content on Twitch across a year.
Fortnite = Battle Royale…
Game Environment Capped @ 100 Person Groups…

Multiplayer / Cross-Platform Battle Royale

Consoles – Multiplayer Subscribers*

Source: Morgan Stanley Research (10/18) Brian Nowak / IDC. Note: *For game consoles only (i.e. Xbox Live & Playstation Plus). Subscription required to play online multiplayer Fortnite games on Xbox platform, but not Playstation (Fortnite is available even to non-subscribers).
In-Game Events / Experiences

SurveyMonkey / Common Sense Media
Teen Fortnite Player Survey

Has Fortnite Helped You ______?

- 50% = Learn Teamwork Skills
- 44% = Make a Friend Online
- 40% = Improve Communication Skills
- 39% = Bond with Siblings

To truly see the future of collaborative gameplay & social experiences, you need a large-scale community to help that happen.

We work really, really hard on Fortnite to maintain a safe experience online – for example, there's only chat between you & your squadmates.

There's no proximity-based chat, so it's not possible for one person to grief another person they don't know.

Kim Libreri – CTO, Epic Games, 3/19
Interactive Gaming…

Shared Environments
With Collective Purpose / Goals =

The New Social / Friend Networks?

Recreating Reality Around
Play + Problem Solving
FREEMIUM BUSINESS MODELS =

GROWING & SCALING…
STILL EARLY DAYS IN ENTERPRISE / CONSUMER

'Freemium' coined by Fred Wilson (Union Square Ventures) & Jarid Lukin in 2006
Freemium Businesses =

Free User Experience Enables
More Usage / Engagement /
Social Sharing / Network Effects…

…Premium User Experience Drives
Monetization / Product Innovation
Freemium Business Model Evolution =

Gaming → Enterprise → Consumer
Freemium Gaming (2001) = Runescape…

I launched [Runescape] in 2001. The basic plan was to run it for free, but to pay for my hobby through advertising. However, when the dot com bubble began to collapse, advertising dried up & there was no way to pay for the game’s server.

This is how the member [subscription] came about… once we had people paying, we were able to reinvest back into the game. The more we invested, the faster it grew.

Andrew Gower – Runescape / Jagex, Creator, 5/07
…Freemium Gaming (2017) = Epic Fortnite

Free

Play With Others…

Premium

…Improve User Experience

Epic Fortnite Revenue Growth, per Nielsen Superdata*

Revenue Growth (2017 = 1x)

20x

10x

0

2017

2018

I think it’s a very positive trend that people are spending time in social experiences. That’s the thing you have to appreciate with Fortnite. Most people are playing together in squads with their friends, they’re on voice chat.

They’re playing a video game, but what they’re really doing is spending time with their friends & chatting all night.

It can last as long as the developers can keep games fresh & fun – we’re at that point where we’re able to do it & there’s a business model with free-to-play.

Tim Sweeney - Epic Games, Founder / CEO, 3/19


Freemium Gaming = Social / Often Mobile / Can Be Transient

Source: Nexon = Annual Company Filings. HearthStone = Activision Blizzard Filings + Morgan Stanley estimates. Zynga = Zynga Annual Filings. Rovio = Rovio Annual Reporting. Note Paid users refers to users who upgrade to unlock premium features such as ad-free game play. Paid Users % of Total = share of payers in a period divided by total active users in the same period.
Freemium Business Model Evolution =

Gaming → Enterprise → Consumer

Google’s many successful products deliver magical user experiences [for free] & when I joined Google, I was inspired to bring that same magic to the workplace with G Suite...

Building [free] products that are loved by billions of users has driven a discipline in the G Suite team for simplicity of design & we are bringing that billion-user experience to the workplace...you’re actually seeing that workplace users are demanding it.

Prabhakar Raghavan – Google, SVP of Engineering, 7/18
Our rapid adoption is driven by a virtuous cycle of positive user experiences.

*Individuals typically begin using our platform when a colleague or associate invites them to a Zoom meeting.*

When attendees experience our platform & realize the benefits, *they often become paying customers to unlock additional functionality.*

*Zoom – S-1 Filing, 3/19*
Freemium Enterprise = Collaborative / Business-Critical / Annuity-Like

Source: Dropbox = Public releases & Goldman Sachs Investment Research estimates. Slack = Public press release (05/18), SurveyMonkey = Company releases. Wix = Company presentation (3/19). Wix total users represent those with an account. Note: Paid users refers to subscribers to premium products. Paid user % of total = share of payers in a period divided by total active users in the same period.
Freemium Business Model Evolution =

Gaming → Enterprise → Consumer
Freemium Consumer (2008) = Spotify…

Free
Share Music / Playlists With Others...

Paid
...Premium User Experience

[Spotify] worked because we recognized… fans wanted all the world's music for free, immediately.

Our users share with their friends the joy of exploring music through Spotify, which creates incredible word-of-mouth for our business.

…Our free product drives premium subscription growth, that leads to better personalization & drives use among younger demographics with greater potential lifetime value.

Daniel Ek – Spotify, Founder / CEO, 3/18

We want everyone in the world to be able to design, whether you are in marketing, sales, a teacher or student - design has become a critical part of most professions to communicate ideas.

Rather than being stuck with complicated desktop based tools, we want everyone in the world to be able to create incredible designs that look professional and make them proud.

Giving people legitimate value before asking them to pay can be a really useful strategy for any company wanting widespread adoption.

Melanie Perkins – Canva, Co-Founder / CEO, 6/19
Freemium Consumer = Personalized / Efficient / Often Social / Annuity-Like

**Amazon Prime**
- Paid Users
- Paid % of Total Users

**Twitch**
- Paid Users

**Chegg**
- Paid Users
- Paid % of Total Users

**Cash App**
- Stored Funds
- Annualized Cash Card Spend

Source: Amazon Prime = Morgan Stanley estimates. Twitch = Morgan Stanley estimates. Chegg = Goldman Sachs Investment Research estimates. Cash App = Square public disclosures. Note: Paying users = subscribers for Amazon Prime / Twitch / Chegg. For Cash App, stored funds represent aggregate customer balances in the app as of the last day of the quarter. For all except Cash App, paid user % of total = share of payers in a period divided by total active users in the same period. Active users for Amazon = Active Paid accounts per MS estimates.
Freemium Business Evolution =

Started in Gaming
Evolving / Emerging in
Enterprise + Consumer…

All In…Just Getting Started
**Select Publicly Traded Pure-Play Freemium Businesses**

<table>
<thead>
<tr>
<th>&gt;10MM Paid Subscribers (3/19)</th>
<th>&gt;$1B Annual Revenue (2018)</th>
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<tbody>
<tr>
<td><strong>Gaming</strong></td>
<td><strong>Nexon</strong></td>
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<td>Epic Games (Private Company)</td>
<td>2011</td>
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<td>27MM**</td>
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<td><strong>Enterprise</strong></td>
<td><strong>Dropbox</strong></td>
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<td>13MM</td>
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<tr>
<td><strong>Consumer</strong></td>
<td><strong>Spotify</strong></td>
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<tr>
<td>100MM</td>
<td>2014</td>
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**Primary Monetization Drivers**

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<th>1st Year</th>
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<tr>
<td>Nexon</td>
<td>2011</td>
<td>Paid Items / Ads / Subscriptions</td>
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<td>King Digital</td>
<td>2013</td>
<td>Paid Items / Ads / Subscriptions</td>
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<td>Supercell</td>
<td>2014</td>
<td>Paid Items / Subscriptions</td>
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<td>Mixi</td>
<td>2015</td>
<td>Paid Items</td>
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<td>Netmarble</td>
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<td>Subscription / Ads</td>
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<tr>
<td>Pandora</td>
<td>2015</td>
<td>Subscription / Ads</td>
</tr>
<tr>
<td>Match Group</td>
<td>2016</td>
<td>Subscription / Ads</td>
</tr>
</tbody>
</table>

*Excluding China companies where Freemium business models are more mature owing to higher maturity of digital payments, particularly microtransactions / Excludes diversified companies (such as Apple / Amazon / Microsoft) owing to significant revenue contribution from non-freemium businesses / Excludes private company Epic owing to scale.

**Midpoint of 23-31MM estimate for Battle Pass subscribers per Timothy O’Shea @ Jeffries (3/19); not confirmed by Epic Games. Source: CapitalIQ (including currency conversion) = Nexon / King (2018 Revenue as part of Activision) / Pandora / Mixi / Match Group / Dropbox / Netmarble. Spotify = Wall Street Journal / Company reports. Supercell = Venture Beat.
Freemium Business Model
Enabler =

Cloud Deployment…
Cloud Deployment = Revenue +58% Y/Y…

Cloud Service Revenue – Amazon + Microsoft + Google

Source: Amazon AWS = Company filings, Microsoft Azure = Keith Weiss @ Morgan Stanley (4/18), Google Cloud = Brian Nowak @ Morgan Stanley (5/18). Note: Google Cloud revenue based on MS annual estimate, applied to quarters using the seasonality trends on 2018. Google only included in 2019 growth rates owing to lack of estimates before 2018.
…Cloud Deployment = 22% of Workloads +2x vs. Five Years Ago
…Cloud Deployment = Interest Continues to Rise

Cloud Usage – CIO Survey, USA / EU per Morgan Stanley

Source: Morgan Stanley Q1:19 CIO Survey. N= 100 USA / EU CIOs of major companies. Infrastructure as a service defined as cloud computing that uses virtualized resources in the cloud (i.e. processing, storage, etc.), but not software or other value add services. Platform as a service defined as cloud based hardware / software platforms, such as managed middleware.
…Freemium / Subscription Business Model

Enabler =

Efficient Digital Payments
Digital Payments = >50% of Day-to-Day Transactions

Transactions by Payment Channel

Thinking of your past 10 everyday transactions, how many were made in each of the following ways?

- In-Store: 41%
- Other Online: 14%
- Buy Buttons: 9%
- Other Mobile Payments: 8%
- P2P Transfer: 7%
- Mobile Messenger Apps: 7%
- Other In-App Payments: 4%
- QR Codes: 5%
- Smart Home Device: 2%
- Wearables / Contactless: 2%
- Other: 2%

Source: Visa Global Commerce Unbound 2018 (2/19). Note: Full question was “Please think about the payments you make for everyday transactions (excluding rent, mortgage, or other larger, infrequent payments). Thinking of your past 10 everyday transactions, how many were made in each of the following ways?” GfK Research conducted the survey with n = 8,127 across 20 countries (USA, Canada, UK, France, Poland, Germany, Sweden, Mexico, Brazil, Argentina, Colombia, Australia, China, India, Japan, South Korea, Russia, UAE, Kenya), between 5/31/18 – 6/29/18. All respondents do not work in Financial Services, Marketing, Marketing Research, Advertising, or Public Relations, own & currently use a smartphone, have a savings or checking account; own/use a computer or tablet, & own a credit or debit card.
DATA GROWTH =

CHANGING WAYS THINGS WORK… RAPIDLY & GLOBALLY
Data
Collection + Analysis + Utilization =

Evolving From
Humans to Humans / Computers
Pre-1995
Winning Businesses =

Use Human Data / Insights
To Improve Customer Experiences…
Product Development (1890s-1950s)…
IBM = Feet-on-Street Customer Input

Sales Force + Customers

IBM developed a sales force that became deeply knowledgeable about their customers’ operations & could explain benefits specific to each organization. Customers became highly engaged with IBM employees to explain what product innovations they needed to better use these [tabulation machines] that had become so essential to their operations.

Research & development at IBM depended on this interaction between engineers & customers.

James Cortada – Change & Continuity at IBM, 3/18

Product Development (1970s)…
Nike = Employee / User Input

**Employee / User**

All our employees were runners, we understood the consumer very well… We & the consumer were one & the same.

We got to know the players at the top of the game & did everything we could to understand what they needed, both from a technological & a design perspective.

Our engineers & designers spent a lot of time talking to the athletes about what they needed both functionally & aesthetically.

Phil Knight – Nike, Founder, 7/92

Source: Nike revenue from 1981 Nike Annual Report Quote: High-Performance Marketing: An Interview with Nike’s Phil Knight (HBR July/August 1992 issue)

1978 clinics in Atlanta, Denver & San Diego showed that customers wanted –

The ability to park in a standard garage, a side door opening at least 30 inches wide… seating for 3 people across, a flat interior floor, removable seats & the ability to walk from one end of the van to another.

David Zatz – Hemmings Magazine / ‘Mopar Minivans,’ 2/19
Product Development (1980s)…
Intuit = All-In Focus on Customer Testing

**User / Usability Testing**

We recruited people off the streets & timed their *Kwik-Chek* (Quicken) usage with a stopwatch. After every test, programmers worked to improve the program.

We did usability testing in 1984, five years before anyone else, there’s a big difference between doing it & having marketing people doing it as part of their design…a very big difference between doing it & having it be the core of what engineers focus on.

Scott Cook – Intuit, Co-Founder, 9/03
…1990s-2000s…

*Internet + Mobile Devices + Cloud*

- *Netscape Web Browser* – 1994
- *Amazon Web Services (AWS)* – 2006
- *Apple iPhone* – 2007
- *Apple App Store* – 2008
…Post-1995 Winning Businesses =

Use **Digital** Data / Insights To Improve Customer Experiences…
...the technology & information revolution had transformed the credit card business into an information business...allowing the capture of information on every customer interaction & transaction.

With this information, we can conduct scientific tests; build actuarially-based models of consumer behavior & tailor products, pricing, credit lines & account management to meet the individual needs & wants of each customer.

By exploiting this insight, we have transformed the one-size-fits-all credit card industry & created one of the fastest growing companies in America.

Capital One Annual Report – 1996
This is Day 1 for The Internet — & if we execute well — for Amazon.com.

Today, online commerce saves customers money & precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery.

Amazon.com uses the Internet to create real value for its customers &amp; by doing so, hopes to create an enduring franchise.

This year, we maintained a dogged focus on improving the shopping experience...we now offer...vastly more reviews, content, browsing options & recommendation features.

Amazon Annual Report — 1997
…2000s
Winning Businesses =

Build / Use
Data Plumbing Tools

To Use Digital Data / Insights
To Improve Customer Experiences
Data Plumbing Tools = Helping Businesses Real-Time…

Collect Data…
Understand Customer Wants & Improve Business Processes
Increase Customer Input / Improve Products
Manage Direct Customer / Subscriber Relationships
Improve Consumer Decision Making

…Manage Connections…
Organize Internal + External Communication
Communicate with Customers via Multiple Channels
Organize Customer Data Across IT Systems

…Optimize Data
Improve Analytics / Recommendations / Personalization
Respond To Customer Events at Scale
Discover Business Insights + Optimize Fulfillment
Manage Data Growth & Eliminate Inefficiencies
Qualtrics + FabFitFun = Collect Data to… Understand Customer Wants & Improve Business Processes

Qualtrics = Experience Management

Every organization in the world needs to collect experience data to close the massive gaps between the experiences they think they are delivering & what is really happening, both internally & externally.

Collecting experience data through Qualtrics allows companies to make adjustments in real time & adapt to fast-paced, changing circumstances. This allows those companies to quickly close experience gaps with their customers & enables employees to work more efficiently to serve those customers.

Ryan Smith – Qualtrics, Co-Founder, 6/19

Source: Qualtrics S-1 Filing (10/18). Morgan Stanley Estimate of 2018 Revenue (as part of SAP). FabFitFun (6/19)

FabFitFun = Community Input

We’re constantly tapping our members for real-time feedback to better understand the products & trends they like, the ingredients & formulations that get them excited, & the categories that connect them back to the FabFitFun brand & community.

We’ve aggregated millions of data points about consumer product & brand preferences allowing us to precisely forecast satisfaction with personalized curations & enable a flywheel between deeper understanding & an improved member experience.

Daniel Broukhim – FabFitFun, Co-Founder / Co-CEO, 6/19
Salesforce + Adidas = Collect Data to… Increase Customer Input / Improve Products

**Salesforce = Customer Engagement**

...as every company transforms their relationships with their customers...they’re fundamentally changing how they sell & how they service, how they market & innovate.

They’re connecting with their customers in a whole new way. They’re building incredible new intelligent 360-degree views of their customers, & they’re using extraordinary new tools to get faster, more informed decisions & at the heart of all this transformation is Salesforce.

Marc Benioff – Salesforce, Co-Founder / Co-CEO, 8/18

**Adidas = Customer Co-Creation**

We need to be able to respond to consumer expectations immediately. The relationship between Adidas & Salesforce allows us to be proactive in our designs – our ability to roll out new products & influence trends is amazing...

Our direct connection with customers through Salesforce basically makes it happen overnight.

Kasper Rorsted – Adidas, CEO, 6/18

Stripe + Slack = Collect Data to…
Manage Direct Customer / Subscriber Relationships

**Stripe = Transaction Management**

…the most innovative companies are establishing recurring relationships with their customers.

As these businesses iterate to find the best pricing & sales strategy, they’re often unnecessarily constrained by what their billing system allows.

[Customers] needed to do more than just simple subscription management. Based on feedback from many of our customers & others, we built Stripe Billing to provide fast-growing businesses the tools to move quickly & design billing around customer experience.

Noah Pepper – Stripe, Engineering & Product Management, 4/18

**Slack = Effective Billing of Users**

Slack recently launched Fair Billing Policy & it makes our customers say ‘Wow, that’s amazing.’

They’ll tweet about it, tell their friends about it. They’ll be very happy with us. They’ll be much more likely to renew. They have a positive impression.

That positive impression, obviously, makes a huge difference.

Stewart Butterfield – Founder / CEO, Slack, 7/15

Plaid + Betterment = Collect Data to... Improve Consumer Decision Making

**Plaid = Financial Data Access**

In the past, financial services were organized geographically – a bank would serve a local population & offer whatever services it thought that area needed – which often meant many consumers were underserved. Today, a new class of user-centric financial services companies are emerging that use data to tailor their services to the specific needs of individual consumers.

*Our goal at Plaid is to build the infrastructure that enables consumers to easily & securely share their financial data with any financial services app that helps them live healthier financial lives.*

Zach Perret – Plaid, Co-Founder / CEO, 6/19

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**Betterment = Automated Financial Management**

*Emotions drive human behavior, especially when it comes to money – people often engage in sub-optimal behaviors like trying to time the market.*

*Delivering high quality automated financial advice in real-time at scale requires access to consumers’ financial data. We’re able to use data from Plaid and other sources to deliver personalized, low-cost financial advice to more than 450,000 customers.*

Jon Stein – Betterment, CEO, 6/19

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Bank accounts connected refers to accounts connected to 3rd party services via Plaid.
Slack + HelloFresh = Manage Connections to…
Organize Internal + External Communication

**Slack = Communication Channels**

What Google is doing for the web, we’re trying to structure by channel.

*Team-first, organization-first approach to messages as opposed to individual first.*

As individual productivity increases, it's the handoff between people that gets more complicated. The talking to other people is the actual work.

Stewart Butterfield – Slack, Founder / CEO, 5/18

**HelloFresh = Feedback Mentoring**

HelloFresh uses Slack bots to monitor social media.

Whenever someone mentions HelloFresh, the bot pushes these notices into a Slack channel. They’re similarly alerted whenever they get a review of their app on the Apple Store or Google Play.

HelloFresh – 9/17

Twilio + Shopify = Manage Connections to… Communicate with Customers via Multiple Channels

Twilio = Customer Communication

15 years ago, talking to customers meant you had a phone number & customers could call it. Now, you’ve got text messaging, chat, mobile apps with push notifications, WeChat, WhatsApp, Facebook Messenger.

We want to provide one system that allows companies to keep up with this rapidly changing landscape & constantly iterating on those customer experiences with easy to use tools & infrastructure that they don’t have to worry about scaling.

Jeff Lawson – Twilio, Founder / CEO. 11/17

Shopify = Multi-Channel Dialog

We want to create an easy experience for our customers…we want to establish trust & form a human relationship with our customers [merchants] when they reach out for support on our platform.

It is essential to give our team the tools to cultivate those relationships from anywhere in the world on the channels that our customers want to use.

Chris Wilson – Shopify, Merchant Operations, 11/18

Source: Twilio Releases / Case Study (11/18). Jeff Lawson interview with BlogGeek.me (11/17). Shopify active merchants per Brian Essex @ Morgan Stanley.
Segment + Meredith = Manage Connections to… Organize Customer Data Across IT Systems

Segment = Customer Data Infrastructure

Today’s customers expect highly relevant, contextualized experiences wherever they interact with a business. However, this is an extremely difficult technology problem to solve.

Businesses are interacting with customers across dozens of digital channels, leading to a tangled mess of data that is siloed throughout their organization.

Customer Data Infrastructure solves this problem. It allows companies to collect, manage & easily route their first-party data to whichever application requires it, ensuring customer experiences are consistent and relevant.

Peter Reinhardt – Segment, Co-Founder / CEO, 6/19

Meredith = Content Recommendation

Segment has enabled us to streamline the customer data capture process, while maintaining flexibility to customize for each of our 36+ magazine brands as needed.

Before adopting Segment, we were spending far too much money on disjointed analytics & we had no way to look at the entire network at scale…

We now look across the entire organization to make sure we’re best serving all of these groups.

Grace Preyapongpisan & Kerry-Anne Doyle – Meredith, Business Intelligence, 1/18

Snowflake + Instacart = Optimize Data to… Improve Analytics / Recommendations / Personalization

Snowflake = Broad Data Access

There’s a lot of value in business data, but most companies struggle to extract that value.

The issue is with existing technology. The list of challenges we hear from our customers is consistent:

- Data is segregated into separate silos,
- significant energy goes into managing infrastructure, concurrency & resource limitations get in the way of business needs & overall the tools are hard to work with.

Snowflake’s unique architecture solves these problems being built from the ground up to leverage the scale, performance & elasticity of the cloud.

Frank Slootman – Snowflake, CEO, 6/19

Instacart = Product Replacements

Every time an Instacart shopper scans an item into their cart or marks an item as “not found,” we get information that helps us make granular predictions of an item’s in-store availability. This helps us recommend appropriate replacements for items likely to be out-of-stock.

Among other improvements, performing complicated feature engineering in our Snowflake data warehouse instead of python, this new [item replacement] tool, which scores 15x more items than previous tools, was built with 1/5 of the resources in 1/4 of the time.

Instacart – 12/18

Confluent + Accor = Optimize Data to... Respond to Customer Events at Scale

Confluent = Data / Event / Response

Companies are still running on tech from batch-process era, yet their customers expect experiences with real-time, contextual information.

Companies are now re-architecting their businesses around real-time data with a new kind of data infrastructure called event streaming platforms.

With Confluent, companies can connect all of their systems & power applications with live data sources. Now, they can engage their customers based on real-time events.

Jay Kreps – Confluent, CEO, 6/19

Accor = Availability Request Processing

Accor’s augmented hospitality offerings include 4,800 hotels, resorts, & residences across 100 countries.

As part of a shift to a more connected, real-time future, Confluent is helping simplify & transform the booking lifecycle, connecting the data & event streams that are triggered the second a customer clicks ‘book,’ from processing the payment & fraud detection to adding dietary requirements & room preferences from previous bookings.

Julien Ramakichenin – VP Distributed & Intelligent Systems, Accor, 6/19

Source: Confluent (6/19), Accor (6/19)
Looker + FarFetch = Optimize Data to…
Discover Business Insights + Optimize Fulfillment

Looker = Business Intelligence

Looker helps companies better understand all the data they have & I think this has been a holy grail for a long time.

Companies want to be data-driven. They want their employees to be able to ask questions & get factual answers.

When we started out, companies didn’t understand the lifetime value of their customers completely, & there was this chaos going – we wanted to bring data into the reach of any company so it could use it more effectively.

Frank Bien – Looker, President & CEO, 8/18

FarFetch = Optimize Order Fulfillment

In luxury fashion, there is often a mismatch between supply & demand…Emerging brands typically have no route to the global market & their distribution is limited.

Farfetch has more supply / demand data than anyone else in the luxury fashion industry & is now supplementing it with even more market data.

Over time, Farfetch will turn that data into strategic commercial insights to form the basis of advisory for the fashion industry (starting with the luxury brands) through the development of a disruptive insights platform.

Farfetch – 3/19

UiPath + Sumitomo Mitsui = Optimize Data to… Manage Data Growth & Eliminate Inefficiencies

UiPath = Data-Driven Process Automation

...[Robotic Process Automation's (RPA)] benefits compound as employees are freed from the burden of routine, monotonous manual work, enabling them to focus on high-value tasks such as improving customer service, enabling front-line staff to retrieve more data at a faster rate & enhancing every aspect, from the booking experience to customer service support.

This leads to greater employee satisfaction & more productive staff who deliver better customer service experience & positive feedback from customers.

Daniel Dines – UiPath, Founder / CEO, 4/18

Sumitomo Mitsui = Increase Support Capacity

Our key areas of RPA implementation include – information gathering processes used to enhance sales & planning capabilities (customer transaction / industry data) & supporting branch operations (customer performance reports / mortgage loan brochures).

The anticipated 3MM person-hours of productivity to be generated over the next 3 years [by using RPA] will be used to expand value-add operations, like enhancement of sales capacity through improved customer proposals.

Collect Data…
Understand Customer Wants & Improve Business Processes
Increase Customer Input / Improve Products
Manage Direct Customer / Subscriber Relationships
Improve Consumer Decision Making

…Manage Connections…
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Improve Analytics / Recommendations / Personalization
Respond To Customer Events at Scale
Discover Business Insights + Optimize Fulfillment
Manage Data Growth & Eliminate Inefficiencies
Data is now fundamental to how people work & the most successful companies have intelligently integrated it into everyone's daily workflow…

*Data is the new application.*

Frank Bien – CEO & President, Looker, 6/19
Data / Artificial Intelligence

– Used Properly –

Can Improve Customer Satisfaction
Retail Customer Satisfaction = Can Rise With Data + Personalization

Survey of Retail Customers

91%
Prefer Brands that Provide Personalized Offers / Recommendations

83%
Willing to Passively Share Data in Exchange for Personalized Experiences

74%
Willing to Actively Share Data in Exchange for Personalized Experiences

Accenture (Global*)
People around the world have called for comprehensive privacy regulation in line with the European Union’s General Data Protection Regulation, & I agree…

…[New Regulation] should protect your right to choose how your information is used — while enabling companies to use information for safety purposes & to provide services.

Mark Zuckerberg – Co-Founder / CEO, Facebook, 3/19
Data Volume + Utilization =

Evolving Rapidly / Broadly
Data Volume = Extraordinary Growth…
~13% Structured / Tagged & Rising Rapidly

New Data Captured / Created / Replicated, per IDC

Source: IDC ‘Digitization of the World From Edge to Core White Paper’ developed in collaboration with Seagate (11/18), IDC DataSphere. Note: 1 petabyte = 1MM gigabytes, 1 zeta byte = 1MM petabytes of new data created / captured each year. The grey area in the graph represents data generated, not stored. Structured data indicates data that has been organized so that it is easily searchable & includes metadata & machine-to-machine (M2M) data. Replicated data = data that is a copy of the original.
Data Propagation = Expanding…
Endpoints ⇔ Edge ⇔ Core

Source: Adapted from Graphics presented in IDC ‘Digitization of the World From Edge to Core White Paper’ developed in collaboration with Seagate (11/18), IDC DataSphere.
Data Stewardship = Evolving…
Enterprise Surpassed Consumer…Cloud Overtaking Both

Data Stored by Manager, per IDC

- **Consumer**
- **Enterprise**
- **Cloud**

Source: IDC ‘Digitization of the World From Edge to Core White Paper’ developed in collaboration with Seagate (11/18), IDC DataSphere.

Note: Consumer refers to devices owned by end users, such as smartphones, computers, external hard drives, etc. Enterprise refers to data stored by businesses, often in on-premise data centers. Public cloud refers to services such as Amazon Web Services, Microsoft Azure, Google Cloud, etc. Note: 2018 = last full year before release of report. 2019-2025 are estimated from current trends.
New Data Captured / Created / Replicated by Region, per IDC

Data Volume Share = EMEA Leads… Followed by Fast Rising China…USA Falling

Source: IDC ‘Digitization of the World From Edge to Core White Paper’ developed in collaboration with Seagate (11/18), IDC DataSphere. IDC estimates that China’s Data captured / created / replicated will grow 30% annually for next 7 years owing to more Internet users creating more data in China & China’s above average usage of video surveillance – video is by far the most data-intensive type of data commonly captured / created / replicated today. EMEA’s datasphere is the largest in the world today owing, in part, to their mature use of video surveillance technology. Note: EMEA = Europe, Middle East & Africa. ROW = Rest of World. Note: 2018 = last full year before release of report. 2019-2025 are estimated from current trends.
The data-driven world will be always on, always tracking, always monitoring, always listening & always watching – because it will be always learning.

What we perceive to be randomness will be bounded into patterns of normality by sophisticated artificial intelligence algorithms that will deliver the future in new & personalized ways.

Artificial intelligence will drive even more automation into businesses & feed processes & engagements that will deliver new levels of efficiency & products that are tailored to business outcomes & individual customer preferences.

Today, companies are leveraging data to improve customer experiences, open new markets, make employees & processes more productive & create new sources of competitive advantage…

Traditional paradigms will be redefined (like vehicle or white goods ownership) & ethical, moral & societal norms will be challenged…

David Reinsel / John Gantz / John Rydning – IDC, The Digitization of the World – From Edge to Core, 11/18
Humans’ ability to adapt to technological change is increasing, but it is not keeping pace with the speed of scientific & technological innovation.

To overcome the resulting friction, humans can adapt by developing skills that enable faster learning & quicker iteration & experimentation.

Developing these skills is particularly important for policy makers & regulators who are looking to protect the public interest. They need to be ready to try new approaches, iterate & change with the times so tech progress goes hand in hand with public benefit.

Astro Teller – X, The Moonshot Factory
Adapted from Thomas Friedman’s Thank You For Being Late, 2016
Consumers + Businesses + Regulators = Increasingly Drinking from Data Firehose

Source: The Canadian Press
...INTERNET USAGE =

THERE ARE CONCERNS...THERE IS GOODNESS
Usage Concern = Overload…
Adults ‘Almost Constantly’ Online = 26% vs. 21% Three Years Ago

% of Adults Online ‘Almost Constantly’

**Overall**

- 21% in 2015
- 26% in 2018

**By Age Group**

- **18-29**
  - 2015: 12%
  - 2018: 17%
  - 36% in 2018

- **30-49**
  - 2015: 28%
  - 2018: 36%

- **50-64**
  - 2015: 12%
  - 2018: 17%

- **65+**
  - 2015: 6%
  - 2018: 8%

Source: Pew Research (7/15 + 1/18)
Do Social Media Platforms You Use Make These Health-Related Factors Better or Worse?

Better / Positive
- Self-Expression
- Self-Identity
- Community Building
- Emotional Support
- Awareness of Others
- Access To Health Info
- Real-World Relationships
- Loneliness

Worse / Negative
- Depression
- Anxiety
- Body Image
- Bullying
- Fear of Missing Out
- Sleep Quality / Amount

More Positive
More Negative

Source: Royal Society For Public Health Survey of 1,479 British teens in ‘early-2017’. Each teen was asked to rate 5 of the most popular social networks (YouTube, Facebook, Twitter, Snapchat & Instagram) on each dimension. Data presented = average of scores for each social network.
Digital Media = Users Taking Action to Reduce Usage

% of Adults Trying to Limit Personal Smartphone Use, USA

- 2017: 47%
- 2018: 63%

Parent Actions to Regulate Children’s Internet / Phone Usage

- Used Digital Parental Controls for Websites:
  - 39% (2015) vs. 52% (2018)
- Used Digital Parental Controls for Phone Use:
  - 16% (2015) vs. 57% (2018)

Digital Media = Businesses Taking Action to Help Users Monitor Usage

2018

Major Platforms Launched Wellness / Time Tracking Features

Apple
Screen Time

Google
Digital Wellbeing

Facebook
Your Time on Facebook

YouTube
Time Watched

Source: Apple, YouTube, Google, Facebook
Social Media Usage = Decelerating…
+1% vs. 6% Y/Y

Daily Time Spent on Social Media, Global

Source: Hootsuite & WeAreSocial Digital 2019 report (1/19). Note: 2019 Estimate owing to the fact that users were surveyed in January 2019, before they have completed the year 2019.
...Usage Concern = Privacy...
Digital Media = Privacy Concerns High But Moderating

People More Concerned About Internet Privacy vs. One Year Ago, Global

- 2018: 64%
- 2017: 52%

2014 – The New York Times reports on NSA documents showcasing government tracking of USA smartphone use
2015 – Anthem Health announces that 80MM personal health records were stolen in a ‘sophisticated attack’
2016 – Yahoo! reveals that 3B customer records, including names, address & encrypted passwords were breached
2017 – Equifax reveals the personal financial records of over 145MM Americans owing to an unsecured web portal

Regulators / Businesses = Improving Consumer Privacy Control

Regulators Mandating Privacy Rules / Policies

EU - GDPR
Passed – 2016
Effective – 2018

California State
Passed – 2018
Effective – 2020

Businesses Improving Privacy Management

Facebook
2018

Google
2019

Digital Media = Encrypted Messaging / Traffic Rising Rapidly

**Select Messenger MAUs**

- **Default End-to-End Encryption**
- **Optional / Announced End-to-End Encryption**
- **No End-to-End Encryption**

**% of Web Traffic Encrypted**

Source: Google, Tencent, Twitter, Facebook, Apple, Telegram releases & Morgan Stanley estimates. Note: *iMessage2 MAUs calculated by install base of Apple iPhones, as estimated by Credit Suisse (2014-2017). WhatsApp employs end-to-end encryption by default. Facebook Messenger has end-to-end encryption capabilities but users have to manually enable them. Instagram does not have end-to-end encryption but Facebook is planning to add that feature & make Facebook Messenger encrypted by default (1/19). All Gmail messages are encrypted at rest and in transit. Fortinet Q3:18 Quarterly Threat Landscape Report (11/18). HTTPS = Hyper Text Transfer Protocol Secure is the secure protocol over which data is sent between the browser and the website the user is connected to.
...Usage Concern =

Problematic Content / Activity
More Than Half of Humanity (& Rising) = Online

Internet Penetration, 2018

Source: CIA World Factbook, United Nations / International Telecommunications Union, USA Census Bureau. Internet user data is as of mid-year. Internet user data: Pew Research (USA), China Internet Network Information Center (China), Islamic Republic News Agency / InternetWorldStats / Bond estimates (Iran), Bond estimates based on IAMAI data (India), & APJII / GlobalWebIndex (Indonesia).
We use a lab experiment to capture participants’ news selection biases, alongside a survey capturing their stated news preferences…

regardless of what participants say, they exhibit a preference for negative news content.

Marc Trussler & Stuart Soroka – Consumer Demand for Cynical & Negative News Frames, 3/14
No one attempting to derive an estimate of the present conditions in New York from the front page contents of our many newspapers could be blamed for concluding that society is on the verge of deplorable anarchy.

James E. Rogers – University of Chicago Press, Quoting The Evening Post in The American Newspaper, 1909
Problematic Content on Internet =

Can Be Less Filtered + More Amplified
Images / Streaming = Can Be More Powerful Than Text

Then
News via Edited Text

Now
News via Live Images

Algorithms = Can Amplify Users Own Patterns

Newsfeeds Curated Using:

- **Search History**
- **Reading History**
- **Followed Accounts**
- **App Interactions**
- **Followed Interests**

**Google**

**Apple**

**Twitter**

**Toutiao**

**Reddit**

Source: Google, Apple, Twitter, ByteDance, Reddit
Social Media = Can Amplify Trending Topics

**Do You Ever Get News or News Headlines from ____ ?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Facebook</th>
<th>YouTube</th>
<th>Twitter</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2014</td>
<td>25%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>43%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>2016</td>
<td>43%</td>
<td>21%</td>
<td>12%</td>
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<td>12%</td>
</tr>
<tr>
<td>2018</td>
<td>43%</td>
<td>21%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Pew Research (9/18). Note Survey = 4,581 respondents interviewed between 7/30/18 & 8/12/18 vs. historical data from 2016 & 2013. Note: Instagram / LinkedIn / Reddit / Snapchat / WhatsApp / Tumblr not shown owing to less than 10% of respondents using them to get news in 2018.
Traditional Media Platforms = Can Amplify Social Media Trending Topics

% Articles Citing Content Originally Posted To Facebook / Twitter (Leading Newspapers*)

The topics for which Facebook & Twitter are most commonly sourced [in newspaper articles] are similar across all countries – among them are soft news topics as well as hard news topics such as domestic & international politics, breaking-news events or reporting on movements, the last of which highlights the relative advantages of social media as a source for journalists.

Gerret von Nordheim et al. – Sourcing the Sources, 6/18

Source: Sourcing the Sources – Bournemouth University. *An analysis of the use of Twitter & Facebook as a journalistic source over 10 years in The New York Times, The Guardian, & Süddeutsche Zeitung (leading newspapers in USA / UK / Germany). Analysis conducted by collecting articles from 2006-2016 across all 3 newspapers & running natural language processing models on the text to identify articles that mention Facebook or Twitter as sources.
Social Media = Can Amplify Bad Behavior

I Have Experienced _____ Online

42% = Offensive Name-Calling

32% = Spreading of False Rumors

16% = Physical Threats

Pew Survey (USA Teens)
The main terrorist problem in the United States today is one of individuals radicalized by a diverse array of ideologies absorbed from the Internet.

Peter Bergen & David Sterman – *The Real Terrorist Threat in America* - *Foreign Affairs*, 10/18
The Internet plays a role in fostering distinct & polarized online communities among conspiracy theory believers...

Believers share their opinions & ‘evidence’ with other believers but are less willing to share with people who are critical of conspiracy theories – with the Internet, conspiracy groups become more homogeneous & their beliefs become stronger over time.

Karen Douglas – Professor of Social Psychology, The University of Kent Writing for The Conversation, 6/18
Polarization has been abetted by many factors. Americans are sorting themselves out geographically, living in increasingly politically homogeneous neighborhoods. 

Social media & the proliferation of media channels via the Internet & TV has played a role, allowing people to communicate exclusively with people like themselves. Identity & the growth of identity politics have also played a role – People have gravitated toward groups that feel they are in a zero-sum competition against one another.

Francis Fukuyama – Stanford University, Professor of Political Science, 12/18

**Distribution of Democrats & Republicans**

On 10-item Scale of Political Values, per Pew Research, USA

Note: Ideological consistency based on a scale of 10 political values questions (see methodology). The blue area in this chart represents the ideological distribution of Democrats & Democratic-leaning independents; the red area of Republicans & Republican-leaning independents. The overlap of these two distributions is shaded purple. Source: Pew Surveys conducted 1994-2017. Stanford release.
Internet Platforms = Driving Efforts to Reduce Problematic Content

Facebook

Content Items Removed vs. % Hate Speech Identified / Removed Before User Report

YouTube

Videos Removed for Community Guideline Violations vs. Share Flagged / Removed Before First View

Source: Facebook Community Standards Enforcement Report (5/19). Pieces of content include posts, photos, videos or comments that were taken down due to violation of community guidelines. Taking action could include removing a piece of content from Facebook, covering photos or videos that may be disturbing to some audiences with a warning, or disabling accounts. Spam not included due to the scale (Billions of pieces of content removed quarterly. YouTube Community Guidelines enforcement Report (5/19). YouTube Community Guideline Violations can include sexual content, graphic / violent content, harassment, etc.)
Consumers + Businesses = Driving Efforts to Moderate Problematic Content

The number of media outlets focused on fact-checking & political accountability reporting has grown rapidly. Bolstered by new partnerships & technology, more fact-checking took place during the 2016 election than in previous elections.

Media organizations including NPR & The Washington Post report record-breaking readership of their fact-checking work.

Alan Greenblatt – The American Press Institute, 4/17

We can definitely continue to improve how we manage the YouTube platform...

I see how much improvement we've already made...If you look back 2 years, there were a lot of articles about how we handled violent extremism...if you talk to experts in this field today, you can see we've made tremendous progress.

We are an information company - we committed last year to having >10,000 people moderating content...

I see how much progress we've already made. We just made changes to our recommendation algorithms for borderline content & we've announced we've seen a 50% reduction in the views coming from recommendations on that content.

If you combine much better policies with technology to do that at scale, I think you can be at a much better place.

Susan Wojcicki – CEO, YouTube, Interview @ Code Conference, 6/19

The Department of Homeland Security has engaged with major social media companies to encourage them to continue to police their websites...

We do see that those efforts are bearing some fruit – I think we have a long way to go & we look forward to continue to engage with social media companies in that environment.

Brian Murphy – Principal Deputy Undersecretary, Department of Homeland Security, Testimony to USA Congress, 5/19
When You Add Up Internet Advantages & Disadvantages of The Internet, It Has Been _____ for Me / Society

For Me = Mostly Good

For Society = Mostly Good

Age-Old Challenge of Amplifying Good + Minimizing Bad =

Taking Rapid Twists & Turns
Global Relationships
Related to
Information + Data =

Evolving Differently / Rapidly
In a sense, the World Wide Web as we know it is over… in its place is something altogether different: a Balkanized ‘splinternet’…where your experience online is determined by local regulation.

Mark Scott – Chief Technology Correspondent, Politico, 12/17 & 2/18

We need a new generation of laws to govern a new generation of tech.

Brad Smith – President & Chief Legal Officer, Microsoft, 2/18

There’s a paradigm shift going on… Governments are moving from a position of non-interference to a realization that if we want to keep a cross-border Internet going, then we [need] a new system of governance.

Paul Fehlinger – Co-Founder, Internet & Jurisdiction Policy Network, 2/18

Global Internet Freedom…
Partly-Free = Rising…Free / Not-Free = Falling

Freedom House – Freedom on the Net (Global, 2018)

Internet Users Live in a Country Where ______

- **55%**
  - Political, social, or religious content is censored / blocked

- **47%**
  - Government Internet surveillance powers have increased over past year

- **47%**
  - Access to certain social media / messaging platforms have been blocked

- **42%**
  - Government has disconnected Internet / mobile networks often for political reasons

<table>
<thead>
<tr>
<th>Internet Population ‘Internet Freedom Status’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>24%</td>
</tr>
<tr>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Freedom on The Net Reports 2016 + 2018. Note: Freedom on the Net measures the level of Internet & digital media freedom in 65 countries. Each country receives a numerical score from 0 (the most free) to 100 (the least free), which serves as the basis for an Internet freedom status designation of FREE (0-30 points), PARTLY FREE (31-60 points), or NOT FREE (61-100 points). Ratings are determined through an examination of three broad categories – Access (Assesses infrastructural & economic barriers to access), Content Limits (Examines filtering & blocking of websites) & User Rights (Measures legal protections & restrictions on online activity; surveillance; privacy; & repercussions for online activity, such as legal prosecution, imprisonment, physical attacks, or other forms of harassment. Scores do not add to 100 owing to non-analyzed countries.
**Global Internet Freedom Framework (Freedom House)**

**Freedom House Freedom on The Net Index**

Measures a country’s level of Internet / digital media freedom, using questions derived from Article 19 of UN’s Universal Declaration of Human Rights:

*Everyone has the right to freedom of opinion & expression; this right includes freedom to hold opinions without interference & to seek, receive & impart information & ideas through any media regardless of frontiers.*

Countries are given points for: 1) Obstacles to Access; 2) Limits on Content; 3) Violations of User Rights

---

**Free**
- Countries with low economic / infrastructural / regulatory barriers to Internet access…
- minimal blocking / filtering of content / information…strong privacy protections

**Partly-Free**
- Countries with some barriers to Internet access (like state-owned providers handicapping competition)…
- some blocking of content / information (like news sites or temporary blocks on social media)…
- some privacy violations (like data collection requirements with weak judicial oversight)

**Not-Free**
- Countries with strong barriers to Internet access (like cutting off the internet to certain regions)…
- strong blocking of content (news sites, opposition figures, permanent blocks on social media)…
- rampant privacy violations (like data localization requirements with low judicial independence, unchecked surveillance)

Source: Freedom House’s Freedom on The Net Reports 2016-2018. Note: Freedom on the Net is a collaborative effort between a small team of Freedom House staff & an extensive network of local researchers & advisors in 65 countries. Freedom on the Net’s in-country researchers have diverse backgrounds—academia, blogging, traditional journalism, & tech—& track developments from their country of expertise. In the most repressive environments, Freedom House takes care to ensure researchers’ anonymity or, in exceptional cases, works with foreign nationals living outside their home country.
**Internet Trends 2019**

*World Wide Web = Webs of Worlds Driven by Local Regulation…*

<table>
<thead>
<tr>
<th>Internet Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Global Internet User %</td>
</tr>
<tr>
<td>Internet Access</td>
</tr>
<tr>
<td>• Diverse regulatory bodies with varied / distinct powers</td>
</tr>
<tr>
<td>• Privately-owned telecom infrastructure accessible to nearly all residents</td>
</tr>
<tr>
<td>Content Regulation</td>
</tr>
<tr>
<td>• Virtually no content filtering &amp; strong free speech protections</td>
</tr>
<tr>
<td>• No political censorship, strong protection for hosts of user-generated content</td>
</tr>
<tr>
<td>User Regulation</td>
</tr>
<tr>
<td>• Some legal privacy protections related to government collection of user data</td>
</tr>
<tr>
<td>• Limited regulation on encryption / secure communication</td>
</tr>
<tr>
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</table>

**Legend**

- **Limited Regulation**
- **Moderate Regulation**
- **Strong Regulation**

Note: *Based on analysis of Germany / UK / France / Italy / Spain / The Netherlands / Sweden – 7 largest economies in The European Union, representing >70% of The EU GDP in 2018 & a majority of votes in the EU Parliament…Individual policies vary across The EU, in particular, some eastern European Union countries (e.g., Hungary) significantly limit Internet freedom in stark contrast to more open EU nations. Analysis also takes into account EU-wide directives, such as GDPR. Source: Adapted from Freedom House 2018 Freedom on the Net Report. Global Internet User % as of 2018 per CIA World Factbook, United Nations / International Telecommunications Union, USA Census Bureau. Internet user data is as of mid-year. Internet user data: Pew Research (USA), China Internet Network Information Center (China), estimates based on IAMAI data (India).*
Global Internet Regulatory Observations per *Foreign Affairs* (9/18)

### USA

*In 1997, USA negotiated an agreement through the World Trade Organization that committed 67 signatory countries to ‘procompetitive regulatory telecommunications principles’…*

*As the Internet grew more centralized & as its role expanded, policymakers failed to keep up. When it came to updating regulations for online activities…the Internet was treated as a special realm that did not need regulation & the bad guys took notice.*

*Karen Kornbluh – Senior Fellow for Digital Policy, Council on Foreign Relations*

### European Union

*The GDPR has…created a blueprint that other states & organizations will study closely as they, too, seek to properly balance individuals’ rights to data protection with their other rights & with the legitimate interests of business & government.*

*The law’s main innovation is to establish a bedrock principle of accountability. It places responsibility for properly collecting & processing personal data squarely on organizations & extends to individuals the right to prevent their data from being collected or processed. The GDPR also gives individuals the right to insist that their data be deleted.*

*Helen Dixon – Data Protection Commissioner, Ireland*

### India

*When a service provider sends an authentication request to Aadhaar (India’s National Identity System), the purpose of the authentication is not revealed; all the government knows is when someone uses his Aadhaar number, not where or why.*

*[Aadhaar shows] India’s approach to the Internet is simple – empower users with the technical & legal tools required to take back control of their data.*

*Nandan Nilekani – Founding Chair of Unique Identification Authority of India*

### China

*Chinese leaders want to ensure a harmonious Internet – one that guides public opinion, supports good governance & fosters economic growth but also is tightly controlled…*

*China has promoted ‘cyber-sovereignty’ as an organizing principle of Internet governance…China envisions a world of national Internets, with government control justified by the sovereign rights of states.*

*Adam Segal – Chair, Emerging Technologies & National Security, Council on Foreign Relations*

Open Internet =

Can Benefit All Constituents
Open Internet =
Core Constituent Motivations

**Consumers**
Want to Get What They Want Efficiently & Inexpensively

**Businesses**
Want to Sell Products & Services Profitably

**Regulators**
Want to Protect Consumers / Businesses / Social Institutions
Do Online Consumer Reviews / Government Oversight Help ‘A Lot’ to ________

- Ensure Safety of Products & Services: 41% (41% Consumer Reviews, 33% Government Oversight)
- Make Companies Accountable to Consumers: 45% (45% Consumer Reviews, 30% Government Oversight)
- Make Consumers Feel Confident About Purchases: 46% (46% Consumer Reviews, 25% Government Oversight)

Safety is our number one principle at Airbnb, the whole thing only works if you feel safe – we have a few hundred people on our Trust & Safety Team who really work with the Airbnb community to facilitate that.

70% of guests – when they stay on Airbnb – leave a review, which means we’ve built a system that allows the community to review properties on Airbnb & build trust.

Brian Chesky – CEO, Airbnb, 4/19
Reveals / Actions / Reactions Amplified on Internet =

Can Drive Transparency + Rapid Change for Consumers / Businesses / Regulators
Reveal / Action / Reaction…
Twitter = Communication Tool for Citizens…

Humanitarian Concerns

**JJ Watt Hurricane Harvey Relief**
Recovery efforts from Hurricane Harvey will be massive. We must come together to help rebuild our communities.

**Blood Donors India**
Good news! Glad to announce our partnership with @BloodDonsIndia on #BloodDonsIndia with the support of @JagNadda, @BloodDonsIndia. We’re going to work together to help save many more lives around the country. Thank you all donors and volunteers.

**Emergency Rescue**
We had a serious injury and need help! Can someone please call Windy Trails in Turtonwood, CT tell them I’m stuck. Bike crash woods.

$42MM Raised…
1 Year
(2017)

...11K Donations…
1 Year
(2017)

...Accident -> Safety
<3 Hours
(2010)

Source: Twitter (7/10-8/17)
…Reveal / Action / Reaction…
Twitter = Communication Tool for Consumers + Businesses

**Consumer / Business Concerns**

**Starbucks Security Policy…**
<2 Days
(2018)

**Glossier**

**Under Armour**

...New Packaging...
<1 Day
(2019)

...New Steph Curry Shoe Sizes
<1 Week
(2018)

Source: Twitter (4/18-4/19) Note: Under Armour included ‘Curry 5’ shoes in the ‘Girl’s Shoes’ section of their website & updated sizing nomenclature to “Grade School” rather than ‘Boys.’
Reveal / Action / Reaction…
Social Media = Communication Tool for Citizens + Regulators

Social Media is Important For _________

69%
Getting Government Officials to Pay Attention to Issues

67%
Creating Sustained Movements for Social Change

58%
Influencing Government Policy Decisions

Pew Survey (USA)

Source: Pew Survey of 4,594 USA adults (6/18). Note: Percentages = respondents who responded ‘very important’ or ‘somewhat important’
Open Internet = Can Be Messy, But Effective…

Consumer / Business / Regulators = Key to Work Together to Amplify Good + Minimize Bad
During the first two-decades of the Internet’s growth, too much faith was put in the technology itself.

Not enough was done to address challenges such as the spread of surveillance technologies, abuse of online platforms & the general undermining of trust.

...[governments] should work to establish better baselines & metrics to assess the Internet’s true impact, as well as the kinds of actions that enable the good & mitigate the bad.

Advocates for the open Internet should acknowledge that regulation can help, while remaining vigilant to unintended consequences.

...all of these stakeholders should continue to forge coalitions that work across borders in support of flexible, focused & rights-compliant efforts to improve freedom online.

Crowdsourced Algorithmic Bill of Rights, per Sigal Samuel @ Vox

1) Transparency
2) Explanation
3) Consent
4) Freedom from Bias
5) Feedback Mechanisms
6) Data Portability
7) Redress
8) Algorithmic Literacy
9) Independent Oversight
10) Federal / Global Governance

Source: In early 2019, Vox reached out to 10 experts (including Kartik Hosanagar – original proposer of an Algorithmic Bill of Rights) at the forefront of investigating how Artificial Intelligence risk is creeping into multiple aspects of life. Vox reporter Sigal Samuel asked them each to name a protection the public needs enshrined in law, resulting in a crowdsourced, proposed Algorithmic Bill of Rights.

Highly Regulated Internet = Can Favor State Control
A fundamental First Amendment principle is that all persons have access to places where they can speak & listen & then, after reflection, speak & listen once more. Today, one of the most important places to exchange views is cyberspace, particularly social media, which offers relatively unlimited, low-cost capacity for communication of all kinds.


If there be time to expose through discussion the falsehood & fallacies, to avert the evil by the processes of education, the remedy to be applied is more speech, not enforced silence.

Louis Brandeis – Former USA Supreme Court Justice – Concurring Opinion, Whitney v. California, 5/1927

I urge improving the governance capacity in cyberspace & developing a governing network led by the [Communist Party of China].

Internet media should spread positive information, uphold the correct political direction & guide public opinion & values towards the right direction.

Internet service providers should take responsibility to prevent cyberspace from degrading into a platform full of harmful, false & provocative information.

Xi Jinping – President of The People’s Republic of China, As Translated by Xinhua, 4/2018

Source: USA Supreme Court (6/17). As translated to English by official China State media (Xinhua, 4/18)
Cyber Attacks =

Sophistication + Scope Continue to Rise
Cyber Attacks = Evolving Sponsors / Targets / Asks / Detection

1) **State-Sponsored Actor Attacks = Rising**
   USA / UK / The Netherlands / Germany Have Publicly Indicted State-Actors

2) **Large-Scale Data Provider Attacks = Rising**
   Cloud Providers / Telecoms / Data Brokers Seeing Elevated Attack Activity

3) **Monetary Extortion Cases = Rising**
   Non-Attributable Currencies (e.g., Crypto) Enabling Anonymous Ransom Payments

4) **Attack-to-Detection Dwell Time = Continues To Fall**

Source: FireEye M-Trends Report 2019
Cyber Attacks = Opportunities Created by Online System Weaknesses

A financial services firm engaged a Mandiant Red Team to evaluate the effectiveness of its information security team’s detection, prevention & response capabilities. The team was able to obtain full administrative control of the company domain & compromise all critical business applications without any software or operating system exploits. 

Instead, the team focused on identifying system misconfigurations, conducting social engineering attacks & using the client’s internal tools & documentation.

FireEye Threat Research, 4/19

Data Center Operators – Downtime Experienced in Past Year

Source: Uptime Institute 2018 Report. FireEye Note: Uptime Institute is a professional services organization best known for its data center tier standards for data center uptime. Each year, it conducts a survey of 900 data center operators on a variety of topics, including data center outages.
Security experts have seen a significant uptick in the number of clients securing their VPN or remote access infrastructure with multi-factor authentication.

However, there is frequently a lack of multi-factor authentication for applications being accessed from within the internal corporate network.

FireEye Threat Research, 4/19

Source: Elie Bursztein (Security & Anti-Abuse Lead @ Google). analysis of dongleauth.info database data (12/18). FireEye (4/19)
Cyber Attacks = Increasingly Focused on Sensitive Data

As more & more customers move to software as a service & cloud, attackers are following data.

Attacks against cloud providers, telecoms & other organizations with access to large amounts of data... increased in 2018.

FireEye M-Trends Report 2018

Source: Identity Theft Resource Center (2014-2018). MalwareBytes 2019 State of Malware Report. Note: Trojan malware = malware specifically designed to evade detection by security software. Observed volume calculated as an average of monthly observations for a quarter. A sensitive record defined as personal information that could be used to commit a crime against a victim exposed due to an online security breach (e.g., bank credentials being accessed illicitly). Variation in number of records often driven by large individual breaches. In 2015, Anthem Health revealed 78MM personal records via breach. In 2017 Equifax exposed ~150MM personal records via breach. In 2018, Marriott International exposed ~383MM records via breach.
States are using the tools of cyberwarfare to undermine the very foundation of the Internet: trust. They are hacking into banks, meddling in elections, stealing intellectual property & bringing private companies to a standstill.

The result is that an arena that the world relies on for economic & informational exchange has turned into an active battlefield.

Cyber-operations are emblematic of a new style of competition…

In operation after operation, many of them hardly registered by the wider world, states are weaponizing the Internet.

All these incidents occurred in a gray zone of conflict – below the threshold of outright war but above that of purely peacetime behavior.

Michèle Flournoy & Michael Sulmeyer – Co-Founders, WestExec Advisors, Foreign Affairs, 9/18
WORK =

STRONG ECONOMIC INDICATORS…
INTERNET-ENABLED SERVICES / JOBS HELPING
Global Relative GDP (Current $) = China + USA + India Rising…Europe Falling

Global GDP Contribution (Current $)

Source: World Bank (GDP in current $). Other countries account for ~30% of global GDP.
Cross-Border Trade = 29% of Global GDP… Foundational to Global Economy

Trade as % of Global GDP

% of Global GDP

0% 10% 20% 30% 40%


Source: World Bank. Note: ‘World Trade’ refers to the average of Imports & Exports (to account for goods in-transit between years) for all nations.
Global Relative Unemployment Concern = High… USA = Low…

Are unemployment & jobs among top three worries for your home country?

Ipsos / Reuters Surveys

Source: Ipsos Survey Data of ~20K global respondents. Ipsos conducts this survey on a monthly basis, asking the same questions of a statistically representative sample of >1K people in 28 representative countries. February 2017 included owing to lack of published March 2017 report. World average reflects average of Germany, Israel, UK, USA, Belgium, Japan, Poland, Sweden, China, Hungary, Peru, Turkey, India, Australia, Canada, Mexico, Brazil, Russia, France, Argentina, Saudi Arabia, South Africa, South Korea, Italy & Spain.
Are unemployment & jobs among top three worries for your home country?

*Ipsos / Reuters Survey (3/19)*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Italy</td>
<td>69%</td>
</tr>
<tr>
<td>2</td>
<td>South Korea</td>
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</tr>
<tr>
<td>3</td>
<td>Spain</td>
<td>61%</td>
</tr>
<tr>
<td>4</td>
<td>South Africa</td>
<td>57%</td>
</tr>
<tr>
<td>5</td>
<td>Argentina</td>
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</tr>
<tr>
<td>6</td>
<td>India</td>
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</tr>
<tr>
<td>7</td>
<td>Turkey</td>
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</tr>
<tr>
<td>8</td>
<td>Mexico</td>
<td>38%</td>
</tr>
<tr>
<td>9</td>
<td>Brazil</td>
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</tr>
<tr>
<td>10</td>
<td>Saudi Arabia</td>
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</tr>
<tr>
<td>11</td>
<td>Russia</td>
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<td>12</td>
<td>France</td>
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<td>13</td>
<td>Australia</td>
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<tr>
<td>14</td>
<td>China</td>
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</tr>
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</tr>
<tr>
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<tr>
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<td>Japan</td>
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<tr>
<td>19</td>
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<td>Hungary</td>
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<tr>
<td>21</td>
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</tr>
<tr>
<td>22</td>
<td>Poland</td>
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</tr>
<tr>
<td>23</td>
<td>UK</td>
<td>14%</td>
</tr>
<tr>
<td>24</td>
<td>Germany</td>
<td>11%</td>
</tr>
<tr>
<td>25</td>
<td><strong>USA</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>
**USA Relative Unemployment Concern = Low & Falling**

*Which of following are top three worries for your home country (USA)?*

*Ipsos / Reuters Surveys*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Concern</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Healthcare</td>
<td>36%</td>
</tr>
<tr>
<td>2</td>
<td>Crime &amp; Violence</td>
<td>33%</td>
</tr>
<tr>
<td>3</td>
<td>Terrorism</td>
<td>31%</td>
</tr>
<tr>
<td>4</td>
<td><strong>Unemployment &amp; Jobs</strong></td>
<td><strong>24%</strong></td>
</tr>
<tr>
<td>5</td>
<td>Financial/Political Corruption</td>
<td>22%</td>
</tr>
<tr>
<td>6</td>
<td>Immigration</td>
<td>21%</td>
</tr>
<tr>
<td>7</td>
<td>Moral Decline</td>
<td>20%</td>
</tr>
<tr>
<td>8</td>
<td>Poverty &amp; Social Inequality</td>
<td>19%</td>
</tr>
<tr>
<td>9</td>
<td>Taxes</td>
<td>17%</td>
</tr>
<tr>
<td>10</td>
<td>Education</td>
<td>16%</td>
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<td>11</td>
<td>Climate Change</td>
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<tr>
<td>12</td>
<td>Extremism</td>
<td>12%</td>
</tr>
<tr>
<td>13</td>
<td>Environmental Threats</td>
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</tr>
<tr>
<td>14</td>
<td>Maintaining Social Programs</td>
<td>7%</td>
</tr>
<tr>
<td>15</td>
<td>Inflation</td>
<td>6%</td>
</tr>
<tr>
<td>16</td>
<td>Childhood Obesity</td>
<td>3%</td>
</tr>
<tr>
<td>17</td>
<td>Access To Credit</td>
<td>2%</td>
</tr>
</tbody>
</table>

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<tr>
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<td>Access To Credit</td>
<td>2%</td>
</tr>
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</table>

Source: Ipsos Survey Data of ~20K global respondents. Ipsos conducts this survey on a monthly basis, asking the same questions of a statistically representative sample of >1K people in USA. Note: Percentages do not add to 100% because respondents were allowed to pick 3 choices.
Consumer Confidence Index (USA) = High & Rising... @ 97 vs. 88 Sixty-Five Year Average

Source: St. Louis Federal Reserve FRED Database. Note: Indexed to Q1:66 = 100. Consumer Confidence Index (Michigan Consumer Sentiment Index) is a broad measure of American consumer sentiment, as measured through a 50-question telephone survey of at least 500 USA residents each month.
Economy / Employment (USA) = Unemployment @ 19 Year Low…Job Openings @ All-Time High…Wages Rising

- **Real GDP vs. Unemployment Rate, USA**
  - Real GDP: $0 -> $12T
  - Unemployment Rate: 30% down to 0%
  - Years: 1928, 1958, 1988, 2018

- **Job Openings, USA**
  - Job Openings*: 5MM -> 10MM

- **Median Real Weekly Earnings, All Workers Over 16, USA**
  - Median Usual Weekly Wage: $300 -> $360

Source: St. Louis Federal Reserve FRED Database, Bureau of Economic Analysis, BLS. Note: Real GDP based on chained 2012 dollars. Unemployment rate = annual average. *A job opening is defined as a non-farm specific position of employment to be filled at an establishment. Conditions include the following: there is work available for that position, the job could start within 30 days & the employer is actively recruiting for the position. Wages refers to usual weekly earnings of wage & salary workers. Usual weekly earnings represent earnings before taxes & other deductions & include any overtime pay, commissions, or tips usually received (at the main job in the case of multiple jobholders). Usual definition per discretion of interviewee.
On-Demand Work =

Creating Internet-Enabled Opportunities + Efficiencies
Small Business Enabling Payment Processors = Strong Growth

Square Gross Payment Volume, Global

- Square Gross Payment Volume (Global)
  - Year 0: $100B
  - Year 1: $110B
  - Year 2: $120B
  - Year 3: $130B

Stripe Connect – Marketplace Volume Impact* Per Forrester

- Year 0: 100%
- Year 1: 110%
- Year 2: 120%
- Year 3: 130%

Source: Square SEC filings. Forrester Total Economic Impact Survey on Stripe Connect (Stripe's Marketplace Product) (7/18). Note: A Total Economic Impact Study is a framework to identify the cost, benefit, flexibility & risk factors for an investment decision. Forrester took a multistep approach to evaluate the impact that Stripe Connect can have on an organization, including stakeholder interviews, customer interviews, the development of a composite organization based on the characteristics of interviewed Stripe customers & a financial model that incorporates the effects / risks of Stripe Connect, as identified by Stripe’s customers. Based on interview feedback, Forrester determined that a composite organizations would likely have $475MM in annual transaction volume prior to using Stripe Connect & that Stripe Connect’s features (e.g., improved seller settlement) would result in increased volume of $47.7MM in Year 1, $66.1MM in Year 2 & $90.6MM in Year 3.
On-Demand Services = Growing Rapidly…Benefitting Local Merchants

~5% of [USA] restaurant business’s $800B in annual sales is delivered – we’re still in the very early innings of the development of on-demand delivery & services.

We started DoorDash to help local businesses… ‘local’ has long been the promise of E-Commerce but no one has found a way to help local merchants thrive online – that is the space we focus on.

We do this by enabling local merchants to participate in selling convenience. There are a lot of merchants who are ready to make the transition from selling experiences to also selling convenience, which can often reduce their costs. I think this is the biggest business model change in commerce.

Tony Xu – Founder / CEO, DoorDash, 6/19
On-Demand Consumers = 56MM + ~2x in Two Years

On-Demand Consumers, USA

On-Demand Products / Services – Consumer Spend, 2017, USA

Source: National Technology Readiness Survey (4/18). Note: authored by Rockbridge Associates, Inc. & A. Parasuraman & is co-sponsored by the Center for Excellence in Service, Robert H. Smith School of Business, University of Maryland. The study is conducted online among a representative sample of consumers in a national panel & represents the views of U.S. adults ages 18 & older. The sample size was 1,032 in 2016 & 1,004 in 2017. The margin of error is +/- 3 percentage points. 2018 figures are estimates.
On-Demand Workers = ~7MM +22% Y/Y

On-Demand Platform Workers, USA

Source: Emergent Research (2015-2018) + Intuit (2017). Note: On-demand workers defined as online marketplace workers including transportation and/or logistics for people or products, online talent marketplaces, renting out space. Providing other miscellaneous consumer & business services (e.g. TaskRabbit, Gigwalk, Wonolo, etc.). Workers defined as ‘active’ employees that have done ‘significant’ on-demand work within the preceding 6 months.
As the on-demand economy continues to evolve & transform the world around us, we're seeing a rapid increase in new & supplemental job creation. Increasingly, this type of work has become a key driver of economic growth.

Checkr has a front row seat in the on-demand economy, not only to watch the changes unfold, but also to provide solutions that shape & strengthen it. Our technology is designed to give employers the information they need to make informed decisions about their candidates, while helping them scale & grow their business.

Daniel Yanisse – Co-Founder / CEO, Checkr, 6/19
On-Demand Work =
Creating Internet-Enabled Benefits

On-Demand Work – Motivations, USA

- Previously Unemployed: 47%
- Learn New Skills: 29%
- Previously Underemployed: 27%
- Flexible Work Hours: 24%
- Additional Income: 22%
- Want to Work with Others: 18%
- Take Care of Parents: 14%

Source: Wonolo (7/18). N = 1,400 survey respondents
On-Demand Platforms = Big Numbers + High Growth

Real-Time Platforms

Uber @ 4MM Driver-Partners

Gross Bookings, Global

$0 $30B $60B

2014 2015 2016 2017 2018

Driver-Partners, Global

Etsy @ 2MM Sellers

Gross Merchandise Sales (GMS), Global

$0 $2B $4B

2012 2014 2016 2018

Sellers, Global

DoorDash @ 1.3MM Dashers

Lifetime Dashers, Global

$0 1.4MM


Wonolo @ 230K Workers

Onboarded Workers, Global

$0 125K

2014 2015 2016 2017 2018

Internet-Enabled Marketplaces

Airbnb @ 6MM Listings

Guest Arrivals, Global

$0 125MM 250MM

2010 2012 2014 2016 2018

Active Listings, Global

VIPKid @ 70K Teachers

Teachers, Global

$0 55K 90K

2017 2018 2019

Students, Global

Uber Source: Uber DoorDash Source: DoorDash. Note: Lifetime Dashers defined as the total number of people that have dashed on the platform through the end of each year. 2019 figures are as of 5/19. Etsy Source: Etsy. Airbnb Source: Airbnb. Note: Airbnb 2017 & 2018 Guest arrivals based on estimates from total guest arrivals disclosures in 2018 & 2019. 500MM guest arrivals have occurred via Airbnb as of 2019. VIPKid Source: Company Press Releases (3/19). Wonolo Source: Wonolo.
Remote Work =

Creating Internet-Enabled Work Opportunities + Efficiencies
Remote Workers = Rising…
~5% of Americans vs. ~3% in 2000

% Total – Remote Workers

Source: USA census Bureau American Community Survey (ACS) (2000-2017). Note: The US Census releases the ACS survey results in September for the previous year. ACS = Survey of ~3.5MM Americans over the course of a year.
Remote Workers = Enabled by Online Collaboration Tools

Remote Workforce (Zapier)

At Zapier, we’ve found that by using a stack of collaboration tools that work well together, our 100% remote team is able to work more efficiently, regardless of where they’re located.

It’s important for us to have the ability to instantly access a folder, collaborate on a shared document, or chat in real time.

With well-connected tools & processes, any remote employee can feel more focused, productive & in control of their time.

Wade Foster – Co-Founder / CEO, Zapier, 6/19

Highest-Use Apps on Zapier By Remote Teams

<table>
<thead>
<tr>
<th>Rank</th>
<th>App</th>
<th>Y/Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Slack</td>
<td>+42%</td>
</tr>
<tr>
<td>2</td>
<td>Google Sheets</td>
<td>+59%</td>
</tr>
<tr>
<td>3</td>
<td>Airtable</td>
<td>+37%</td>
</tr>
<tr>
<td>4</td>
<td>Help Scout</td>
<td>+101%</td>
</tr>
</tbody>
</table>

Source: Zapier (6/19). Note Y/Y growth refers to growth in engagement with productivity tools from January 2018 to January 2019 specifically at remote teams who use Zapier for automation.
Remote Work – Benefits

- Flexible Work Hours: 47%
- Ability to Travel: 30%
- More Time with Family: 14%
- Able to Work from Home: 13%
- Other: 3%

Zoom by Day…Fortnite by Night?

Work (via Zoom)…

…Play (via Fortnite)

Source: Canva (Pixabay). Nintendo.
ONLINE EDUCATION =

BIG NUMBERS + BIG GROWTH
Education Costs (USA)
Education Costs = Rising

Undergraduate Tuition & Fees

Student Loan Debt

Source: Tuition & Fees = College Board, Annual Survey of Colleges; NCES, IPEDS Fall Enrollment data. Average tuition & fee prices reflect in-district charges for public two-year institutions & in-state charges for public four-year institutions. All figures in 2018 dollars. Debt = College Board, Annual Survey of Colleges; NCES, IPEDS Fall Enrollment data. Average tuition & fee prices reflect in-district charges for public two-year institutions & in-state charges for public four-year institutions. All figures in 2018 dollars.
Post-Secondary Education Enrollment (USA)
Offline Education Enrollment = Slowing

Post-Secondary Education – Enrollments*

<table>
<thead>
<tr>
<th>Year</th>
<th>Undergraduate Enrollments, USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>13MM</td>
</tr>
<tr>
<td>1986</td>
<td>26MM</td>
</tr>
<tr>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

Post-Secondary Students – % in Only Offline Courses

<table>
<thead>
<tr>
<th>Year</th>
<th>% Students Taking Only Offline Courses, USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>74%</td>
</tr>
<tr>
<td>2017</td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: National Center for Education Statistics (3/18). 2017-2018 are estimates supplied by Chegg. *Note: Decline in Post-Secondary Students only taking offline courses partly driven by student demographics (e.g., an older student base more likely to be employed while at school). Data through 1995 are for institutions of higher education, while later data are for degree-granting institutions. Degree-granting institutions grant associate’s or higher degrees & participate in Title IV federal financial aid programs. The degree-granting classification is very similar to the earlier higher education classification, but it includes more 2-year colleges & excludes a few higher education institutions that did not grant degrees. Some data have been revised from previously published figures.
Online Education / Learning =

Offline Institutions Expanding Reach
Online Education Enrollment = High Across Diverse Base of Universities

Top 50 USA Post-Secondary Online Enrollment Leaders (2017)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Maryland</td>
<td>51K</td>
</tr>
<tr>
<td>University of Central Florida</td>
<td>36</td>
</tr>
<tr>
<td>Ivy Tech Community College</td>
<td>35</td>
</tr>
<tr>
<td>Arizona State University</td>
<td>31</td>
</tr>
<tr>
<td>University of Florida</td>
<td>31</td>
</tr>
<tr>
<td>Florida International University</td>
<td>30</td>
</tr>
<tr>
<td>Lone Star College System</td>
<td>23</td>
</tr>
<tr>
<td>University of South Florida</td>
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</tr>
<tr>
<td>University of Texas Arlington</td>
<td>21</td>
</tr>
<tr>
<td>Houston Community College</td>
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<tr>
<td>Valencia College</td>
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<tr>
<td>California State – Northridge</td>
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<tr>
<td>St Petersburg College</td>
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</tr>
<tr>
<td>Texas Tech University</td>
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<tr>
<td>Penn State University – Main</td>
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<tr>
<td>College of Southern Nevada</td>
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<tr>
<td>Kent State University</td>
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<td>Florida State University</td>
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<td>University of Cincinnati</td>
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<td>University of Illinois at U-C</td>
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<tr>
<td>Ohio State University – Main</td>
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</tr>
<tr>
<td>Penn State University – World</td>
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<tr>
<td>University of North Texas</td>
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<td>Utah State University</td>
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<td>N. Virginia Community College</td>
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<td>University of Arizona</td>
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<td>Northern Arizona University</td>
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<tr>
<td>California State – Fullerton</td>
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</table>

<table>
<thead>
<tr>
<th>Institution</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Phoenix – Arizona</td>
<td>129K</td>
</tr>
<tr>
<td>Grand Canyon University</td>
<td>69</td>
</tr>
<tr>
<td>Walden University</td>
<td>53</td>
</tr>
<tr>
<td>American Public University System</td>
<td>49</td>
</tr>
<tr>
<td>Ashford University</td>
<td>41</td>
</tr>
<tr>
<td>Capella University</td>
<td>38</td>
</tr>
<tr>
<td>Kaplan University – Davenport</td>
<td>37</td>
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<tr>
<td>Colorado Technical University</td>
<td>25</td>
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<tr>
<td>Chamberlain College of Nursing</td>
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<td>Columbia Southern University</td>
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<tr>
<td>Full Sail University</td>
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<tr>
<td>DeVry University – Illinois</td>
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</table>

<table>
<thead>
<tr>
<th>Institution</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Governors University</td>
<td>84K</td>
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<tr>
<td>Liberty University</td>
<td>68</td>
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<tr>
<td>Southern New Hampshire U.</td>
<td>64</td>
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<tr>
<td>Excelsior College</td>
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<tr>
<td>Brigham Young University</td>
<td>36</td>
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<tr>
<td>Ultimate Medical Academy</td>
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<tr>
<td>Embry-Riddle</td>
<td>13</td>
</tr>
<tr>
<td>National University California</td>
<td>13</td>
</tr>
</tbody>
</table>

Total Enrollment 528K

Total Enrollment 576K

Total Enrollment 336K

Source: Babson Survey Research Group Grade Increase: Tracking Distance Education in the United States (2018)
# Online Education Courses = Top Offline Institutions Ramping Online Offerings

## Degree Programs @ Top Institutions Moving Online via Coursera

<table>
<thead>
<tr>
<th>Year</th>
<th>University</th>
<th>Degree Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>University of Illinois</td>
<td>Master of Business Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master of Computer Science</td>
</tr>
<tr>
<td>2016</td>
<td>University of Illinois</td>
<td>Master of Science in Accountancy</td>
</tr>
<tr>
<td>2017</td>
<td>HEC Paris</td>
<td>MSc of Innovation &amp; Entrepreneurship</td>
</tr>
<tr>
<td>2018</td>
<td>Arizona State University</td>
<td>Master of Computer Science</td>
</tr>
<tr>
<td>2019</td>
<td>University of Pennsylvania</td>
<td>Master of Computer Information &amp; Technology</td>
</tr>
<tr>
<td>2019</td>
<td>University of London</td>
<td>Bachelor of Science in Computer Science</td>
</tr>
<tr>
<td>2019</td>
<td>Macquarie University</td>
<td>Global MBA</td>
</tr>
<tr>
<td>2019</td>
<td>University of Michigan</td>
<td>Master of Public Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master of Applied Data Science</td>
</tr>
<tr>
<td>2019</td>
<td>Imperial College London</td>
<td>Master of Public Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master of Applied Data Science</td>
</tr>
<tr>
<td>2019</td>
<td>University of Colorado Boulder</td>
<td>Master of Science in Electrical Engineering</td>
</tr>
</tbody>
</table>

Source: Coursera (6/19). Note: Data reflects first year of program offering of active programs on Coursera.
…Online Education / Learning Platforms = Scaling…Different Shapes & Sizes
Why should you pick up your life, quit your job & move to attend school if you can get everything you would receive normally from that experience over the Internet... but not sacrifice either quality or the level of relationships – between students & faculty or students & fellow students.

[You can] become a full member of that community, getting the same degree & the same level of access.

Christopher Paucek – Co-Founder & CEO 2U, 11/18

Online Education Marketplaces = Coursera...

Coursera – Post-Secondary (Global)

Top Courses, 2018

- **Machine Learning** by Stanford
- **Learning How to Learn: Powerful Mental Tools to Help You Master Tough Subjects** by UC San Diego
- **The Science of Well-Being** by Yale
- **Bitcoin & Cryptocurrency Technologies** by Princeton
- **Algorithms, Part I** by Princeton
- **English for Career Development** by University of Pennsylvania
- **Financial Markets** by Yale
- **Introduction to Psychology** by University of Toronto
- **Cómo Hacer una Tesis** by Universidad Nacional Autónoma de México
- **Chinese for Beginners** by Peking University

Learners by Geography

- **North America**: 30%
- **Asia**: 28%
- **Europe**: 20%
- **South America**: 11%
- **Africa**: 5%

Source: Coursera. Note: Course popularity based on average daily enrollments. Graph shows learners as of 12/18.
From day one, we wanted to create a destination where anyone could learn skills to improve their life at an affordable price.

Since most of our students learn in order to advance at work, we have also focused on building an enterprise solution with over 3,000 curated courses that focus on business-relevant skills. This has been one of the fastest-growing portions of our business, with customers growing +13x since 2015.

Eren Bali – Co-Founder, Udemy, 5/19
Online Education (Post-Graduation Income Sharing) = Lambda School

Lambda School – Post-Secondary (Global)

Income Share Agreements

The traditional higher education model downloads the financial risks to the students. Universities aren’t incentivized to help students succeed because tuition is paid up front. Not at Lambda School.

We only succeed when our students do – with our ISA model, students pay no tuition until they have landed a job earning $50K or more. By aligning the incentives of Lambda School with those of the student, we eliminate the financial risk. Ultimately, we help people with raw talent refine their skills & match them with great, high-paying careers they love.

Austen Allred – Co-Founder & CEO, Lambda School, 6/19

Source: Lambda School (6/19).
Online Education Learning Tools = Chegg…

Chegg – Post-Secondary (USA)

Subscription Education Support

Services Subscribers

If you learn better by just walking through the steps, if you learn better by asking questions, if you learn better by watching videos, we teach you that way.

We are constantly expanding the way we can teach you & the subjects that we’re available for, the speed in which we can get you the answer back, the format in which you can consume it.

Dan Rosensweig – CEO, Chegg, 2/19

Source: Chegg, Dan Rosensweig presenting @ Morgan Stanley Technology, Media, Telecom Conference (2/19).
We recognize that technological innovation will continue to evolve jobs of the future. Educators have the power to equip students with evergreen skills that will always be necessary in a career, like learning how to learn & fostering a sense of curiosity to take throughout life. Students can really benefit from teachers setting a precedent that ongoing learning is normal & healthy so that incoming employees are agile & able to take on whatever comes their way.

Matthew Glotzbach – CEO, Quizlet, 4/19
Online Education Learning Tools = Remind

Remind – K-12 + Post-Secondary (North America)

Teacher-Student-Parent Communication

Monthly Active Users

Source: Remind (6/19). Peak total monthly active users. Consists primarily of USA + Canada users.
Online Education (Remote Video Chat) = VIPKid

VIPKid – Students Age 4-15 (China) + Teachers (North America)

Remote Language Instruction

Students + Teachers

2017 | 2018 | 2019

VIPKid Students & Teachers

700K

600K Students

350K

200K

30K

70K Teachers

Source: VIPKid (3/19).
Online Education (Virtual Classrooms) = Byju’s

Byju’s – Students Age 9-17 (India)

Video-Based Classes

Paying Students

Source: Byju’s (5/19).
Online Learning (Broad-Based Video) = YouTube Educational Content

YouTube

4.5B
Annual Hours of ‘How-To’ Video Viewership

200MM+
Views on Booktuber Content

59%
Gen Z Users Cite YouTube as Preferred Learning Tool

Source: Google / YouTube (5/19), Pearson / The Harris Poll Beyond Millennials: the Next Generation of Learners survey (8/18). Survey includes 2,587 USA respondents ages 14-40 years old. Note: Hours of ‘How-To’ videos are for the year 2017 and represent videos with ‘How-To’ in the title. Booktubers are content creators that share book reviews & discussion groups on YouTube. Views are cumulative.
Online Education (Job-Relevant Skills)...
Google = Certifications for In-Demand Jobs...

‘Grow With Google’ IT Support Professional Certificate

$49
Monthly Cost of Coursera Program Courses

8 Months
Average Time Needed to Complete Program

10K+
Learners Who Have Received Financial Support from Google

Coursera = Cumulative Program Enrollments

Source: Coursera (6/19).
Online Education (Job-Relevant Skills)…
Coursera = ~80% Revenue…Business / Tech / Data Science…

Top Specializations, 2018

- Deep Learning
- Python for Everybody
- Data Science
- Applied Data Science from Python
- Google IT Support Professional Certificate
- Advanced Machine Learning
- Improve Your English Communication Skills
- Business Foundations
- Architecting with Google Cloud Platform
- Excel Skills for Business

Consumer Learner Revenue by Course Domain, 2018

- Data Science: 31%
- Technology: 25%
- Business: 23%
- Other: 21%

Job-Relevant Skills, per Coursera*

Source: Coursera (6/19)
Online Education (Job-Relevant Skills)…
Skill Building = Increasingly Offered by Employers

Coursera Enterprise Partners

Source: Coursera (6/19). Note: a Coursera enterprise partner is a company engaged with Coursera to provide employee skillbuilding programs based on Coursera content.
Online Education =

High Interest…
Retention / Completion Rates Vary
Online Learning (Massive Open Online Courses – MOOCs) = Strong Growth…Completion / Retention Rates Vary

Coursera – Course Completion Rate, 2018

Source: Coursera (6/19). Note: Completion rate refers to the number of students that finish a course vs. the number that began the course.
Online Education =

More Growth + More Users + More Choice…
Lower Cost for Consumers
Online Education Costs = Can Be Lower vs. Offline

Arizona State University

Online Education Programs / Tool

The key to lowering cost is the introduction of technology & new methods that help student success.

The key to stimulating [this] innovation is to change the focus of the culture at a university from the faculty to the students. If you change the focus from faculty-centric to student-centric, you realize you need more tools to achieve certain objectives.

At Arizona State, we need tools for active learning, adaptive learning (advising tools, artificial intelligence-based simulation tools & gaming tools) all in addition to the faculty & advisors that we have. Innovation is absolutely essential when you start thinking about the success of every student.

Michael Crow – President, Arizona State University, 6/16

Source: Arizona State University (5/19). Wiley Online Library Interview (6/16)
IMMIGRATION =

IMPORTANT TO USA TECHNOLOGY LEADERSHIP
USA = 60% of Most Highly Valued Tech Companies Founded By… 1st or 2nd Generation Americans…1.9MM Employees, 2018

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Mkt Cap ($B)</th>
<th>LTM Rev ($B)</th>
<th>Employees (K)</th>
<th>Founder / Co-Founder (1st or 2nd Gen Immigrant)</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Microsoft</td>
<td>$1,007B</td>
<td>$122B</td>
<td>131K</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>2</td>
<td>Amazon</td>
<td>888</td>
<td>242</td>
<td>648</td>
<td>Jeff Bezos</td>
<td>2nd, Cuba</td>
</tr>
<tr>
<td>3</td>
<td>Apple</td>
<td>875</td>
<td>258</td>
<td>132</td>
<td>Steve Jobs</td>
<td>2nd, Syria</td>
</tr>
<tr>
<td>4</td>
<td>Alphabet / Google</td>
<td>741</td>
<td>142</td>
<td>99</td>
<td>Sergey Brin</td>
<td>1st, Russia</td>
</tr>
<tr>
<td>5</td>
<td>Facebook</td>
<td>495</td>
<td>59</td>
<td>36</td>
<td>Eduardo Saverin</td>
<td>1st, Brazil</td>
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<tr>
<td>6</td>
<td>Cisco</td>
<td>239</td>
<td>51</td>
<td>74</td>
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<tr>
<td>7</td>
<td>Intel</td>
<td>206</td>
<td>71</td>
<td>107</td>
<td>--</td>
<td>--</td>
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<tr>
<td>8</td>
<td>Oracle</td>
<td>182</td>
<td>40</td>
<td>137</td>
<td>Larry Ellison / Bob Miner</td>
<td>2nd, Russia / 2nd, Iran</td>
</tr>
<tr>
<td>9</td>
<td>Netflix</td>
<td>158</td>
<td>17</td>
<td>7</td>
<td>--</td>
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<tr>
<td>10</td>
<td>Adobe</td>
<td>136</td>
<td>10</td>
<td>21</td>
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<tr>
<td>11</td>
<td>PayPal</td>
<td>134</td>
<td>16</td>
<td>22</td>
<td>Max Levchin / Luke Nosek / Peter Thiel / Elon Musk***</td>
<td>1st, Ukraine / 1st, Poland / 1st, Germany / 1st, South Africa</td>
</tr>
<tr>
<td>12</td>
<td>Salesforce</td>
<td>125</td>
<td>14</td>
<td>35</td>
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<td>13</td>
<td>IBM</td>
<td>118</td>
<td>79</td>
<td>351</td>
<td>Herman Hollerith</td>
<td>2nd, Germany</td>
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<tr>
<td>14</td>
<td>Texas Instruments</td>
<td>104</td>
<td>16</td>
<td>30</td>
<td>Cecil Green / J. Erik Jonsson</td>
<td>1st, UK / 2nd, Sweden</td>
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<tr>
<td>15</td>
<td>NVIDIA</td>
<td>89</td>
<td>11</td>
<td>13</td>
<td>Jensen Huang</td>
<td>1st, Taiwan</td>
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<tr>
<td>16</td>
<td>Qualcomm</td>
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<td>Booking.com</td>
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<td>18</td>
<td>Uber</td>
<td>75</td>
<td>12</td>
<td>22</td>
<td>Garrett Camp</td>
<td>1st, Canada</td>
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<td>19</td>
<td>Automatic Data Processing</td>
<td>73</td>
<td>14</td>
<td>57</td>
<td>Henry Taub</td>
<td>2nd, Poland</td>
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<tr>
<td>20</td>
<td>VMware</td>
<td>69</td>
<td>9</td>
<td>23</td>
<td>Edouard Bugnion</td>
<td>1st, Switzerland</td>
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<tr>
<td>21</td>
<td>Intuit</td>
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<td>9</td>
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<td>22</td>
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<tr>
<td>23</td>
<td>Workday</td>
<td>48</td>
<td>3</td>
<td>11</td>
<td>Aneel Bhusri</td>
<td>2nd, India</td>
</tr>
<tr>
<td>24</td>
<td>Micron</td>
<td>38</td>
<td>30</td>
<td>36</td>
<td>--</td>
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<tr>
<td>25</td>
<td>Cognizant</td>
<td>36</td>
<td>16</td>
<td>282</td>
<td>Francisco D'Souza / Kumar Mahadeva</td>
<td>1st, India** / 1st, Sri Lanka</td>
</tr>
</tbody>
</table>

Source: CapIQ as of 6/7/19. *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. ***Max Levchin / Luke Nosek / Peter Thiel’s startup Confinity merged with Elon Musk’s startup X.com to form PayPal in 3/00.
USA = Many Highly Valued Private Tech Companies Founded By... 
1st Generation Immigrants

<table>
<thead>
<tr>
<th>Company</th>
<th>Founder / Co-Founder</th>
<th>Country of Origin</th>
<th>Valuation ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeWork</td>
<td>Adam Neumann</td>
<td>Israel</td>
<td>$47B</td>
</tr>
<tr>
<td>SpaceX</td>
<td>Elon Musk</td>
<td>South Africa</td>
<td>31</td>
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<tr>
<td>Stripe</td>
<td>John Collison</td>
<td>Ireland</td>
<td>23</td>
</tr>
<tr>
<td>Palantir</td>
<td>Peter Thiel</td>
<td>Germany</td>
<td>21</td>
</tr>
<tr>
<td>Epic Games</td>
<td>Mark Rein</td>
<td>Canada</td>
<td>15</td>
</tr>
<tr>
<td>DoorDash</td>
<td>Tony Xu</td>
<td>China</td>
<td>13</td>
</tr>
<tr>
<td>Wish</td>
<td>Peter Szulczewski, Danny Zhang</td>
<td>Canada</td>
<td>9</td>
</tr>
<tr>
<td>Instacart</td>
<td>Apoorva Mehta</td>
<td>India</td>
<td>8</td>
</tr>
<tr>
<td>Slack</td>
<td>Stewart Butterfield</td>
<td>Canada</td>
<td>7</td>
</tr>
<tr>
<td>Scratch</td>
<td>Sergey Mokhov</td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>Palantir</td>
<td>Peter Thiel</td>
<td>Germany</td>
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<tr>
<td>DoorDash</td>
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<td>Scratch</td>
<td>Sergey Mokhov</td>
<td>Russia</td>
<td></td>
</tr>
</tbody>
</table>

Source for Valuation & Founders Backgrounds: Based on analysis by Pitchbook, Wall Street Journal, CB Insights, Forbes, Business Insider, & the National Foundation for American Policy. *UiPath is headquartered in New York, NY but was originally founded in Romania.
USA = 14% of Population Foreign-Born & Rising… Near All-Time High (1910) @ 15%
USA INC.* =

WHERE YOUR TAX DOLLARS GO

*USA, Inc. Full Report – bondcap.com/report/usa/
USA Income Statement

![USA Income Statement Table]

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

Source: Congressional Budget Office, White House Office of Management & Budget. Note: USA federal fiscal year ends in September.
USA Entitlements = Medicare + Medicaid Driving Most Spending Growth…

USA Entitlements by Category

1988 Entitlements* = $367B / 34% of Expenses

2018 Entitlements* = $2.2T / 54% of Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>1988 Entitlements</th>
<th>2018 Entitlements</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA Mandatory Entitlements</td>
<td>$367B</td>
<td>$2.2T</td>
</tr>
</tbody>
</table>

USA Expenses by Category

1988 → 2018

Change

Debt*: +$14T (+668%)
Entitlements: +$2.1T (+463%)
Non-Defense Discretionary: +$465B (+268%)
Defense: +$332B (+114%)
Net Interest Cost: +$173B (+114%)

Source: Congressional Budget Office, White House Office of Management & Budget, USA Treasury
*Debt reflects net debt (i.e. excludes debt issued by The Treasury & owned by other Government accounts)
Note: Yellow line represents yield on 10-year USA Treasury bill from 12/31/87 to 12/31/18.
USA Entitlements Growth Over 30 Years = Looking @ Numbers…Closer to Home

2017…

$61K = Median USA Household Income
$17K = Average Entitlement Payout per Household from Federal Government…
Scale = Equivalent to 28% of Household Income

…1987

$26K = Median USA Household Income
$4K = Average Entitlement Payout per Household from Federal Government…
Scale = Equivalent to 15% of Household Income

Source: Congressional Budget Office, White House Office of Management & Budget, US Census Bureau
HEALTHCARE (USA) =

DIGITAL IMPACT EXPANDING ACROSS ECOSYSTEM

CREATED BY NOAH KNAUF @ BOND
Healthcare Cost = High + Rising for Government / Consumers

Health Expenditures – % of Government Total, USA

- Total USA Government
- Federal Government
- State / Local Government

Health Expenditures – % of GDP, 2017, per OECD

Source: USA Federal + State & Local Healthcare expenditures per the Center for Medicare / Medicaid Studies. Total USA Government expenditures per USA Bureau of Economic Analysis Data. Total Health expenditure per OECD data includes all public / private healthcare spend for the year 2017 (some data subject to future revision per OECD).
Healthcare Insurance Coverage = Increasingly from Government vs. Employer

% of Health-Insured Population, USA

Source: Kaiser Family Foundation analysis of Census Bureau’s American Community Survey (2008-2017). Note: Government = Those covered by Medicare, Medicaid, or Military / Veteran Coverage. Employer = those covered through a current or former employer or union. Out of Pocket = Those covered by a policy purchased directly from an insurance company, either as policyholder or as dependent.
Healthcare Preventable Deaths / Efficiency = USA Worse vs. Peers

Source: Commonwealth Fund Analysis (2017). Preventable deaths defined as deaths due to illnesses that are considered non-fatal with timely formal healthcare treatment, such as hepatitis, renal failure, thyroid disorder & other chronic illnesses. Administrative spend defined as non-care giving roles, such as billings & collections.
Healthcare = Steadily Digitizing…Driven by Consumers

Healthcare (USA) =

Strong Digital Usage / Adoption
Internet Research = Increasing Access to Data / Decision-Making Tools

Patient engagement in decision-making has been associated with increased patient satisfaction & improved health outcomes.

The study analyzed cross-sectional data from 1,945 participants of the [USA] National Health & Aging Trends Study.

Internet use was found to be associated with active decision-making preference in older adults. Similarly, health-related Internet use was positively associated with decision-making involvement in older adults.

Cajita, Whitehouse, et al. Association Between Internet Use & Decision-Making Preference in Older Adults (2/17)

Source: Illumina @ JPMorgan Healthcare conference (1/18). National Center for Biotechnology Information (USA, 2/17)
Electronic Health Records (EHR) = Organizing Patient Data

...EHR Usage = Still Early Innings

Top Physician ‘Wants’ for Future EHR Development, per Stanford / Harris Poll, 9/18

- Interoperability: 67%
- Predictive Analytics: 43%
- Financial / Cost Data Integration: 32%

EHR Adoption = Nearing 100%...

EHR Adoption, USA

% Using E.H.R. System

0% 40% 80%


Hospitals  Physician’s Offices

Source: Office for National Coordination of Health Information Technology. Stanford / Harris poll of 521 Primary Care physicians in USA (Family Practice, General Practice, or Internal Medicine) recruited through the American Medical Association. All have been using EHR for at least 1 month.

Note: Adoption of EHR refers to any EHR system being used by Office-based physicians or hospitals, does not imply all records are kept electronically.
Health Networks = Aligning Provider Teams Across Organizations

Aligned Care Teams = Improving Outcomes @ Lower Cost

We strive to empower a distributed care team to act with aligned purpose, aware of what each individual member is doing – even if representing differing organizations – all united by their shared stewardship for the patient.

You can either throw a tremendous number of expensive, scarce bodies at the problem – which isn’t scalable – or you can use technology. I’m not talking about mere notifications that an encounter has occurred, which we also do, but a deeper level of collaboration.

Chris Klomp – CEO, Collective Medical, 6/19
Online Discovery = Improving Accessibility + Availability of Care

Optimizing Perishable Inventory = Accelerating Access to Care

*Healthcare providers partner with Zocdoc to fill their 20-30% unused, perishable inventory. This dramatically accelerates access to care for patients.*

While patients who call wait an average of 24 days to get in to see a doctor, when booking online via Zocdoc, the typical appointment happens within 24-72 hours. Because of this win/win, in our first market NYC, one in five new patient-doctor relationships is established via Zocdoc. Our other markets are following the same trajectory.

Oliver Kharraz M.D. – CEO / Founder, Zocdoc, 6/19

Source: Zocdoc (6/17, 6/19)
On-Demand Urgent Care = Reducing Time to Receive Treatment

On-Demand Access = Combining Convenience + Speed

No longer are patients okay with waiting as many as 24 days to see a doctor.

Solv is putting patients in front of a provider who can treat their symptoms in as little as 15 minutes. The benefit this provides consumers is real.

We’ve already given ~20 years back to consumers who typically spend 2 hours between booking an appointment & getting their issue resolved.

Heather Fernandez – CEO / Co-Founder, Solv, 6/19

Source: Solv (6/19, 6/17-5/19). Note: Medical Bills Saved = Online appointments scheduled through Solv multiplied by 14% (Proportion of patient reported would have gone to the ER multiplied by $800 net savings...ER $1,000 vs urgent care $200). Savings could either be out of pocket for consumers or split between the consumer and insurance company.
Telehealth / Telemedicine = Strengthening Patient <> Practitioner Relationships

**Telehealth Systems = Increasing Hospital Implementation**

- **Telehealth System Adoption, USA**
  - 2010: 0%
  - 2011: 20%
  - 2012: 40%
  - 2013: 60%
  - 2014: 80%

**Teladoc = Remote Medical Care**

- **Teladoc Visits, Global**
  - 2014: 1.5MM
  - 2015: 2.5MM
  - 2016: 3.0MM
  - 2017: 3.5MM
  - 2018: 4.0MM

Source: American Hospital Association Fact Sheet: Telehealth (2/19), Teladoc SEC Filings.
Prescription Delivery = Improving Convenience + Affordability

Prescription Drug Expenditures = Rapidly Rising

- Prescription Drug Expenditures, USA
  - $0
  - $200B
  - $400B

Nurx = On-Demand Drug Delivery

- Nurx Monthly Medical Interactions, USA
  - 2016, 2017, 2018, 2019
  - 0
  - 150K
  - 300K

Source: Centers for Medicare & Medicaid Services (CMS) National Health Expenditures (5/19), Nurx (5/19). Note: Medical Interactions = medical questions & ongoing fulfillment
Communication = Increasing Ability to Address Unique Cases

[A patient] was bitten by a Macaque monkey & as a result, came down with a rare form of encephalitis. A potentially fatal brain inflammation. His physician used Doximity to find one of the rare specialist who could treat this condition.

There are only about 20 doctors in the entire U.S. that are expert in this area. The patient was referred & treated successfully.

Most people don’t realize that referring patients to the appropriate specialist isn’t always easy for physicians & our network makes that process seamless, even in the toughest cases.

Jeff Tangney – CEO / Co-Founder, Doximity, 12/17
Health Insurance Management = Simplifying + Centralizing User Experience

Modernized Management = Re-Imagining Legacy Systems

*We have our own claims system we’ve been building, we have our own clinical management system, we built our networks ourselves – pretty much everything that we do internally to manage people’s healthcare was reinvented & rebuilt from a technology perspective & so that’s what we can now go faster toward.*

*We can hire more engineers, we can hire more data scientists, more product designers, more smart clinicians who can think about health care a different way.*

*Mario Schlosser – CEO / Co-Founder, Oscar Health, 8/18*
Health Incentive Tools = Driving Positive Choices via Savings + Personalized Rewards

Rewards = Building + Reinforcing Positive Habits

Rally Health = Incentivizing Healthy Living

Rally Health Cumulative Incentives

Source: Rally Health / UnitedHealth Group (6/19)
Medicare Plan Management = Personalizing Coverage + Costs

Medicare Advantage Enrollments = On the Rise

Clover Health = Matching Plans with Members’ Needs

Healthcare Innovation =

Internet Leaders Building Capabilities
Healthcare Innovation = Internet Leaders Poised to Capture Data

Internet Leaders = Increasingly Trusted with Healthcare Data

*With which tech company would you share your health data?*

- Google: 60%
- Amazon: 53%
- Microsoft: 51%
- Apple: 49%
- Samsung: 46%
- Facebook: 40%
- IBM: 34%

Source: Rock Health Digital Health Consumer Adoption Survey, 2018: n = 4,000. *Note this question was only asked to the 11% of total respondents that answered ‘yes’ to the question asking whether they’d be willing to share their health data with a tech company.
Healthcare Innovation = Apple…
Hardware + App Store Leveraging Research For Consumers

Apple = Democratization of Healthcare

If you zoom out into the future & you look back, & you ask the question, ‘What was Apple’s greatest contribution to mankind,’ it will be about health.

Because our business has always been about enriching people’s lives. We’ve gotten into healthcare more & more through the Watch, other features created with ResearchKit & CareKit & including medical records on the iPhone. This a huge deal.

[Healthcare] is very important for people. We are democratizing it. We are taking what has been with the institution & empowering the individual to manage their health. We’re just at the front end of this.

Tim Cook – CEO, Apple, 1/19

Source: Apple. Tim Cook Interview with CNBC (1/19). Morgan Stanley estimates that 70MM Apple Watch units have been sold from 4/15-3/19.
Healthcare Innovation = Google / Alphabet… Artificial Intelligence Unlocking Insights for Practitioners

Google = AI Enabled Healthcare

If AI can shape healthcare, it has to work through the regulations of healthcare. In fact I see that as one of the biggest areas where the benefits will play out for the next 10-20 years.

We had recently done work on diabetic retinopathy, it's a cause for blindness, but using AI machine learning we can detect it much better than humans can.

Sundar Pichai – CEO, Google, 10/17

DeepMind Streams = AI Assistant for Doctors + Nurses

Source: DeepMind (11/18), Google. Sundar Pichai Interview with NDTV (10/17).
Healthcare Innovation = Microsoft Healthcare…
Enabling Healthcare’s Move to the Cloud with AI Solutions

Microsoft =
Intelligent Healthcare

The healthcare industry has made great strides over the last decade in helping digitize healthcare & so the next ten will be about turning those assets into better health insights, experiences & outcomes. This is where we can make a big contribution. Cloud, AI & research capabilities will play a fundamental role towards the future. At Microsoft, we’re continuing to learn & grow every day from the extensive set of partnerships that we have had in healthcare: over 168,000 healthcare organizations in 140 countries.

Health & wellbeing are central to our daily lives. New inventions developed with our partners using Microsoft AI & machine learning can create a better future & make healthcare delivery more personal, affordable & accessible.

Peter Lee – CVP, Microsoft Healthcare, 4/19

Microsoft Health Bot =
Troubleshooting Health Issues

Source: Microsoft Industry Blog (4/19)
Healthcare Innovation = Amazon / PillPack… Consumer-Centric Approach to Medication Management

PillPack = Consumable Healthcare

Prescription Medicine Usage = Increasingly Common

Prescription Medicine Usage, 2019, USA

- 1-3 prescription drugs: 37%
- >4 prescription drugs: 24%
- Do not take prescription medicine: 38%

Source: Kaiser Family Foundation Health Tracking Poll (2/19). Survey of 1,400 USA adults over the age of 18, including 606 over the age of 65, conducted from 2/14-2/19/19. Respondents were asked the question: ‘Do you currently take any prescription medicine or not? IF YES: How many different prescription drugs do you take?’; PillPack press release (7/18).

PillPack is meaningfully improving its customers’ lives & we want to help them continue making it easy for people to save time, simplify their lives, & feel healthier. We’re excited to see what we can do together on behalf of customers over time.

Jeff Wilke – CEO, Amazon Worldwide Consumer, 7/18
Healthcare Cost = High + Rising for Government / Consumers

Health Expenditures % of Government Total, USA

Health Expenditures, % of GDP, 2017, per OECD

Source: USA Federal + State & Local Healthcare expenditures per the Center for Medicare / Medicaid Studies. Total USA Government expenditures per USA Bureau of Economic Analysis Data. Total Health expenditure per OECD data includes all public / private healthcare spend for the year 2017 (some data subject to future revision per OECD).
CHINA INTERNET =

INNOVATIVE PRODUCTS + BUSINESSES CONTINUE TO IMPRESS

PREPARED BY HILLHOUSE CAPITAL
China Macro Trends
China Near-Term *Business* Confidence = Fluctuating…

China PMI Business Index + Enterprise Confidence Index (%)
China Consumer Confidence Proxy

Based on Average Z-Score* of Household Loans, Consumer Confidence Index, Passenger Car Sales, Air Passenger Traffic & Catering Consumption

* A z-score measures how many standard deviations above or below the historical average a data point is.
China Service Sector =
Continues to Drive Economic Growth

China Service Sector Output as % of Nominal GDP

Source: China National Bureau of Statistics, Morgan Stanley Research
Note: Service sector defined as all industries outside of agriculture, forestry, animal husbandry & fishery industries (except support services to agriculture, forestry, animal husbandry & fishery industries), mining (except auxiliary activities of mining), manufacturing (except repairs for metal products, machinery & equipment), production & supply of electricity, steam, gas, water, & construction.
China Urbanization = Rising Rapidly…Room to Grow

Urban Population – % Total Population

- USA
- Japan
- Korea
- India
- China

Source: CEIC, UN, Morgan Stanley Research
China Urban Disposable Income Per Capita = Solid +8% Y/Y

Source: CEIC, assumes constant exchange rate of 1USD = 6.9RMB.
China Trade Balance = Current Account Surplus Narrowing…
Rising Outbound Tourism Offsetting Decreasing Net Exports

China Current Account Balance

% of GDP, China

Source: SAFE, Morgan Stanley Research
China Share of World Exports = Declining Since 2016 Due to Rising Wages + Aging Labor Force
China Internet User / Usage Trends =

Robust Usage Growth
Primarily Driven by Short-Form Video
China Mobile Internet Users = 817MM...+9% vs. +8% Y/Y
China Mobile Internet Usage (Data) = Continues to Accelerate +189% vs. +162% Y/Y

China Cellular Internet Data Usage & Growth Y/Y

Source: China Ministry of Industry & Information Technology.
Note: Cellular Internet Refers to 3G/4G Network data.
China Short-Form Video = Leading User + Usage Growth Across All App Categories

China Short-Form Video – Daily Time Spent

Leading Short-Form Video Platforms – DAUs

Source: QuestMobile (4/19). Note: Short-Form Form Videos are typically <5 Minute in Length & include companies such as Kuaishou, Douyin, Baidu Haokan,etc
China Short-Form Video = Driving *Incremental* Mobile Time Spent Growth

Average Smartphone Time Spent per MAU per Month

Source: QuestMobile (4/19)
China Innovation =

Games Driving Transformation of...
Payments / E-Commerce / Retail / Education
WeChat Jump Jump = Simple Game Helped Create Ecosystem of Mini-Programs

Tiao yi tiao (Jump Jump)
First Mini-Program Game
100MM+ DAUs in two weeks

Uniqlo
Brand
~3x Conversion vs. Industry

Pinduoduo
eCommerce
89MM+ MAUs

Tongcheng-Elong
Travel Booking
169MM+ MAUs

WeSing
Entertainment
73MM+ MAUs

QR Code
Public Transit
48MM+ MAUs

Xiaoniangao
Photos
214MM+ MAUs

Source: WeChat Open Class PRO 2019(01/19), Tencent Global Digital Ecosystem Summit(05/19), MAU per QuestMobile Mini-Programs 4/19.
Alipay Ant Forest = Gamified Philanthropy Can Drive Consumer Engagement

Ant Forest

Accumulate green energy points by completing tasks that reduce carbon emission or paper waste (walking / biking / public transit / online & offline payment / recycling / used goods...)

Protect your virtual tree green energy points or ‘collect’ friends’ points by waking up early & checking in often

Ant Financial & other charity partners turn virtual tree green energy points into real trees to combat deforestation

500MM
Cumulative Users of Ant Forest* within Alipay

100MM
Real Trees Planted*

~4x
Average Alipay Sessions per User per Day**

Source: *Ant Financial as of 4/19, **QuestMobile as of 4/19.
Pinduoduo = Group Buying… Social Shopping + Gamified Discounts Drive Growth

Get Cheaper Price by Sharing with Friends

Friends Can Play Game & Help Reduce Prices

Trailing 12-Month GMV

$100B

$50B

GMV ($B)

Q1:17 Q3:17 Q1:18 Q3:18 Q1:19

Note: Assume FX 1USD=6.9RMB.
Belle / TopSports = Digitization + Gamification Can Drive Same-Store-Sales Lift

Belle / TopSports

Store Managers

Real-time Sales by Category & SKU

Employee KPIs & Peer Rankings

Store Associates

Gamified Rewards to Complete KPIs

Competitive Sales Games vs. Peer Stores

Source: Belle.
Online Education = Structured Fun Games Drive Learning

- **TAL (XRS) Online**
  Turning Math Learning Into Games

- **Coding Cat**
  Games of Codes

- **Cartoon + Students PK**
  Enhanced Learning Experience
China Innovation =

*Internet-Based Products + Business Models*
China Chat =

Enabler of Transactions & Services
WeChat Innovation = Evolution from Chat to Mini-Programs / Payments

1. WeChat Public Account
   Following

2. WeChat Mini-Programs
   Browsing Items

3. WeChat Mini-Programs
   Placing Order

4. WeChat Integrated Payment
   Finishing Payment
Global Rollouts = Kakao / Line / Facebook Incorporate Transaction Features

**Kakao**
Chat / Music / Payment / Games / Transportation…

**Line**
Chat / Payment / Food / Coupons…

**Instagram / WhatsApp**
Chat / Shopping / Money Transfer…

---

**Kakao**
Khmer, Korean, Japanese, English

**Line**
Korean, Japanese, English

**Instagram / WhatsApp**
English
China Local Services =

Becoming ‘Super Apps’
Meituan = From Group Buying to Super App…
30+ Services…412MM Annual Transacting Users, +26% Y/Y…

Meituan Mobile App Functions vs. Relevant US Peers
Meituan # of Transactions per User per Year by Cohort

Source: Meituan IPO prospectus
Alipay = From Payments to Super App…
200K+ Mini-Programs…1B+ Users…70% Use 3+ Financial Services*

Source: China DAU per QuestMobile (4/19). * Categories of financial services provided by Ant Financial include payment, wealth management, financing, insurance & credit system.
Global Rollouts =
Grab / Rappi / Uber Incorporate ‘Super App’ Features

Grab
Transport / Food / Payment / Logistics…

Rappi
Food / Grocery / More…

Uber
Transport + Food + e-Bikes + Freight…
China Retail =

Online / Offline / Omni-Channel
Live-Streaming + E-Commerce = Can Increase… Transparency + Interactivity + Influencer Engagement

Taobao Live
$14B+ Live-Streaming GMV in 2018

Kuaishou
Live-Streaming Shopping

MOGU
Live-Streaming = 24% of GMV
4x Repeat Purchase Rate

Source: Alibaba, MOGU.
Note: MOGU GMV for the year ended March 31, 2019
Various Online Grocery Retail Formats = Competing For Consumer Wallet Share

<table>
<thead>
<tr>
<th>Freshippo (Hema) / 7Fresh ...</th>
<th>Miss Fresh / Dingdong Maicai / Pupu Shengxian...</th>
<th>Xingsheng Youxuan / Songshu Pinpin / Dailuobo...</th>
<th>Meituan / Ele.me / Taoxianda / JD Daojia...</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Owned &amp; operated stores</td>
<td>• Order in app</td>
<td>• Order in app or groupbuy in WeChat mini-programs</td>
<td>• Order in app</td>
</tr>
<tr>
<td>• Pick-up or delivery</td>
<td>• 30min delivery to home</td>
<td>• Next day delivery to neighborhood sorting station + self pick up</td>
<td>• 30min delivery to home</td>
</tr>
<tr>
<td>• Freshippo – 135+ stores</td>
<td>• Owned &amp; operated inventory + fulfillment</td>
<td>• Franchised community partner owner</td>
<td>• Fulfilled by partner stores, delivered by Meituan / Ele.me / Taoxianda / JD</td>
</tr>
</tbody>
</table>

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30分钟极速达
风骏无阻送货到家

门店多多 就近选择
取货更方便

美团闪购
30分钟 到货的生活卖场
Alibaba ‘New Retail’ Strategy = Digitizing Various Offline Retail Verticals

**Freshippo / Hema**
135+ Grocery Stores

**Sun Art**
470 Supermarkets Digitized

**Suning JV**
Consumer Electronics

**Intime**
Fashion & Department Stores

**Easy Home**
Home Improvement

**Eleme & Koubei**
On-demand Delivery for 2,100+ Starbucks Stores

**Tmall Store**
Rural Omni-Channel Stores

**LingShouTong**
1MM+ Mom-&-Pop Stores Digitized

Source: Company Materials
WeChat Groups & Mini-Programs = Improving Customer Relationship Management (CRM) for Retail

Belle / TopSports WeChat Groups & Mini-Programs

Scan QR Code in Store to Join WeChat Group

Receive Latest Product Info via Sales Associates

Receive Latest Brand Info via Public Accounts

Purchase + Checkout via WeChat Mini Programs

Source: Belle.
Yonghui Superstores =
Creating Digital Grocery Experience @ Offline Stores

**Yonghui Superstores**

*Home Delivery = ~15% of Sales in Pilot Stores*

*50% of Home Delivery Ordered via WeChat Mini-Program*

*Red Packets Shared in Group Chats to Drive Engagement*

Source: Tencent Global Digital Ecosystem Summit (05/19)
China Education =

Spreading from Offline to Online
China K-12 Education =
Online Augmenting Offline Learning Experience

Xueersi Online (TAL)
K-12 Live-streaming
Group Courses

Xueersi Shuangshi (TAL)
Online Lecturer +
Offline Tutor /
Teaching Assistant

Zuoyebang
K-12 Homework Help
(take photos to get answer help)
+ Live-streaming Group Courses
China Kids (Ages 3-10) Education =
Increasing Online Platform Usage Outside of School Hours

VIPKid
*English 1-on-1 & Small Group Live-Streaming Online Courses*

Hetao Coding
*Coding Recorded Courses*

Code Mao
*Coding Live-streaming Courses*
China Government Services =

Online Access Rising
WeChat / AliPay = Digitizing Government Services…
500MM+ Consumers

YueShengShi WeChat Mini Program
10MM+ Verified Users in Guangdong Province
500+ Government Services

AliPay Public Services
~500MM Cumulative Consumers
Served Across 300+ Cities

<table>
<thead>
<tr>
<th>Service</th>
<th>Covered Cities</th>
<th>Wait Time Before</th>
<th>Wait Time After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Bill Pay</td>
<td>300+</td>
<td>~1 Hour</td>
<td>~1 Minute</td>
</tr>
<tr>
<td>Social Security Application</td>
<td>240+</td>
<td>~1 Hour</td>
<td>~1 Minute</td>
</tr>
<tr>
<td>Traffic Violation</td>
<td>200+</td>
<td>~30 Min</td>
<td>~1 Minute</td>
</tr>
<tr>
<td>Hospital Appointment</td>
<td>250+</td>
<td>--</td>
<td>50% Reduction</td>
</tr>
</tbody>
</table>

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