

Valuations: What are the New Benchmarks?

IBF Early-stage Venture Investing Conference
October 11, 2001

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2000-2001 Internet Company Valuation Multiples

Internet Sector	Range of Weighted Average Revenue Multiples		
	2000	2000 (post-April)	2001 (January-August)
B2B	26-30x	8-9x	1-1.5x
B2C	5-6	3-4	0.5-1
ISP-Portal	15-21	12-15	0.5-1
Infrastructure	30-38	21-30	1-2

1999 Transactions by Sector

(January-August)

1999	Number of Transactions	Average Transaction Value (mil.)	Adjusted Average Transaction Value (mil.)	Median Transaction Value (mil.)
B2B	100	\$163.7	\$81.1	\$50.0
B2C	88	81.9	72.7	52.0
Infrastructure	52	89.2	61.5	60.0
ISP-Portal	209	150.1	64.4	33.3

2000 Transactions by Sector

(January-August)

2000	Number of Transactions	Average Transaction Value (mil.)	Adjusted Average Transaction Value (mil.)	Median Transaction Value (mil.)
B2B	263	\$317.4	\$174.3	\$54.0
B2C	109	187.2	123.0	43.5
Infrastructure	183	239.1	193.0	76.0
ISP-Portal	202	264.3	180.4	54.0

2001 Transactions by Sector

(January-August)

2001	Number of Transactions	Average Transaction Value (mil.)	Adjusted Average Transaction Value (mil.)	Median Transaction Value (mil.)
B2B	306	\$241.9	\$152.7	\$29.5
B2C	34	35.7	23.6	24.5
Infrastructure	249	204.0	144.3	42.5
ISP-Portal	141	123.9	66.1	29.2

Number of Transactions by Year

(January-August)

Sector	1999	2000	2001	Total
B2B	100	263	306	<u>669</u>
B2C	88	109	34	<u>231</u>
Infrastructure	52	183	249	<u>484</u>
ISP-Portal	209	202	141	<u>552</u>
<u>Total</u>	<u>449</u>	<u>757</u>	<u>730</u>	<u>1936</u>

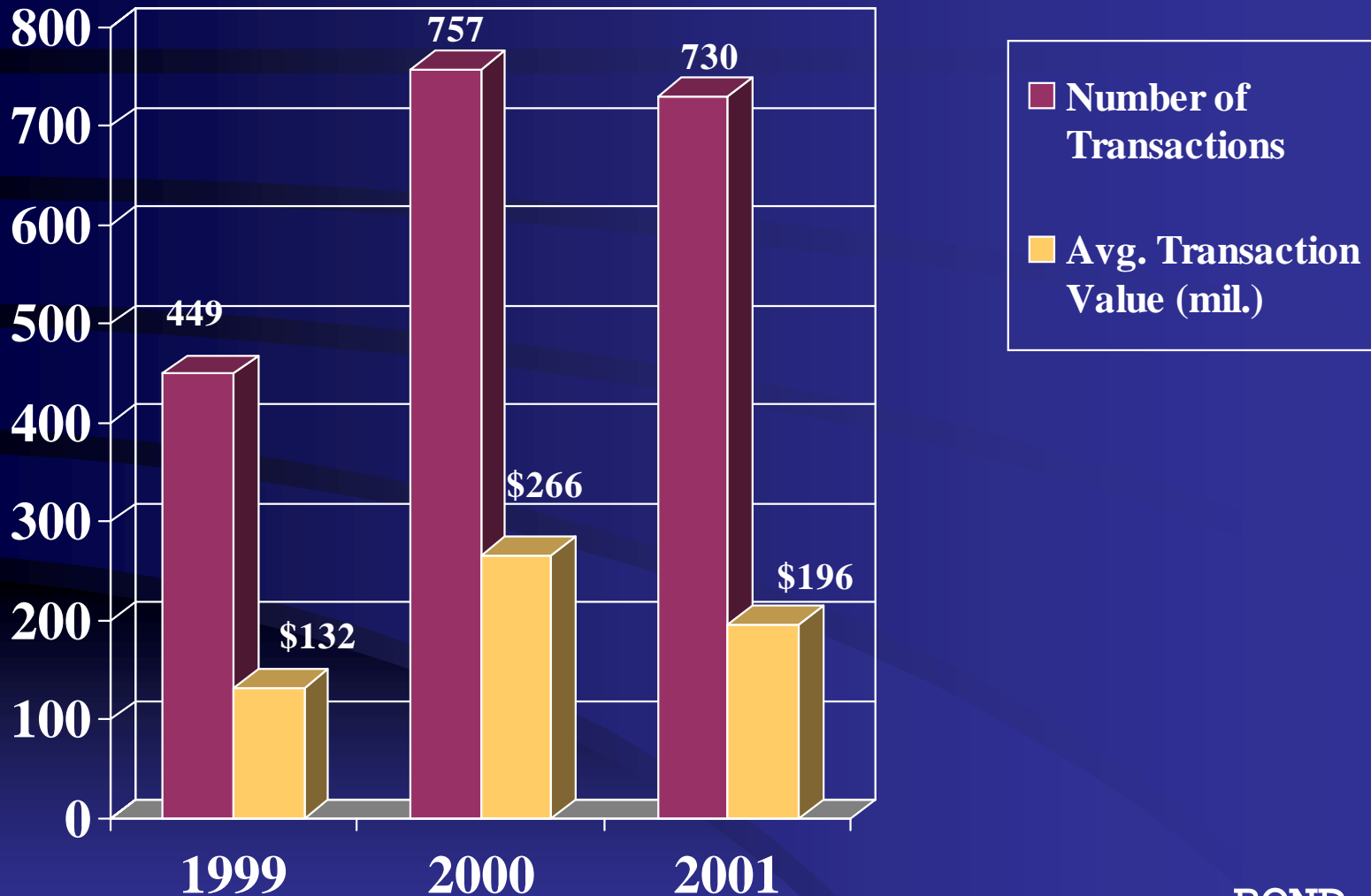
% Change: 2000-2001

(January-August)

2000-2001	Number of Transactions	Average Transaction Value	Adjusted Average Transaction Value	Median Transaction Value
B2B	16.3%	-23.8%	-12.4%	-45.4%
B2C	-68.8	-80.9	-80.8	-43.7
Infrastructure	36.1	-14.7	-25.2	-44.1
ISP-Portal	-30.2	-53.1	-63.4	-45.9

Three-Year M&A Summary

(January-August)



So What's Changed? Everything!

- Market Comparables – All Down
- Shortened Time Horizon - Unrealistic
- No Capital to Fund Losses/Expansion
- Risks and Discount Rates are Higher
- Economy/Revenue Drivers Weak
- Cash Flows Still in the Future
- Liquidity Event has Evaporated

Winners and Losers

- Few Winners Today, Mostly Losers
- Short-term Forecast Isn't Much Better – Need for Deep Pockets/Patient Investors
- Weeding Out the Weak to Leave Others Stronger
- Some Segments Still Getting Funded
 - Biotech/Genome Technology
 - Wireless Applications/Software Slowing
 - Security Software/Technology