LinkedIn Is Professional People Search 2.0

Professional people search includes 3 key components

LinkedIn premium services

1. **Targeted ads:**
   Contextual text ads targeted on search terms and profiles

2. **Listings:**
   Job listings filtered through each professional’s network

3. **Subscriptions:**
   Service extending reach of each professional’s network

August 2004
CONFIDENTIAL
The problem: There is no effective, trusted way for professionals to find and transact with each other online

- Selecting service providers from yellow pages fails
- Selecting employees from resume databases fails
- Reaching professionals through directories fails
Professional People Search 2.0 Leverages Networks

Internet 1.0 = Search and transact via flat directories

Internet 2.0 = Search and transact via networks
eBay: Online Goods Listings 2.0

Goods Listings 1.0: Online Classifieds

*The Philadelphia Inquirer*

Assess seller’s reputation by looking at each individual seller’s claims

Goods Listings 2.0: eBay

Assess seller’s reputation by looking at network of transactions between users
Online Payments 1.0: Citibank et al

Detect fraud by looking at each individual’s behavior in isolation

Online Payments 2.0: PayPal

Detect fraud by looking at network of transactions between users
Google: Search for Things 2.0

Search for Things 1.0: Altavista

Rank search results by looking at each individual page in isolation

Search for Things 2.0: Google

Rank search results by looking at network of links between pages
LinkedIn: Professional People Search 2.0

Professional People Search 1.0: Monster, Lexis Nexis, et al

Assess professionals by looking at each individual’s claims

Professional People Search 2.0: LinkedIn

Assess professionals by looking at network of relationships between users
Establishing the Network: Our First Priority

For eBay, PayPal, Google, and LinkedIn, the key is the network

Where the network is the key, the first mover is critical to revenue

PayPal waited until 4 million registered users before turning on revenue – today, revenue is $400MM+
Network Growth: Commitment from Series A

August 2004
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"LinkedIn has quickly become the Internet's largest online business network."

"LinkedIn is the most strict about keeping its site solely for professional, business purposes."

March 2004
LinkedIn Leads this Market

Registered users of online professional network tools
February 2004
(Total = 0.3 Million)

- LinkedIn (54%)
- Ryze (32%)
- OpenBC (6%)
- Spoke (5%)
- ZeroDegrees (1%)
- All others (3%)

Non-LinkedIn numbers are estimates based on best available intelligence

August 2004
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LinkedIn Has Grown Its Lead

Registered users of online professional network tools
August 2004
(Total = 1.2 Million)

- LinkedIn (73%)
- Ryze (16%)
- OpenBC (5%)
- Spoke (2%)
- ZeroDegrees (1%)
- All others (2%)

LinkedIn has highest rate of adoption
LinkedIn’s share has increased from 54% 6 months ago to 73% today
Tipping point effects mean LinkedIn’s share will continue to increase

Non-LinkedIn numbers are estimates based on best available intelligence

August 2004
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LinkedIn is the Market Leader

Numbers as of 8/04. Non-LinkedIn numbers are estimates based on best available intelligence.

- **Friendster**: ~10,500,000 users, 23 months old
- **Myspace**: ~2,500,000 users
- **Orkut**: ~1,300,000 users, 7 months old
- **Tribe.net**: ~180,000 users, 13 months old

- **ryze**: ~200,000 users, 34 months old
- **openBC**: ~60,000 users, 12 months old

- **LinkedIn**: 900,000+ users (29,000+ growth/wk)
  - 23,000,000+ unique email addresses (700,000+ unique growth/wk)
  - 15 months old

- **ZeroDegrees**
  - ~10,000 users
  - ~600,000 unique email addresses
  - 12 months old

- **Spoke**: ~25,000 users
  - ~15,000,000 unique email addresses
  - 22 months old

- **Contact Network**
- **VisiblePath**
- **Interface Software**
- **BranchIT**

**Plus other traditional CRM/SFA vendors**

"Users": registered users currently active in the system
"Email addresses": registered users + other individuals who are not users, but whose email addresses have been entered into the system by users
Growth Includes Major Groups Providing Strong Brand Endorsement

Leading MBA programs and MBA alumni

- Duke
- Yale SOM Alumni
- IMD

Major conferences

- Real Estate Connect
- pcforum 2004
- Red Herring Insider

Top-tier professional organizations

- SDForum
- SVASE
- VLAB

"Red Herring chose LinkedIn for Groups as the professional network tool for our conference to allow attendees to create lasting relationships and to promote Red Herring to LinkedIn's hundreds of thousands of high-quality professional users."

Florian Brody, Director of Business Development, Red Herring

Additional Groups live since launch in April 2004

- Additional Conferences
  - Supernova
  - BlogOn

- Additional Alumni Groups (mostly class-level)
  - Haas School of Business
  - MIT TechLink
  - Mayfield Fellows
  - Carnegie Mellon
  - University of Washington

- Additional Professional Groups
  - Chinese Software Professionals Association
  - InterFrench
  - Industry Standard Internet Executive Group
  - Press Club of California
  - PDMA NorCal
  - Association of International Product Marketing and Management

- Additional Corporate Alumni Groups
  - Sun Microsystems Alumni Association
  - HP Alumni Association

Plus more than 50 other similar Groups 15-20 new Groups added per month

August 2004
CONFIDENTIAL
Strong Results With Less Than $4 Million Spent

**Large user base**
- 930K+ white-collar registered users
- 29K+ weekly user growth rate
- 23M+ unique email addresses uploaded

**Groups**
- 50+ Groups live
- 20+ new Groups launch per month
- 300+ Groups in pipeline

**High-quality users**
- 22% of users are CxOs/senior execs
- 100+ countries
- 130+ industries

**Desktop (not promoted)**
- 6K+ IE toolbar installs
- 18K+ Outlook toolbar installs
- 2.5M email addresses uploaded via toolbar

**Increasing usage levels**
- 20% of old users log in per month
- 1M+ user searches per month
- 20M+ total member page views per month

**Business development**
- DirectEmployers Association
- American Express OPEN (at contract)
- 10+ new inbound opportunities per week

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Great Inbound Business Development

Search 240,000+ Jobs...

Locations: ~All States~ in United States
Keywords:
Job Posted: ~Time Filter Options~

And use your network to land one.

Direct Employers

LinkedIn

Search for jobs at Global 1000 firms.
Use your network to help you get your job.

OPEN at LinkedIn

As an OPEN Small Business Network member, you have access to the financial tools you need to make your business flourish. Now OPEN has partnered with LinkedIn to give you access to the full power of your professional network.

LinkedIn lets you, the small business owner, find the people you need for:
- Finding clients
- Hiring new employees
- Getting information about new customers
- Selling your products

- Exposure of LinkedIn to 2 million American Express small business cardholders
- Strong brand endorsement of LinkedIn
- Currently at contract

August 2004
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LinkedIn’s Market-Leading Position Creates Strong Barriers to Entry

- Inherently viral product design with tipping point effects
  *Promotes ongoing market leadership*

- Reputation system and network of relationships between users
  *Enables very strong network effects and user trust*

- 2 key patents in viral marketing and “social networking”
  *1 granted, 1 pending with 1999 priority date*
# The Network Enables Revenue

<table>
<thead>
<tr>
<th>Value of the network</th>
<th>Revenue model (high-level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>eBay</td>
<td>- Network-based reputation system creates trust: key to high transaction volume</td>
</tr>
<tr>
<td></td>
<td>- eBay takes % of transaction</td>
</tr>
<tr>
<td></td>
<td>- Reputation system is not directly monetized</td>
</tr>
<tr>
<td>PayPal</td>
<td>- Network-based fraud detection system makes the business economically viable</td>
</tr>
<tr>
<td></td>
<td>- PayPal takes % of transaction</td>
</tr>
<tr>
<td></td>
<td>- Fraud detection is not directly monetized</td>
</tr>
<tr>
<td>Google</td>
<td>- Network-based page rank system produces best search results</td>
</tr>
<tr>
<td></td>
<td>- AdWords are shown in search results</td>
</tr>
<tr>
<td></td>
<td>- Page rank system is not directly monetized</td>
</tr>
</tbody>
</table>

...and of course, user-based network effects are key to making the business **valuable**

August 2004
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## The Network Enables Revenue

<table>
<thead>
<tr>
<th>Value of the network</th>
<th>Revenue model (in detail)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Network-based reputation system creates trust: key to high transaction volume and utility</td>
<td>• 1. InLeads: contextual search text ads</td>
</tr>
<tr>
<td></td>
<td>• 2. Opportunities: network-filtered job listings</td>
</tr>
<tr>
<td></td>
<td>• 3. Network Plus: network-extending subscription</td>
</tr>
<tr>
<td></td>
<td>• Reputation system is not directly monetized</td>
</tr>
<tr>
<td></td>
<td>(Universal service stays free for all users)</td>
</tr>
</tbody>
</table>

Building the network is the challenge, and LinkedIn has the foundation

“Executives should try LinkedIn. At best, it could be incredibly useful. At worst, the site guards your privacy and doesn’t waste your time.”

“LinkedIn could change the way executive recruiting is conducted.”

January 2004
The Network Enables Revenue

- InLeads, Opportunities, and Network Plus
- LinkedIn Universal Free Service
LinkedIn’s Market Opportunity Is Large

<table>
<thead>
<tr>
<th>Comparables</th>
<th>Comparable market sizes (2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. InLeads</strong> (Targeted ads)</td>
<td><strong>Search ads:</strong> $2.8B</td>
</tr>
<tr>
<td>• Google AdWords for people</td>
<td><strong>Lexis-Nexis:</strong> $2.3B</td>
</tr>
<tr>
<td>• Lexis-Nexis for services</td>
<td><strong>Offline yellow pages, directories, and local ads:</strong> $10B+</td>
</tr>
<tr>
<td>• Yellow pages/directories</td>
<td><strong>Job sites:</strong> $0.8B (excluding classifieds)</td>
</tr>
<tr>
<td><strong>2. Opportunities</strong> (Listings)</td>
<td></td>
</tr>
<tr>
<td>• Monster et al</td>
<td></td>
</tr>
<tr>
<td>• Classifieds</td>
<td></td>
</tr>
<tr>
<td><strong>3. Network Plus</strong> (Subscriptions)</td>
<td><strong>Personals sites:</strong> $0.6B</td>
</tr>
<tr>
<td>• Match.com et al</td>
<td></td>
</tr>
</tbody>
</table>

Sources: SEC filings, Searchenginewatch.com, Kelsey Group, iMediaconnection, Goldman Sachs, Marketdata Enterprises, CBS Marketwatch
August 2004
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1. LinkedIn InLeads Does for Professionals What Google AdWords Does for Products

35K+ daily professional searches
450K+ daily member page views

“...business so far, and currently have $400K of deals in the pipeline, thanks to LinkedIn.”
-- Todd Defren, SHIFT Communications

August 2004
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1. Market for InLeads: Search Advertising Is Large and Growing Fast

Online advertising markets ($ Millions)

LinkedIn InLeads improves on Google AdWords model

- Info on searcher
- Focused white-collar demographic ($2-$50 CPC vs. $0.35 CPC for unfocused demographic)
- Ability to monetize CPM, CPC, and leads

Sources: PriceWaterhouseCoopers, Goldman Sachs
August 2004
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2. LinkedIn Opportunities Lets Users Leverage Their Network to Hire

Network-filtered job postings

Network-filtered backdoor reference checking

August 2004
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2. Reputation-Based Prioritization of Candidates Saves Time and Money

“I used LinkedIn to search for a Marketing VP and saved $30,000 I would have otherwise paid a headhunter.”
-- Anonymous CEO (quoted in Forrester report, July 2004)

“LinkedIn helped me to easily find and contact 10 product managers, one of whom I ended up hiring. LinkedIn saved me a significant amount of time and effort.”
-- Jeremy Liew, GM, Netscape (hire placed in Columbus, OH)

“Through LinkedIn I was able to find the perfect match for a sales manager opening, and it saved us over $20,000 in search costs.”
-- Adam Honig, CEO, Akiba (New York, NY)
## 2. Market for Opportunities: Existing Online Job Markets Are Large But Inefficient

<table>
<thead>
<tr>
<th></th>
<th>Revenue (2004E, $M)</th>
<th>Average Unique Monthly Visitors (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monster</td>
<td>515</td>
<td>18.2</td>
</tr>
<tr>
<td>Careerbuilder</td>
<td>175</td>
<td>14.5 (across Careerbuilder network)</td>
</tr>
<tr>
<td>Yahoo! HotJobs</td>
<td>94</td>
<td>12.6</td>
</tr>
<tr>
<td>LinkedIn</td>
<td>n/a</td>
<td>0.3 (up from 0.1 6 months ago)</td>
</tr>
<tr>
<td><strong>Total Market</strong></td>
<td><strong>827</strong></td>
<td>&gt;20</td>
</tr>
</tbody>
</table>

- Online job market is already large
- LinkedIn is not only about jobs: enables lifetime user relationship and better results for users

"Employers will increasingly tap LinkedIn’s rich profiles to find passive job candidates rather than pay Monster to access its resume database.”

Sources: Goldman Sachs, Forrester  
**August 2004**

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3. LinkedIn Network Plus Gives Power Users Extended Reach

User without Network Plus: Visibility limited to 3 degrees
User with Network Plus: Visibility out to 4 degrees

“I was contacted by a CNET executive who referred me to a hiring manager in his group. I was offered a position. LinkedIn has been an invaluable career tool.”
-- Don Marzetta, Director of Vendor Integration, CNET

“I closed business with the CEO of a major software company.”
-- Raj Sardesh, Principal, ProductMilestones

“We used LinkedIn contact requests to engage and secure two great conference speakers.”
-- Jeff Clavier, Managing Partner, SoftTech VC
3. Market for Network Plus:
Large Online Personals Market Provides Comp

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Personals Industry Revenue</td>
<td>917</td>
<td>1,080</td>
<td>1,166</td>
<td>1,260</td>
<td>1,349</td>
<td>1,442</td>
</tr>
<tr>
<td>Year-over-year-growth</td>
<td>13%</td>
<td>18%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Online Personals</td>
<td>304</td>
<td>480</td>
<td>550</td>
<td>645</td>
<td>732</td>
<td>810</td>
</tr>
<tr>
<td>Year-over-year-growth</td>
<td>-</td>
<td>58%</td>
<td>15%</td>
<td>17%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>% of total personals industry</td>
<td>33%</td>
<td>44%</td>
<td>47%</td>
<td>51%</td>
<td>54%</td>
<td>56%</td>
</tr>
<tr>
<td>Singles 18+ US</td>
<td>87</td>
<td>87</td>
<td>87</td>
<td>87</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Year-over-year-growth</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Personals Spend per 18+ US Single</td>
<td>10.5</td>
<td>12.4</td>
<td>13.4</td>
<td>14.5</td>
<td>15.5</td>
<td>16.6</td>
</tr>
<tr>
<td>Year-over-year-growth</td>
<td>-</td>
<td>18%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Online Personals Spend per 18+ US Single</td>
<td>3.5</td>
<td>5.5</td>
<td>6.3</td>
<td>7.4</td>
<td>8.4</td>
<td>9.3</td>
</tr>
</tbody>
</table>

33K+ Beta Subscribers

“LinkedIn has taken referral-based job hunting to the next level.”
March 2004

Sources: Goldman Sachs, Marketdata Enterprises
August 2004
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## Revenue Is Near-Term

<table>
<thead>
<tr>
<th>Pricing plan (preliminary)</th>
<th>Launch timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LinkedIn Universal Service</strong></td>
<td>Already live</td>
</tr>
<tr>
<td>1. InLeads (Search ads)</td>
<td>1/05</td>
</tr>
<tr>
<td>• CPC pricing set by free market auction</td>
<td></td>
</tr>
<tr>
<td>• CPM pricing $3-$10 depending on category</td>
<td></td>
</tr>
<tr>
<td>• EOI (lead generation) pricing $25+</td>
<td></td>
</tr>
<tr>
<td>2. Opportunities (Listings)</td>
<td>11/04</td>
</tr>
<tr>
<td>• $79 per listing (remains open for 30 days)</td>
<td></td>
</tr>
<tr>
<td>• Price levels increase post-2005</td>
<td></td>
</tr>
<tr>
<td>3. Network Plus (Subscriptions)</td>
<td>1/05</td>
</tr>
<tr>
<td>• $5.95 per month or $59.95 per year</td>
<td></td>
</tr>
<tr>
<td>• Price levels increase post-2005</td>
<td></td>
</tr>
</tbody>
</table>

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Internet 2.0 Business Model: High Revenue and High Margins

- Great revenue potential for InLeads, Opportunities, and Network Plus
  
  *Law of large numbers ensures high revenue*

- Very high operating margins
  
  *Free customer acquisition, digital goods transactions with zero incremental cost*
  
  *Operating margins virtually breakeven even for universal free service*

- Execution difficulty decreases as LinkedIn grows the network
  
  *Hardest part is building large, high-quality user base*
Series B Brings LinkedIn to Operating Profitability in 2005

Key assumptions in LinkedIn model

Macro assumptions
- Monthly user growth of 3%-13% (below current levels)
- Monthly usage growth rate of 5%-10% (below current levels)

1. InLeads (search ads) assumptions
- CPMs priced at $3-$5, CPCs priced at $1 (both well below comps)
- Clickthrough and conversion rates of 0.5%-2.75%

2. Opportunities (listings) assumptions
- Listings pricing at $79

3. Network Plus (subscription) assumptions
- Subscription rate of 0.5%-3.0% (high end of range not until 2007)
## 5-Year Financials

\$ Thousands

<table>
<thead>
<tr>
<th>5-YEAR FINANCIALS</th>
<th>Historical</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total active users (EOY)</td>
<td>$81,801</td>
<td>1,594,188</td>
<td>3,889,445</td>
<td>6,195,065</td>
<td>9,317,487</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$-</td>
<td>$261</td>
<td>$7,292</td>
<td>$22,697</td>
<td>$54,088</td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>$(1,271)</td>
<td>$(3,997)</td>
<td>$(6,973)</td>
<td>$(10,644)</td>
<td>$(14,119)</td>
<td></td>
</tr>
<tr>
<td>Cashflow from Operations</td>
<td>$(1,271)</td>
<td>$(3,736)</td>
<td>$319</td>
<td>$12,053</td>
<td>$39,969</td>
<td></td>
</tr>
<tr>
<td>Cashflow from Financing</td>
<td>$4,679</td>
<td>$9,750</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td></td>
</tr>
<tr>
<td>Net Cash Position (EOY)</td>
<td>$3,408</td>
<td>$9,422</td>
<td>$9,741</td>
<td>$21,794</td>
<td>$61,763</td>
<td></td>
</tr>
<tr>
<td>Headcount</td>
<td>11</td>
<td>36</td>
<td>69</td>
<td>93</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Operating Margin</td>
<td>N/A</td>
<td>N/A</td>
<td>$4.4%</td>
<td>$53.1%</td>
<td>$73.9%</td>
<td></td>
</tr>
</tbody>
</table>
Business and Tech Team Has Strong Track-Record

Reid Hoffman, CEO
- Former EVP and Founding Board Member, PayPal
- Investor in Friendster, Ironport, Six Apart, Vendio et al

Sarah Imbach, Chief of Staff and VP
- Former SVP Operations, PayPal

Allen Blue, VP of Product
- Former Director of Product Design, SocialNet.com

Jean-Luc Vaillant, VP of Engineering
- Former Director of Engineering and Software Development, Logitech, Spotlife

Konstantin Guericke, VP of Marketing
- Former VP of Marketing, Presenter, Blaxxun

Eric Ly, CTO
- Founder and former CTO, Netmosphere (sold to Critical Path)

Matt Cohler, Director of Corporate Development
- Former top-ranked analyst at McKinsey, marketing at AsiaInfo, published in HBR

Technical team with experience at Apple, Cisco, Hotwire, Citigroup, Sprint, TIBCO, VERITAS, et al

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Board and Other Investors Are Sequoia and Top-Tier Angels

Reid Hoffman
- CEO of LinkedIn
- Former EVP and Founding Board Member, PayPal; leading angel investor

Mark Kvamme
- Partner, Sequoia Capital
- Former CEO and Chairman, CKS Group

Rob DeSantis
- Former CMO and Co-Founder, Ariba

Additional angel investors (not on Board of Directors)
- Peter Thiel, Co-Founder and Former CEO, PayPal
- Marc Andreessen, Co-Founder and Former CTO, Netscape
- Joe Kraus, Co-Founder and Former SVP Marketing, Excite
- Andrew Anker, Former CTO, Wired and Former Partner, August Capital
- Gil Penchina, VP International, eBay

LinkedIn Series A
$4.7 Million
November 2003
LinkedIn is Well-Positioned in an Essential Market

• High-margin billion-dollar opportunity

• Clear market leader in a defensible space

• Strong team and strong execution on less than $4M spent
Find and Contact the People You Need Through the People You Already Trust