

# Monthly Review – Internet Sector

## INTERNET SECTOR ENVIRONMENT

- **Mixed performance of the Internet sector with opposite trends compared to last month as US stocks like Yahoo, eBay and Google overperformed our sample**
  - The board of Yahoo (+21.5%) decided to replace its CEO, the confounder Jerry Yang, who will step down as soon as a replacement is found. Moreover, there have been rumors that former AOL CEO Jonathan Miller would want to buy Yahoo for around \$30bn. Carl Icahn answered he was opposed to sell his parts. Lastly, Microsoft CEO mentioned again the idea of buying Yahoo's search business
  - Standard & Poor's Ratings Services assigned its 'A-' corporate credit rating to eBay (+15.5%) who also benefited from good selling numbers during the Cyber Monday (first Monday after Thanksgiving)
  - Google (+1.9%) closed Lively (the company version of Second life) and launched SearchWiki in the US (personalized search results available to signed-in Google users)
  - Meetic (-14.0%) suspended the launch of a Media division, changed its strategy concerning Vioo.fr and announced that online investments would increase in 2009 whereas no offline investments are predicted
  - AdenClassifieds' (-4.4%) and LinkedIn are now competing on the French market as the later announced the launch of a French version
  - Stefan Gross-Selbeck has been appointed CEO of Xing (-6.1%) in replacement of Lars Hinrichs
  - The new CEO of SeLogger.com (-13.1%), Roland Tripart, reaffirmed growth target for 2008 (22 to 23% growth) but said that sales growth will slow down in 2009 (less than 20%)
  - Rue du Commerce (-21.0%) posted mitigated H1 2008/2009 results with EBIT decreasing by 70% whereas revenues reached €134m (+2.8%) and growth margin climbed by 2% to 16.6%
- **Consensus remains mitigated**
  - Average of positive recommendations of 53%
  - Still ongoing momentum of target price downward

## MARKET ENVIRONMENT

- **Despite some rebounds, equity markets remained under pressure over the last weeks as poor macro economic data gave credit to recession fears: CAC (-2.4%), DAX (-1.0%), FTSE (+1.1%), DJ ES 50 (-1.5%)**
  - Oil price still dropping: Brent around \$46/Barrel (-14% over the last 4 weeks)
  - ... And \$ starting to decrease: €/€ rate at 1.3346 (vs 1.2589)
- **The financial crisis remains a central issue**
  - Further rate decrease with ECB cutting rates by 75bp to 2.75% and BOE by 100 bp to 2%
  - As he has been charged in a \$50bn Ponzi scheme, Bernard Madoff announced its firm was insolvent. The failure could cause around \$50bn loss, especially into the asset management / private banking system
- **After financials, rescue of other industries eg. Automotive is at the center of political debate, while significant job cuts are announced**
  - In the US, the "Big Three" automakers still hope to get short term funding (maybe through the TARP, originally set up for financial institutions) to avoid bankruptcy and in Europe car makers are multiplying production interruption
  - Rio Tinto will cut 14,000 jobs. Alcatel-Lucent will suppress 1,000 managerial jobs. Bosch is planning to cut 2,000 jobs
- **Most economic indicators point to clear recession**
  - In the US, ISM Manufacturing decreased from 38.9 to 36.2 points MoM (vs consensus 37) and ISM Non Manufacturing slumped from 44.4 to record low at 37.2 points MoM (vs consensus 42)
  - In the US, 533,000 jobs have been destructed in November (unemployment rate : 6.7%)
  - In Germany, IFO index decreased from 90.2 to 85.8 (vs consensus 91.0) and Q3 GDP growth came to -0.5%
- **... As governments unveil plans**
  - In the US, President-elected Obama unveiled the outline of its massive plan which aims at creating 2.5m jobs by boosting investments in infrastructures, technologies and environment
  - French President Sarkozy announced a €26bn stimulus plan

## CONTACTS

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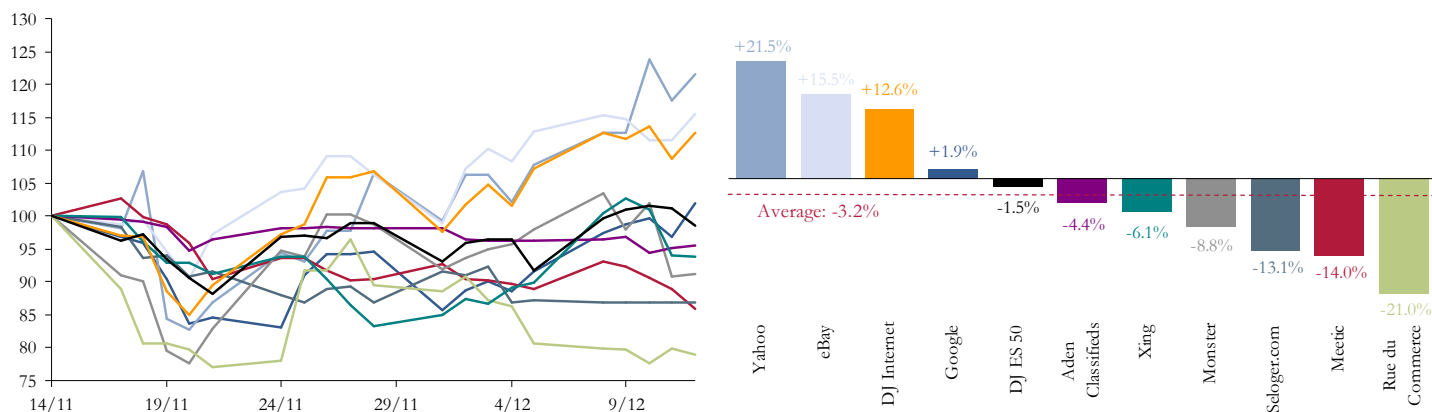
\* Every price at December 12, 2008



# Share Price of Selected Internet Stocks

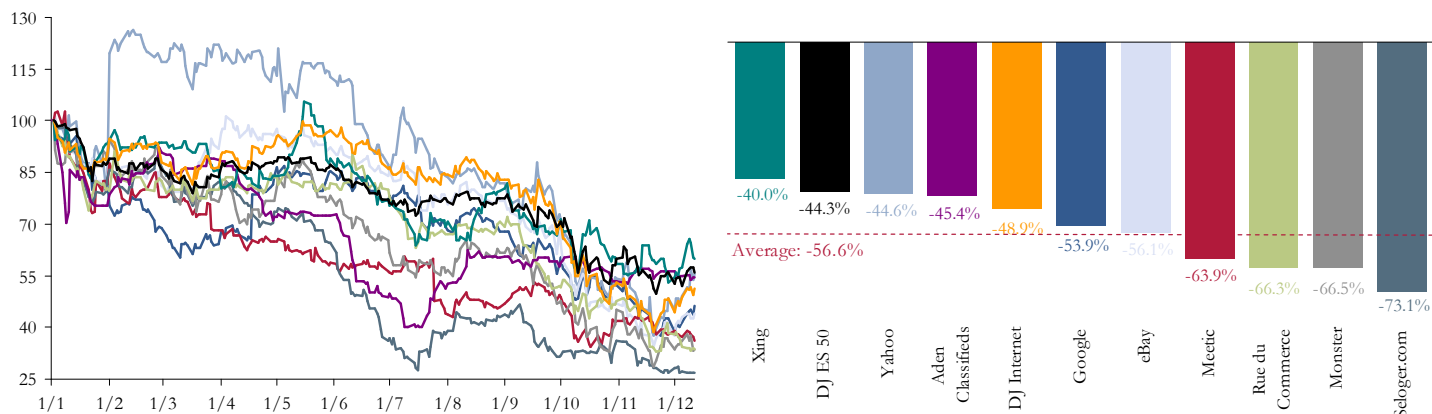
Mixed performance of the stocks in our sample over the last four weeks, with Yahoo, eBay and Google overperforming

## PERFORMANCE OVER THE LAST 4 WEEKS



Source: Datastream, Thomson Financial

## PERFORMANCE SINCE 1/1/08



Source: Datastream, Thomson Financial

## CAPITALISATION, VOLUME AND VOLATILITY

Company	Market cap (€m)	Free float (€m)	ADTV (€m)		Volatility		Company	Market cap (€m)	Free float (€m)	ADTV (€m)		Volatility	
			4 weeks	6 months	30d	250d				4 weeks	6 months	30d	250d
Google	74 329	69 869	1769.2	1452.2	71.6	54.2	Seloger.com	183	117	0.2	0.4	59.2	54.6
eBay	13 628	12 946	219.7	192.7	78.5	54.6	Meetic	157	79	0.1	0.4	39.2	57.5
Yahoo	13 629	10 085	281.4	267.7	110.7	74.9	Xing	135	77	0.4	0.3	62.2	44.5
Monster	977	781	19.5	24.9	90.6	63.6	Aden Classifieds	106	37	0.0	0.1	22.9	31.9
							Rue du Commerce	28	14	0.0	0.0	77.1	50.5

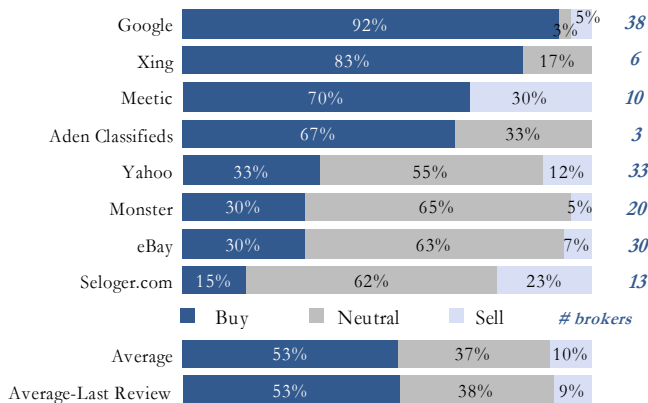
Sources: Datastream, Thomson Financial ; ADTV: Average daily traded volume



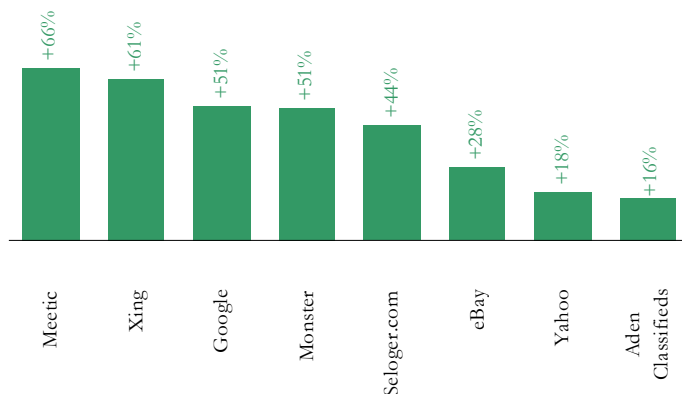
# Analyst Perception

Consensus remains mitigated despite still ongoing momentum of price target downgrades

## ANALYST RECOMMENDATIONS



## POTENTIAL VS PRICE TARGET

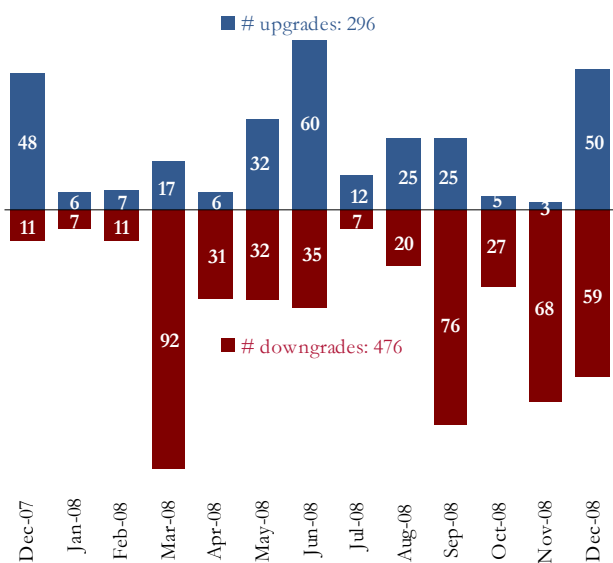


Average price target vs. price at 14/11/08

Source: Brokers

Source: Datastream, Thomson Financial

## EPS MOMENTUM



Source: Datastream (sum of 1-month EPS 08e up/downgrades for all stocks in our sample)

## SELECTED RECENT BROKERS' NOTES

Date	Broker	Company	Reco.	Target Price
11/12/08	Barclays	Monster	Underweight *	7.0 *
11/12/08	Gilbert Dupont	Seloger.com	Reduce	13.4
10/12/08	Oppenheimer & Co	Google	Outperform	375.0
10/12/08	Piper Jaffray	Google	Buy	416.0
10/12/08	Stiefel Nicolaus	eBay	Hold	17.0
10/12/08	Piper Jaffray	eBay	Neutral	12.0
10/12/08	Piper Jaffray	Yahoo	Buy	16.0
8/12/08	Gilbert Dupont	Meetic	Buy	14.3
5/12/08	Bernstein	Yahoo	Market perform	12.0
5/12/08	Bernstein	eBay	Outperform	16.0
5/12/08	Citigroup	Monster	Hold	13.0
5/12/08	Merrill Lynch	Google	Buy	420.0
4/12/08	American Technology Research	Google	Buy	410.0
4/12/08	Citigroup	eBay	Hold	15.5
3/12/08	Bank of America	Google	Buy	500.0
2/12/08	Jefferies	Yahoo	Buy	20.0
26/11/08	<b>NATIXIS Securities</b>	<b>Meetic</b>	<b>Reduce</b>	<b>9.0</b>
26/11/08	Atlantic Equities LLP	Google	Overweight	480.0
25/11/08	DZ Bank AG	Xing	Buy	34.0
24/11/08	Bank Sal Oppenheimer	Xing	Neutral	42.0
20/11/08	B. Riley & Co	Monster	Buy	17.0
20/11/08	Needham & Co	Yahoo	Buy	12.0
18/11/08	UBS	Yahoo	Buy	18.0

Source: Brokers

## VALUATION MULTIPLES

Company	EV/EBITDA			PE			Company	EV/EBITDA			PE		
	2008	2009	2010	2008	2009	2010		2008	2009	2010	2008	2009	2010
<b>Large cap</b>							<b>Mid Cap</b>						
Google	9.4x	8.0x	6.7x	16.3x	14.5x	12.6x	Seloger.com	6.1x	5.9x	5.7x	9.2x	8.5x	7.8x
eBay	4.5x	4.4x	4.3x	8.4x	8.6x	8.2x	Meetic	10.6x	5.1x	3.8x	25.0x	10.2x	7.3x
Yahoo	11.1x	9.3x	7.6x	31.3x	29.2x	23.9x	Xing	7.4x	5.1x	3.9x	17.3x	11.5x	8.4x
Monster	3.6x	4.9x	4.7x	7.9x	11.9x	10.9x	Aden Classifieds	4.9x	3.8x	3.4x	17.6x	14.2x	12.1x
<b>Average</b>	<b>7.1x</b>	<b>6.7x</b>	<b>5.8x</b>	<b>16.x</b>	<b>16.1x</b>	<b>13.9x</b>	<b>Average</b>	<b>7.2x</b>	<b>5.x</b>	<b>4.2x</b>	<b>17.3x</b>	<b>11.1x</b>	<b>8.9x</b>

Source: IBES, Datastream, Mulfex



# Newsflow & Brokers notes

## Newsflow over the period driven by strategic adjustments

### LATEST NEWS AND RESEARCH

Broker/Press Date	Company/Topic	Extract
12/12/08 NATIXIS Securities	Internet in France	La Tribune reports that ARCEP, France's telecoms regulator, is attempting to convince the members of parliament currently debating the broadcasting bill to put a 3% tax on internet portals' revenue, beyond a threshold of €10m, which would generate €20-25m per year. Two UMP members of parliament and a socialist group have apparently filed amendments to this end. While this tax would primarily hit the biggest market players, we think it would be difficult to implement, as some sites could transfer their HQ out of France to avoid it.
11/12/08 NATIXIS Securities	StepStone / AdenClassifieds	Axel Springer announced yesterday that it had purchased a 33.3% stake in StepStone, a Norwegian job website, on the market, making it clear that it did not want to buy out the minority shareholders. Based on an average price that we have put at NOK4.68 per share, we estimate the price paid for this acquisition to be NOK205m (€22.5m), ie €67.5m for 100%. Note that for a price of NOK6 per share (the share price in the first hour of trading after the announcement), ratios work out at 4.1x and 3.1x for the implicit EV/EBIT for 08 and 09 and 6.1x and 5.5x for the P/E for 08 and 09, to be compared with an EV/EBIT of 7.4x and 5.3x, and a P/E of 19.5 and 14.4 for AdenClassifieds.
6/12/08 Wall Street Journal	Yahoo	Microsoft Corp. should strike a deal to acquire Yahoo Inc's search business "sooner than later," said Microsoft CEO Steve Ballmer. Mr. Ballmer argued for the two companies to quickly come to an agreement. While the companies currently aren't in discussions over a transaction, Mr. Ballmer said such a deal would have the benefit of creating a "credible competitor" to Google Inc, which leads the online search and advertising market.
4/12/08 NATIXIS Securities	Dailymotion	Dailymotion has announced it had entered into a (retroactive) agreement with Sacem, in order for payments to be made to authors in the period 2006 - 2010. These payments will be calculated on the basis of the site's advertising revenue. Sacem stated that it had never signed an agreement of this kind with a video sharing website before.
3/12/08 Reuters	eBay	Online retail spending rose 15% from a year earlier to \$846m on the all-important Monday after Thanksgiving (Cyber Monday), sounding a positive in an otherwise bleak holiday season. Still, the date from tracking firm comScore Inc also found e-commerce spending for the holiday season to date was off 2%.
3/12/08 Reuters	Yahoo / AOL	Billionaire Carl Icahn opposes selling part of Yahoo to former AOL CEO Jonathan Miller or anyone else because it is undervalued, he told CNBC on Wednesday.[...] He said the board would have to listen to any offer for a high price, but he is not enthusiastic about a sale. [...]
2/12/08 Reuters	Yahoo / AOL	Former AOL CEO Jonathan Miller is seeking as much as \$30bn from investors to buy all or part of Yahoo Inc, the Wall Street Journal reported on Tuesday, boosting shares of the Web search engine by 7%.
1/12/08 Bloomberg	eBay	Standard & Poor's Ratings Services assigned its 'A-' corporate credit rating to San Jose, Calif.-based eBay Inc. Additionally, we assigned a preliminary 'A-' senior unsecured and preliminary 'BBB+' subordinated rating to its mixed-debt shelf filing. The outlook is positive.
29/11/08 Investir	Rue du Commerce	Premier semestre très contrasté pour Rue du Commerce, avec une marge brute améliorée de 2 points, à 16,6 %, mais une chute de 68,2 % du résultat opérationnel courant, à 0,7M€, pour un chiffre d'affaires pourtant en progrès de 2,8 %, à 138,4 millions. Le bénéfice net chute également à 0,6M€, contre 2,6 millions à la même période de l'an dernier. Ce sont les investissements et le ralentissement du marché de la high-tech qui ont pesé sur la rentabilité du groupe. La direction ne se prononce pas pour 2009, ce qui n'est pas de bon augure. La solidité du bilan mérite d'être soulignée : la trésorerie nette s'élève à 21,8M€ et les fonds propres se montent à 30,8M€.
28/11/08 NATIXIS Securities	Internet in Europe	Stratégies reports that Lyos Europe is to end its portal and advertising sales activities in France, the UK and Germany. The group, which is owned by the Spanish operator Telefonica and the German group Bertelsmann, has been on sale since April, but has not found a buyer due what is described as a lack of justifiable prospects. In the first 9 months of 2008, Lyos Europe posted a 20% drop in revenue to €46.9m, and a loss of €17.1m. The shareholders are expected to approve the dosure of these businesses at the shareholder meeting scheduled for 12 December.
26/11/08 NATIXIS Securities	Meetic	In an interview with Reuters, Meetic's CEO announced that he was changing the strategy for Vioo.fr (an interactive portal for women). It will take a more community-based approach (vs. an editorial focus previously) since it will share tools with Peexme (a social network project for teenagers) and the new content will come exclusively from users. Given that advertising revenues have plummeted, the initial idea of launching a Media division (financed with advertising) has been suspended. Investment in the Content & Traffic division will be cut to a minimum in 2009 (€1m est. vs. €2m est. in 2008), the team was halved to 12 people and Sarah Herz (head of the content team formerly at auFeminin.com) has left and will not be replaced. The new version of Vioo is set to be launched after Peexme, i.e. not before March 2009. Meetic VIP which was scheduled for late Q3/early Q4 08, will finally see the day in Q1 09. The rollout of the matchmaking service (Meetic Affinity) by the end of 2008 across all European countries seems to be on track. Last of all, the group confirmed that it would reach €15m in additional investment this year and that there would be little or no offline investment in 2009 but that it would step up its online investments.
26/11/08 NATIXIS Securities	AdenClassifieds	According to press reports, LinkedIn is preparing to launch a French version, aimed at penetrating the market for SMEs which still have a limited presence on the site because of the language barrier. We believe that this could eventually affect part of AdenClassifieds' business, particularly the sale of CV databases. That said, as the big companies are already active in this social network, we think that less than 5% of AdenClassifieds' revenue will be affected. Moreover, Fidelity has told the AMF, France's financial regulator, on 20 November 2008, it fell below the threshold of 5% of AdenClassifieds' equity and voting rights, with 4.48% (vs 8.1% previously).
25/11/08 Financial Times	Google	Google has made two very interesting moves this week. The first was to close Lively, the company's version of Second Life. The second was to launch SearchWiki, or personalised search results. "We've learned a lot about how users interact in rich social environments, and we hope you've enjoyed your time with Lively." The company said. Not learning enough, it seems, to keep the party going. And learning about people is what keeps the company growing, which is where SearchWiki comes in. Lively didn't give Google enough data to chew on. If it had, it would still be going. But SearchWiki is a potential data goldmine.
24/11/2008 German News Digest	Xing	Xing AG said today it has appointed Stefan Gross-Selbeck as its new CEO effective from January 15, 2009. He will take over from Lars Hinrichs, who will join the supervisory board. Gross-Selbeck has been general manager of the German unit of US online auction company Ebay Inc since 2004. Previously he held positions at Boston Consulting Group and German TV broadcaster ProSiebenSat.1 Media AG. In his new position, Stefan Gross-Selbeck will be responsible for the further expansion of the Xing network, the introduction of new fields of activity and the continuous improvement of the range of services offered to the company members. He will also seek to further expand the business internationally. Xing noted.
24/11/08 NATIXIS Securities	Yahoo	La Tribune reports that Yahoo! has sold Kelkoo (its online price comparison engine) to the UK private equity firm Jampland for an estimated €100m, whereas this business had been bought by Yahoo! for €475m in 2004.
21/11/08 Reuters	Seloger.com	Roland Tripard, Seloger.com's new CEO, expects growth to slow next year as the financial crisis and weakening economy pushes estate agents out of business and is looking to buy rivals to help it expand. "The market conditions have changed. The only section which is resisting at the moment is rental," he said. Tripard said Seloger.com would not feel the impact as much as its estate agent clients, who would cut other costs before they would cancel their Internet subscription with Seloger.com. But he said the group would have to control costs very carefully. The CEO confirmed that 2008 sales would rise 22 to 23% to €69m to €70m, but said 2009 sales would grow less than 20%. He dedined to be more specific or give any targets for next year. "Growth will slow down in 2009, it's a certainty," Tripard said.
21/11/2008 M2 Presswire	Xing	Starting today, over 6.5m members at Xing can rate the job listings displayed on their start page. This will allow job listings on Xing to be even more custom tailored to individual qualifications and career paths than before.
18/11/08 NATIXIS Securities	Yahoo	In a press release issued yesterday evening, Yahoo! announced that Jerry Yang, its cofounder, will step down as the group's chief executive as soon as the board finds a replacement for him. This departure follows the failed negotiations with Microsoft about a possible takeover of the company, and the end of cooperation with Google for regulatory reasons.

Sources: Press, Brokers



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