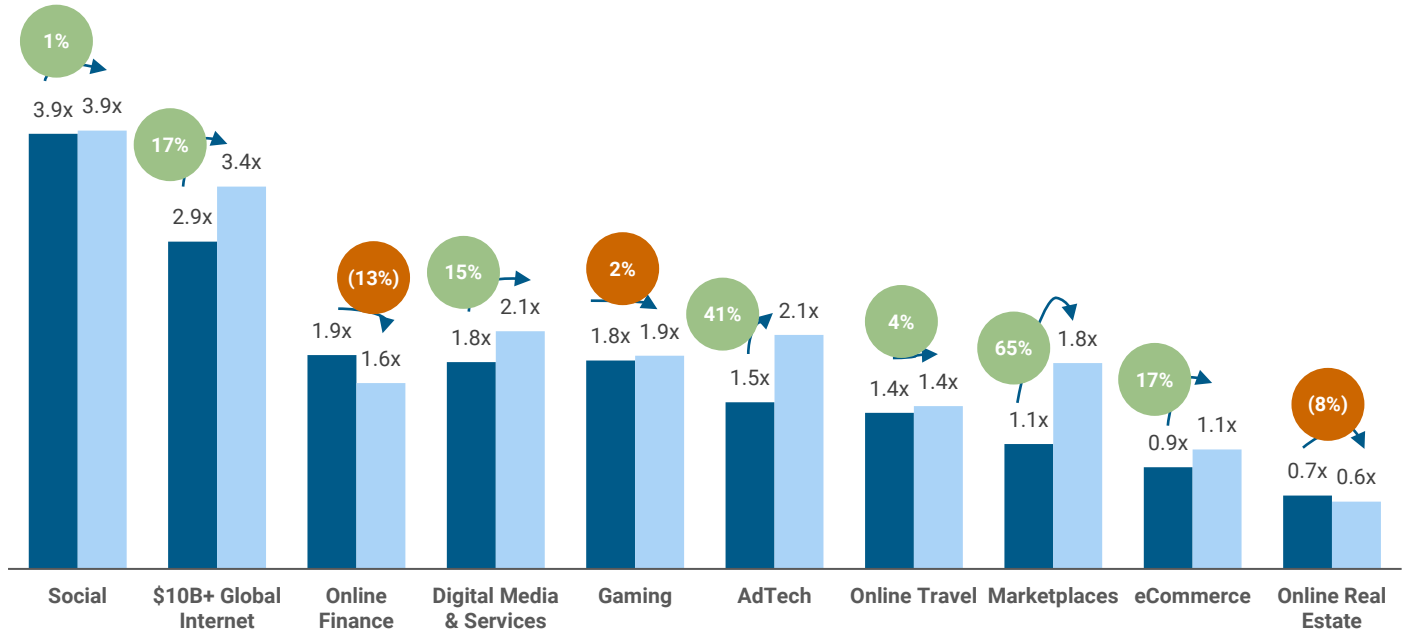


After A Challenging 2022, Internet Has Started 2023 With A Modest Recovery...

On Average, Forward Revenue Multiples Across Internet Have Increased 14% Since January 2023

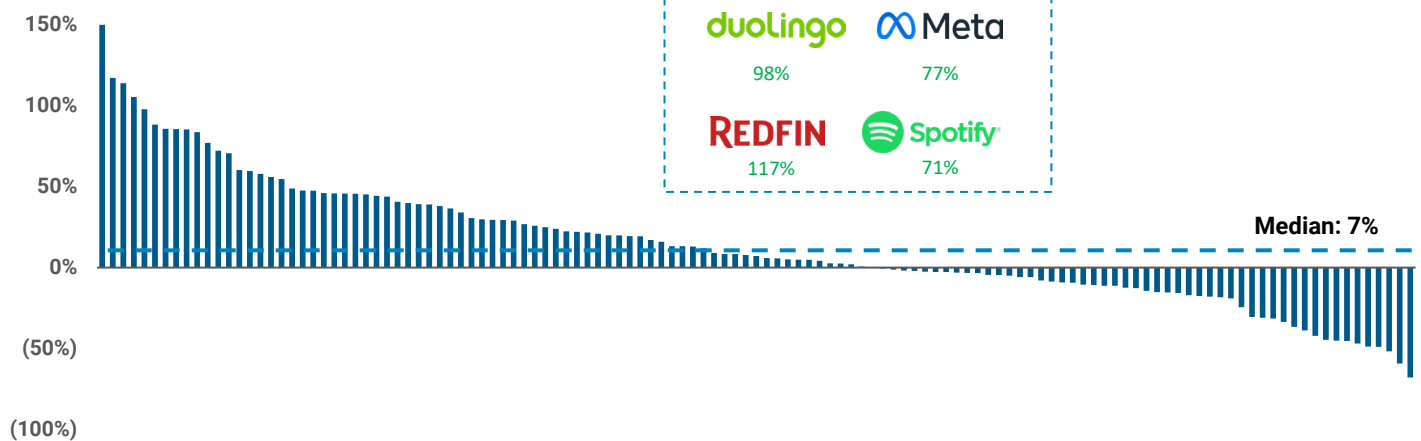
Median NTM Revenue Multiple

■ Multiple As Of January 2, 2023 ■ Current Multiple



Median Internet Stock Performance Is Up ~7% Since January 2023⁽¹⁾

Stock Price Performance Since January 2023



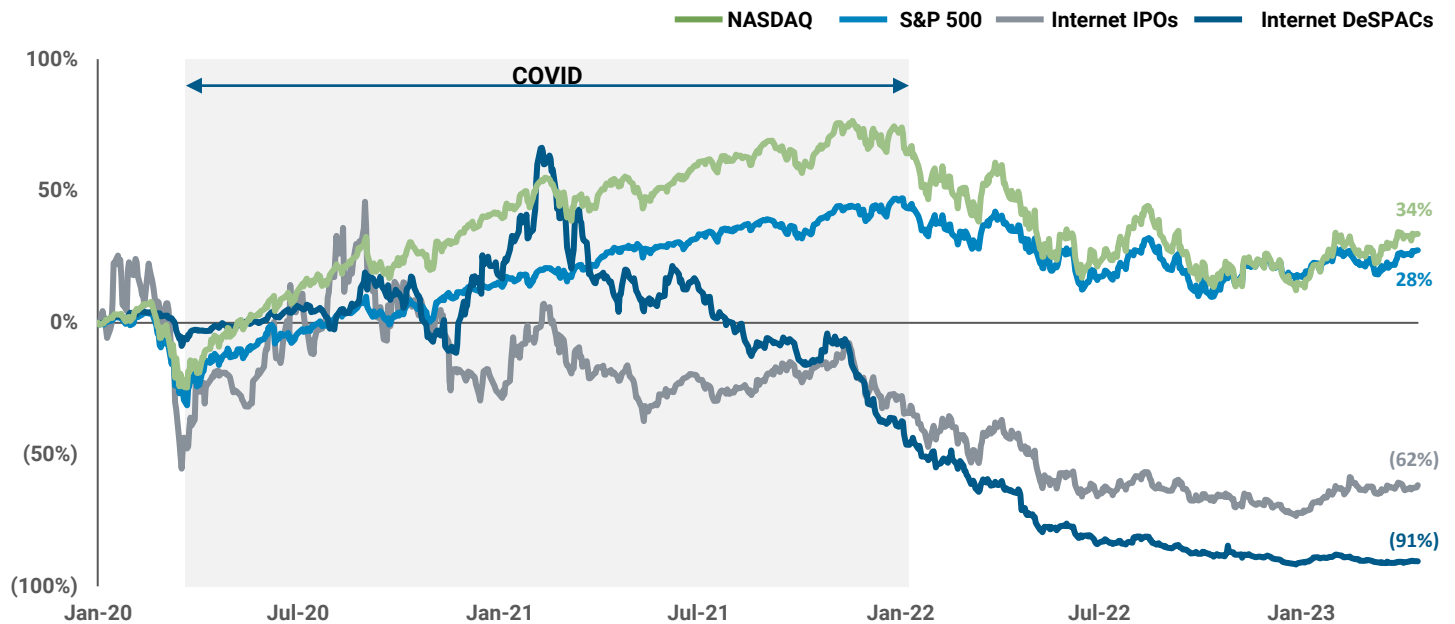
Source: Capital IQ as of 04/18/2023.

Note: Social consists of 7 companies, AdTech consists of 19 companies, Gaming consists of 21 companies, \$10B+ Global Internet consists of 37 companies, Digital Media & Services consists of 56 companies, Marketplaces consists of 41 companies, eCommerce consists of 75 companies. Online Finance consists of 16 companies. Online Real Estate consists of 10 companies. Online Travel consists of 10 companies. Some companies overlap across categories.

(1) Jefferies proprietary universe of 150 public internet companies.

...However, The Last Two Years Have Been Challenging For Internet IPOs & DeSPACs

After Peaking In Mid-2020 And Early 2021, Respectively, Newly Public Internet Companies Are Down 73% Since April 2021⁽¹⁾

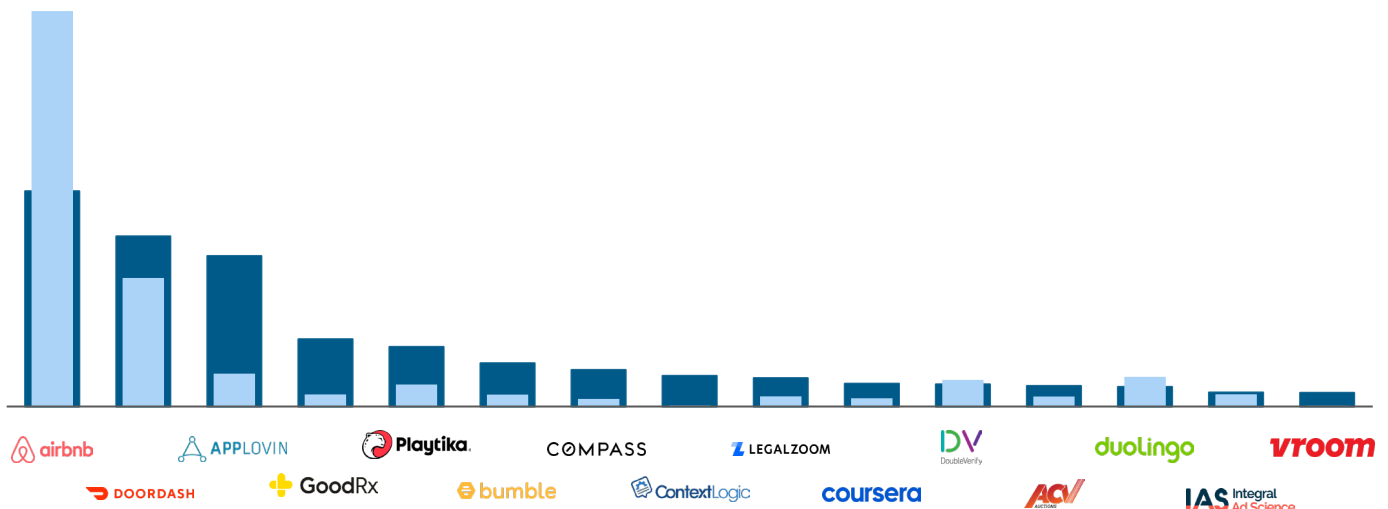


(1) Average price performance of all Internet IPOs and DeSPACs in Jefferies proprietary index.

With Few Exceptions, Valuations Have Significantly Re-Rated Since IPO

Change In Selected Internet IPO Market Capitalizations Since IPO (\$B)

IPO Date	\$41	\$32	\$28	\$13	\$11	\$8	\$7	\$6	\$5	\$4	\$4	\$4	\$4	\$3	\$3
Current	75	24	6	2	4	2	1	0.2	2	2	5	2	6	2	0.1

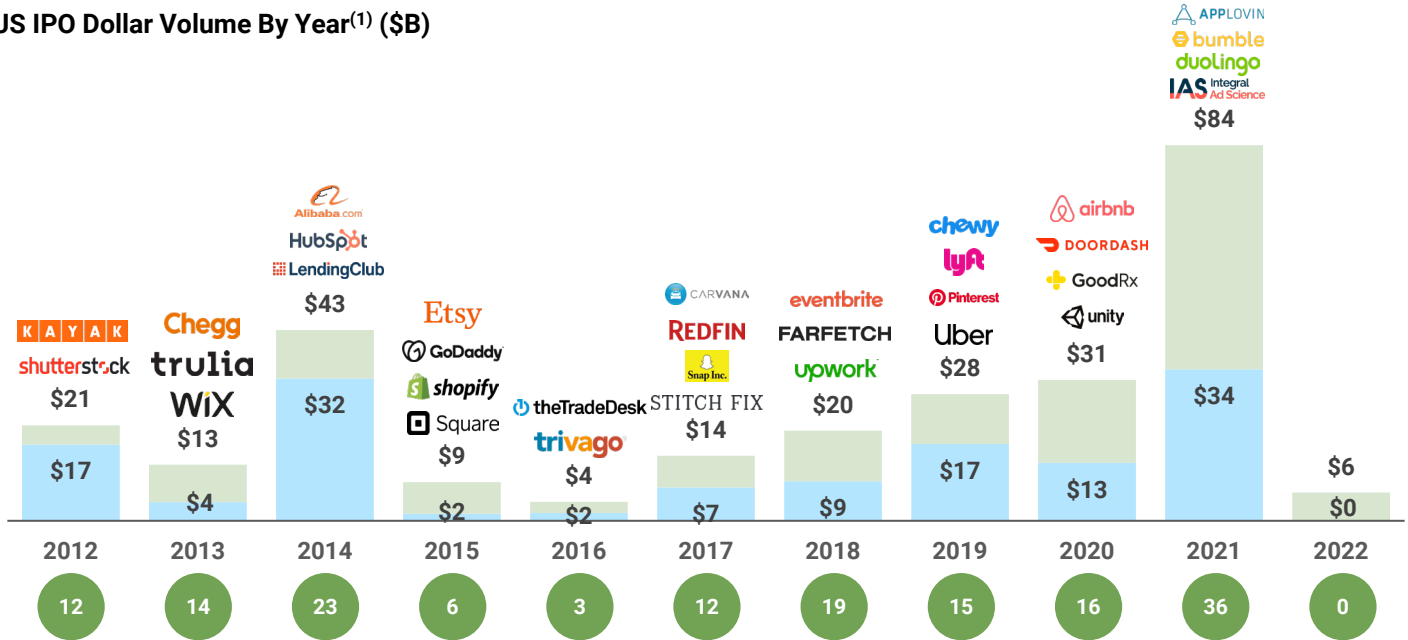


Source: Capital IQ as of 4/18/2023.

Tech IPO Markets Have Been Effectively Closed Since 2021...

After Reaching Record High Volumes In 2021, New Issue Volume Fell ~93% In 2022 To \$6B

US IPO Dollar Volume By Year⁽¹⁾ (\$B)



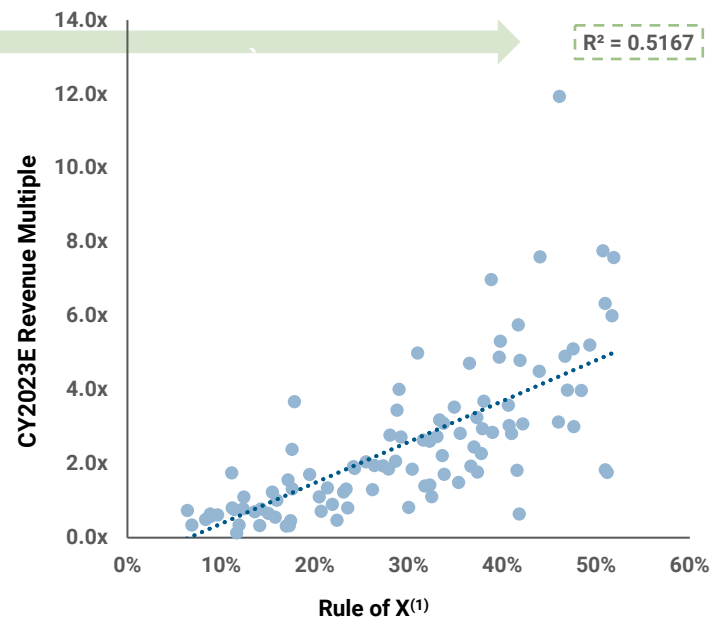
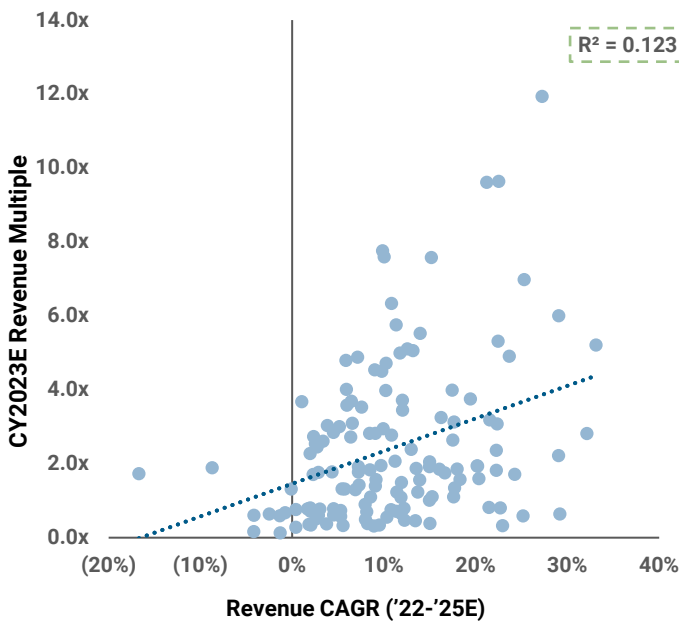
Source: Capital IQ, Dealogic.
 (1) Represents US listings only.

■ Internet IPOs ■ Tech IPOs ● Internet IPO Count

...And Investor Focus Has Shifted From 'Growth At All Costs' to Profitable Growth

Investors' Focus Is Shifting From Revenue Growth Only...

...To Sustainable Growth Balanced With Profitability



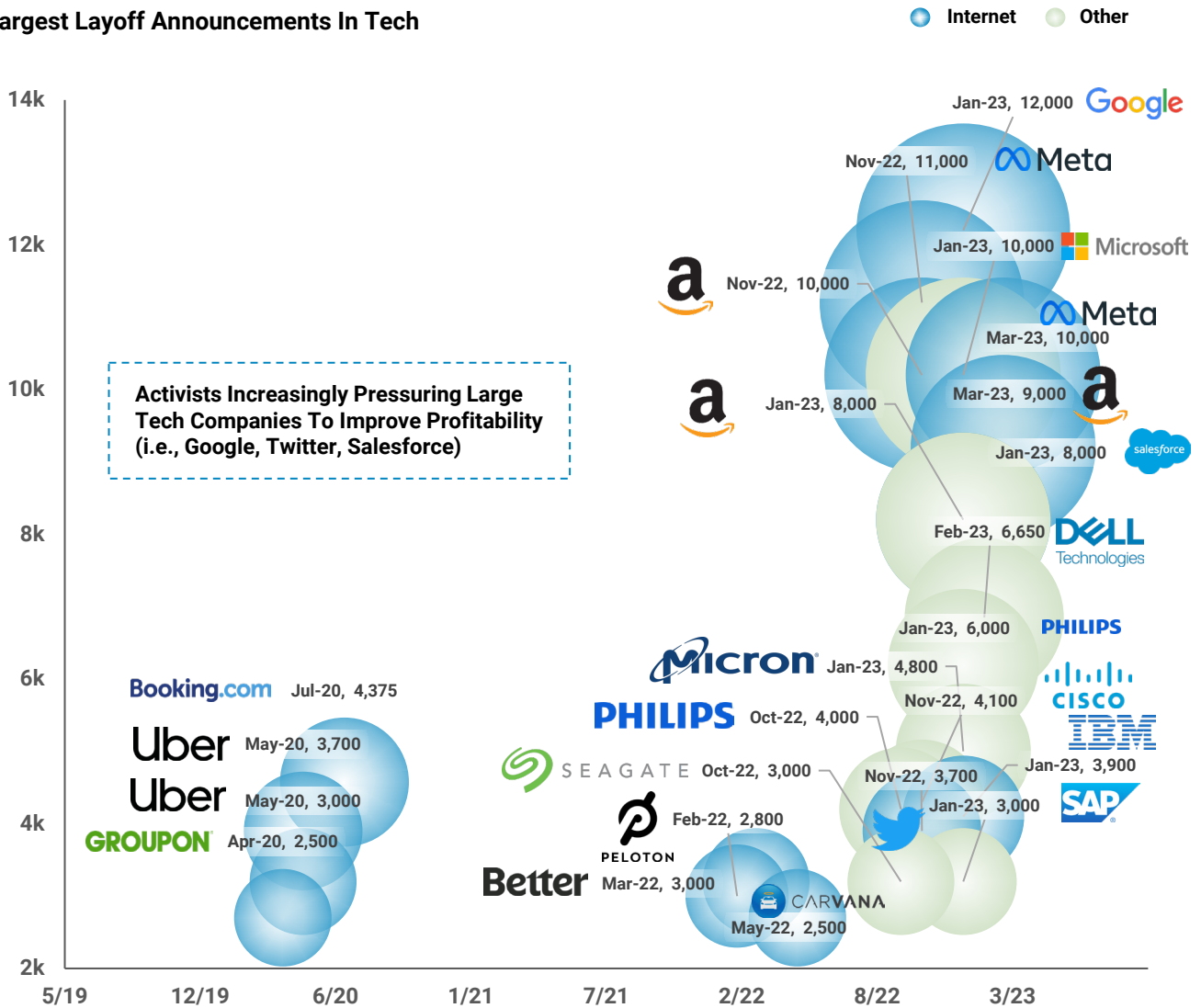
Source: Capital IQ as of 4/18/2023.
 Note: Overall Internet peer group includes 100+ companies.

Excludes companies with incomplete consensus estimates.
 (1) Rule of X defined as '22-'25E CAGR + '25E Adj. EBITDA Margin.

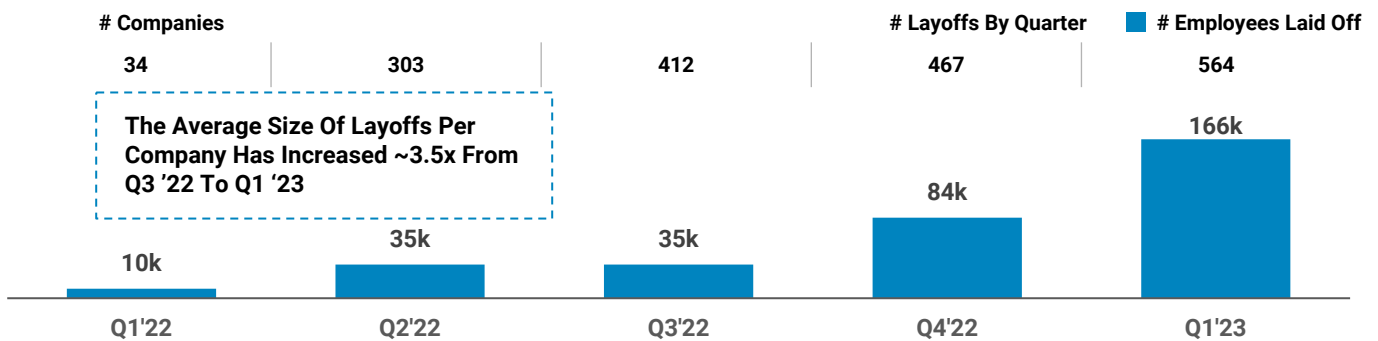
This Backdrop Of Rising Interest Rates, Tight Capital Markets And Shifting Investor Sentiment Has Prompted Tech Companies To Re-Evaluate Cost Structures

Tech Companies Have Laid Off 300K+ Employees After Over Hiring During The Pandemic

Largest Layoff Announcements In Tech



Quarterly Announced Layoffs Since Q1 '22



Source: Layoffs.fyi.

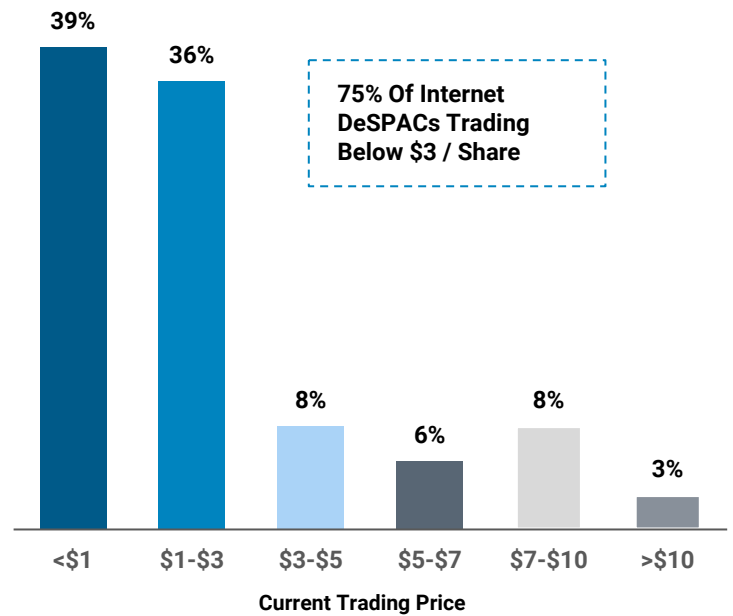
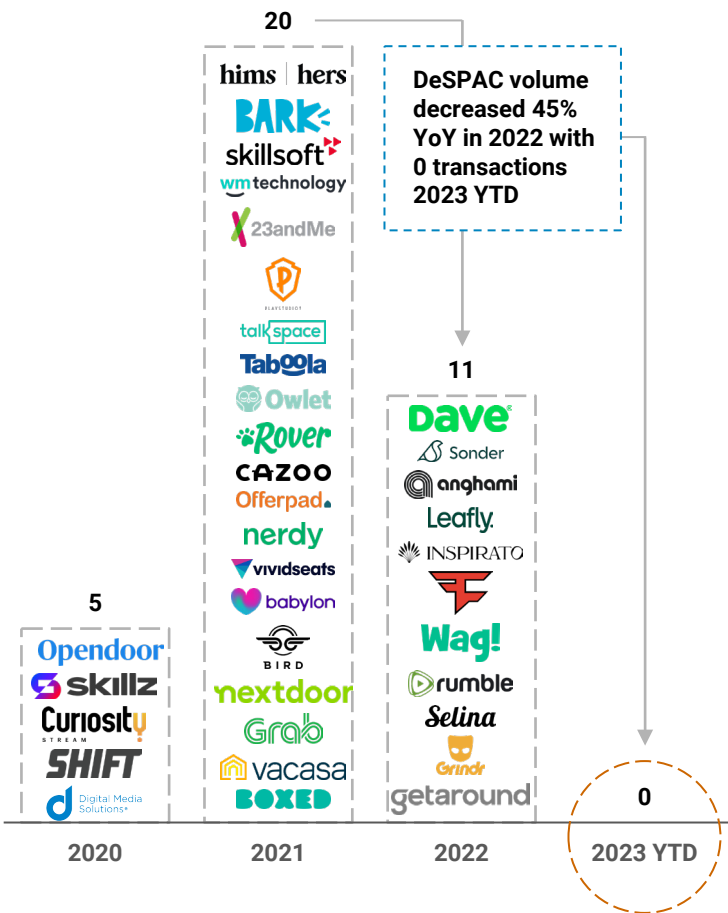
SPAC To Reality – Dealmaking Has Dwindled As A Result Of Heightened Investor Scrutiny And SEC Regulations



SPACs Brought Exciting Young Companies To Market, But Have So Far Underdelivered

Selected Internet DeSPACs⁽¹⁾

Current Internet DeSPAC Trading Performance ⁽²⁾ (Share Price)

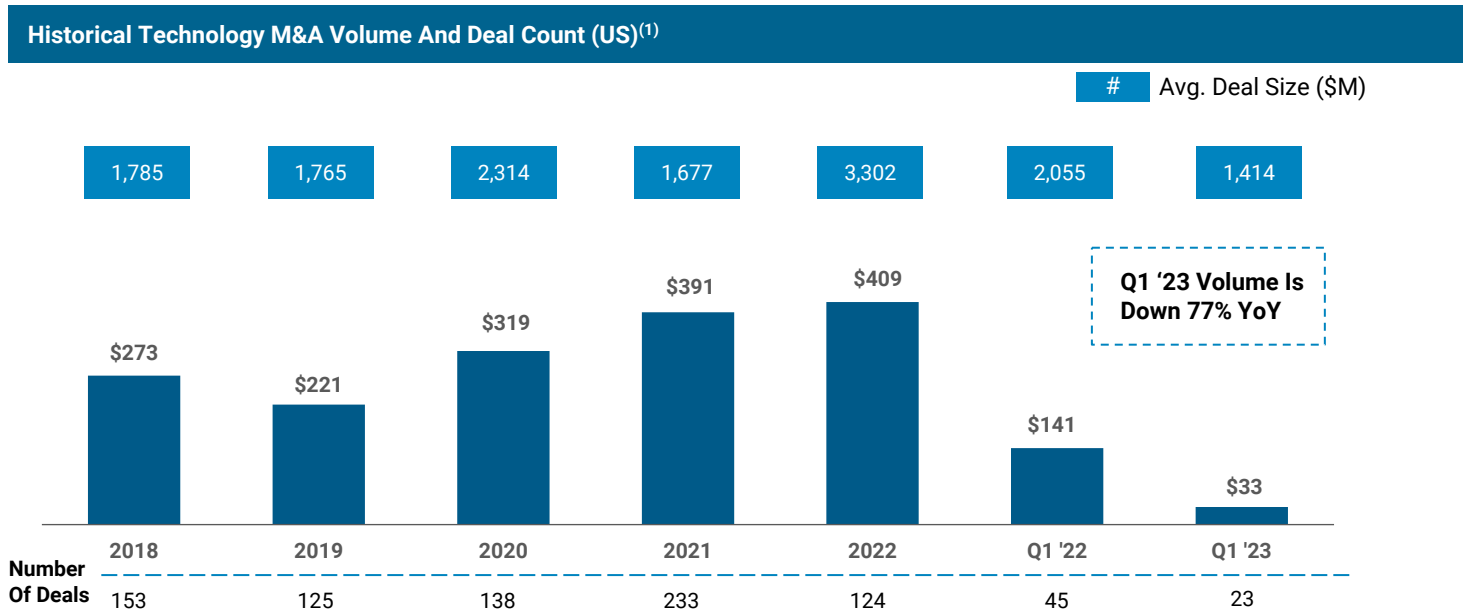


Select Tech SPAC Bankruptcies / Shutdowns



Source: Capital IQ as of 4/18/2023, Dealogic, FactSet.
 Note: SPAC metrics shown above refer to technology SPACs only.
 (1) Based on M&A transaction closing date.
 (2) Based on 36 Internet DeSPACs.

Technology M&A Volume Is Down Sharply In Q1 '23 Relative To Last Year...

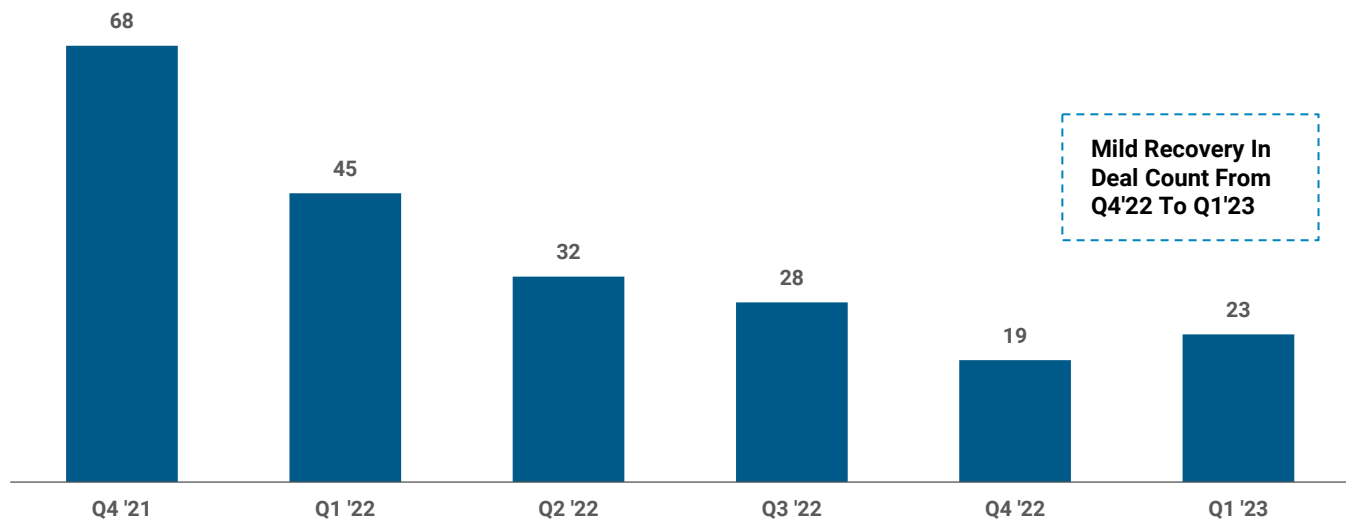


Source: Thomson Reuters.

(1) Includes announced transactions, each with an aggregate value of \$100M or more. Excludes terminated transactions. Excludes SPAC transactions in 2020 – 2023.

...With Signs Of A Rebound In Transaction Activity Off Of Q4 '22 Lows

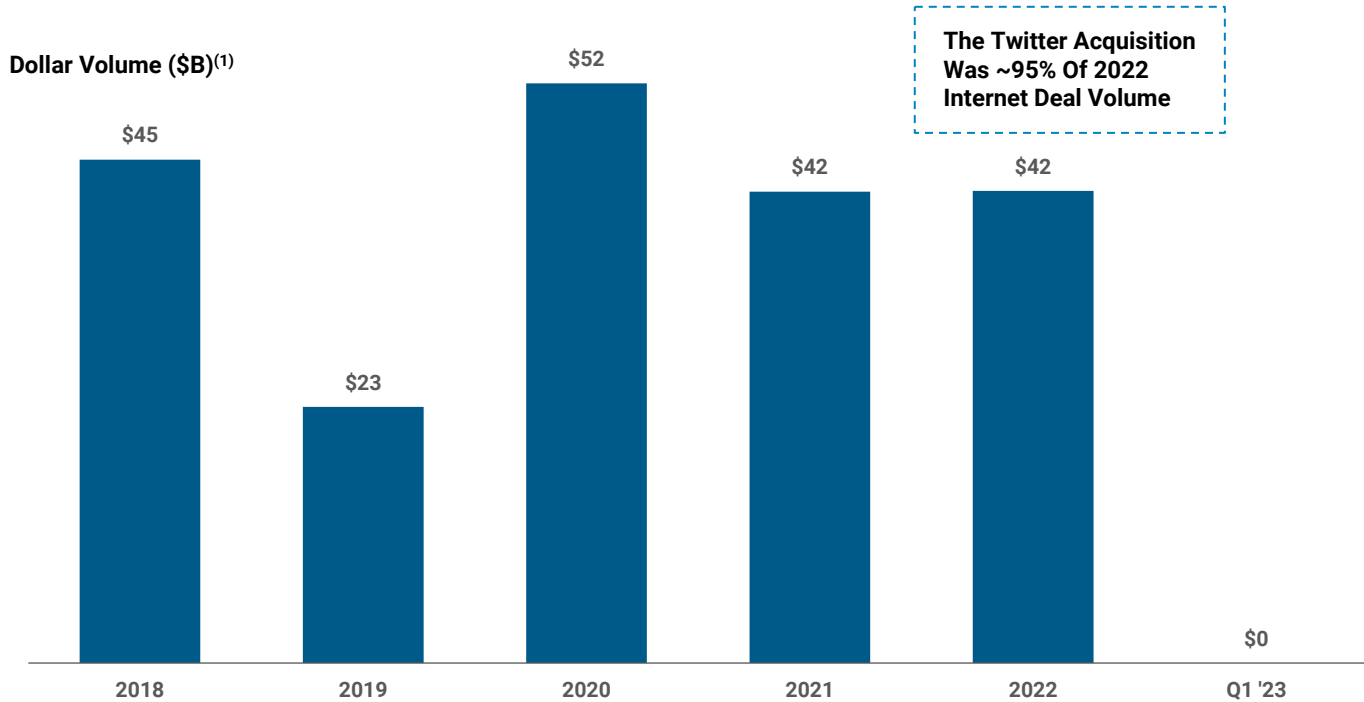
Deal Count⁽¹⁾



Source: Thomson Reuters.

(1) Includes announced transactions, each with an aggregate value of \$100M or more. Excludes terminated transactions. Excludes SPAC transactions in 2021 – 2023.

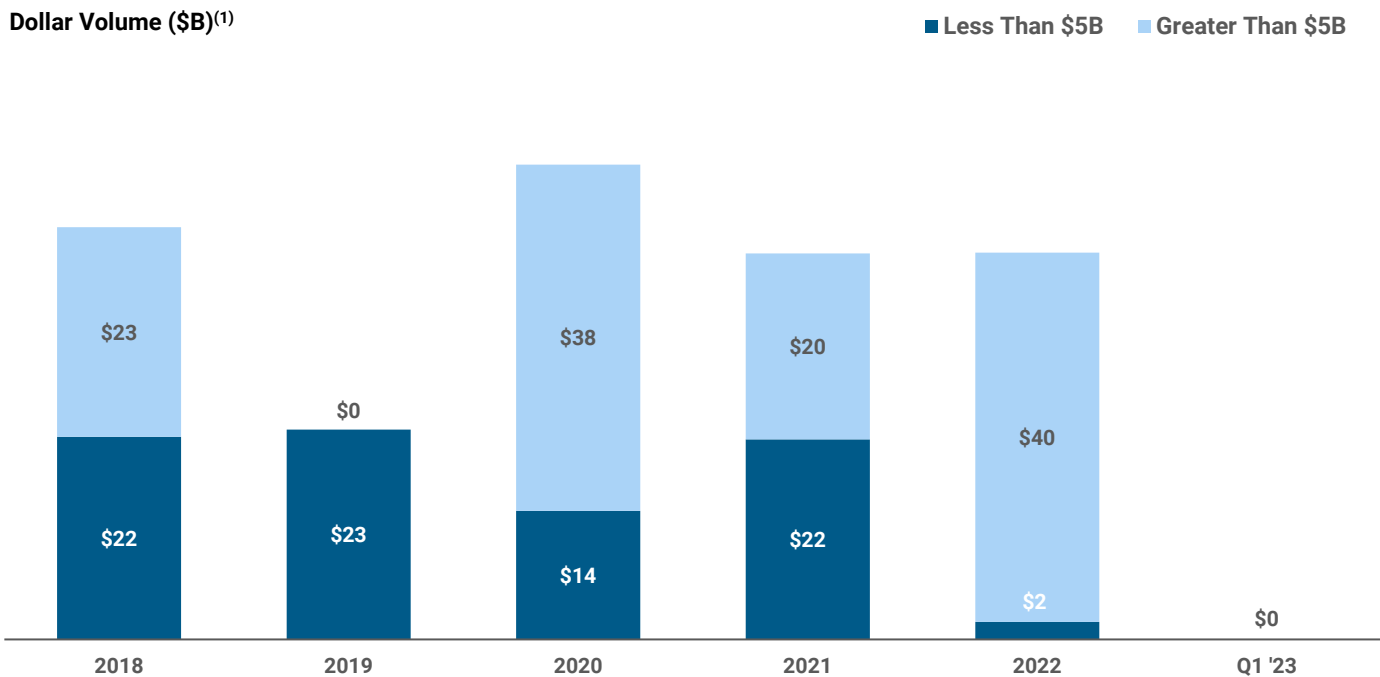
Internet Sector Has Experienced Significant Headwinds In 2023...



Source: Thomson Reuters.

(1) Includes announced transactions, each with an aggregate value of \$100M or more. Excludes terminated transactions. Excludes SPAC transactions in 2020 – 2023.

...With A Death Of Smaller Transactions Since 2022



Source: Thomson Reuters.

(1) Includes announced transactions, each with an aggregate value of \$100M or more. Excludes terminated transactions. Excludes SPAC transactions in 2020 – 2023.

Sponsor Deal Activity Has Slowed In The Internet Sector

Sponsor Buyside Technology M&A (US) ⁽¹⁾

Dollar Volume (\$B)

\$991

\$1,322

\$1,882

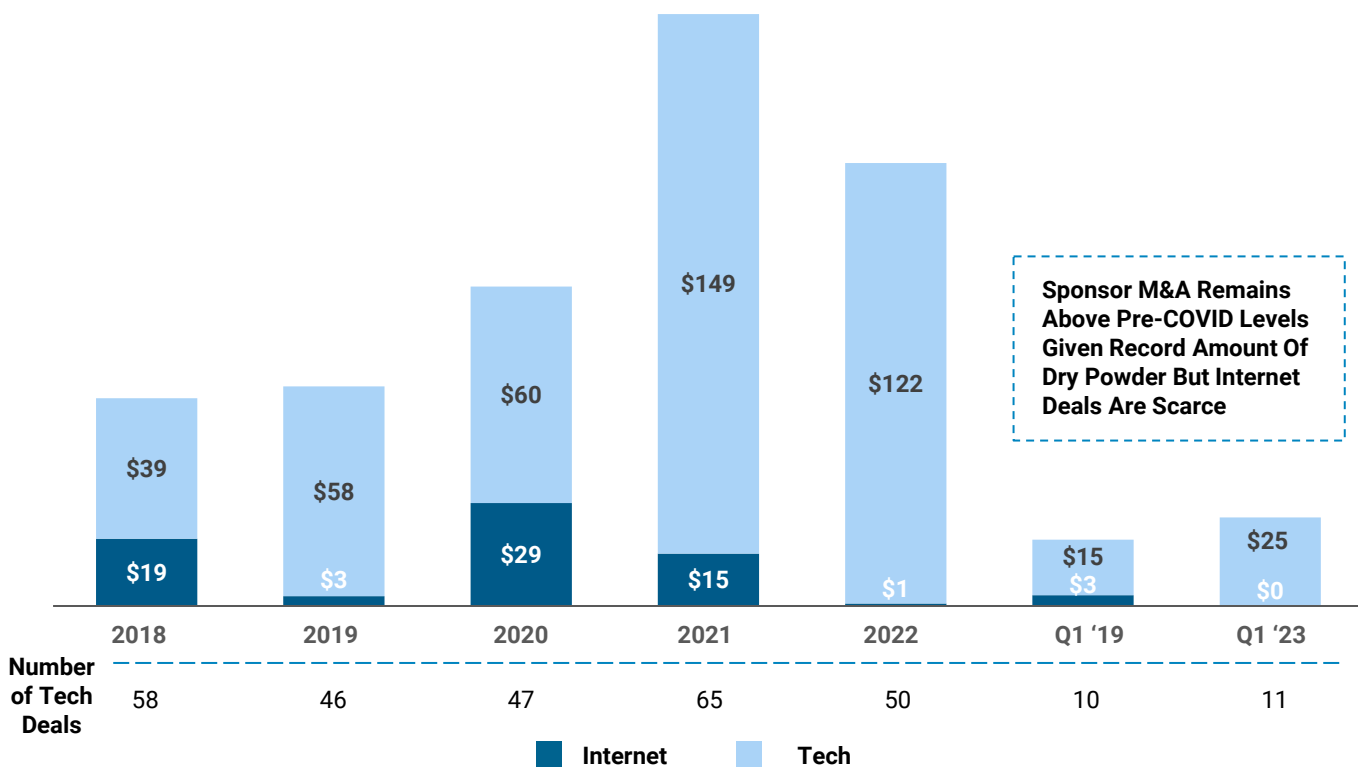
\$2,521

\$2,452

\$1,838

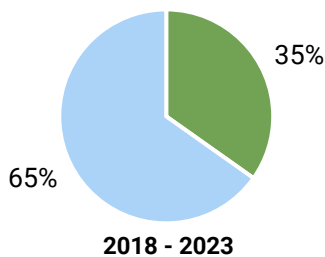
\$2,228

← Average Deal Size

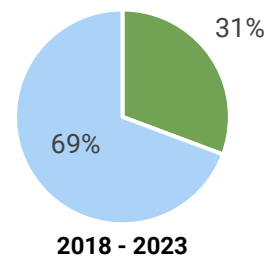


Sponsor vs Strategic Transactions (Deal Count)

Sponsor vs Strategic Transactions (Deal Value)



Sponsor-Driven M&A Has Represented 35% Of Total Transactions And 31% Of Deal Value



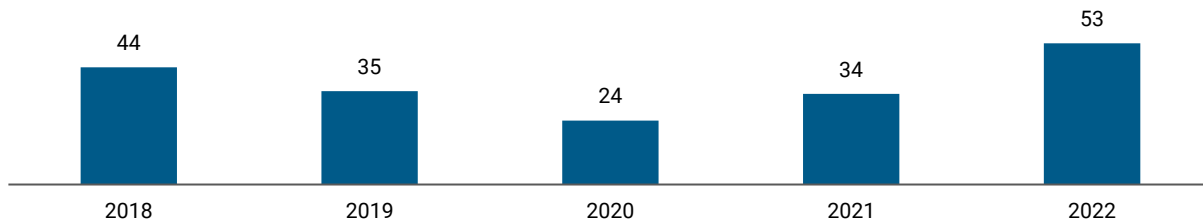
■ Sponsor Transactions ■ Strategic Transactions

Source: Thomson Reuters.

(1) Represents sponsors as buyers of technology businesses. Includes announced transactions, each with an aggregate value of \$100M or more. Excludes terminated transactions. Excludes SPAC transactions in 2020 – 2023.

Shareholder Activism In Technology Surged To Elevated Levels In 2022

Number of US Tech Activist Campaigns⁽¹⁾



- With record levels of AUM and a target rich environment, **activism levels are expected to remain elevated**
- Focus on **cost structure** and **profitability** has been a **common activism demand**
- **Institutional investors** commonly are **supportive of shareholder activism**

Source: FactSet as of 04/18/2023.

(1) Includes High Impact (per FactSet) US campaigns defined as those campaigns involving market moving objectives, including Board Representation, Maximizing Shareholder Value and Removing Management.

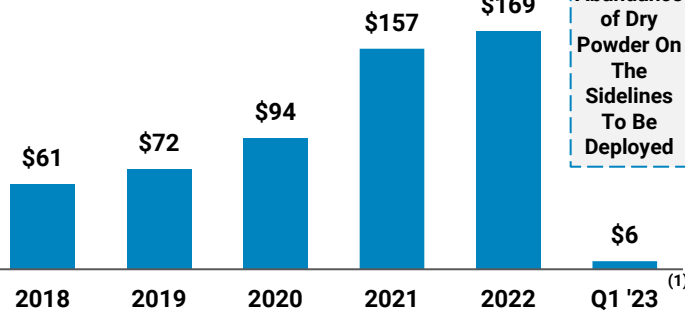
Shareholder Activist Common Demands

	Activist Thesis	Select Campaigns
M&A	<ul style="list-style-type: none"> ■ Kick start a process to sell the company ■ Break-up companies to unlock “hidden” value ■ Support or oppose an announced transaction 	The Walt Disney Company Zendesk
Balance Sheet	<ul style="list-style-type: none"> ■ Return capital to shareholders (share buyback, special dividend) 	Alphabet
Operational	<ul style="list-style-type: none"> ■ Rationalize cost structure (SG&A, R&D) and maximize ROIC ■ Challenge investments in unprofitable or unproven initiatives 	Alphabet gettyimages® Meta salesforce WIX
Governance	<ul style="list-style-type: none"> ■ Replace management or directors via a proxy fight or private pressure ■ Push for governance “best practices” ■ Alignment with “mainstream” ESG-focused investors 	salesforce

Venture Capital Activity Has Slowed Amid Public Valuation Reset

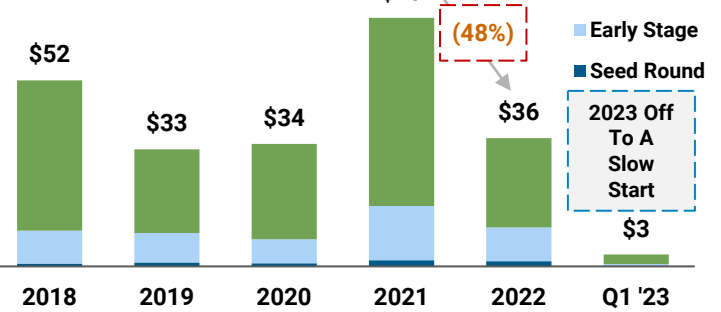
2022 Ended With A Record Number Of New LP Commitments...

VC Fundraising Activity (\$B)



...Yet VC Funding In Internet Across All Stages Has Slowed

Deal Volume (\$B)



Selected Recent Capital Raises

Company	Date	Amount	Stage
ROAMI	Mar-23	\$14M	Series A
VIA	Feb-23	\$110M	Series G
welcome	Jan-23	\$29M	Series A
Klarna	Jul-22	\$800M	Late-Stage VC
whatnot	Jul-22	\$260M	Series D
Wunder	Jun-22	\$350M	Series B
FAIRE	May-22	\$416M ⁽²⁾	Series G
EPIC GAMING	Apr-22	\$2.0B	Late-Stage VC
roofstock	Mar-22	\$240M	Series E
Weee!	Feb-22	\$425M	Series E

Source: PitchBook, press releases.

Note: Early stage defined as Series A-B. Later stage defined as Series C or later.

(1) As of 02/28/2023.

(2) Series G total financing amounted to \$816M. \$416M is related to an extension of the Series G financing.

Valuation Re-Rating Has Already Occurred In Public Markets And Down Rounds Are Picking Up Steam...

Company	Peak Valuation	Current	% Decline
stripe	\$95B	\$50B	(47%)
Klarna	\$46B	\$6.7B	(85%)
instacart	\$39B	\$24B ⁽¹⁾	(38%)
Varo	\$2.5B	\$1.85B	(26%)
TONAL	\$1.6B	\$575M	(64%)

Difficult Fundraising Environment Has Forced Cash Burning Companies To Shut Down



Source: PitchBook, press releases.

(1) Company's valuation based on press releases.

...Resulting In Greater Structure Within Late-Stage Private Placements

Recent Private Placement Announcements

Cyber firm Arctic Wolf raises \$401M in debt, eyeing a potential IPO

Kyle Wiggers @kyle_l_wiggers / 5:00 AM PDT • October 6, 2022

Large-scale investors flock to venture debt's 'phenomenal returns'

By [Marina Temkin](#)

September 30, 2022

Investors Regaining Upper Hand Over Silicon Valley Startups

By [Berber Jin](#) [Follow](#)

Aug. 9, 2022 9:00 am ET

Contentsquare puts the four corners around \$600 million at \$5.6 billion valuation

Contentsquare has raised \$400 million in a Series F financing round that is complemented by \$200 million in debt financing



Dan Taylor
21 July 2022

Wasabi bags \$250M in equity and debt

September 28, 2022

Fundraising Announcements

June 29, 2022, 5:08 AM

Viking Global Raising Structured Equity Fund to Back Startups**Coatue Rolls Out a New Fund**

It's the Tiger Cub's seventh launch in the last three years.

June 14, 2022

Debt Is Back for Startups Shut Out of IPO Market

By Maria Heeter | Aug. 5, 2022 6:19 AM PDT

Portage is seeking to raise up to \$1 billion to fund late-stage fintechs

By [Echo Wang](#) · July 28, 2022 6:16 AM PDT ·

NEW YORK, July 28 (Reuters) - Portage is raising a structured equity fund that will focus on financing late-stage startups in the financial technology sector

Insight Partners Amasses \$1.56 Billion for Preferred Equity Deals

Software-focused Insight has wrapped up its first fund for buying preferred equity in established companies

By [Laura Cooper](#) and [Preeti Singh](#)

April 14, 2021 7:00 am ET

Overview Of Structured Private Placement Alternatives

Security	Investor Return Drivers	Key Transaction Dynamics	Company Stage
<p>PARTICIPATING PREFERRED</p>	<p>Liquidation Preference (1-2X) + Pro-Rata Equity Ownership</p>	<ul style="list-style-type: none"> ■ Priced raise, with ability to stretch on valuation due to participation feature ■ Longer-term equity partnership, with potential for sunset provision on participation if target returns achieved 	<p>Mid-stage private growth companies</p>
<p>STRUCTURED EQUITY / ALTERNATIVE CREDIT</p>	<p>Dividends (Cash and / or PIK) + Equity Upside from Warrants</p>	<ul style="list-style-type: none"> ■ No valuation watermark ■ Redeemable in 3-5 years ■ Investor returns less reliant on equity appreciation 	<p>Established private companies with cash flow and/or significant enterprise value</p>
<p>PRE-IPO CONVERTIBLE NOTES</p>	<p>Interest Payments (Cash and / or PIK) + Equity Upside Upon Conversion at IPO</p>	<ul style="list-style-type: none"> ■ No current valuation watermark ■ ~15-25% conversion discount to IPO ■ Incorporates incentives to IPO ■ Matures in ~3 years if no IPO 	<p>Late-stage private companies in registration with the SEC or preparing for an IPO</p>

Recent Key Developments Have Affected Investor Confidence With A Few Green Shoots Emerging

Banking Crisis Rocked The Markets

Analysis: Why Silicon Valley Bank and Signature Bank failed so fast



Economy Mar 14, 2023 5:52 PM EDT

What the takeover of Credit Suisse means for UBS



Swiss banking group has plans for each unit of its defunct rival Owen Walker in Paris MARCH 21 2023

Regulatory Concerns Have Constrained Big Tech

TECH • SOCIAL MEDIA

Why the U.S. and Other Countries Want to Ban or Restrict TikTok



BY MARIAH ESPADA AND NIK POPLI MARCH 16, 2023 3:03 PM EDT

FTC Seeks to Block Microsoft Corp.'s Acquisition of Activision Blizzard, Inc.



December 8, 2022

US FTC will seek to stop ICE from buying Black Knight

March 9, 2023 1:54 PM PST



Travel And Mobility Experiencing A Rebound And Regulatory Win, Respectively

Travel demand shows no signs of softening in 2023

The trend: Persistent inflation hasn't dampened consumer desire to travel eMarketer

Article by Rachel Wolff | Feb 15, 2023

California court upholds Prop 22 in win for Uber, Lyft, DoorDash



Rebecca Bellan @rebeccabellan / 5:32 PM PDT • March 13, 2023

Where Are We Headed?

- **Cash Is King** – cash preservation and committing to a path to profitability will continue to be top-of-mind for management in order to survive this downturn
- Activity is increasing in the private placement market, **but companies are typically accepting lower valuations or structure**
- As the slowdown drags on and valuations remain compressed, **late-stage companies may begin to address alternatives including a private placement, a sale or an IPO in early 2024**
- **The extended IPO drought will be broken by selected marquee companies** coming to market with anchor investors and conservative valuations
- **M&A activity could heat up as runway diminishes for unprofitable companies**, forcing them to consider strategic alternatives – strategics armed with a cash war chest will stand to benefit

Jefferies Technology Group Internet Team & Product Partners

We look forward to speaking with you about these industry themes and their impact on businesses and investors.

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