



MORGAN STANLEY DEAN WITTER

INTERNET OVERVIEW/UPDATE - Mary Meeker

- **Attention Grabbers!**
- **Internet/Tech Investing**
- **General Internet Thoughts**
- **Internet Growth**
- **Web Advertising**
- **Web Retailing**
- **Business to Business**
- **Closing Thoughts**

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ATTENTION GRABBERS!

Market Cap Attention Grabbers

- **AOL** (\$94B, fully diluted) > Time Warner (\$75B), Disney (\$60B),
- **Schwab** (\$34B) > Merrill Lynch (\$24B)
- **Yahoo!** (\$32B) > Washington Post (\$6B), New York Times (\$6B)
- **eBay** (\$18B) > Sotheby's (\$2B)
- **Priceline.com** (\$11B, fully diluted) > Marriott International (\$10B), Delta Airlines (\$8B), US Airways (\$3B)
- **Amazon.com** (\$14B) > Barnes & Noble (\$2B)
- **@Home** (\$10B) > Cablevision (\$9B)

As of 6/14/99

Trend Attention Grabbers

- 100MM Internet users -- up from < 5MM in 1995 - Internet growth is like an "epidemic."
- Internet is still in an early growth stage.
- A few early leaders (with dominant, widely recognized brands) are moving swiftly to help drive consolidation in the Internet markets.
- Owing in part to economics of increasing returns, the revenue/profit streams that accrue, in time, to the Internet leaders (defined as companies with the most/stickiest customers) should be broad-based and recurring and the user reach supported by the leaders may be impressive (of Microsoft-ian and ATT-ian proportions, or higher).
- Investors have been moving money into high growth companies when demand exceeds supply, prices rise...But, risks rise too...

Internet Investing

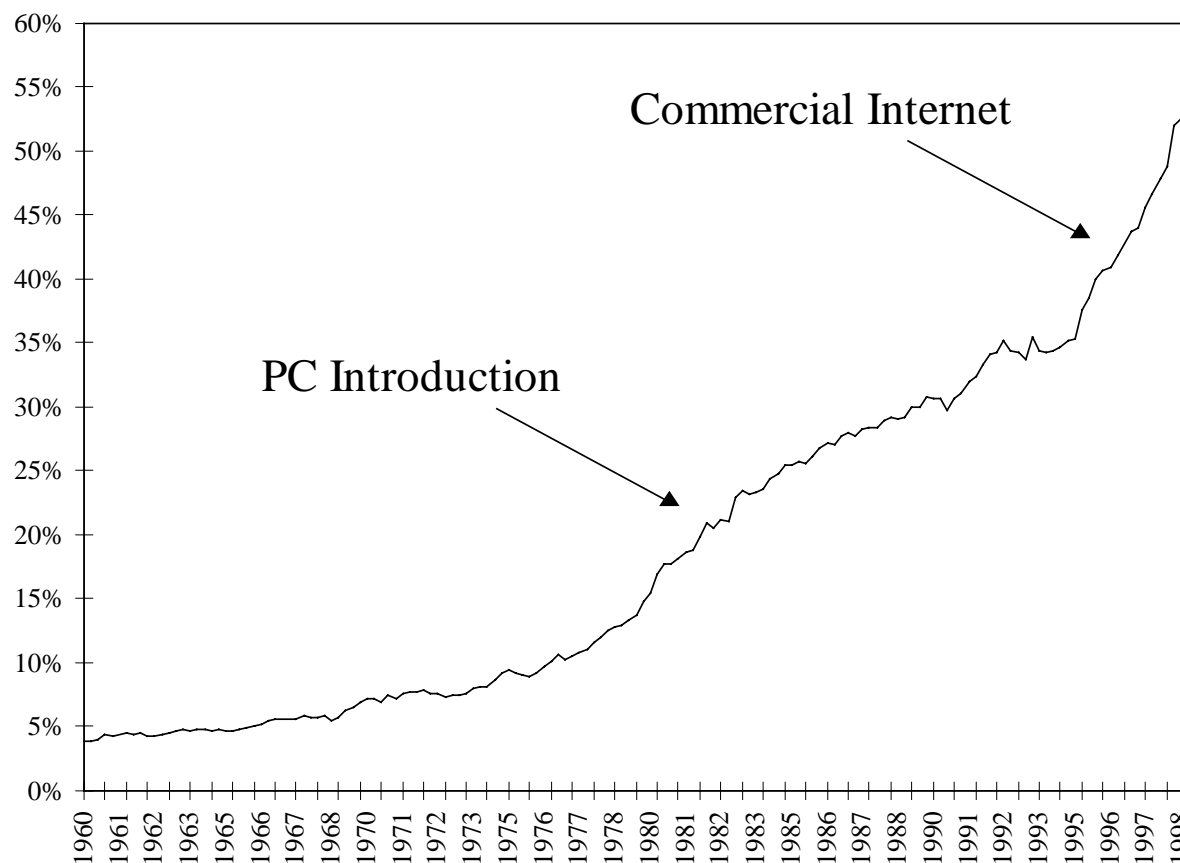
Caveat Emptor! There will be Lots of Pain...

- **Demand** -- Extremely High...
- **Investment Banks** -- Increasing Volume...
- **Equity Capital Markets** -- Increasing Prices...
- **Boards** -- Market Cap Envy...
- **Venture Capital** -- In the Public Markets...

INTERNET/TECH INVESTING

Corporate Tech Spending Continues to Rise

U.S.-based Information Technology Spending as a Share of Business Capital Equipment Spending - 1960 to 1998

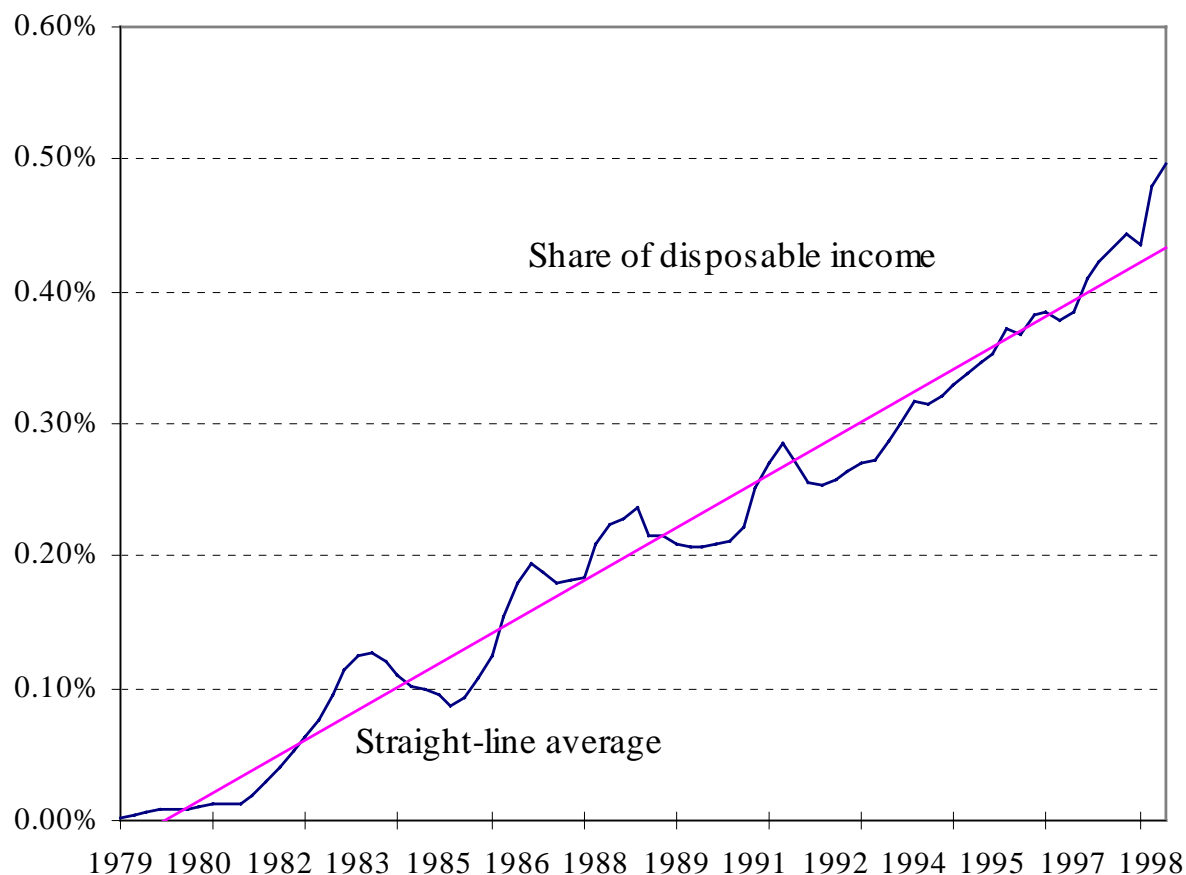


Source: U.S. Department of Commerce.

Note: Information technology spending includes purchases of information processing and related equipment (including office, computing, and accounting machinery), computers and peripheral equipment, communication equipment, instruments, and photocopy and related equipment.

Consumer Tech Spending Continues to Rise

U.S.-based Nominal Computer Expenditures as a Share of Personal Disposable Income - 1980 to 1998



Source: US Department of Commerce

Technology Investing Has Been Showing Us The Money . . .

- 1,200+ tech IPOs over 18 years (since PC debut) -- current market value of \$2 trillion.
- 66 “Ten Baggers” - up 1,000%+.
- 5% of tech IPOs created 86% of wealth.
- 58% up. 42% down.

As of 12/31/98

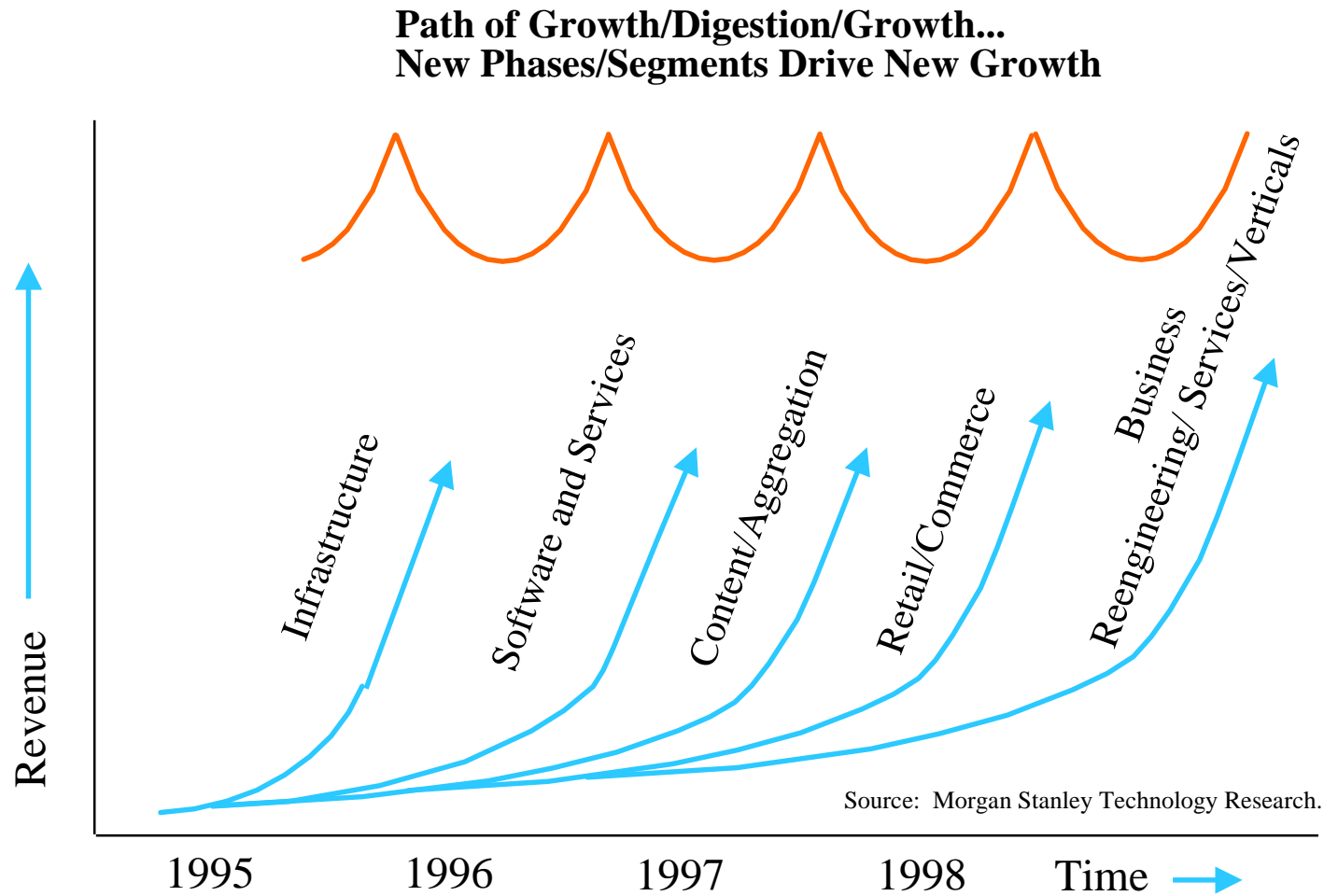
Reality of Internet IPOs is Currently Very Positive

- 130 Internet IPOs since Netscape (8/95).
- 68% up, 32% down.
- Net market capitalization change of IPOs is \$257B - and total value is \$304B - note 5 biggest winners, including America Online, Yahoo!, eBay, Amazon.com and priceline.com up a total of \$165B.
- Though note, Microsoft up \$332B since Netscape IPO; Cisco up \$156B; Sun up \$41B and Schwab up \$31B.
- Investors are onto something . . .

As of 06/14/99

Internet Development Framework

Timing and Development of Internet Market Segments



Emerging Trend Drilldown

- Personalization
- Micro/Vertical Portals
- Hosted Services
- B2B Commerce
- B2B Exchanges

Internet Company Valuation Themes

The Simple Questions for Each Web Segment

- How big's the market?
- How high's the market share?
- Who's number one?

Who Will Emerge to Dominate the Internet?

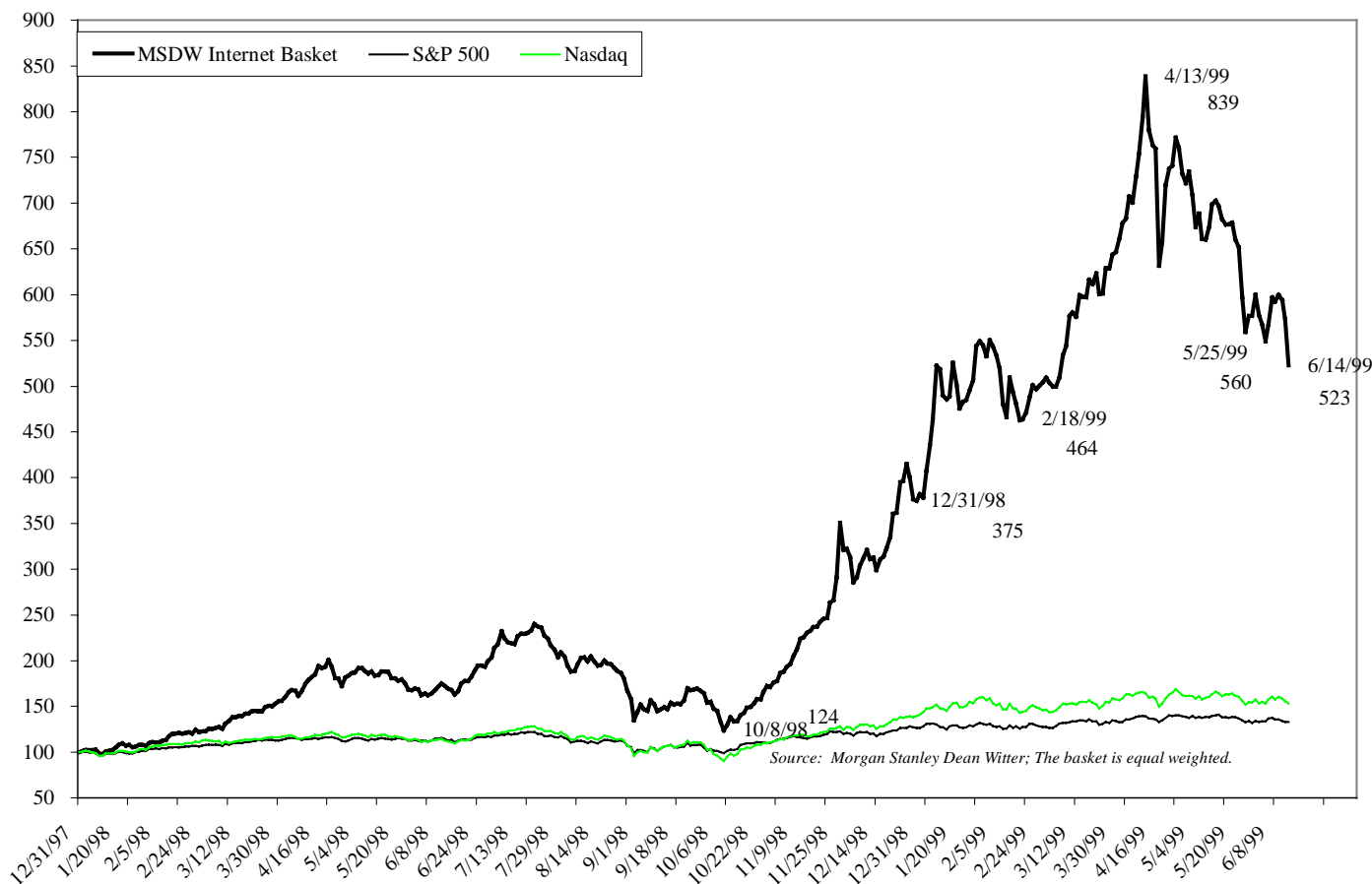
History of Media Has Taught Us...

- #1 is Awesome
- #2 is OK
- #3 is Tough
- #4 is Pits
- #5 - Huh? Who? Forgot...

Ups and Downs of Internet Investing - Volatility Rules!

Internet Stock Performance vs. Technology Sector and Larger Market

Internet Stock Price Performance (since 12/31/97)



MSDW Internet Index*

Price return since:

- 8/8/95: 836%
- 12/31/96: 690%
- 12/31/97: 423%
- 12/31/98: 40%

***Includes all 107 Internet IPOs since NSCP.**

As of 06/14/99

CQ1:98 Internet IPOs - 6

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
ISS	<i>Internet Infrastructure</i>	03/27/98	\$308	\$1,035
Cybershop	<i>e-Commerce</i>	03/23/98	44	49
Exodus	<i>Internet Infrastructure/Data Services</i>	03/18/98	269	3,009
DoubleClick	<i>Internet Services</i>	02/20/98	240	5,561
CDNow	<i>e-Commerce</i>	02/09/98	249	295
VeriSign	<i>Internet Infrastructure</i>	01/29/98	238	2,358
TOTAL			\$1,348	\$12,307

* Priced as of 6/14/99

CQ2:98 Internet IPOs - 4

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
Beyond.com	<i>e-Commerce</i>	06/17/98	\$239	\$589
NetGravity	<i>Internet Services</i>	06/12/98	157	230
Inktomi	<i>Internet Infrastructure</i>	06/10/98	369	4,126
Verio	<i>Internet Infrastructure/Data Services</i>	05/12/98	731	1,838
TOTAL			\$1,496	\$6,783

* Priced as of 6/14/99

CQ3:98 Internet IPOs - 6

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
Entrust	<i>Internet Infrastructure</i>	08/18/98	\$762	\$1,105
24/7 Media	<i>Internet advertising and marketing services</i>	08/14/98	212	457
GeoCities	<i>Portal</i>	08/11/98	521	N.A.**
Digital River	<i>Internet Services</i>	08/11/98	142	438
Cyberian Outpost	<i>e-Commerce</i>	07/31/98	396	216
Broadcast.com	<i>Vertical Portal/Internet Infrastructure</i>	07/17/98	304	3,312
TOTAL			\$2,337	\$5,528

* Priced as of 6/14/99, ** Geocities was acquired by Yahoo!, Inc.

CQ4:98 Internet IPOs - 10

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
audiohighway.com	<i>Vertical Portal/Internet Infrastructure</i>	12/18/98	\$22	\$60
InfoSpace.com	<i>Portal</i>	12/15/98	302	1,662
Xoom	<i>Portal</i>	12/10/98	183	704
AboveNet	<i>Internet Infrastructure</i>	12/10/98	166	603
Internet America	<i>Internet Service Provider</i>	12/10/98	82	103
uBid	<i>e-Commerce</i>	12/04/98	102	233
Ticketmaster-CitySearch	<i>e-Commerce/Vertical Portal</i>	12/03/98	973	1,610
theglobe.com	<i>Portal</i>	11/13/98	88	281
EarthWeb	<i>Vertical Portal-Technology</i>	11/11/98	111	217
eBay	<i>e-Commerce</i>	09/24/98	738	17,544
TOTAL			\$2,767	\$23,016

* Priced as of 6/14/99

CQ1:99 Internet IPOs - 21

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
MarketWatch.com	Vertical Portal - Finance	01/15/99	\$201	\$596
Allaire	Internet Services	01/22/99	204	389
Intraware	Internet Software	01/26/99	376	444
pcOrder.com	e-Commerce	01/26/99	318	488
Modem Media PT	Internet Services	02/05/99	171	256
Prodigy	Internet Service Provider	02/10/99	885	1,176
VerticalNet	e-Commerce	02/10/99	262	821
Healtheon	Vertical Portal/Services-Healthcare	02/10/99	472	5,373
Webtrends	Internet Services	02/19/99	146	273
Vignette	Internet Software	02/19/99	426	1,009
RoweCom	Internet Services	03/09/99	154	139
Flashnet	Internet Service Provider	03/16/99	228	248
Multex	Vertical Portal - Finance	03/17/99	296	567
iVillage	Vertical Portal - Women	03/19/99	557	775
Autoweb	Vertical Portal - Autos	03/23/99	328	273
About.com (Miningco)	Portal	03/24/99	289	315
Onemain	Internet Service Provider	03/25/99	427	309
autobytel	Automotive internet marketing guide	03/26/99	411	320
Critical Path	Internet Infrastructure	03/29/99	818	1,717
priceline.com	e-Commerce	03/29/99	2,274	10,939
ZDNet	Vertical Portal - News	03/31/99	1,368	1,278
TOTAL			\$10,611	\$27,705

* Priced as of 6/14/99

CQ2:99 Internet IPOs - 35

Company	Description	IPO Date	Market Cap Offer (\$MM)	Market Cap Cur.(\$MM)*
Value America	e-Commerce	04/08/99	\$998	\$800
iTurf	Vertical Portal - Teens	04/09/99	367	173
Proxicom	Internet Services	04/19/99	311	526
Log On America	Internet Service Provider	04/22/99	68	87
Launch Media	Vertical Portal - Music	04/23/99	268	175
razorfish	Internet Services	04/27/99	386	700
Mpath Interactive	Vertical Portal - Games	04/29/99	383	372
AppliedTheory	Internet Service Provider	04/30/99	447	680
Marimba	Internet Software	04/30/99	328	267
Flycast Communications	Internet Services	05/04/99	483	483
MapQuest.com	Vertical Portal - Travel	05/04/99	353	282
COMPS.com	Vertical Portal - Commercial Real Estate	05/05/99	225	382
Silknet	Internet Software	05/05/99	183	90
Portal Software	Internet Services	05/06/99	1,053	3,074
Adforce	Internet Services	05/07/99	284	568
Media Metrix	Internet Services	05/07/99	288	385
NetObjects	Internet Software	05/07/99	313	211
TheStreet.com	Vertical Portal - News	05/11/99	448	596
Alloy Online	Vertical Portal - Teens	05/14/99	686	1,478
Nextcard	e-Commerce	05/14/99	874	1,207
Scient	Internet Services	05/14/99	213	157
CAIS Internet	Internet Service Provider	05/20/99	2,036	4,084
eToys	e-Commerce	05/20/99	361	218
@Plan	Internet Services	05/21/99	153	124
fashionmall	e-Commerce	05/21/99	98	51
barnesandnoble.com	e-Commerce	05/25/99	2,520	2,161
DLJdirect	Vertical Portal - Finance	05/26/99	798	2,077
EDGAR Online	Internet Services	05/26/99	1,700	1,874
Juno Online	Internet Services	05/26/99	104	357
StarMedia	Vertical Portal - Latin America	05/26/99	450	72
IXL Enterprises	Internet Services	06/03/99	763	934
High Speed Access	Internet Service Provider	06/04/99	635	844
Wit Capital	Vertical Portal - Finance	06/04/99	673	724
Online Resources & Comm.	Vertical Portal - Finance	06/04/99	151	120
dr.koop.com	Vertical Portal - Health	06/05/99	248	340
TOTAL			\$19,648	\$26,674

* Priced as of 6/14/99

CQ2:99 Internet IPO Pipeline - 66

1-800-FLOWERS.COM	HealthGate Data	PC Flowers & Gifts.com
Ariba	Homestore.com	pcquote.com
Ask Jeeves	ImageX.com	Phone.com
Big Star Entertainment	InsWeb	PurchasePro.com
bright-technologies.com	Interliant	Quepasa.com
Chemdex	Internet Capital Group	Quokka Sports
Commerce One	Internet.com	Quotesmith.com
Cybergold	JFAX.COM	Salon Internet
CyberSource	Liquid Audio	Software.com
Digex	Lowestfare.com	Splitrock
Digital Island	Mail.com	Stamps.com
drugstore.com	Medscape	Streamedia Communications
DSL.net	Mortgage.com	Streamline.com
E2Enet.com	MP3.com	Talk City
eCollege.com	musicmaker.com	Tickets.com
E-Loan	MyPoints.com	Travelscape.com
Engage Technologies	Net2Phone	U.S. Interactive
ftd.com	Netcom Systems	USA.NET
Garden.com	NetRadio	Viant
GoTo.com	NetScout Systems	Voyager.net
GreenMountain.com	NetSolve	Women.com Networks
HeadHunter.NET	nFront	yesmail.com

As of 6/11/99

Public Pure Play Internet Winners - \$10B + Club

	Market Value (\$B)	% Change from IPO
America Online	\$94,301	39,168%
Yahoo!	31,527	5,408
eBay	17,544	2,167
Amazon.com	14,435	2,967
Priceline	10,939	380
@Home	9,458	648
E*Trade Group	7,363	510

Priced as of 6/14/99

Supply & Demand for Internet Stocks

- Small Float Creates a Major Liquidity Problem:
 - Average float among top names = 38%
 - Only \$6B in aggregate IPO proceeds...\$12B in Follow-on Proceeds.
- Big Short Positions:
 - Short interest is high for many names.
- Relatively Small Total Universe:
 - Total market value of post-Netscape IPOs only \$341B.
- Retail Investors Have Played a Significant Trading Role:
 - Especially online investors.
- Money Flows Have Been Flowing...

As of 5/25/99

1998 -- The Year of the “Nifty Nets”

- 85%+ of Mutual Fund Managers Underperformed S&P 500 (up 28%).
- MSDW Tech Index (MSH-35) Was Up 95%.
- MSDW Internet Index Rose 182%.
- Big, Big Winners: CMGI (up 604%); AOL (up 586%); YHOO (up 584%); DELL (up 249%); CSCO (up 150%); WCOM (up 137%); SUNW (up 115%); MSFT (up 115%).

1998 -- The Year of the Online Trader...

- > 8MM Online Trading Accounts.
- Stay at Home, Watch CNBC, Trade Internet Stocks at \$10 Commission per Trade...
- Impact of Online Trading on the MarketWatch.com's (up 474% on Day #1 of Trading) of the World Can't be Underestimated.
- Recent Average Daily Trade Size:
 - Coca-Cola = 1,160 shares
 - Microsoft = 882 shares
 - Amazon.com = 434 shares

1999+ General Thoughts

- General Internet Fundamentals, Based on Usage Growth Outlook, are Positive.
- Online Stock Trading Should Remain Robust -- Regulators Will Increase Focus.
- Internet Stock Volatility Likely to Continue. IPO Pricing Valuations are Getting Loopy...
- Internet Leader Share Prices Likely to Trade in Pattern of Higher Highs Followed by Higher Lows...Higher Highs and So On...Corrections Should Prove to Be Healthy.
- “Big Money” is Moving into the Internet -- not your Father’s Sand Hill Road.
- At Some Point, Internet Company “Quality” Will be Reflected in Share Prices...We Can’t Have Public Venture Capital Forever...?
- At Some Point, Internet Investors will Shorten their Discounting Time Horizons...
- Was Amazon.com CQ1 an Inflection Point?

GENERAL INTERNET THOUGHTS

Key Things About the Internet

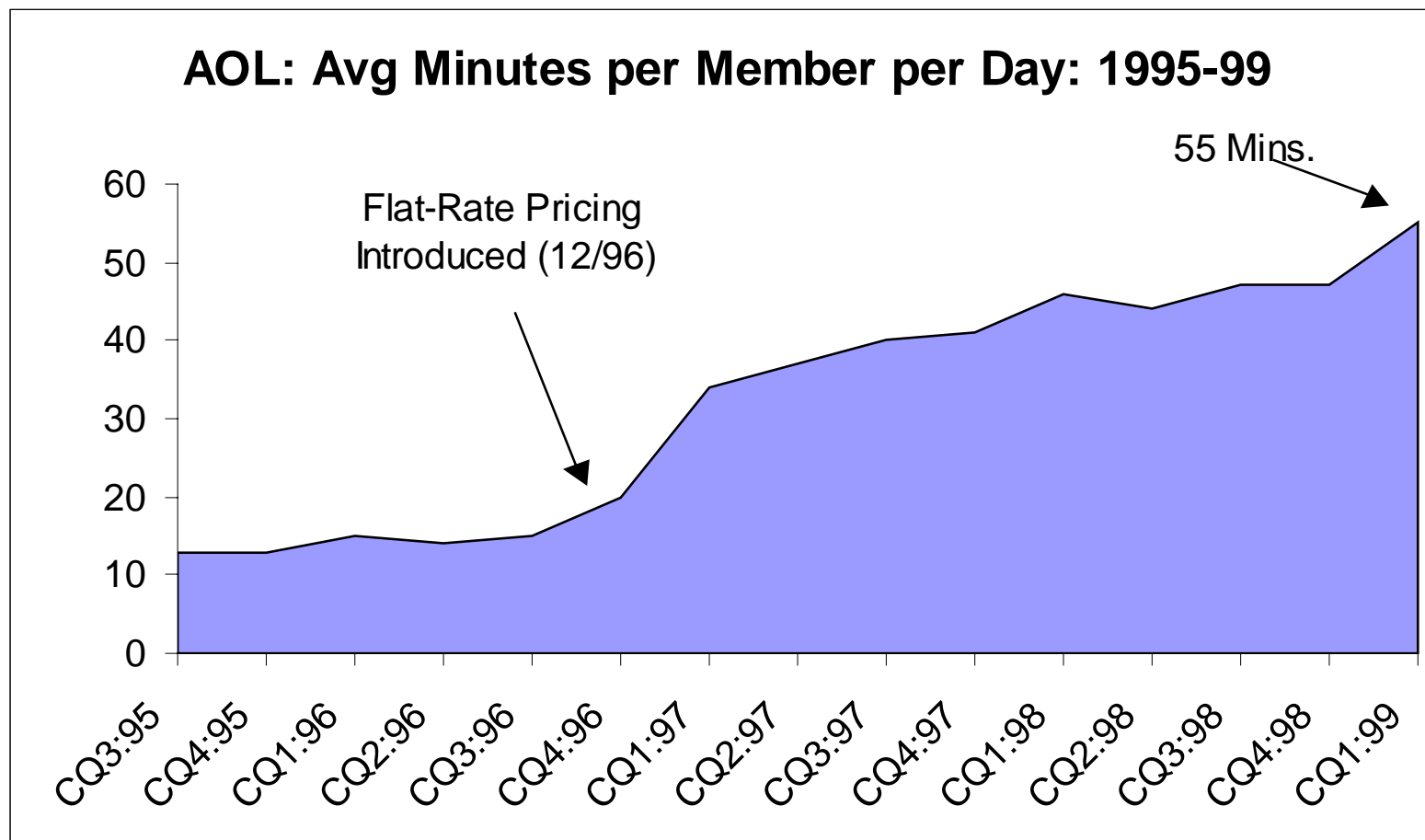
- Web usage will be huge, and it mimics real life.
- Advertising dollars are being directed to the Web.
- Web is a great retail distribution vehicle.
- Web brands matter. Co-branding matters. User Stickiness Matters...
- Only a few aggregators/portals should be huge.
- Web content is a tough business.
- Users find the best content and context on the Web.
- Business reengineering and vertical companies are emerging.
- Broadband will become increasingly real over the next 6-36 months
- The game's just beginning, but it's game over for many. . .

INTERNET GROWTH

150MM Net Users by 2000 is Not Crazy

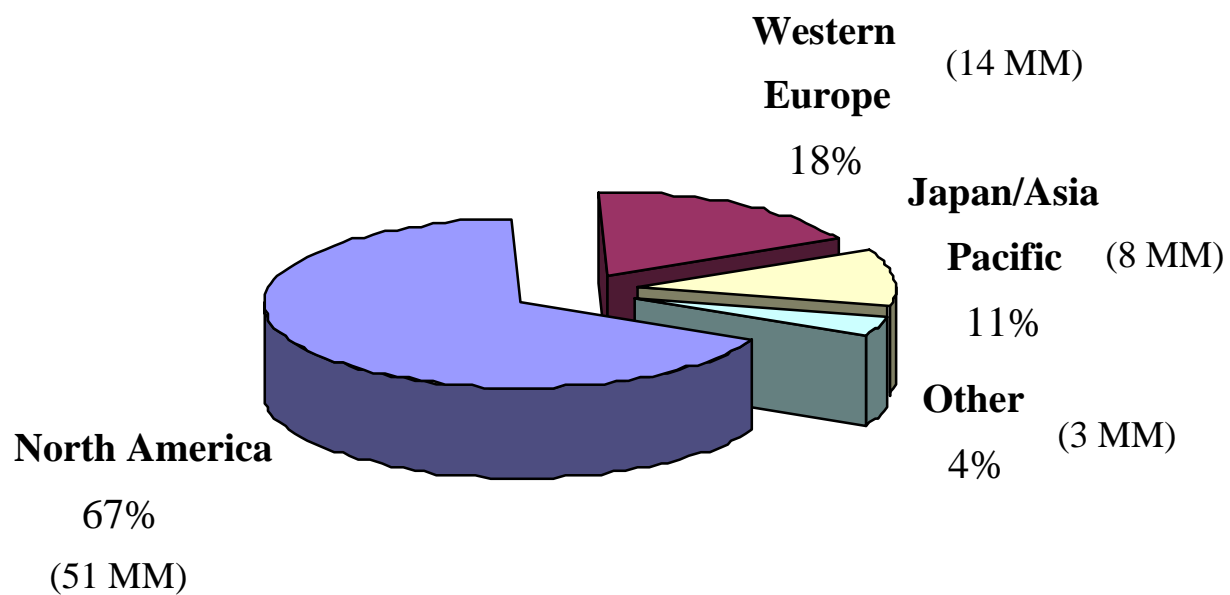
- PC unit shipments -- 71MM in 1996 to 130MM in 2000.
- PC users -- 167MM in 1996 to 269MM in 2000.
- We assume that 58% of PC users in 2000 will use the Internet (up from 17% at the end of 1996), implying 157MM Internet users in 2000.

Usage Among Internet/Online Users Has Climbed



Global Share of Internet Users, 1998

80 MM Internet Users Worldwide



Source: eStats

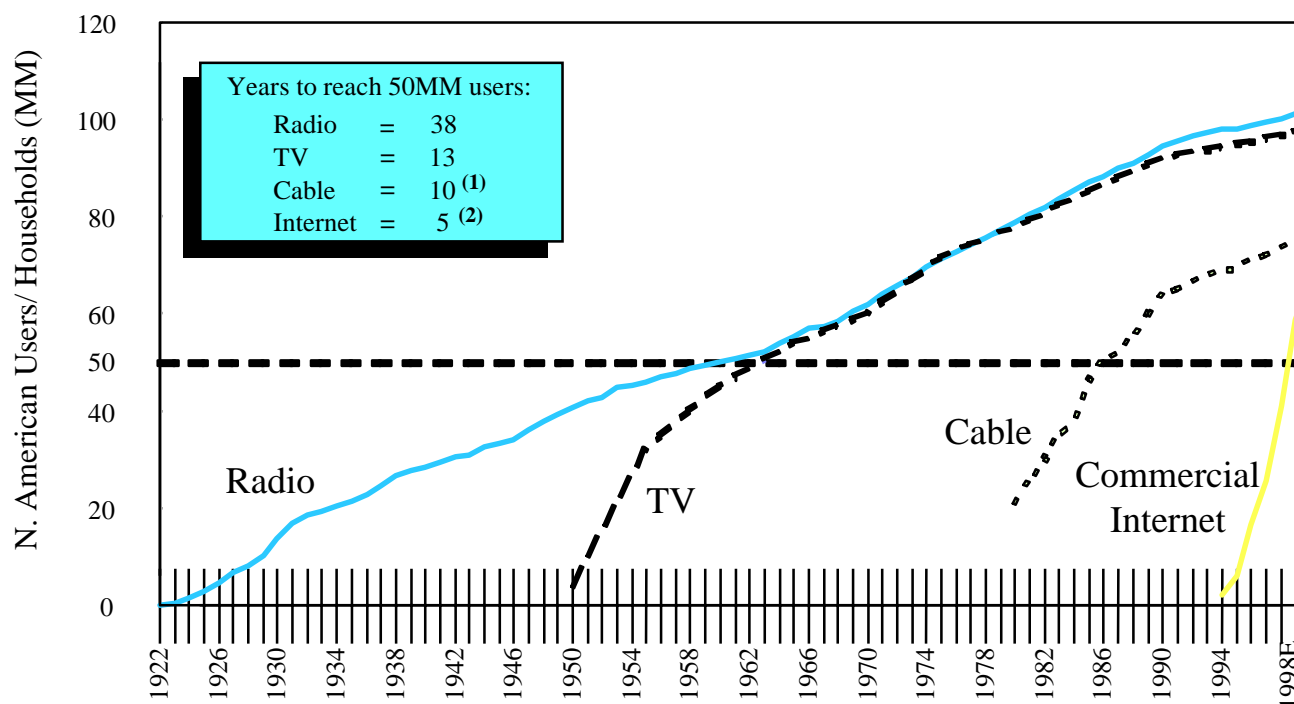
PC Penetration Opportunities Are Still Great

	Home PC Penetration	Homes (MM)	Business PC Penetration	Employees (MM)
U.S.	30%	99	60%	139
Japan	20	59	30	68
Europe	20	184	40	203
Latin America	5	92	7	148
Asia	1	829	5	1,400
<i>World</i>	<i>7%</i>	<i>1,263</i>	<i>14%</i>	<i>1,958</i>

Source: Morgan Stanley Dean Witter

Internet as a Mass Medium - On to 150MM Worldwide Web Users by 2000

N. American Adoption Curves for Various Media — The Web Is Ramping Fast



Source: Morgan Stanley Technology Research. E = Morgan Stanley Research Estimate.

Notes: (1) We use the launch of HBO in 1976 as our estimate for the beginning of cable as an entertainment/advertising medium. Though cable technology was developed in the late 1940's, its initial use was primarily for the improvement of reception in remote areas. It was not until HBO began to distribute its pay-TV movie service via satellite in 1976 that the medium became a distinct content and advertising alternative to broadcast television.

(2) Morgan Stanley Research Estimate.

The Internet has Spawned 5 “Mega-Brands”

In 3 short years, 40%+ U.S. Adults Recognize:

- America Online (84%)
- Yahoo! (65%)
- Netscape (58%)
- Amazon.com (46%)
- priceline.com (43%)

Source: Opinion Research Corporation International (Winter 1999), Study commissioned by priceline.com. Total percentage of U.S. Adult Population of 194MM.

The Internet has Spawned 4 Leading eCommerce Brands

In 3 short years, 30%+ U.S. Adults Recognize:

- Amazon.com (52%)
- priceline.com (47%)
- eBay (32%)
- E*Trade (30%)

Source: Opinion Research Corporation International (April 1999), Study commissioned by priceline.com. Total percentage of U.S. Adult Population of 196MM.

The Internet is Becoming a Necessity

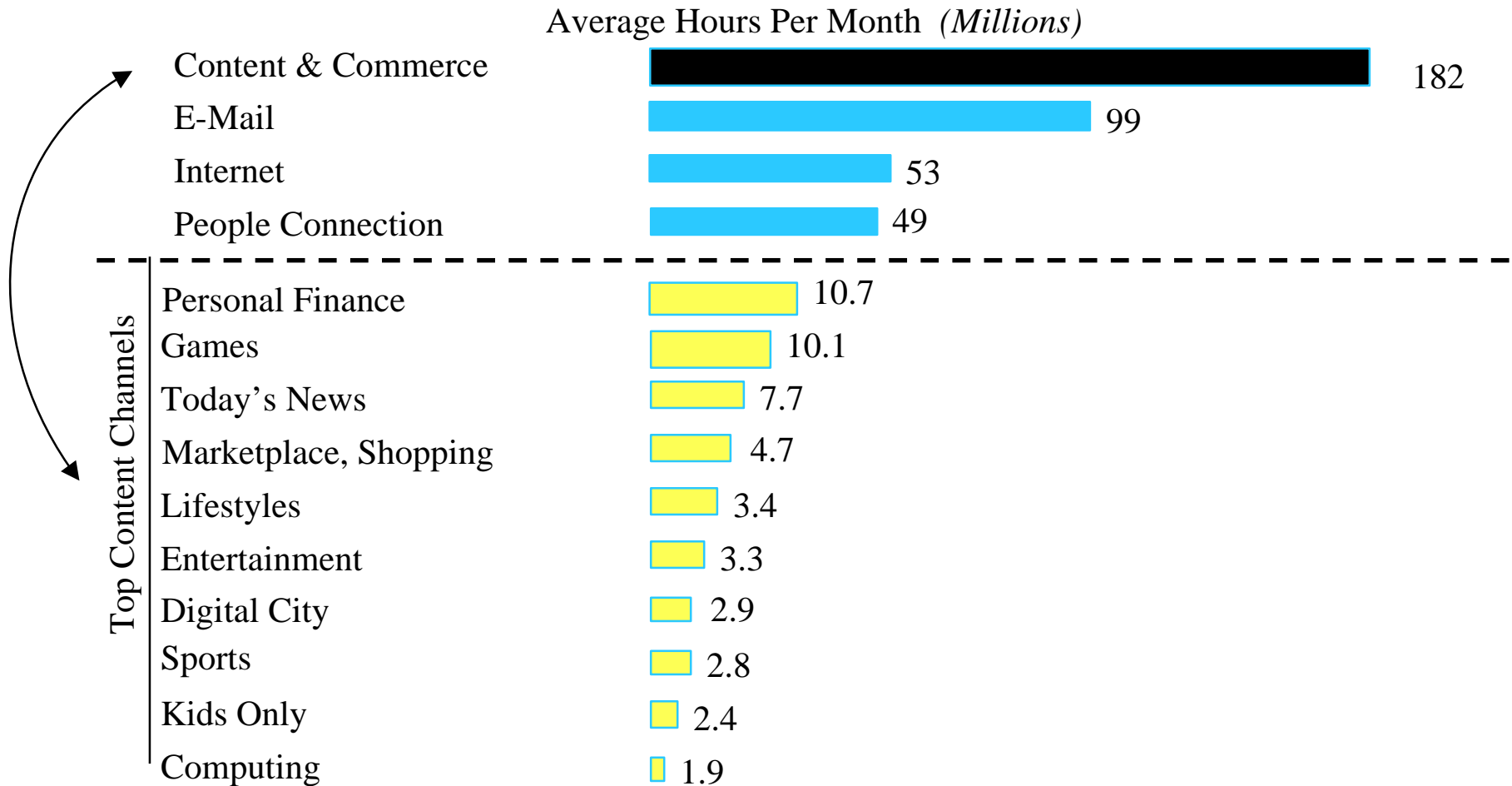
- 44% of current Internet users say Internet/online usage is becoming a necessity.
- 77% of the online population believe that being online has made their lives better.
- 67% said that if stranded on a desert island, they would prefer a computer with an Internet connection, as opposed to 23% who said they would want a telephone and 9% who replied that they would prefer a television
- -- *America Online/Roper Starch Cyberstudy 1998 (December 1998)*

WEB ADVERTISING

The Internet May Be The Ultimate One-to-One Marketing Tool

- The Internet has the potential to be the most efficient direct-marketing tool yet seen.
- Companies can target and deliver directed messages to an audience with specific demographics and interests.
- They can also collect, track, analyze, and market to consumer behavior/buying patterns.
- First medium where advertising may be converted to transactions in band with direct access to the point of sale.
- All in, the cost of online advertising/marketing is roughly comparable to, if not better than, the cost of direct mail.

Web Usage Mimics Real Life (AOL is Proxy)



AOL CQI 99

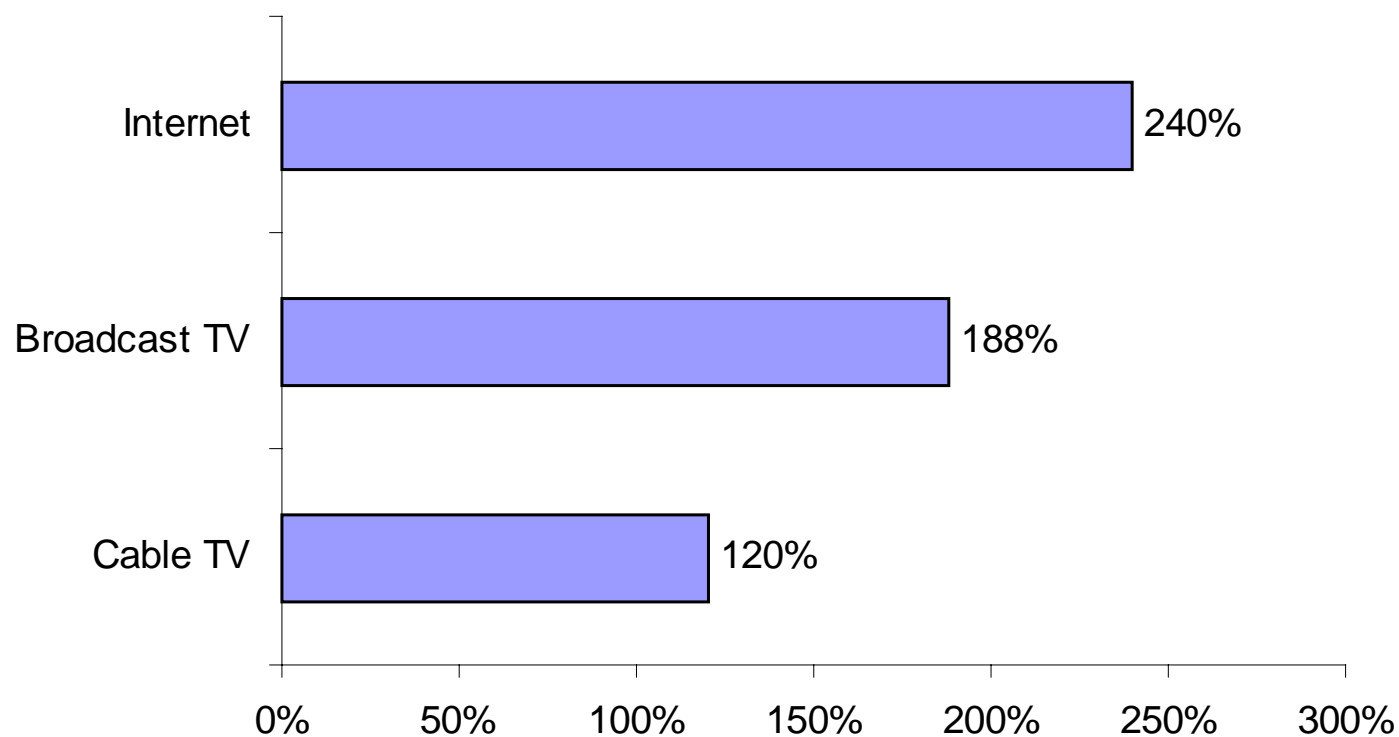
The Web Works Like Other Media - Web Reach for Today's Top Publishers by Channel/Category

Channel/Category	No. 1 Web Site	April 1999 Reach (%)
Search/Aggregation	Yahoo!	51%
Communities	GeoCities	32
Browser	Netscape	31
Generation X	Tripod	19
Retailing	Amazon.com	17
Technology News	C/NET	13
News	MSNBC	10
Sports	ESPN	7
Travel/Tourism	Sidewalk.com	7
Women	iVillage	7
Personal Finance	Quicken Network	5
Financial News	CNNfn	2

Source: Media Metrix

Early Year Advertising Ramps

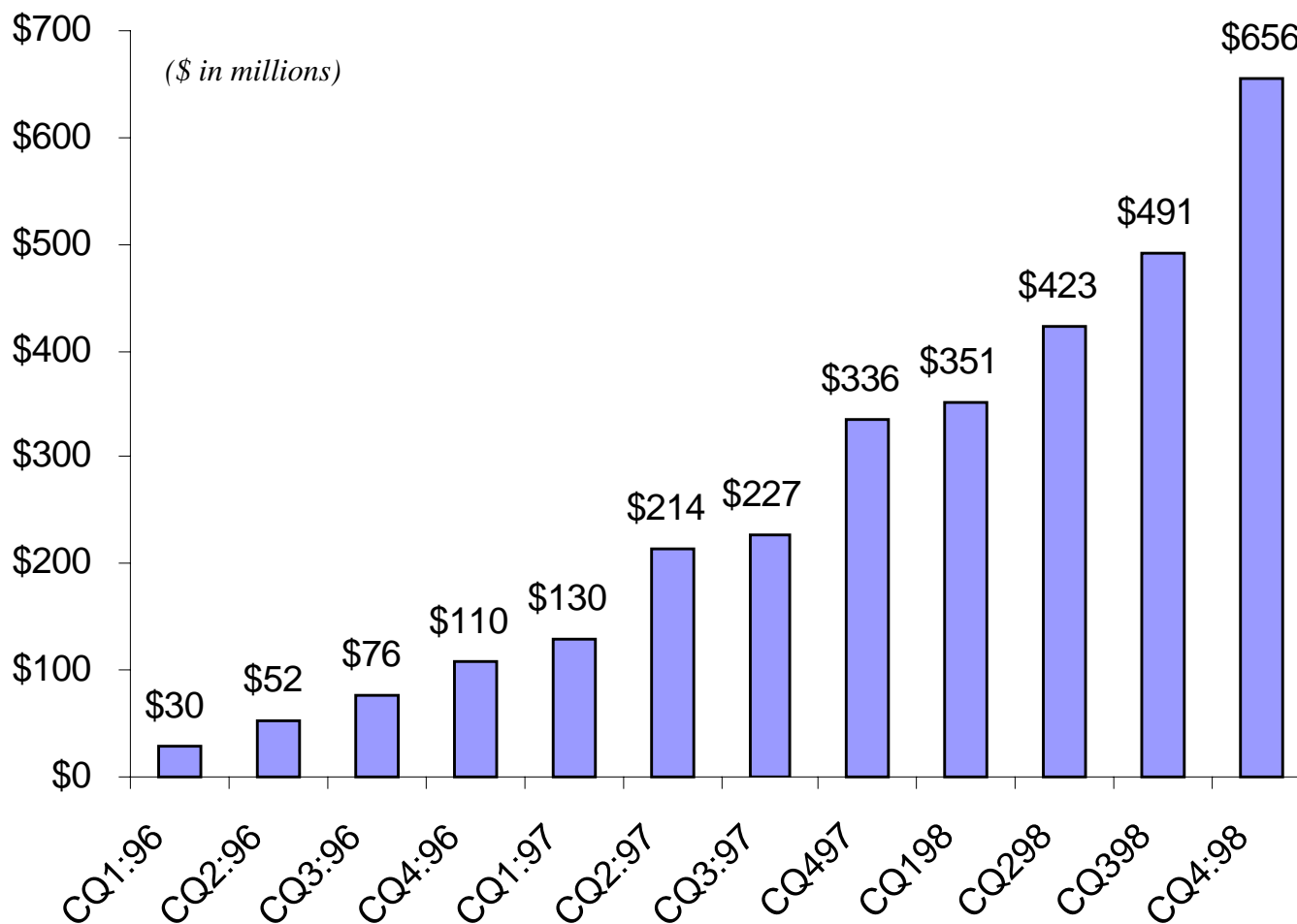
Third-Year Y/Y Revenue Growth (%)



Sources: PriceWaterhouseCoopers, Internet Advertising Bureau

Internet Advertising Has Ramped Steadily

Internet Advertising Revenue Growth by Quarter



Source: Internet Advertising Bureau

Web Advertising is Growing More Rapidly Than Other Media

U.S. Media Advertising and Direct Marketing Revenue (\$B)

	1998E	Y/Y Growth
Media Advertising	\$141	8%
Television	48	8
Newspapers	44	6
Radio	15	9
Yellow Pages	12	5
Magazines	10	6
Outdoor	4	8
Business Publications	5	11
Internet	2	102
Farm Publications	0.3	6
Direct Marketing	102	8
Direct Telephone	63	8
Direct Mail	40	8
Total	\$243B	8%

Source: Morgan Stanley Dean Witter

Fun With Numbers -- Upside for Internet Advertising

1998E U.S. Spending per Household for Various Media

Medium	1998E Advertising Spending (\$MM)	No. of Households/ Users (MM)	Advertising Spending/ Household (\$)
Newspapers	\$44,270	60	\$738
Broadcast TV	39,480	100	395
Radio	14,754	99	149
Cable	8,619	65	133
Internet/Online	1,900	50	38
Total	\$109,023	374	\$1,453
Average	21,805	75	291

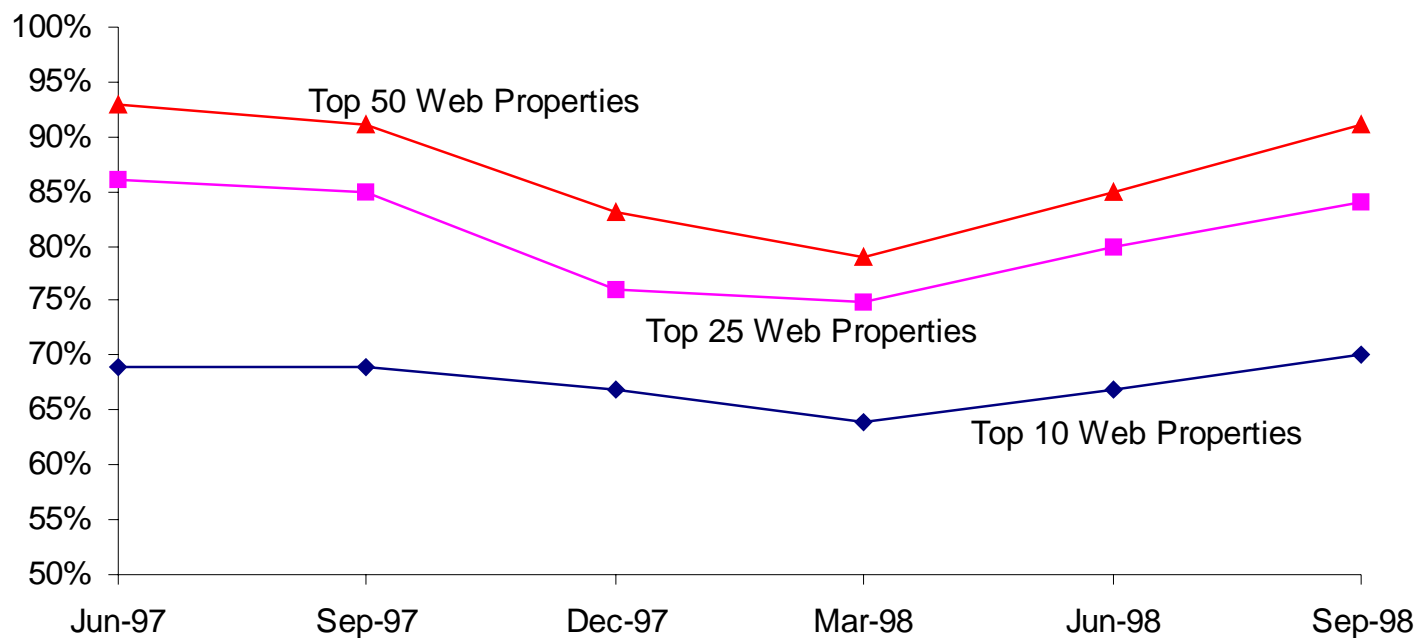
Note: Newspaper households are 1997 Sunday circulation; Internet/Online numbers are for U.S. users.

Sources: Morgan Stanley Dean Witter, McCann-Erickson, Newspaper Association of America, Wilkofsky Gruen Associates, Jupiter Communications

But Only a Few Get the Bucks, and Lots Feel Pain . . .

Concentration of Ad Revenue on the Web, CQ1:97-CQ3:98

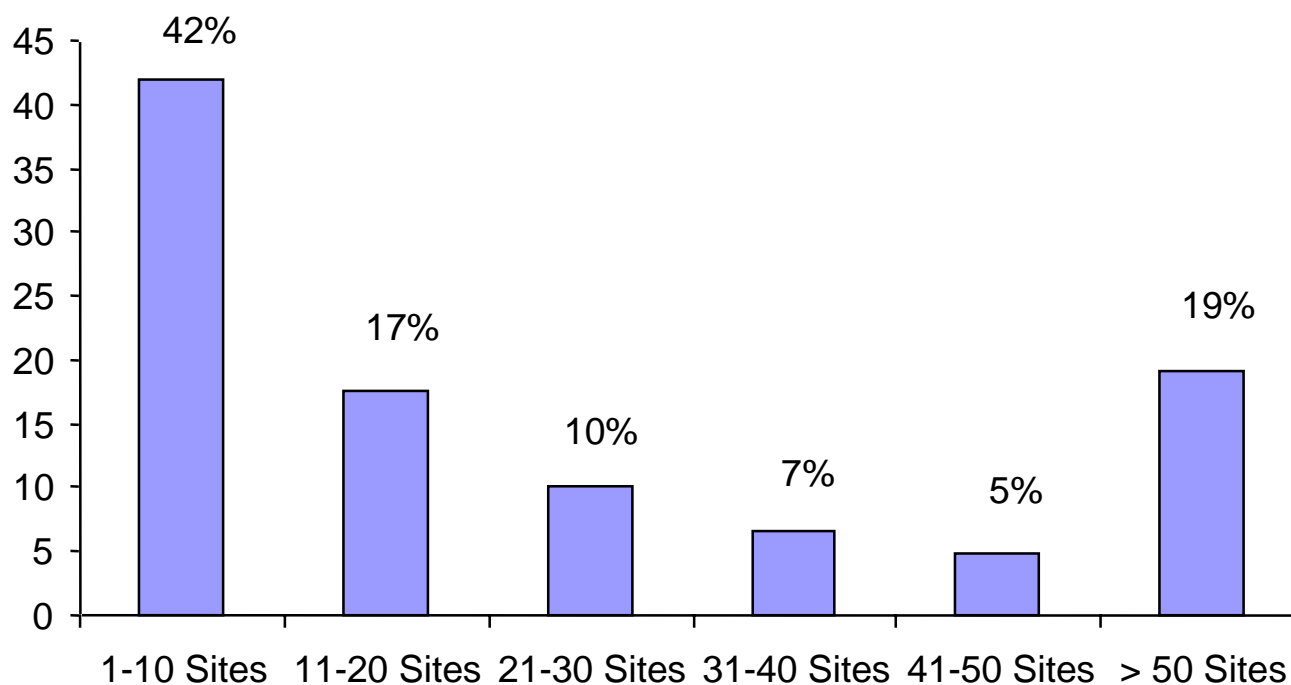
**Share of Internet
Ad Revenue**



Source: Internet Advertising Bureau

42% of Web Users Visit < 10 Sites Per Month

% Internet Users Visiting x # Sites Per Month



Source: Media Metrix (June 1998)

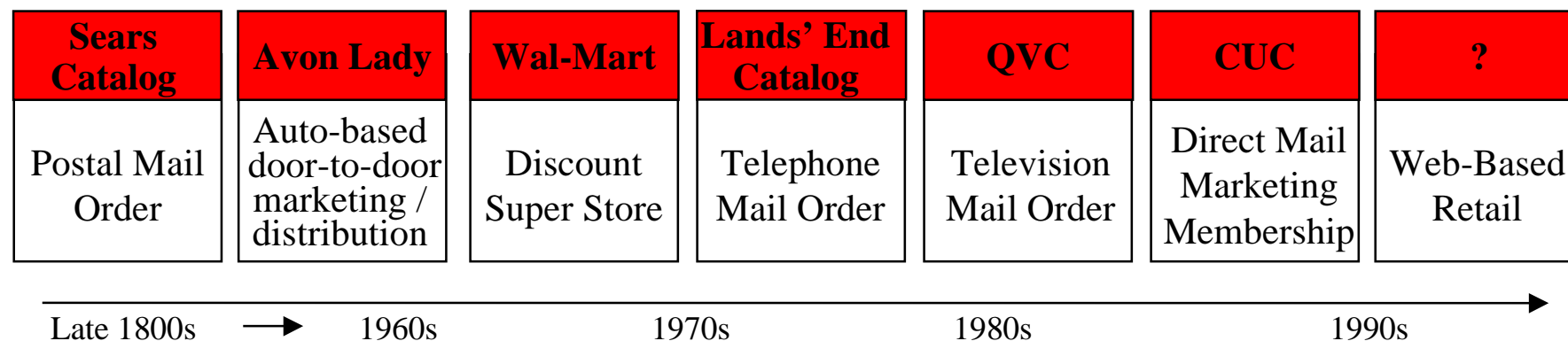
WEB RETAILING

Creation of New Distribution Channels

Create Opportunities for Retailers

The Internet represents the potential creation of the greatest, most efficient distribution vehicle in the history of the planet. E-mail addresses will rival phone numbers.

Changes in the distribution of goods and services create substantial business opportunities for defunct companies.



Source: Morgan Stanley Equity Research

Travel and Shopping Continue to Ramp

Trended Reach for Selected Web Site Categories (Ranked by Month % Change)

Web Classification	Reach April '99	% Change from 06/98 to 04/99	Avg. Monthly % Change from 06/98 to 04/99
Shopping	65%	33%	2.7%
Web Services	66	27	2.2
Travel/Tourism	33	26	2.2
Search Engine	76	22	1.9
News/Info./Entertainment	84	14	1.2
Marketing/Corporate	80	10	0.8

Source: Media Matrix (April 1999)

Internet Retailing? From 0 to 60 in Seconds...

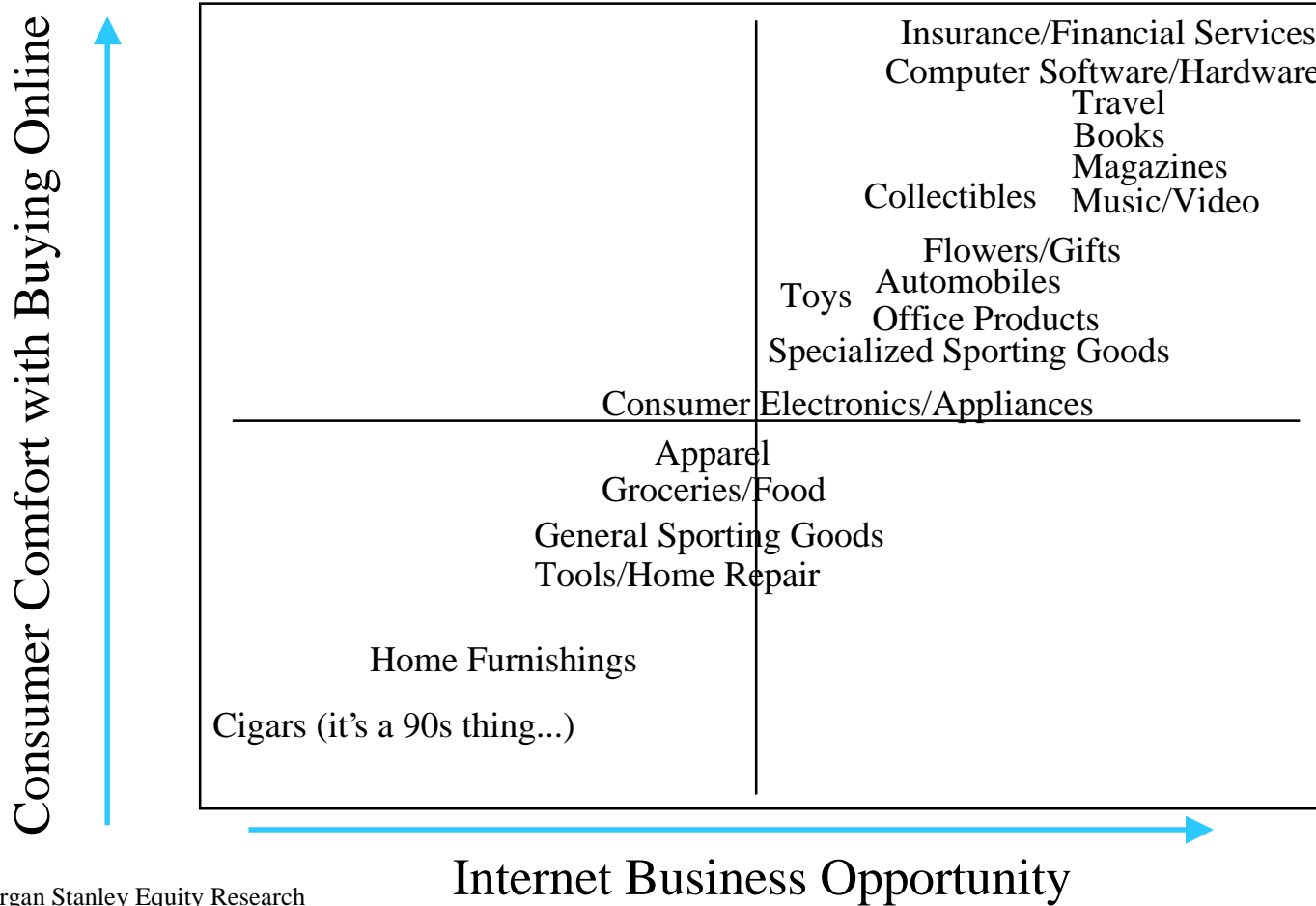
- America Online -- 19MM+ members -- 50% of AOL members had purchased over the Internet (11/98). Per AOL, \$1.8B in goods sold via AOL in CQ1:99.
- Dell -- \$6.5B+ annualized revenue -- 30% of sales.
- Amazon.com -- 8.4MM+ customers -- \$1.2B annualized revenue.
- eBay -- 3.8MM+ customers - \$2.2B annualized gross merchandise sales.
- Priceline.com -- 1.9MM+ Customers -- 548,911% Y/Y Revenue Growth in CQ1:99 to \$49MM.
- E*Trade -- \$21B+ in assets -- 1MM customer accounts.

Internet Exchanges - eBay's Leading the Charge...

- Bring buyers and sellers together in a nearly frictionless way -- in one community.
- Maximum convenience for sellers and buyers.
- All markets begin to resemble current markets for financial assets -- 24 x 7 trading.
- All products. All day. All night. In your home. In your office. All prices.
- eBay: 70% of 1.9MM goods trade every 5 days -- 97MM goods traded per year run-rate!

Web Commerce Sweet Spots

Internet Opportunities for Various Retail Categories



Source: Morgan Stanley Equity Research

An Interesting Look at e-Commerce and Nominal GDP

**At Some Point in the next 10 years, 100% of Incremental
GDP Growth may be Derived from eCommerce...**

<i>(\$ Billions)</i>	1996	1997	1998	1999	2000	2001	2002
U.S. GDP	\$7,636	\$8,053	\$8,415	\$8,802	\$9,223	\$9,672	\$10,160
<i>Y/Y Change</i>	6.2%	5.5%	4.5%	4.6%	4.8%	4.9%	5.0%
Internet Commerce	\$2	\$13	\$40	\$95	\$187	\$299	\$446
<i>%GDP</i>	0.0%	0.2%	0.5%	1.1%	2.0%	3.1%	4.4%

Source: The Keenan Report

Evolution of Internet Commerce

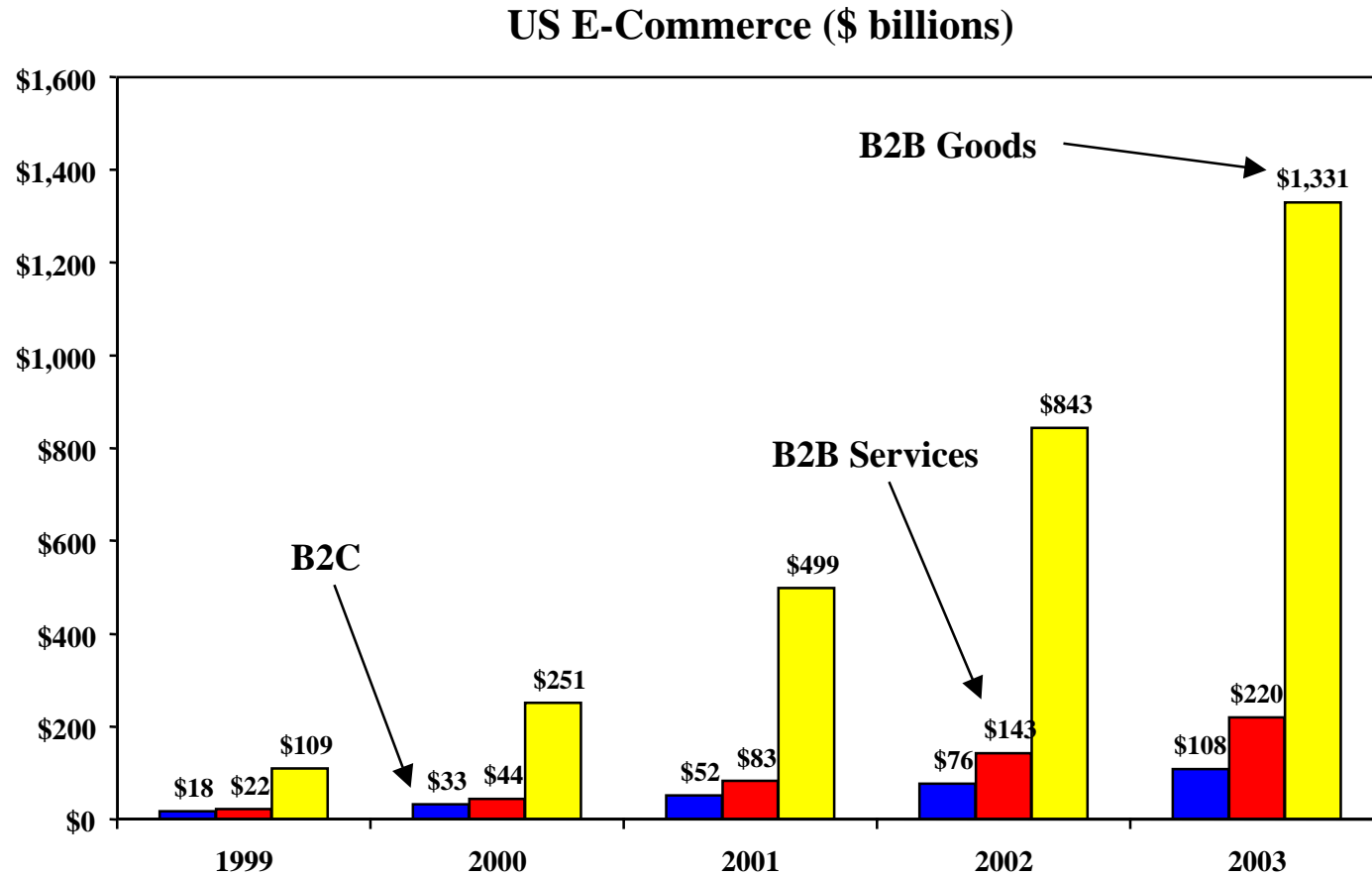
- Market Opportunities for Leading Players are Significant -- Note Economics of Increasing Returns -- The Best Big Get Bigger -- Networking/Viral Effects.
- First Mover Advantage and Great Execution and Loyal Customers = Barriers to Entry with Benefits to Sellers and Vendors.
- Buyers Benefit Owing to Superior Product Selection, Efficient Processing, and Lower Prices.
- 5-10 Internet-Specific, Business to Consumer (B2C) Business Models That Target Big Market Niches. Business to Business (B2B) Still Evolving...

8 Distinct Internet Consumer Commerce Models Have Emerged

Category	Company
Product Website	Dell, Cisco, The Gap...
Shopping Destination	Amazon.com
Portal with Shopping	AOL, Yahoo!, Microsoft...
Web Auctions of Held Goods, from Merchant to Buyer, Vice-Versa	OnSale
Person-to-Person Virtual Web Auctions	eBay
Lowest Price Destination: Cost plus Zero	Buy.com
Consumer Buying Service, Buyer Sets the Price: Cost minus Zero	priceline.com
Shopping Bots, Best Price Searching	Jungle, Jango

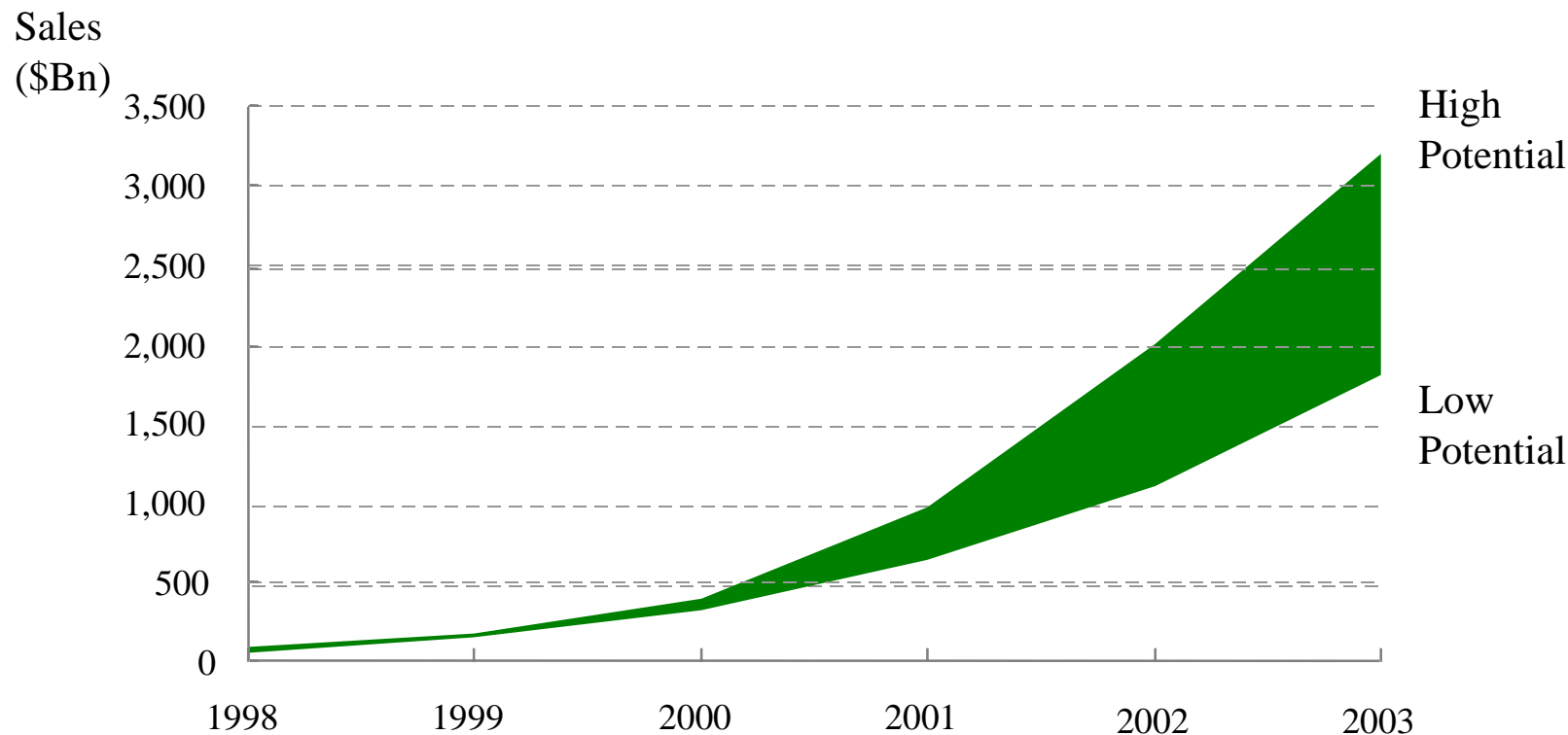
BUSINESS-TO-BUSINESS (B2B) E-COMMERCE EXCHANGES

B2B Opportunity Should Eclipse B2C



Source: Forrester Research

B2B E-Commerce Potential 1998-2003

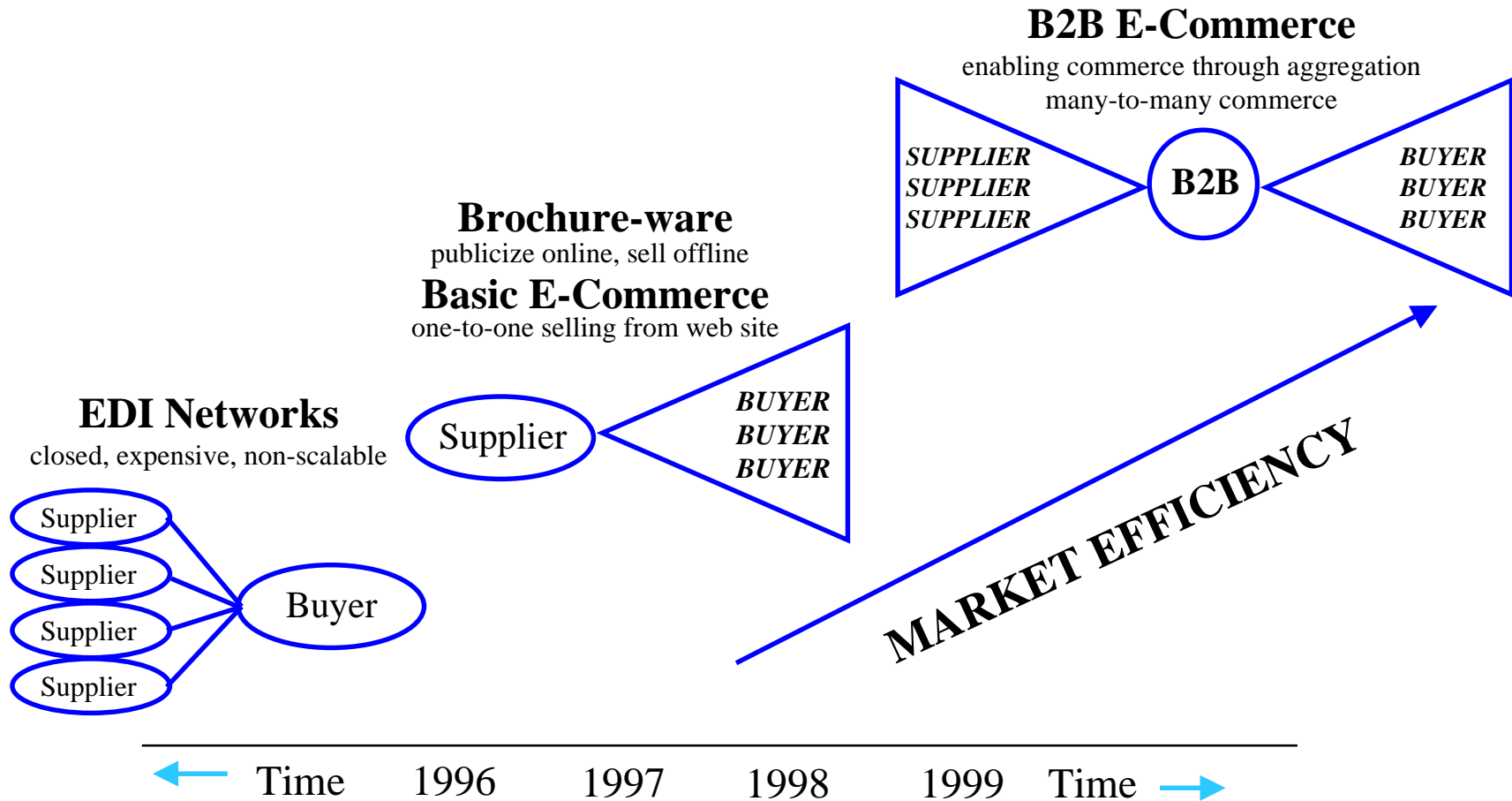


High	\$80	\$170	\$390	\$970	\$2,000	\$3,200
Low	\$55	\$145	\$320	\$640	\$1,100	\$1,800

Note: Based on the November, 1998 Business Trade & Technology Strategies Report, "Resizing On-line Business Trade," the low-potential number has been increased to reflect greater certainty in the U.S. market.

Source: Forrester Research, Inc.

A Quick History of B2B



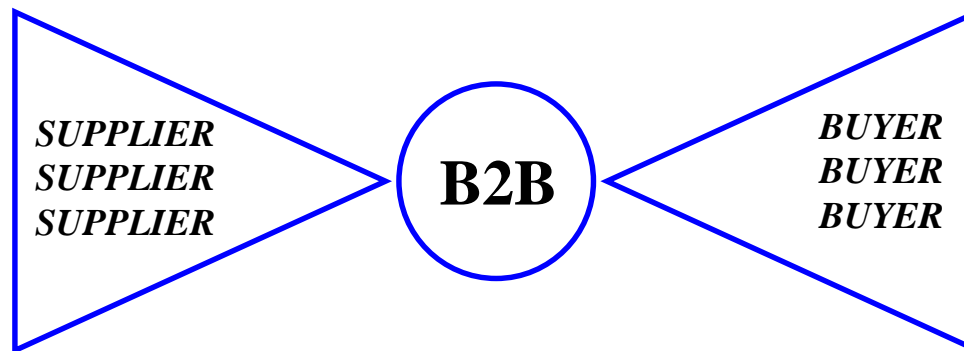
Source: Morgan Stanley Technology Research.

B2B = Vortex / Butterfly

Bill Gurley calls them “Butterfly Businesses” ...

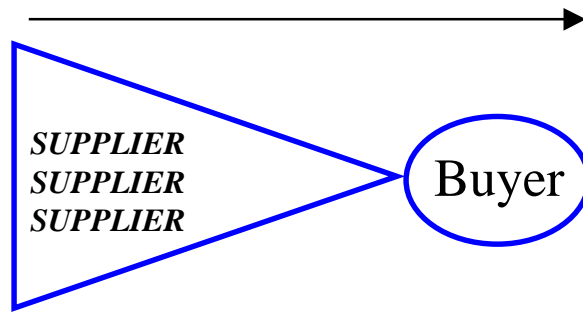
Kevin Jones calls them “Vortex Businesses” ...

Whatever you call them, it’s clear that being in the middle of a lot of buyers and a lot of suppliers is a valuable place to be.

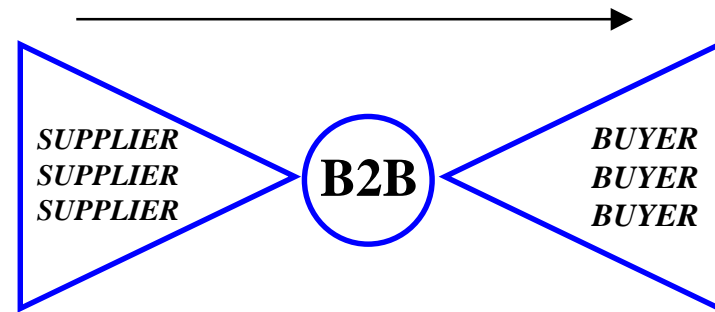


B2B Business Models

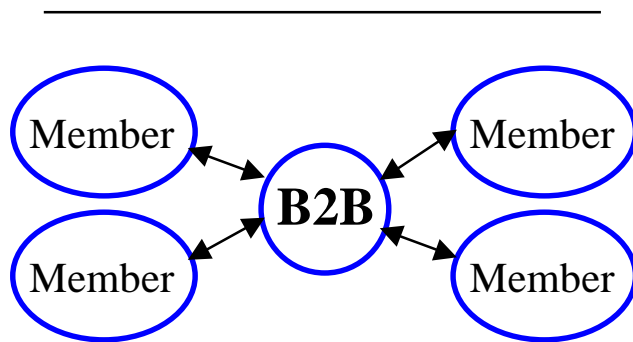
BUY-SIDE PROCUREMENT
Empowering the Buyer



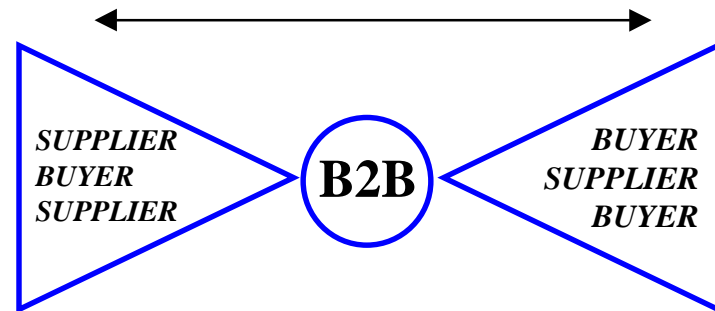
DISTRIBUTOR
Multiple Buyers to Multiple Suppliers



COMMERCE COMMUNITIES
Manage complex businesses online



AUCTION/EXCHANGE
Competitive Bidding to Buy or Sell



B2B Business Models

BUY-SIDE PROCUREMENT

Empowering the Buyer

SAP -- ERP Procurement Software

COMMERCE COMMUNITIES

Manage complex businesses online

BidCom -- Construction/Building

Hurricane -- Brand Management

Shoe.net -- Apparel

Healtheon/WebMD -- Healthcare

DISTRIBUTOR

Multiple Buyers to Multiple Suppliers

ChannelPoint -- Insurance

Chemdex -- Life Sciences

E-Chemicals -- Chemicals

Neoforma -- Healthcare

AUCTION/EXCHANGE

Competitive Bidding to Buy or Sell

Altra Energy -- Energy

Freemarkets -- Industrial Products

National Transportation Exchange --

Transportation

VerticalNet -- Miscellaneous

What We Look for in B2B Markets

- Large, Fragmented Market -- no concentration of buying or selling power
- Dynamic Products -- like for scrappage and spoilage which have non-standard/changing values based on product quality and shelf-life
- Inefficiencies in Supply Chain -- create value through supply chain optimization
- Inefficiencies in Information Chain -- manage complex business information online
- Transaction Randomness -- buyers who change suppliers on a regular basis
- Opportunity for One Company to Dominate the Market

Key Requirements for B2B Companies...

- Domain Expertise -- companies need to understand the industry to understand the problem that needs to be solved
- Strong Back-End System Integration -- businesses need to keep records...key to customer retention...us/them system integration is key
- Critical Mass -- the winners may be the first to have critical mass of both buyers and suppliers
- Increased Productivity -- B2B success will be based on increasing customer's productivity by reducing cost, improving service and/or saving time

CLOSING THOUGHTS

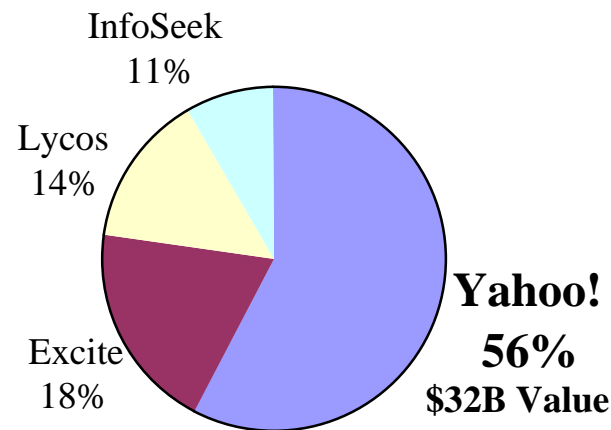
Today's Internet Market Leaders

Market Segment	Leaders
Infrastructure	Cisco, MCI/Worldcom, @Home
Software & Services	AOL/Netscape, Microsoft
Aggregators	AOL, Yahoo!, Microsoft
Content Verticals	CNET, Intuit
Retail & Commerce	eBay, Amazon.com, Priceline, Intuit, Dell
Business Reengineering	Healthcon

Wal-Marting of the Web? Yahoo . . . Again Only a Few Get the Bucks, and Lots Feel Pain . . .

Web Brands — A Lesson Learned from Yahoo!...

(Search Engine Page View Market Share - CQ1:99)

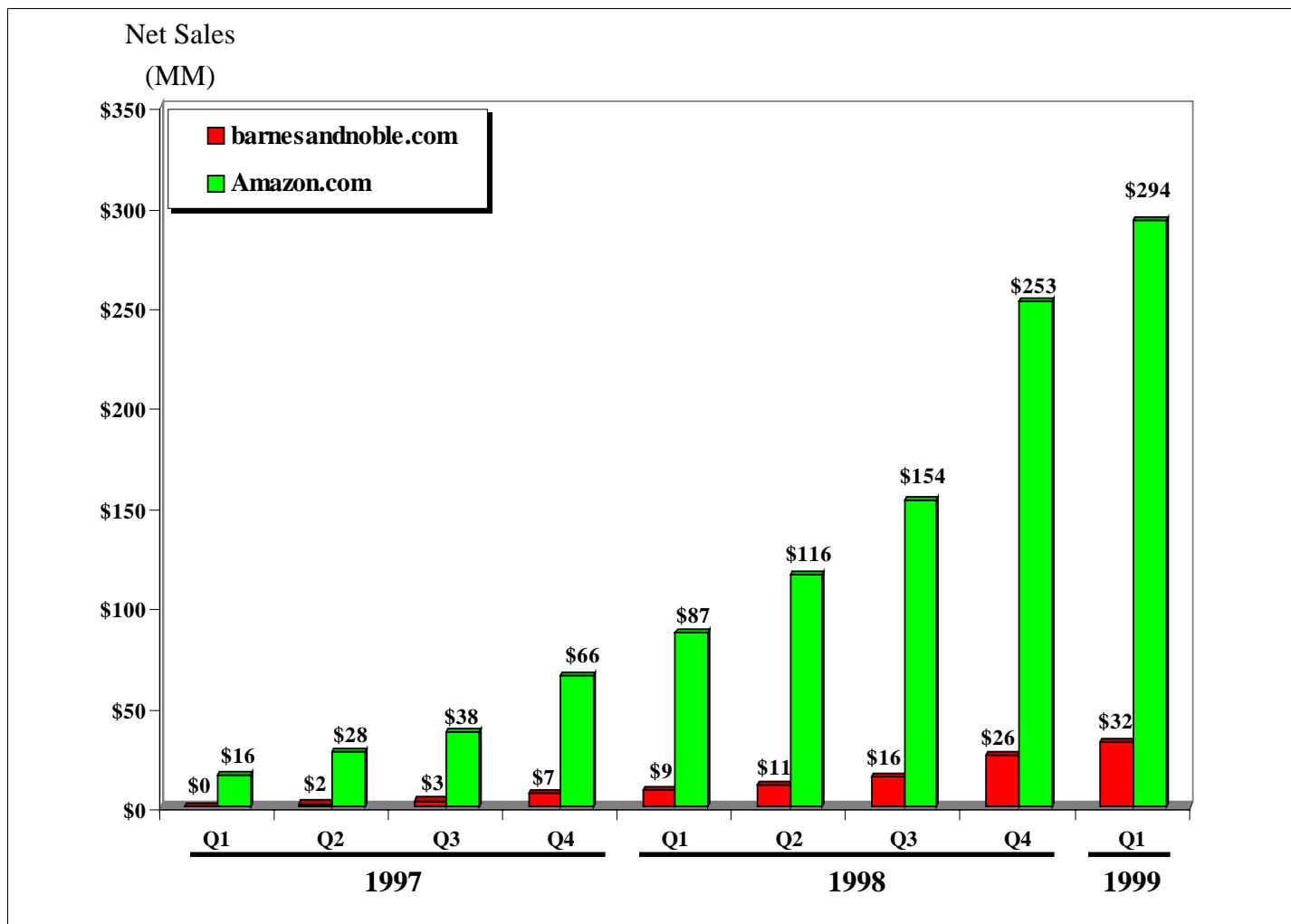


...Yes, the Web Is Sticky

*Market Share in terms of Average Daily Page Views for four Search Engines;
Priced as of 6/14/99*

Traditional Companies are Nervous

First Mover Advantage may be More Important than Old Brands



1998: Traditional Companies Woke Up to the Internet

- AT&T/TCI -- Infrastructure and More
- Disney/Infoseek -- Media
- NBC/Snap! -- Media
- Citibank Internet Effort -- Business Reengineering
- Bertelsmann/barnesandnoble.com -- Retailing
- Mattel/Learning Company -- Kids/Toys
- TV Networks Upset with Nielsen...
- RIAA Upset with Piracy

Internet Company Valuation Themes

The Simple Questions for Each Web Segment

- How big's the market?
- How high's the market share?
- Who's number one?



MORGAN STANLEY DEAN WITTER

INTERNET OVERVIEW/UPDATE - Mary Meeker

- **Attention Grabbers!**
- **Internet/Tech Investing**
- **General Internet Thoughts**
- **Internet Growth**
- **Web Advertising**
- **Web Retailing**
- **Business to Business**
- **Closing Thoughts**

This presentation is based on information available to the public. No representation is made that it is accurate or complete. This presentation is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned.

Top Web Sites - Traffic & Usage

Traffic (Home/Work Reach %)		Monthly Usage Minutes/Person	
1. AOL	69%	1. eBay	130
2. Microsoft	52	2. Microsoft	71
3. Lycos	52	3. Yahoo	68
4. Yahoo	51	4. Excite	33
5. Go Network	39	5. AOL	27
6. GeoCities	35	6. Go Network	26
7. Excite	31	7. SONY	23
8. Time Warner	22	8. USA Today	21
9. BlueMountainArts	18	9. Time Warner	21
10. Amazon	17	10. ZDNet	20
11. AltaVista	17	11. Lycos	19
12. Snap.com	16	12. SPORTSLINE	17
13. Xoom	16	13. PORNCITY.NET	17

Source: Media Metrix (March 1999)

Typical Internet/Online Usage, March 1999

Internet

- 13 usage days per person
- 38 minutes per usage day*
- 486 minutes (8 hours) of Internet usage per month
- 37 page views per usage day
- 470 page views per month

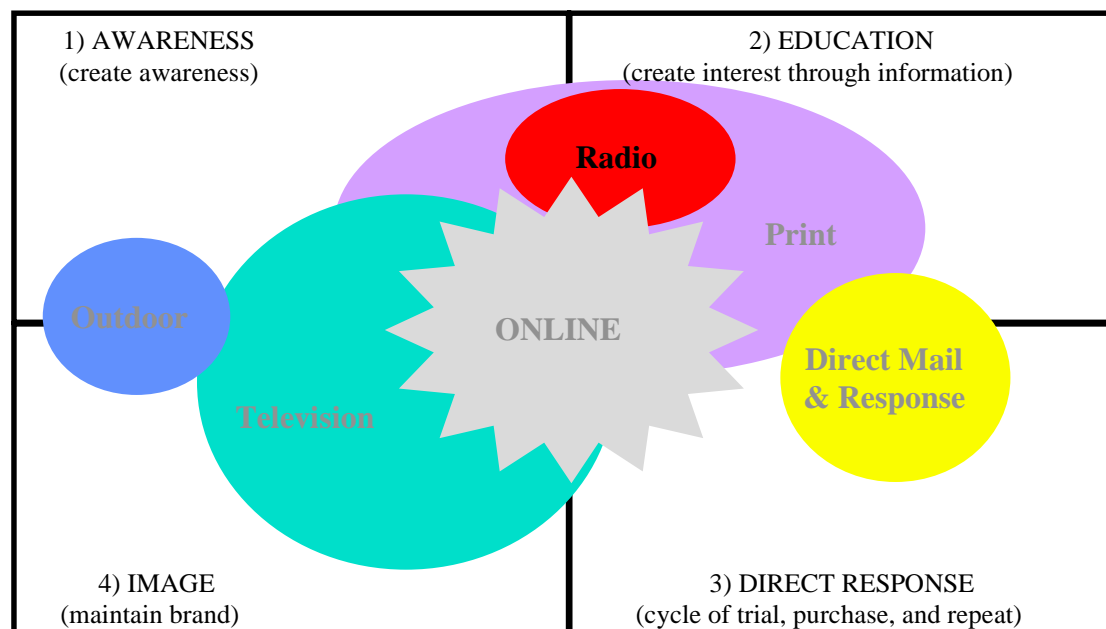
AOL Proprietary & Web Access

- 13 usage days per person
- 56 minutes per usage day*
- 727 minutes (12 hours) of usage per month

* Usage day refers to a day of the month when users actively use the Internet/AOL
Source: Media Metrix

Online Advertising Hits a Sweet Spot

Advertising Objectives of Various Media

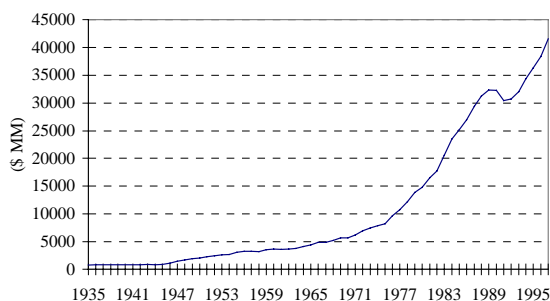


Note: Note that each type of traditional advertising can, in fact, be (and in some cases is often) used to achieve any or all of these objectives. We use this figure to stress the general strengths of each, and to express that, in time, online advertising can achieve many advertising goals while the primary outlet/focus for other forms of advertising can be viewed as more limited.

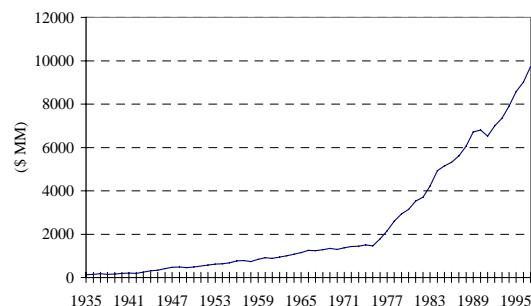
Source: Steve Goldberg, Catherine Randolph, Microsoft Advertising Business Unit.

Advertising in Various Media Has Ramped Steadily

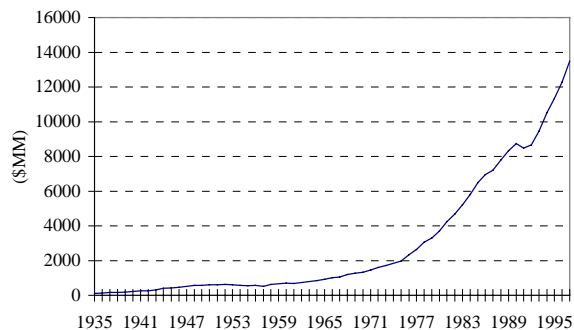
U.S. Newspaper Advertising Revenue, 1946-97



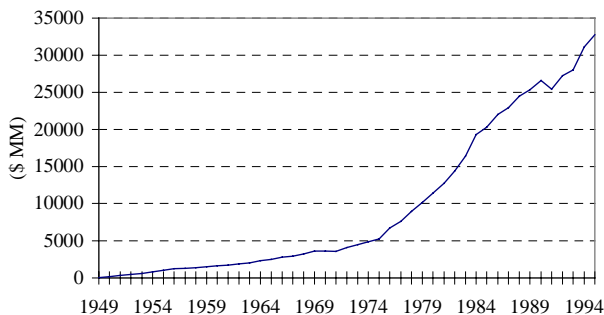
U.S. Magazine Advertising Revenue, 1935-95



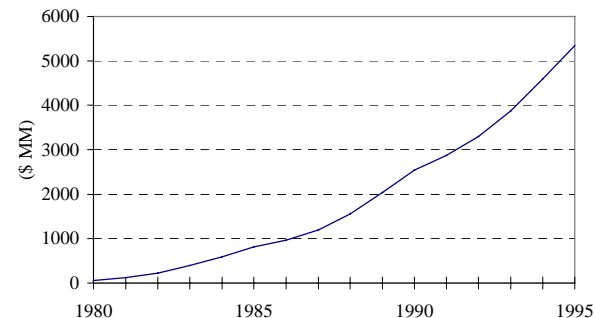
U.S. Radio Advertising Revenue, 1935-95



U.S. Broadcast Television Advertising Revenue, 1949-95



U.S. Cable Television Advertising Revenue, 1980-95



Source: McCann Erickson

Computer System Life Cycles

Life Cycles of Mainframe, Mini, PC and Internet Enabled Systems

