

The Cascadia Capital Report
Volume 1, Number 5
October 8, 2007

Facing the Facts About Facebook

*The Social Networking Site Is More Than a Utility Connecting People –
It Is the Next Generation of Collaborative Communications*

*By Kevin Cable and Warren Gouk
Cascadia Capital*

If you go to the Facebook Web site, you will be welcomed with this greeting:
“Facebook is a social utility that connects you with the people around you.”

The reality is that Facebook is much more than a social utility; it is the next generation of collaborative communications, a sophisticated technology that brings multimedia content sharing together with company generated content. Indeed, Facebook is currently being used as a broad – and, at times unexpected – platform for communications and promotion. Who would have thought that the 2008 presidential campaign would be waged, in part, on this Web site?

***Investors Need to Pay Attention to
This Dynamic New Media Trend***

And, so, Newsweek magazine’s recent cover story on “Facebook Nation” is right on the money – and investors need to pay attention to this dynamic new media trend.

The numbers for Facebook and social networking on the Internet are quite telling:

- Approximately 4,000 applications and 15 million widgets have been produced for the Facebook platform, largely by third party developers / providers. This critical mass is significant
- 65 percent of Americans on the Internet visit social networking sites and 60 percent of the global Internet audience visits social networking sites
- The demographics of social networking are aging – 40 percent of users of are now between 35 and 54
- Social networking sites could potentially replace traditional Internet portals, and marketers have already begun to shift dollars in this direction; 40 percent of major advertisers plan to advertise on social networking sites in the next

year, and overall advertising on social networking sites is expected to grow from \$1.2 billion in 2007 to \$3.6 billion in 2011.

The next big step for Facebook and the social networking movement could be mobile technology. Approximately 40 percent of the time spent on mobile phones by the 13-24 year-old age group is used to access user-generated content and engage in social networking.

***Corporate Adoption Is a New Horizon
For Social Networking Technology
Because It Can Bring Customers Together Online***

Corporate adoption is another new horizon because of the ability of social networking to bring customers together online. We cite Cisco's purchases of Tribe and Five Across as good examples of enterprise moving into the social networking arena with a B2B strategy.

The bottom line is that the Web 3.0 is here, and it is social networking and all that it offers in community and connectivity. We'll be watching this new way of digital life very carefully as it truly takes hold and captures the hearts, minds and wallets of online users everywhere.

Please contact Jon Roth ((206) 436-2520/jroth@cascadiacapital.com) or Pete Spear ((206)436-2592/pspear@cascadiacapital.com) if you would like to receive Cascadia Capital's 2007 Internet New Media Report containing in-depth analysis of Internet market trends, M&A activity, capital markets activity, and valuation.

WWW.CASCADIACAPITAL.COM
