PiperJaffray

Industry Note
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Reason for Report:
Industry Overview

Related Companies:	Share Price:
AKAM	20.88
AMZN	49.06
AQNT	27.84
BIDU	78.90
CNET	15.69
CTRP	57.03
DRIV	28.24
DTAS	12.61
EBAY	45.19
EXPE	24.90
FTD	11.06
GOOG	417.70
GSIC	16.93
GYI	93.66
HOMS	4.78
HRAY	9.22
IACI	28.01
INSP	26.38
JOBS	13.89
JUPM	16.94
LTON	10.16
MCHX	23.50
NFLX	27.69
NILE	41.60
NTES	59.05
PCLN	24.42
RNWK	8.89
SINA	26.04
SNDA	17.04
SOHU	20.19
SOLD	14.08
TFSM	7.29
TOMO	21.33
UNTD	14.31
VCLK	20.24
YHOO	41.21

Technology

Silk Road: The Tipping Point Is Approaching

KEY POINTS:

The Upshot: We believe that online advertising is now positioned to exceed $55 billion globally by 2010, with Google and Yahoo continuing to garner the lion's share. We note that over the past three years, we have consistently raised our estimates for online advertising and search as the growth rates and monetization have exceeded our initial projections. Our Online Advertising Search Symposium showed how search and advertising are becoming increasingly intertwined, creating a virtuous cycle that increases online spending as a whole.

Summary Of Internet Activity In The U.S. (MM)	October 2005	September 2005	M/M % Chg
Piper Jaffray Internet Usage Index	**4,692**	**4,563**	**3%**
Total Active Users	169,315	169,232	0%

Summary Of Internet Activity Worldwide (MM)	October 2005	September 2005	M/M % Chg
Piper Jaffray Global Internet Usage Index	**19,361**	**18,381**	**5%**
Total Active Users	472,444	466,142	1%

Piper Jaffray Usage Index Selected Categories (US)	Wk of 10/30	% Chg W/W	October 2005	September 2005	M/M % Chg
Portals and Destinations	302.2	4%	1,473	1,516	-3%
Search Sites	23.4	8%	92	92	0%
e-Commerce	44.1	9%	247	235	5%
Travel	2.6	13%	21	19	6%

Piper Jaffray Usage Index Selected Companies (US)	Wk of 10/30	% Chg W/W	October 2005	September 2005	M/M % Chg
AOL Time Warner	70.3	2%	405	459	-12%
Yahoo!	70.4	2%	429	422	1%
Microsoft Network	39.7	4%	263	255	3%
Amazon	0.4	4%	4	4	10%
Google	7.1	76%	27	25	7%
eBay	5.4	-4%	47	49	-4%
CNET Networks	0.1	-6%	1	1	1%

Source: Piper Jaffray & Co.; comScore MediaMetrix

Contents:

RISKS

Risks include a slowdown in advertising spending, migration to e-commerce, or failure to monetize users. Consolidation and vertical integration can add to volatility. Internet stocks could see significant valuation decline if expected high-growth rates do not materialize.

The Tipping Point is Approaching

We believe that online advertising is now positioned to exceed $55 billion globally by 2010. This will represent a 27% CAGR from 2005 levels and will likely prove to be a conservative scenario. We note that over the past three years, we have consistently raised our estimates for online advertising and search as the growth rates and monetization have exceeded our initial projections. Within this market, we believe Google and Yahoo will be the top two players. Our Online Advertising Search Symposium held last week in New York clearly showed how search and advertising are becoming increasingly intertwined, and rather than being in competition, they are creating a virtuous cycle that increases the growth rate of online spending as a whole.

Equally important, our findings at the symposium suggest that online advertising campaigns are both benefiting and helping offline campaigns and thus increases the importance of online media making it an indispensable part of the media mix for most advertisers.

Yet, we believe we have not yet reached the "tipping point." Many observers and company executives speculated that we are now at the tipping point of massive migration of ad dollars from offline to online. The evidence for this migration is certainly impressive as the growth of online spending is far exceeding other types of media. We believe online media now receives about 5% of total marketing spending, up from 3% two years ago. However, online is on its way to a 10% share much faster then we anticipated, and we believe we are now approaching an inflection point when spending growth could accelerate. This point is likely to be in the second half of 2006, as the full impact of some of the recent allocation increases from major marketers becomes evident and creates a momentum that will attract more spending by advertisers who are on the sidelines now. Examples of these allocations are the recent announcement by Absolute Vodka that it will spend 20% of its marketing budget on online media. Similarly, industry experts believe that automakers such as GM and Ford are moving toward 20% allocations to online media. These allocations are now creating a new momentum in the online advertising space which we believe will be most evident in the first half of 2006, creating the background for the inflection point in the second half of 2006.

Symposium Findings. Last week, we held our Second Online Advertising and Search Symposium in New York**.** The Symposium, attended by close to 180 investors, company executives, and industry experts, far exceeded our expectations for participation and included 25 company executives and industry experts who spoke on eight panels. Below we detail our findings from our Second Online Advertising and Search Symposium.

- **Integration of search and advertising.** There are clear indications that search is now being used for its branding impact as well as its core customer acquisition ability. Participants indicated that nearly 10% of the search spending is now driven by the branding impact of search listings. Agencies are also indicating that they are now able to tap into the branding budgets. Similarly, the efficacy of search is increased by supporting display advertisement on various types of non-search inventory. Overall, far from competing with each other, the advertisers are interested in enhancing the effects of both display and search advertising by creating a coherent campaign that reaches the consumers in various types of inventories.

- **New targeting capabilities.** Search and behavioral targeting are allowing advertisers to increasingly use new targeting methods that are tied to performance and are easily track-able. Advertisers are able to choose customers that are most profitable through a combination of search keywords and website analytics. We believe an expansion of these types of targeting will eventually replace the traditional demographic targeting methods common in the offline direct marketing world.

- **Prices Are Increasing.** Pricing continues to increase for both search and branded advertising inventory. All participants concurred that the prices are unlikely to see any headwinds and advertisers are expecting to increase their budgets to accommodate higher prices. This is a consistent finding in our research, and we believe should eliminate periodic concerns by investors that search prices seem to be under pressure. We expect high single to low double digit price increases in 2006 for both search and display advertising inventories.

- **Inventory Expansion.** Inventory shortage does not appear to be a gating factor, as previously feared. This is in part because the additional inventory that is provided by networks, remnant spaces, and contextual search, which are expanding the inventory spectrum available to advertisers. While the effectiveness of these additional inventory types do not match the premium inventory that is often sold out, as one panelist noted, "there is no such thing as bad inventory" and advertisers are able to effectively use various types of inventory at the appropriate price and effectiveness levels.

- **Role of Agencies.** Agencies and intermediaries are fulfilling a critical role that cannot be easily disintermediated. This applies to both the interactive agencies as well as the growing area of search marketing companies. Demand for search engine marketing companies' services are increasing, driven by the growing complexity of search campaigns. Similarly, the increasing reliance on technology in buying online advertising is making the pure-play agencies like aQuantive and Digitas highly valuable. In particular, the full-service offering of these agencies, including website design and development, is providing them with a competitive advantage.

- **Website Analytics.** Advertisers are increasing the use of website analytics/optimization to streamline their marketing process and optimize conversion rates. This is in part driven by the increasing inventory costs, but mostly by the second stage of growth in online spending which is now turning into fine-tuning the website traffic as well as the website's effectiveness. The website is now an integral part of the marketing campaign and influences both the branding message and the conversion of customers acquired through search and other methods. As such, companies are increasingly focused on deploying analytics to optimize their websites and provide a much more enhanced customer experience.

Who Will Benefit? Google, we believe, is likely to be the biggest beneficiary of the growth outlined above. Yahoo's vast network and its capabilities in various types of inventory position that company as a prime beneficiary of the growth in the online advertising world. Beyond the top destinations, there is clear interest from advertisers in networks and smaller vertical sites. Companies such as ValueClick and 24/7 Real Media, which aggregate inventory for large numbers of smaller websites, are positioned to benefit from this increased demand. We also expect the agencies and intermediaries like aQuantive, Marchex and Digitas to see continued strength in their businesses, as demand for their services rises.

Company Updates

We have included our latest thoughts on each of our companies in our Company Update tables, which also include the latest news on the company, as well as stock performance in the past week and year to date.

Large-Cap Stocks			
Company Rating Market Cap	**Price Wk Chg YTD**	**Recent News**	**Commentary**
GOOG OP $120,996	$417.70 -3% 117%	*Appointed Ann Mather to be board member of entertainment industry.*	The company continues to stand out in the internet space and is likely to increase the gap with its competitors.
EBAY MP $62,321	$45.19 -3% -22%	*Released Skype 2.0 and launched free Internet and video calling through Skype.*	Recent gains already have priced in a notable upside in Q4. We consider shares fully valued here.
YHOO OP $61,164	$41.21 -2% 9%	*Unveiled new RSS feed alert service.*	Pull-back provides a better entry point. Yahoo stands to benefit handsomely from increasing ad spending on both search and brand advertising. Company is very well positioned as a comprehensive online media network.
AMZN MP $20,851	$49.06 2% 11%	*Announced Brian McBride as new Managing Director for UK.*	We believe Amazon shares are now a prime candidate for a pullback, given significant recent appreciation, mostly driven by inclusion in the S & P index. Valuation now exceeds comparables which have significantly faster growth rate and margins.
IACI OP $9,896	$28.01 -2% 1%	*Ticketmaster named as official ticketing provider for Ford Center & Cox Business Services Convention Center.*	Shares continue to be undervalued, despite recent gains. Current momentum and a "cleaner" IAC story are likely to help maintain the upward movement in the stock.
EXPE MP $8,798	$24.90 8% 4%		Improved domestic growth makes us incrementally more positive. International growth, while strong, was lower than expected in Q3. Would like to see continued domestic improvement. Would wait for lower entry point to get more aggressive.

Mid and Small-Cap Stocks

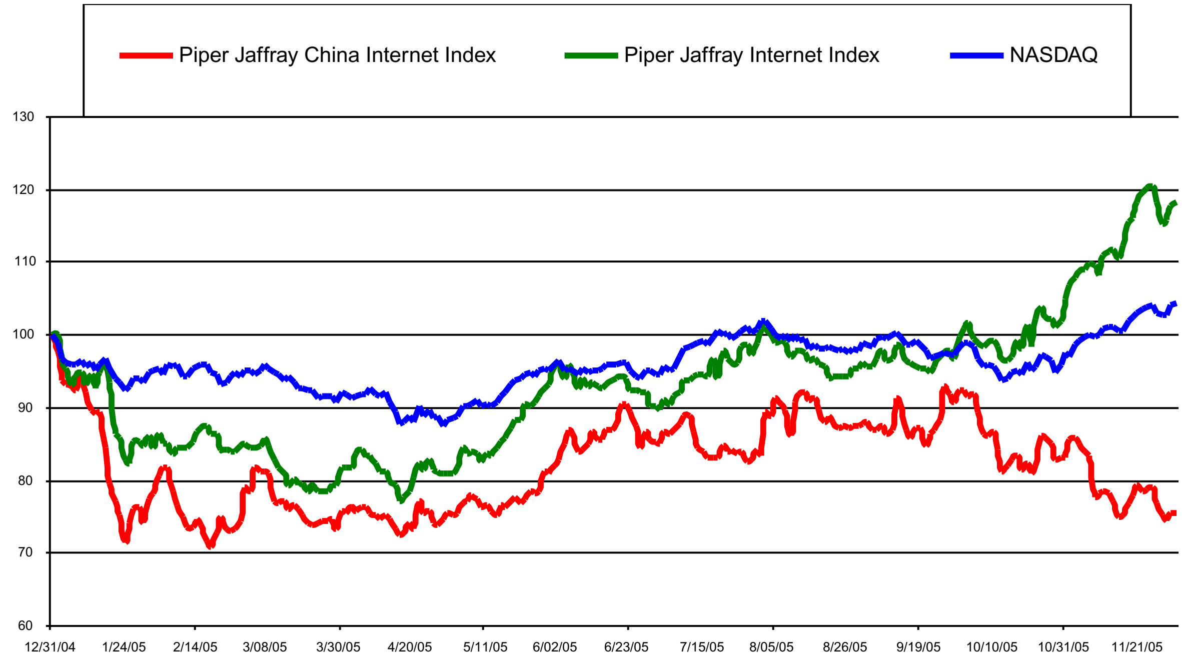
Company Rating Market Cap	Price Wk Chg YTD	Recent News	Commentary
GYI OP $6,146	$93.66 -1% 36%	*Analyst day Dec. 8.*	GYI continues to execute well and is seeing solid growth in its core creative images segment. Analyst day on Dec. 8 could be next catalyst for shares, although shares appear fairly valued after recent increase.
AKAM OP $3,348	$20.88 2% 60%		Expect Akamai to continue to benefit from growth of Internet & growth of digital media. Core business is tracking well as highlighted by strong net sub ads and record low churn.
CNET MP $2,506	$15.69 3% 40%		Demand in content sites and expectations of potential take-over is likely to keep the stock at current levels, despite its high valuation.
AQNT OP $2,147	$27.84 5% 211%		AQNT continues to be key beneficiary of large advertisers' increasing online spend. Razorfish continues to outperform but further improvements may be more difficult.
VCLK OP $2,145	$20.24 8% 52%		We expect another solid performance in Q4 driven by a strong eCommerce season. Believe estimates remain conservative and valuation remains attractive despite recent increases.
NFLX OP $1,828	$27.69 -5% 125%		We expect a very strong Q4 with continued margin gains; NFLX remains one of the few stocks that have not reached near full valuation, and it remains our top choice in U.S. names.
RNWK MP $1,642	$8.89 4% 34%		Growth of the digital media market is tempered by increasing competition. Core music segment also appears to be slowing Further diversification is needed. New MSFT relationship could drive increasing sub growth and serve as catalyst.
DTAS OP $1,233	$12.61 -2% 32%		DTAS continues to benefit from strong online advertising demand and is positioned well headed into 2006. Believe 2006 street estimates will likely prove conservative. Shares remain attractive, despite recent increases.
PCLN OP $1,002	$24.42 2% 4%	*Announced rental car super sale for the holidays.*	Expect continued strong international growth (75% y/y in Q3) with stabile domestic bookings. Believe 2006 est. are conservative and valuation remains very attractive.
INSP MP $969	$26.38 -4% -45%		Periodic take-over speculations continue to fuel gains in the shares. Fundamentals remain challenging.
DRIV MP $933	$28.24 3% -32%	*Acquired Commerce5 for $45M cash, composed of payments to stockholders of $32.4 million plus payment of $12.6 million in liabilities*	Potential of a Q4 outperformance and some clarity on Microsoft's 2006 plans could act as solid catalysts for the stock's recovery. **A noteworthy stock to keep on the watch list.**

Mid and Small-Cap Stocks

Company Rating Market Cap	Price Wk Chg YTD	Recent News	Commentary
UNTD OP $902	$14.31 2% 24%		The concern that keeps the stock's valuation low continues to be lack of stability in access subs.
MCHX OP $896	$23.50 5% 12%	*Partnered with Ingenio to launch Pay Per Call advertiser listings across selected areas of Marchex's network.*	Stock's momentum reflects increased investor understanding of Marchex's potential opportunity in the direct navigation business. We expect continued solid performance with increasing upside in 2006.
OSTK MP $855	$40.43 2% -41%		Increasing customer acquisition costs and higher G&A costs continue to limit any margin expansion. This, combined with slower growth, keeps us cautious on OSTK.
NILE UP $782	$41.60 -5% 51%	*Announced the launch of three new Build Your Own diamond jewelry customization features.*	While we believe Blue Nile is well-positioned competitively and growth rate appears to have stabilized, we believe shares are overvalued at current levels and we would be sellers.
GSIC OP $813	$16.93 3% -5%		GSIC continues to demonstrate solid growth and is already at upper end of new deals for this year. Expect solid margin expansion in 2006 and beyond despite recent cut to earnings for increasing launch costs.
HOMS OP $770	$4.78 5% 58%	*Receives $100 Million investment from Elevation Partners.*	Core Realtor.com product performing well (33% y/y in Q3). Solid Q3 results increases our confidence in 2006 est. Traction against new lead generation product and investments could generate material upside in 2006.
JUPM OP $632	$16.94 6% -29%		Believe shares are attractive at current levels. Upside likely limited over next two quarters given end of Getty relationship. Additional accretive acquisitions and traction with Jupiterimages.com could be catalyst.
SOLD OP $391	$14.08 7% -6%		SOLD remains a top buying opportunity - we expect more short covering as speculations on exceedingly high churn rate and other issues prove to be unfounded.
TFSM MP $364	$7.29 -6% 68%		TFSM is experiencing solid growth across all 3 segments - media, search, and technology. Expect search business to continue to outperform. While shares appear fully valued, further visibility into potential upside to estimates could be catalyst.
FTD MP $336	$11.06 0% -15%		FTD performing well but would like to see more upside to estimates before we get more interested.
WSSI OP $331	$17.95 5% 44%		
LOOK UP $93	$4.08 -7% -63%		While we believe Looksmart's revenues bottomed in Q3, the company remains a long way from profitability. Look for traction against its new vertical search initiatives.

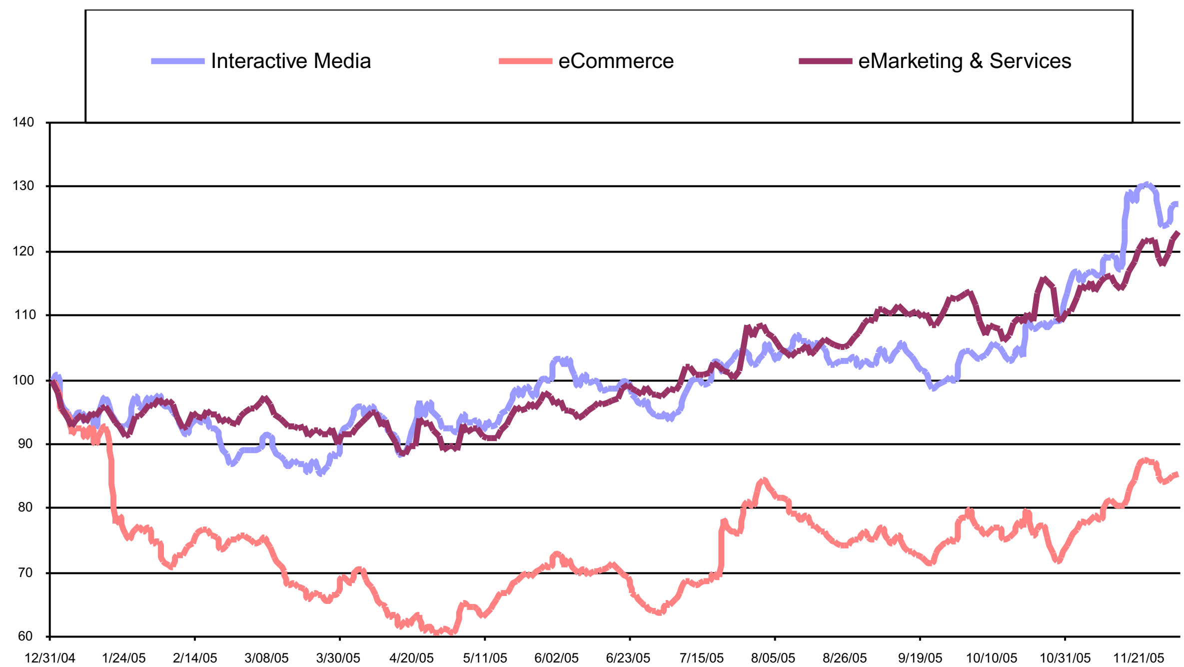
Chinese Stocks

Company Rating Market Cap	Price Wk Chg YTD	Recent News	Commentary
BIDU UP $2,408	$78.90 -6% 192%		While Baidu remains a top performing company in China's search space, valuation continues to be unsustainable and we believe a correction is inevitable. We believe take-over expectations are highly speculative and unlikely at current levels.
NTES MP $2,098	$59.05 -3% 12%	*Appointed William Ding as new CEO.*	The move by Shanda to a free-to-play model poses more challenges to Netease which has a more limited portfolio of games.
SINA MP $1,531	$26.04 1% -19%		Sina continues to be the major portal with significant ad revenues. Valuation limits upside but would be buyers on weakness.
SNDA MP $1,238	$17.04 -16% -60%	*Adopted a free-to-play and pay-for in-game value-added services revenue model for Mir II, Magic Land, and WOOL.*	A more immediate catalyst for the stock may be signs of traction with the company's new Home Entertainment initiative. A key stock to watch.
TOMO OP $1,013	$21.33 -2% 40%	*Signed agreement with ChinaCars and launched China's first i-Café music studio with Intel.*	TOMO continues to be the largest wireless service provider and as such has been the beneficiary of investors' new attention to the recovering wireless sector.
CTRP OP $929	$57.03 -2% 24%		A top pick in our China names as the company continues to outperform, unabated, and the stock is still undervalued. Expect solid Q4 upside again.
SOHU MP $806	$20.19 8% 14%	*Launches Sogou Version 2.5.*	The company's position as a major portal and search player should continue to command interest from investors. Sohu win to host website for 2008 Olympics makes us incrementally more positive.
JOBS MP $393	$13.89 3% -73%		Company remains the top player in the market and as such will remain attractive for long term holders.
LTON OP $277	$10.16 -7% 21%		One of the best wireless buys given its strong and diverse portfolio of products. Continues to be undervalued and is most likely to outperform.
HRAY OP $165	$9.22 -3% -10%		Hurray's Q3 performance made the company much more attractive for investors in the wireless sector, with a noticeable decline in revenue concentration risk. Continues to be yet most undervalued stock in our China coverage.



Index	Last Week	YTD	LTM
Piper Jaffray Internet Index	-2.3%	13.8%	16.8%
Piper Jaffray China Internet Index	-4.3%	-24.4%	-25.1%
NASDAQ	0.5%	4.5%	6.1%

Source: FactSet



Index	Last Week	YTD	LTM
Interactive Media	-1.7%	27.1%	24.2%
eCommerce	-2.3%	-20.8%	-18.8%
eMarketing & Services	0.0%	21.7%	26.1%

Source: FactSet

Biggest Movers This Week

Interactive Media	12/02/05	Gain/(Loss)	%	% of 52 -Week High
JUPITERMEDIA	$16.94	$0.92	5.7%	69.3%
HOMESTORE.COM	$4.78	$0.23	5.1%	96.2%
REALNETWORKS	$8.89	$0.36	4.2%	100.0%
eCommerce				
RED ENVELOPE	$12.10	($0.75)	-5.8%	69.2%
NETFLIX	$27.69	($1.56)	-5.3%	91.5%
BLUE NILE	$41.60	($2.27)	-5.2%	93.8%
eMarketing & Services				
VALUECLICK	$20.24	$1.57	8.4%	103.3%
24-7 MEDIA	$7.29	($0.44)	-5.7%	94.2%
WEBSIDESTORY	$17.95	$0.93	5.5%	94.0%
China Internet				
SHANDA INTERACTIVE	$17.04	($3.31)	-16.3%	37.5%
SOHU	$20.19	$1.45	7.7%	85.0%
LINKTONE	$10.16	($0.74)	-6.8%	87.8%

Source: FactSet

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Company Name	Ticker	Rating	Price Target/ EBITDA multiple	Price 12/2	% of 52 Wk High	Market Value	Enterprise Value	Valuation: EV/Rev CY05	EV/Rev CY06	EV/EBITDA CY05	EV/EBITDA CY06	LT Growth	P/E (PF) CY05	P/E (PF) CY06	P/E (full tax) CY05	P/E (full tax) CY06	ESTIMATES: Revenue CY04	Revenue CY05	Revenue CY06	Pro-Forma EPS CY04	Pro-Forma EPS CY05	Pro-Forma EPS CY06	EBITDA CY04	EBITDA CY05	EBITDA CY06
Online/Digital Media																									
Yahoo!	**YHOO**	**OP**	**$45 (25x '06)**	**$41.21**	**95%**	**$61,164**	**$46,943**	**9.0**	**7.0**	**30**	**22**	**27%**	**71**	**52**	**54**	**43**	**3,575**	**5,243**	**6,702**	**0.38**	**0.58**	**0.79**	**1,032**	**1,551**	**2,155**
Monster Worldwide	MNST			$40.13	98%	$4,749	$4,435	4.5	3.8	21	16	25%	44	33	44	33	861	985	1,176	0.62	0.92	1.23	150	214	280
CNET Networks	**CNET**	**MP**	**$12 (19x '06)**	**$15.69**	**100%**	**$2,506**	**$2,550**	**7.2**	**6.2**	**37**	**26**	**30%**	**52**	**35**	**83**	**56**	**291**	**352**	**410**	**0.07**	**0.30**	**0.45**	**35**	**68**	**98**
WebMD	WBMD			$27.20	91%	$1,537	$1,367	8.1	6.2	44	29	25%	163	74			134	169	219	0.13	0.17	0.37	18	31	47
RealNetworks	**RNWK**	**MP**	**$8.7 (13x '06)**	**$8.89**	**100%**	**$1,642**	**$1,272**	**3.9**	**3.3**	**45**	**29**	**20%**	**nm**	**nm**	**nm**	**nm**	**267**	**328**	**381**	**(0.10)**	**1.57**	**0.98**	**10**	**28**	**44**
Jupitermedia	**JUPM**	**OP**	**$22 (15x '06)**	**$16.94**	**69%**	**$632**	**$648**	**5.2**	**4.0**	**17**	**12**	**20%**	**10**	**27**	**28**	**21**	**62**	**125**	**160**	**0.44**	**1.66**	**0.64**	**17**	**39**	**53**
Homestore	**HOMS**	**OP**	**$5.50 (19x '06)**	**$4.78**	**96%**	**$770**	**$711**	**2.8**	**2.3**	**nm**	**21**	**30%**	**nm**	**36**	**nm**	**47**	**217**	**253**	**304**	**(0.10)**	**0.05**	**0.13**	**11**	**22**	**33**
Jamdat	JMDT			$23.51	69%	$613	$598	7.5	5.0	31	16	25%	31	25			37	79	121	0.24	0.76	0.94	0	19	37
Bankrate	RATE			$32.91	94%	$521	$481	10.0	8.4	31	24	25%	nm	44			34	48	58	0.58	0.57	0.74	0	15	20
iVillage	IVIL			$8.41	99%	$608	$555	6.3	5.2	33	20	25%	66	31			67	88	108	0.04	0.13	0.27	8	17	27
HouseValues	**SOLD**	**OP**	**$23 (16x '06)**	**$14.08**	**69%**	**$391**	**$303**	**3.5**	**2.4**	**14**	**9**	**30%**	**28**	**20**	**25**	**18**	**48**	**87**	**128**	**0.34**	**0.50**	**0.72**	**14**	**22**	**35**
Audible	ADBL			$13.71	45%	$333	$263	4.1	2.7	nm	22	30%	223	41			34	64	98	0.09	0.06	0.34	0	1	12
Autobytel	ABTL			$5.35	67%	$225	$178	1.4	1.3	nm	nm	15%	nm	nm			122	127	133	0.13	(0.17)	0.04	12	(4)	4
			Mean		**84%**			**5.7**	**4.4**	**30**	**21**	**25%**	**76**	**38**	**47**	**36**									
eCommerce																									
eBay	**EBAY**	**MP**	**$43 (23x '06)**	**$45.19**	**76%**	**$62,321**	**$58,446**	**12.9**	**9.8**	**30**	**24**	**30%**	**55**	**46**	**55**	**46**	**3,271**	**4,517**	**5,954**	**0.61**	**0.82**	**0.98**	**1,342**	**1,936**	**2,417**
Amazon	**AMZN**	**MP**	**$40 (18x '06)**	**$49.06**	**99%**	**$20,851**	**$21,055**	**2.5**	**2.1**	**30**	**25**	**18%**	**64**	**54**	**58**	**51**	**6,920**	**8,583**	**10,174**	**1.50**	**0.76**	**0.91**	**565**	**710**	**830**
InterActiveCorp	**IACI**	**OP**	**$32 (9x '06)**	**$28.01**	**95%**	**$9,896**	**$7,583**	**1.3**	**1.1**	**9**	**8**	**12%**	**22**	**19**	**22**	**19**	**4,188**	**5,867**	**6,849**	**0.99**	**1.29**	**1.47**	**566**	**812**	**1,004**
Getty Images	**GYI**	**OP**	**$90 (15x '06)**	**$93.66**	**98%**	**$6,146**	**$5,695**	**7.7**	**6.8**	**20**	**16**	**25%**	**41**	**33**	**39**	**31**	**622**	**738**	**832**	**1.72**	**2.27**	**2.85**	**225**	**288**	**356**
Netflix	**NFLX**	**OP**	**$34 (35x '06 PF EPS)***	**$27.69**	**92%**	**$1,828**	**$1,646**	**2.4**	**1.7**	**nm**	**20**	**20%**	**nm**	**37**	**nm**	**59**	**506**	**687**	**951**	**0.58**	**0.39**	**0.75**	**43**	**nm**	**83**
Digital River	**DRIV**	**MP**	**$35 (11x '06)**	**$28.24**	**63%**	**$933**	**$776**	**3.6**	**3.1**	**9**	**8**	**25%**	**23**	**20**	**26**	**20**	**154**	**216**	**250**	**0.77**	**1.23**	**1.44**	**51**	**82**	**97**
Overstock	**OSTK**	**MP**	**$31 (19x '07)**	**$40.43**	**52%**	**$855**	**$960**	**1.1**	**0.8**	**nm**	**nm**	**40%**	**nm**	**nm**	**nm**	**nm**	**495**	**836**	**1,228**	**(0.32)**	**(1.00)**	**(1.03)**	**(1)**	**(4)**	**6**
GSI Commerce	**GSIC**	**OP**	**$19 (17x '06)**	**$16.93**	**80%**	**$813**	**$701**	**1.6**	**1.2**	**30**	**17**	**25%**	**nm**	**37**	**nm**	**45**	**335**	**437**	**563**	**0.01**	**0.09**	**0.46**	**14**	**23**	**42**
Blue Nile	**NILE**	**UP**	**$31 (18x '06)**	**$41.60**	**94%**	**$782**	**$701**	**3.4**	**2.8**	**34**	**26**	**25%**	**56**	**46**	**56**	**46**	**169**	**209**	**253**	**0.55**	**0.74**	**0.91**	**16**	**21**	**27**
FTD.com	**FTD**	**MP**	**$12 (8.4x '06)**	**$11.06**	**79%**	**$336**	**$553**	**1.2**	**1.1**	**8**	**8**	**10%**	**16**	**14**	**16**	**14**	**395**	**452**	**497**	**0.00**	**0.71**	**0.77**	**85**	**65**	**68**
800 Flowers	FLWS			$6.90	77%	$449	$443	0.6	0.5	12	10	12%	43		43		637	722		0.22	0.16	0.26	36	37	
InPhonic	INPC			$11.57	40%	$440	$353	1.0	0.8	10	7	30%	16	10			204	355	466	(0.11)	0.74	1.13	4	36	51
Provide Commerce	PRVD			$30.23	78%	$362	$302	1.5	1.2	17	12	30%	33				153	200	248	0.61	0.91	1.15	11	18	25
Drugstore.com	DSCM			$3.03	63%	$281	$235	0.6	0.5	nm	nm		nm	nm			360	402	441	(0.28)	(0.26)	(0.05)	(6)	(12)	2
Red Envelope	REDE			$12.10	69%	$109	$109	0.9	0.8	nm	nm		ne	ne	ne	ne	96	117	140	(0.67)	(0.23)	0.23			
			Mean		**77%**			**2.8**	**2.3**	**19**	**15**	**23%**	**37**	**31**	**40**	**37**									
Search																									
Yahoo!	**YHOO**	**OP**	**$45 (25x '06)**	**$41.21**	**95%**	**$61,164**	**$46,943**	**9.0**	**7.0**	**30**	**22**	**27%**	**71**	**52**	**54**	**43**	**3,575**	**5,243**	**6,702**	**0.38**	**0.58**	**0.79**	**1,032**	**1,551**	**2,155**
Google	**GOOG**	**OP**	**$445 (50x '06 EPS)**	**$417.70**	**97%**	**$120,996**	**$113,366**	**18.4**	**12.1**	**44**	**27**	**30%**	**68**	**47**	**68**	**47**	**3,189**	**6,146**	**9,332**	**2.73**	**6.14**	**8.82**	**1,269**	**2,603**	**4,128**
Infospace	**INSP**	**MP**	**$26 (9x '06)**	**$26.38**	**52%**	**$969**	**$552**	**1.6**	**1.5**	**8**	**9**	**30%**	**14**	**16**	**22**	**26**	**249**	**338**	**372**	**1.58**	**1.94**	**1.65**	**59**	**69**	**59**
Marchex	**MCHX**	**OP**	**$25 (22x '06)**	**$23.50**	**94%**	**$896**	**$839**	**9.0**	**6.8**	**29**	**22**	**40%**	**68**	**51**	**68**	**51**	**44**	**94**	**124**	**0.14**	**0.35**	**0.46**	**6**	**28**	**39**
Miva	MIVA			$4.64	23%	$144	$102	0.5	0.5	8	8	10%	38	36			169	191	193	0.66	0.12	0.13	38	13	12
LookSmart	**LOOK**	**UP**	**NA**	**$4.08**	**91%**	**$93**	**$41**	**1.0**	**0.9**	**nm**	**nm**		**nm**	**nm**	**nm**	**nm**	**81**	**41**	**45**	**(0.44)**	**(0.83)**	**(0.78)**	**(3)**	**(11)**	**(11)**
			Mean		**75%**			**6.6**	**4.8**	**24**	**18**	**27%**	**52**	**40**	**53**	**42**									
Advertising Services																									
aQuantive	**AQNT**	**OP**	**$26 (19x '06)**	**$27.84**	**100%**	**$2,147**	**$2,060**	**6.8**	**5.5**	**28**	**21**	**27%**	**54**	**41**	**54**	**41**	**158**	**302**	**374**	**0.28**	**0.52**	**0.68**	**36**	**74**	**97**
ValueClick	**VCLK**	**OP**	**$21 (15x '06)**	**$20.24**	**103%**	**$2,145**	**$1,912**	**6.3**	**3.9**	**24**	**15**	**27%**	**38**	**29**	**38**	**29**	**169**	**303**	**491**	**0.41**	**0.54**	**0.70**	**45**	**81**	**126**
Digitas	**DTAS**	**OP**	**$13 (14x '06)**	**$12.61**	**98%**	**$1,233**	**$1,050**	**3.1**	**2.6**	**19**	**14**	**22%**	**27**	**18**	**42**	**29**	**252**	**339**	**398**	**0.44**	**0.47**	**0.68**	**41**	**55**	**76**
24/7 Media	**TFSM**	**MP**	**$6.3 (18x '06)**	**$7.29**	**94%**	**$364**	**$327**	**2.4**	**1.8**	**37**	**21**	**30%**	**nm**	**57**	**nm**	**92**	**85**	**137**	**184**	**(0.15)**	**(0.02)**	**0.13**	**2**	**9**	**16**
WebSideStory	**WSSI**	**OP**	**$22 (35x 2006 PF EPS)**	**$17.95**	**94%**	**$331**	**$301**	**7.5**	**5.2**	**33**	**22**	**30%**	**40**	**28**	**62**	**40**	**23**	**40**	**58**	**0.36**	**0.45**	**0.64**	**4**	**9**	**14**
Aptimus	APTM			$7.29	26%	$47	$47	2.9	2.3	28	25	25%	32	25			14	16	20	0.30	0.23	0.29	2	2	2
			Mean		**86%**			**4.8**	**3.6**	**28**	**20**	**27%**	**38**	**33**	**49**	**46**									
Travel																									
Cendant	CD			$18.05	78%	$18,490	$18,134	1.0	0.9	7	6	6%	14	12			19,785	17,873	19,102	1.78	1.32	1.51	3,501	2,685	3,152
Expedia	**EXPE**	**MP**	**$26 (11x 2006)**	**$24.90**	**91%**	**$8,798**	**$8,571**	**4.0**	**3.5**	**13**	**12**	**15%**	**20**	**19**	**20**	**19**	**1,843**	**2,129**	**2,466**	**1.02**	**1.22**	**1.28**	**554**	**655**	**741**
Sabre Group	TSG			$22.78	96%	$2,989	$2,437	1.0	0.9	6	5	8%	15	14			2,131	2,497	2,780	1.47	1.47	1.61	400	421	454
Priceline.com	**PCLN**	**OP**	**$30 (12x '06)**	**$24.42**	**90%**	**$1,002**	**$1,050**	**1.1**	**1.1**	**15**	**12**	**15%**	**18**	**15**	**26**	**21**	**914**	**961**	**999**	**0.96**	**1.37**	**1.62**	**48**	**70**	**90**
			Mean		**89%**			**1.8**	**1.6**	**10**	**9**	**11%**	**17**	**15**	**23**	**20**									
Internet Services																									
Akamai	**AKAM**	**OP**	**$19 (20x '06)**	**$20.88**	**99%**	**$3,348**	**$3,262**	**11.7**	**9.3**	**32**	**24**	**28%**	**42**	**31**	**69**	**51**	**210**	**279**	**349**	**0.30**	**0.50**	**0.67**	**69**	**101**	**135**
WebEx Communications	WEBX			$24.12	81%	$1,167	$973	3.2	2.6	10	8	15%	22	18			249	307	375	0.96	1.12	1.34	68	97	119
J2 Global Communications	JCOM			$47.52	98%	$1,212	$1,082	7.5	5.7	16	12	20%	25	20			106	145	189	1.23	1.87	2.38	51	69	88
Earthlink	ELNK			$11.70	98%	$1,528	$1,174	0.9	0.9	5	6	5%	11	15	11	15	1,382	1,291	1,251	0.88	1.02	0.80	217	215	200
Digital River	**DRIV**	**MP**	**$35 (11x '06)**	**$28.24**	**63%**	**$933**	**$776**	**3.6**	**3.1**	**9**	**8**	**25%**	**23**	**20**	**26**	**20**	**154**	**216**	**250**	**0.77**	**1.23**	**1.44**	**51**	**82**	**97**
United Online	**UNTD**	**OP**	**$15 (6x '06)**	**$14.31**	**96%**	**$902**	**$699**	**1.3**	**1.3**	**5**	**5**	**10%**	**13**	**14**	**13**	**14**	**449**	**526**	**536**	**1.00**	**1.08**	**1.05**	**114**	**132**	**134**
			Mean		**89%**			**4.7**	**3.8**	**13**	**11**	**17%**	**23**	**19**	**30**	**25**									
China																									
NetEase	**NTES**	**MP**	**$72 (14x '06)**	**$59.05**	**62%**	**$2,098**	**$1,807**	**9.3**	**6.8**	**15**	**11**	**35%**	**19**	**15**	**19**	**15**	**109**	**195**	**265**	**1.54**	**3.10**	**3.97**	**55**	**123**	**169**
Baidu	**BIDU**	**UP**	**$45 (26x '07)**	**$78.90**	**51%**	**$2,408**	**$2,288**	**59.3**	**27.8**	**193**	**91**	**50%**	**287**	**151**	**287**	**151**	**14**	**39**	**82**	**0.12**	**0.27**	**0.52**	**4**	**12**	**25**
Shanda	**SNDA**	**MP**	**$26 (14x '06)**	**$17.04**	**38%**	**$1,238**	**$793**	**3.3**	**2.7**	**7**	**8**	**25%**	**12**	**14**	**15**	**16**	**157**	**243**	**295**	**1.13**	**1.42**	**1.22**	**69**	**107**	**100**
Sina.com	**SINA**	**MP**	**$28 (22x '06)**	**$26.04**	**65%**	**$1,531**	**$1,342**	**6.9**	**5.9**	**24**	**21**	**25%**	**33**	**29**	**33**	**29**	**200**	**193**	**229**	**1.21**	**0.80**	**0.91**	**79**	**55**	**65**
Tom Online	**TOMO**	**OP**	**$25 (18x '06)**	**$21.33**	**94%**	**$1,013**	**$893**	**5.2**	**4.0**	**19**	**14**	**27%**	**25**	**20**	**37**	**28**	**123**	**172**	**222**	**0.76**	**0.86**	**1.07**	**41**	**47**	**64**
Focus Media	**FMCN**	**OP**	**$31 (37x '06 GAAP EPS)**	**$30.25**	**95%**	**$1,148**	**$1,064**	**16.1**	**11.2**	**42**	**31**	**30%**	**59**	**46**	**59**	**46**	**29**	**66**	**95**	**0.00**	**0.51**	**0.66**	**13**	**25**	**34**
Ctrip.com	**CTRP**	**OP**	**$67 (35x 2006 PF EPS)**	**$57.03**	**86%**	**$929**	**$851**	**13.7**	**10.5**	**29**	**22**	**30%**	**35**	**30**	**39**	**29**	**40**	**62**	**81**	**1.00**	**1.62**	**1.90**	**18**	**29**	**39**
Sohu.com	**SOHU**	**MP**	**$20 (15x '06)**	**$20.19**	**85%**	**$806**	**$768**	**7.2**	**5.7**	**23**	**16**	**25%**	**28**	**21**	**32**	**24**	**103**	**107**	**134**	**0.87**	**0.73**	**0.97**	**40**	**34**	**47**
51 Job	**JOBS**	**MP**	**$15 (20x '06)**	**$13.89**	**25%**	**$393**	**$287**	**4.2**	**3.5**	**25**	**17**	**30%**	**57**	**31**	**44**	**28**	**55**	**69**	**83**	**0.29**	**0.24**	**0.45**	**14**	**11**	**17**
KongZhong	KONG			$11.62	78%	$398	$286	3.7	2.6	11	7	25%	16	13	nm	nm	48	76	109	0.64	0.74	0.92	nm	25	38
Linktone	**LTON**	**OP**	**$13 (15x '05)**	**$10.16**	**88%**	**$277**	**$213**	**2.9**	**2.2**	**12**	**10**	**25%**	**16**	**14**	**20**	**17**	**50**	**74**	**98**	**0.55**	**0.62**	**0.70**	**14**	**17**	**22**
Hurray!	**HRAY**	**OP**	**$14 (8x '06)**	**$9.22**	**78%**	**$165**	**$88**	**1.4**	**1.1**	**4**	**3**	**25%**	**10**	**8**	**14**	**12**	**53**	**63**	**81**	**1.06**	**0.96**	**1.18**	**19**	**21**	**27**
			Mean (ex. BIDU)		**70%**			**6.7**	**5.1**	**19**	**15**	**27%**	**28**	**22**	**31**	**24**									
Universe Mean					**79%**			**6.5**	**4.5**	**28**	**18**	**25%**	**49**	**33**	**51**	**39**									
Universe Median					**87%**			**3.6**	**2.7**	**20**	**16**	**25%**	**32**	**28**	**38**	**29**									

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SELL [UP]	22	3.79	3	13.64

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