

Laguna Research Partners

OPPORTUNITY > BUSINESS MODEL > PERFORMANCE

Akamai Technologies, Inc. (AKAM-NASDAQ)

BASIC REPORT
July 31, 2001

Industry ▶

Internet

Industry Segment ▶

Content Delivery Services

Company Description ▶

Akamai Technologies, Inc. is an Internet content delivery services provider. The Company owns and operates the world's largest edge server network, delivering client content from server locations optimally located vis-à-vis end users.

Company Web Site ▶

www.akamai.com

Recent Price (bid)	\$7.58
52-Week Range	\$5.50 – 83.00
Shares Outstanding	115.1 MM
Float (estimated shares)	74.6 MM
Inside Ownership	35.2%
Average Daily Volume	2.5 MM
Market Capitalization	\$872.7 MM
Fiscal Year	December

Year	Revenue		EPS*	P/E
	MM	P/R		
1999A	\$ 4.0	57.4	\$ (1.54)	n.m.
2000A	\$ 89.8	7.4	\$ (1.99)	n.m.
2001E	\$ 170.0	4.7	\$ (1.99)	n.m.
2002E	\$ 250.0	3.5	\$ (1.69)	n.m.
2003E	\$ 360.0	2.5	\$ (1.12)	n.m.
2004E	\$ 470.0	2.0	\$ (0.49)	n.m.
2005E	\$ 610.0	1.6	\$ 0.14	52.6

* "Normalized" (based on EBITDA less net interest expense, taxes and depreciation)

Balance Sheet (6/30/01): MM

Cash & Equivalents	\$ 120.3
Working Capital	\$ 224.8
Long-term Debt	\$ 316.5
Shareholders' Equity	\$ 117.0

Compound Annual Gth.: '00-'05E

Revenue	47%
Operating Profit	n.a.
EPS	n.a.

The Opportunity ▶

Internet content providers, in our view, must offer Web site end users a compelling high value-added and high-speed experience in order to fully exploit the commercial potential of the Web. Robust growth in data traffic, however, particularly in "rich data" categories—these include complex graphics, advertisements, software downloads and streaming media—is straining the Internet's infrastructure and resulting in sub-optimal Web site performance metrics. We expect that the Internet's structural deficiencies will continue to provide Akamai Technologies, Inc. with a huge addressable market opportunity.

The Business Model ▶

Akamai has built an impressive "first mover" beachhead—a pervasive edge server network—that can boost a customer's Web site performance by 1) storing Web site content closer to end users and 2) implementing intelligent caching and proprietary algorithms so that content can be delivered via the optimal edge location. Comprised of more than 11,680 servers spread across more than 820 networks in 62 countries, Akamai's edge server network is the world's largest.

In the next phase of its evolution, Akamai, we feel, must augment continued growth in customer count with gains in its average revenue per customer via continued expansion of its product portfolio. This will be important as the lines separating various content delivery service spaces blur, presenting Akamai with new competitive challenges.

Projected Profit Performance ▶

Near term, we expect Akamai's operating visibility to continue to be compromised by an interrelated set of external factors including reduced Internet infrastructure spending, declining IT expenditures and dot.com failures. Long term, we expect growth in content delivery enhancement services to be explosive, but Akamai will need to position itself to deal successfully with the evolving competitive landscape mentioned above.

We estimate that Akamai will first achieve profitability at the net profit line in 2005. Strengthening in the world economy during late 2001 or early 2002, in our view, could accelerate the achievement of this key milestone.

Analyst ▶ Kevin B. Skislock (skislock@LRPonline.net)

the Internet

COMPANY PROFILE: Pushing Content to the “Edge” of the Internet

Akamai Technologies, Inc., a Delaware corporation founded in August 1998, is headquartered in Cambridge, Massachusetts. The Company initiated commercial sale of its Internet content delivery enhancement services in April 1999 and completed an initial public offering of its common shares in October 1999.

Akamai provides global Internet content, application and streaming media delivery enhancement services as well as global Internet traffic management services. The Internet suffers from structural deficiencies that typically make the use of Web sites—particularly those incorporating bandwidth intensive data—a frustrating experience. Akamai combines the power of 1) the world’s largest “edge” server network and 2) proprietary caching and routing algorithms, to enhance the speed, quality, availability, reliability and scalability of its customers’ Web sites.

The more complex the data stream being transmitted via the Internet, the more striking the value-added provided by Akamai. The Internet is a disorganized “web” of interconnected networks that do not necessarily communicate with each other efficiently. In fact, Web site content traversing the “information superhighway” typically bounces from network to network until it reaches the end user. Akamai’s edge server network enables the placement of bandwidth intensive Web site content—complex graphics, images, logos, advertisements, software downloads and streaming media—on Akamai’s own servers at the “edge” of the Internet where that content is closer to end users and can be accessed more efficiently. In addition, Akamai’s proprietary caching and routing algorithms enhance the effectiveness of this edge server network by identifying and implementing the most efficient transmission path between data source and end user.

The “value” of Akamai’s edge server network / proprietary caching and routing algorithm CDN (content delivery network) will, in our view, be ultimately determined by how successfully it is leveraged by the Company via value-added product offerings. Currently, two Akamai products, FreeFlow and FreeFlow Streaming, dominate sales generated by the Company’s product portfolio.

- We estimate that *FreeFlow*, Akamai’s *basic content delivery service*, was the Company’s single largest revenue generator in 2000.
- *FreeFlow Streaming* provides for the *delivery of streaming audio and video content* to Web site users across the Internet. FreeFlow Streaming, we estimate, was Akamai’s second largest revenue generator in 2000.

In October 2000, Akamai added an important new product, EdgeSuite, to its product portfolio. EdgeSuite provides a full range of tools for *the assembly, delivery and management of Web site content from the “edge” of the Internet.* It enables clients to dynamically construct pages from component pieces that can be targeted to an individual end user’s tastes and preferences. For instance, a news page might include articles relating to an end user’s geographic location, or an e-commerce Web site could enable its “storefront” to be dynamically customized to the tastes of individual repeat customers.

Most importantly, in our view, EdgeSuite represents Akamai’s attempt to move beyond “bit-based” pricing towards “value-based” pricing. Given its potential to generate average revenue per customer that is an estimated three to five times that of FreeFlow, EdgeSuite could, in our opinion, provide a substantial boost to Akamai’s revenue and profit. To a significant extent, we feel, Akamai’s success with EdgeSuite will be a function of the Company’s ability to migrate FreeFlow customers to EdgeSuite. Akamai management indicates that it has signed a total of more than 50 customers to EdgeSuite through the end of Q2:01.

During 2001, Akamai management plans to further leverage its CDN. Areas of focus are likely to include enterprise and private content delivery network product and technology licensing.

Akamai sells its products primarily through a direct sales force that focuses on building relationships with companies and individuals operating heavily trafficked Web sites. The Company augments this direct sales effort with reseller relationships and through other indirect sales channels.

Akamai recognizes revenue generated by its services based on the amount of data transmitted through its network, including minimum monthly usage commitments over a fixed contract term. The list price of Akamai's flagship FreeFlow service currently starts at \$1,995 per Mbps (megabits per second) per month, with discounts of as much as 40% for volume usage.

Currently, Akamai has approximately 1,333 customers under recurring contract. Sales to Apple Computer, Inc. (www.apple.com) represented 12% of Akamai's total revenue during 2000. Other customers include the CBS television division of Viacom, Inc. (www.viacom.com), McAfee.com Corp. (www.mcafee.com), Microsoft Corp. (www.microsoft.com), Reuters Group PLC (www.reuters.com) and Yahoo! Inc. (www.yahoo.com). In 2000, more than 90% of Akamai's revenue was generated from customers based in the US.

In Q2:01, Akamai achieved revenue of \$43.1 million, +138% year-over-year, and an improvement in profitability. Looking forward, Company management expects that Akamai will be EBITDA positive in 2002. While recent cost-cutting measures—these include a workforce reduction of approximately 14%—should contribute significantly to improved EBITDA, broad economic uncertainties combined with the uncertainties inherent in a shifting competitive landscape dictate, in our view, a more conservative approach to forecasting Akamai's operating performance. Accordingly, our financial model assumes that Akamai will first achieve full-year EBITDA profitability in 2004.

THE INTERNET: Explosive Growth despite Structural Pandemonium

Industry sources conjecture that the World Wide Web has grown from just 100-plus Web sites in early 1993 to more than 28 million Web sites currently. And, despite a "whiplash" in stock price action for many companies operating in Internet-related markets, the Internet still appears to be in just the early stages of what we expect to be explosive growth.

- **A May 2001 report from IDC (www.idc.com) indicates that one billion people, about 15% of the world's projected population, will be using the Internet by 2005. (Laguna Research Partners estimates that, currently, the world's Internet population numbers 407.1 million.)** In 2000, says IDC, the US accounted for 34% of Internet users, with Europe at 29%, Asia/Pacific (ex-Japan) at 16%, Japan at 10%, and the rest of world at 11%. By 2005, the Asia/Pacific region should rival Europe for the most Internet users followed by the US in third place.
- **IDC also projects that increased Internet use will fuel \$5.3 trillion in Internet commerce by 2005. This represents a 70% compound annual growth rate from the 2000 Internet spending level of \$354 billion.** Currently, the US accounts for 46% of total e-commerce. By 2005, says IDC, the US share will dip to 36%, more in line with its position in the offline economy. Asia/Pacific and Western Europe are expected to achieve the highest rate of growth during the 2000 to 2005 timeframe.

Continued growth in Internet use will, we expect, create strong demand for content delivery enhancement services, outsourced data storage services and load balancing. Industry sources project that the market for content delivery services will exceed \$7 billion by 2004. Further, IDC projects that the outsourced data storage service and load-balancing markets will reach a combined \$5 billion-plus by 2004.

The Internet's growth has been explosive despite the fact that its infrastructure represents nothing short of "digital pandemonium." Simply put, using the Internet can be a very frustrating experience for even the most patient Web surfers. The Internet's sluggish performance can be attributed, primarily, to three structural deficiencies, server congestion, router performance and "last-mile" bandwidth. The content delivery enhancements provided by Akamai deal with address router and server congestion by delivering content to end users from "local" servers at the "edge" of the Internet.

THE BUSINESS MODEL: Leveraging the Edge Server / Routing Algorithm CDN Platform

Akamai's business model is comprised of two key components.

- *First*, Akamai has developed *the world's most competitive CDN platform* by combining an aggressive equipment build-out with the development and implementation of proprietary caching and routing algorithms.
- *Second*, the Company *aggressively leverages that platform* via 1) the development and introduction of highly competitive, value-added content delivery enhancement services, 2) relationships with resellers, alliance partners and technology partners, and 3) acquisitions, investments and strategic initiatives.

Akamai's execution of this business model, in our view, has been impressive.

The Akamai Content Delivery Network Platform ►

Akamai's competitive clout has been grounded, to date, in the competitively daunting hardware / software combination comprising its content delivery network platform. As indicated earlier in this report, this network is the world's largest.

- *Hardware* – Akamai has, in just over two years, placed more than **11,680 servers** across more than **820 networks** in **62 countries**. At its current rate of expansion, Akamai adds approximately 100 servers weekly to its global CDN. Also, Akamai also adds roughly seven new networks to its CDN weekly.

Akamai employs a two-pronged strategy in expanding its server network. First, most of its servers are placed with large Internet service providers (ISPs) who are paid by Akamai for bandwidth and physical server space under contracts ranging from six months to three years. Second, Akamai places servers with small and medium sized ISPs. In return for bandwidth and server rack space, Akamai allows these ISPs to use Akamai servers free of charge. This arrangement provides these ISPs with access to all of the popular Internet content that is served from the Akamai network. These ISPs can then provide this content to their own end users without having to pay the bandwidth fees typically associated with accessing content from the originating Web site.

In general, Akamai's server network is comprised of servers manufactured by International Business Machines Corporation (www.ibm.com) and VA Linux Systems, Inc. (www.valinux.com). The typical configuration of these servers is dual SCSI, 550+ MHz Intel architecture units having between 80 and 100 gigabytes of storage capacity.

- *Software* – The value of Akamai's content delivery network hardware has been maximized via the implementation of *proprietary caching and routing algorithms* that constantly monitor Internet traffic flow patterns and instantly determine the optimal transmission route for data moving from a particular source to a particular end user.

Akamai offers its customers a “proof of performance” guarantee that commits the Company to providing uninterrupted 24/7/365 service, value-added download speeds and refunds for failure to meet these commitments. As risky as this guarantee appears, particularly at this point in Internet history, Akamai has developed a CDN that tuns this potentially burdensome guarantee into a powerful competitive asset. Specifically, the Akamai CDN is designed to not only maximize data transmission performance but to minimize the impact of network component failure.

- First, while individual servers within “server clusters” perform their data transmission tasks cooperatively, each Akamai server functions independently from a catastrophic failure standpoint.
- Second, Akamai designates pairs or groups of “buddy” servers that regularly query each other checking for impending failures and “covering” for each other in case of an individual server crash.

Maximizing Revenue and Profit Opportunities, I: Leveraging the CDN with Cutting-Edge Services ▶

Akamai aggressively leverages its imposing CDN presence with an impressive portfolio of value-added content delivery enhancement and Internet traffic management services.

- We estimate that *FreeFlow*, Akamai’s *basic content delivery service*, accounts for more than half of the Company’s revenue. FreeFlow customers select the bandwidth intensive elements on their Web sites that they would prefer be delivered via the Akamai CDN. Akamai’s “Akamaizer” then converts each element’s URL (uniform resource locator) into an “ARL” (Akamai resource locator). Thereafter, whenever a Web site user’s browser downloads HTML files containing ARLs, the browser is pointed to Akamai’s CDN to retrieve those objects. That portion of a Web site not served from the Akamai CDN, continues to be served from the Web site’s originating server.

Akamai management estimates that FreeFlow delivers Web site page downloads that are up to 10 times faster than normal.

- *FreeFlow Streaming*—we estimate that this is the Company’s second largest revenue generator—provides for the *delivery of streaming audio and video content* to Web site users across the Internet. FreeFlow Streaming supports all three forms of streaming content, on-demand, live events and simulated live. Akamai’s underlying FreeFlow Streaming technology splits an encoded broadcast signal into multiple streams, transmits those streams across the Akamai network, and recombines them at the appropriate Akamai server before final delivery to the end user. The primary pricing model for FreeFlow Streaming is based on megabytes of content delivered.
- *Traffic Analyzer* is a Java-based tool that provides continual *real-time online traffic monitoring* of 1) a customer’s Web site and 2) Akamai’s own edge server network.
- *FirstPoint* is a global *traffic management service* for content providers having geographically distributed Web servers.
- *Akamai Conference* is Akamai’s family of *conference casting solutions* that incorporate live audio and video streaming services and interactive components into traditional conference call offerings.
- *EdgeScope* is a knowledge delivery service that *enables content providers to customize the delivery of content to users* so that their experience on a Web site is more relevant and efficient with each visit.

- **Digital Parcel Service** is a digital distribution and rights management service that *enables Akamai's customers to securely and flexibly package, sell, and distribute digital content* with superior speed and performance.
- **StorageFlow** is a managed storage offering that *enables Akamai's customers to store content* that is to be delivered through its FreeFlow, Digital Parcel Service and FreeFlow Streaming services.

In October 2000, Akamai introduced an important new service, EdgeSuite, to its product portfolio. EdgeSuite provides a full range of tools for *the assembly, delivery and management of Web site content from the "edge" of the Internet*. It enables customers to dynamically construct pages from component pieces that can be targeted to specific end users. For instance, a news page might include articles relating to an end user's geographic location, or an e-commerce site could have its storefront dynamically customized to the tastes of individual repeat customers.

The introduction of EdgeSuite is critical, in our view, to Akamai's attempt to increase its average revenue per customer (ARPC)—this has remained roughly flat in recent quarters in the \$8,000 to \$8,500 range—by moving beyond "bit-based" pricing to "value-based" pricing. EdgeSuite clearly has the potential to provide a substantial boost to Akamai's profit performance, in our opinion, given that its ARPC is an estimated three to five times that of FreeFlow. To a significant extent, we feel, Akamai's success with EdgeSuite will be a function of the Company's ability to migrate FreeFlow customers to EdgeSuite. Akamai indicates that, through the end of Q2:01, it has signed a total of more than 50 customers to EdgeSuite.

Finally, Akamai's **EdgeAdvantage** is an *integrated platform of its core technologies and network infrastructure services* incorporating its FreeFlow, FreeFlow Streaming, Traffic Analyzer, FirstPoint, Akamai Conference, EdgeScape, Digital ParcelService, StorageFlow, and EdgeSuite services. EdgeAdvantage can also be used as a platform for third-party service offerings, tools and applications.

Looking forward, Akamai appears to enjoy significant revenue and profit opportunities in the enterprise and private content delivery network spaces. The Company's initial success with EdgeSuite—as mentioned above, more than 50 customers have signed on as EdgeSuite users through the end of Q2:01—is impressive, particularly in the current enterprise environment. Akamai's enterprise customer base now includes The Coca-Cola Company (www.cocacola.com), the Victoria's Secret division (www.victoriassecret.com) of Intimate Brands, Inc. (www.intimatebrands.com) and Best Buy Co., Inc. (www.bestbuy.com).

Maximizing Revenue and Profit Opportunities, II: Resellers, Alliance Partners, Technology Partners ▶

Akamai aggressively maximizes its revenue and profit opportunities by maximizing its quality contact opportunities with prospective customers via resellers, alliance partners and technology partners. These relationships are meant to complement the efforts of Akamai's direct sales force.

- **Resellers** – To date, Akamai has established relationships with more than 50 resellers. Resellers accounted for about 22% of Akamai's total sales in Q2:01. Akamai's reseller agreements call for each reseller to meet certain minimum sales requirements.

Akamai's reseller network includes hosting, streaming and hardware providers. Companies serving as Akamai resellers include Digex, Inc. (www.digex.com), NaviSite, Inc. (www.navsite.com), the GlobalCenter division of Exodus Communications, Inc. (www.globalcenter.com), the IBM Global Services unit of IBM (www.ibm.com/services), the Intel Online Services division of Intel Corp. (www.intelonlineservices.com), the BT Ignite Content Hosting unit of British Telecommunications PLC (www.ignite.com/uk), Electronic Data Systems Corp. (www.eds.com), Novell, Inc. (www.novell.com), Genuity Inc. (www.genuity.com), Broadwing Inc. (www.broadwinginc.com), and CacheFlow Inc. (www.cacheflow.com).

- **Alliance Partners** – Akamai has initiated alliance partnerships with systems integrators and Web developers that can recommend Akamai’s services to their own customers. This referral system now includes more than 150 partners such as Agency.com Ltd. (www.agency.com), Concerro, Inc. (www.concerro.com), Logictier, Inc. (www.logictier.com), Preview Systems, Inc. (www.previewsystems.com), Sapien Corporation (www.sapien.com), and Zefer Corp. (www.zefer.com).
- **Technology Partners** – Akamai has established technology partnerships in an effort to enhance the value of its service offerings. For instance, Akamai has entered into agreements with satellite service providers Cidera, Inc. (www.cidera.com), and the CyberStar L.P. unit of Loral Space & Communications Ltd. (www.cyberstar.com) to facilitate the transmission of Akamai’s customer content over satellite networks. Akamai has also established relationships with companies that integrate Akamai’s “Akamaizer” technology into their products and services. Such partners include Blue Martini Software, Inc. (www.bluemartini.com), CacheFlow, IBM, and StorageNetworks, Inc. (www.storagenetworks.com).

Maximizing Revenue and Profit Opportunities, III: Acquisitions, Investments, Strategic Initiatives ▶

Finally, Akamai continues to pursue acquisitions, investments and strategic initiatives that appear to have the potential to maximize the Company’s revenue and profit growth.

- In February 2000, Akamai acquired **Network24 Communications, Inc.**, a provider of Internet broadcasting application services, for \$204 million. This acquisition brought to Akamai a suite of customer-managed Internet broadcasting capabilities including audience registration, audience polling and broadcast archive services.
- In April 2000, Akamai acquired **InterVU, Inc.**, a service provider for Internet audio and video delivery solutions, for \$2.8 billion. This acquisition positioned Akamai to provide Internet content publishers and Web site owners with automated streaming media services supporting both live and on-demand video as well as Internet audio content. Importantly, the acquisition of InterVU also brought to Akamai a US Patent titled “A System and Method for Delivery of Video and Data over a Computer Network.” At the time of its acquisition by Akamai, InterVU’s customers included the AOL.com unit of AOL-Time Warner Inc. (www.aol.com), CNET Networks, Inc. (www.cnet.com), the CNN.com unit of AOL-Time Warner (www.cnn.com), the Excite@Home arm of At Home Corporation (www.home.net), Microsoft Corp. (www.microsoft.com), MSNBC.com (www.msnbc.com) and the Turner Broadcasting System, Inc. unit of AOL-Time Warner (www.turner.com).

In Q1:01, Akamai decided to abandon the InterVU platform and exit the labor-intensive business of producing and encoding streaming media events. Akamai will continue to support the delivery of streaming video and audio content via its FreeFlow Streaming platform. Most of a \$1.9 billion charge taken by Akamai in Q1:01 related to the write-off of InterVU goodwill as an impaired asset.

- In August 2000, Akamai acquired privately held **CallTheShots**, a developer of services that enable Web site visitors to personalize their interaction with the sites that they visit, for roughly \$3.7 million. At the time of this acquisition, a key attraction to the technology being developed by CallTheShots was that it enabled Web sites to deliver customized content to end users without heavy infrastructure spending.

In addition to a variety of acquisitions and investments aimed at bolstering its competitive position, Akamai formed **Arriva! Networks, Inc.**, now called **Sockeye Networks, Inc.**, in Q4:00 as a corporate vehicle to support the further development of its “non-core” technologies. In January 2001, Akamai announced that it was deconsolidating and was adopting the equity-method of accounting for its investment in Sockeye. Akamai now has a five-year

renewable agreement with Sockeye under which Sockeye is licensing from Akamai certain technology to be used in its products and services. Also, Akamai has entered into a development agreement with Sockeye under which Akamai has agreed to develop a specific component of additional technology that will be integrated by Sockeye into its products and services. During Q2:01, Akamai recognized a total of \$4.5 million of revenue derived from its agreements with Sockeye of which approximately \$3.0 million was recurring revenue.

In April 2001, Akamai and SOFTBANK Broadmedia Corporation (www.broadmedia.co.jp), a subsidiary of SOFTBANK Group, formed a joint venture to create **Akamai Technologies Japan KK**. This joint venture will act as the exclusive provider of Akamai's services in the Japanese market. Akamai owns a 40% interest in this joint venture.

Intellectual Property ▶

Akamai's intellectual property war chest is comprised of four patents—three of these were developed internally and one originated with InterVU—and a patent licensing agreement with the Massachusetts Institute of Technology (www.mit.edu).

- Akamai has been awarded one patent for its FreeFlow content delivery enhancement service.
- Akamai also owns three patents relating to methods and systems for storing and retrieving data on a distributed network. One of these is the InterVU patent described in the previous section of this report.
- Finally, Akamai maintains a patent licensing agreement with MIT that assigns to Akamai exclusive rights to certain patents in exchange for equity as partial consideration for those rights.

In September 2000, Akamai has invoked the InterVU patent in an infringement lawsuit brought against competitor Digital Island, Inc. (www.digitalisland.com). Digital Island has since filed a similar suit against Akamai.

Competition: A Shifting Landscape Will Present New Challenges ▶

Akamai is the leader among pure play CDNs—these include Digital Island, iBEAM Broadcasting Corporation (ibeam.com), and Adero, Inc. (www.adero.com)—on the basis of total revenue, customer count and servers deployed. The Company, however, faces increased competition from players in the Web hosting, network service provider, software and equipment vendor, storage infrastructure provider, peer-to-peer technology provider spaces, as those companies redefine their corporate missions and expand their service offerings. While Akamai's position as an effective "first mover" creates a formidable barrier to entry, we feel that the Company must aggressively evolve and market its existing service offerings and maintain a leadership position on the industry's new product development / introduction curve, to successfully meet these new competitive challenges.

- **Web hosting companies** and **network service providers** are expanding their revenue and profit opportunities by redefining their own service offerings to include products such as managed content delivery. Also, some hosting providers are seeking to maximize the benefit of their services by aggregating the capacity of multiple CDNs.
- **Software vendors** and **hardware vendors** have moved towards redefining themselves as "intelligent content delivery solution providers" in order to fully leverage their existing customer relationships. For instance, CacheFlow has unveiled a new content delivery architecture that combines content delivery, distribution management, intelligent routing and tracking capabilities. Additionally, an industry consortium spearheaded by

Inktomi Corporation (www.inktomi.com) is attempting to develop increasingly open standards for content internetworking and delivery.

- **Internet storage infrastructure providers** represent an important competitive threat to Akamai because they offer to their customers the benefits of multiple storage centers and load balancing technologies to support the more efficient delivery of rich media. EMC Corporation (www.emc.com) and Storage Technology Corporation (www.storitek.com) both develop value-added solutions for rich media storage and delivery.
- **Peer-to-peer technology providers** are redefining the edge of the Internet—that is, they are pushing the “edge” of the Internet closer to the end user—as they enable corporate local area networks (LANs) and community points-of-presence (POPs) to serve frequently used data locally and avoid the use of expensive wide area bandwidth.

PERFORMANCE

Akamai’s near term operating visibility is uncertain, in our view, reflecting an interrelated set of external factors including reduced Internet infrastructure spending, declining IT expenditures and dot.com failures. Long term, we expect growth in content delivery enhancement services to be explosive. We expect, though, that Akamai will be facing a shifting competitive landscape in which Web hosting providers, network service providers, software vendors and hardware vendors, storage infrastructure providers, and peer-to-peer technology providers battle Akamai for sales and profits in the content delivery enhancement space.

We estimate that Akamai will first achieve profitability at the net profit line in 2005. Strengthening in the world economy during late 2001 or early 2002, in our view, could accelerate the achievement of this key milestone.

Some Useful Perspective ►

There are some points of perspective that are key to understanding the magnitude of Akamai’s accomplishments as well as the significance of some of Wall Street’s current concerns.

First, we are extremely impressed with management’s ability to manage a rapid growth rate. This achievement is particularly impressive given that the Internet only recently came into existence and that Akamai management had little to go on beyond its team’s own intellect, creativity, and “will to win” in approaching the opportunities inherent in the Internet’s infrastructure. Simply put, there were absolutely no “road maps” for the Akamai team to reference when they set out to provide real improvements in Internet content delivery performance.

- Akamai’s management team has grown revenue from less than \$4 million in 1999 to more than \$89 million in 2000. We are projecting revenue of \$170 million in 2001 and \$610 million in 2005.
- Gross profit jumped from \$(4) million in 1999 to nearly \$48 million in 2000. We are projecting gross profit of \$105 million in 2001 and \$427 million in 2005.
- We estimate that 85% to 90% of Akamai’s 2000 revenue came from recurring revenue contracts.

Nonetheless, there are two points of concern that we share with some Wall Street observers.

- Akamai’s operating results are showing the strains of a challenging economic environment. Consecutive quarter revenue and gross profit growth has slowed considerably, customer “churn” has increased and a

notable portion of the Company's Q2:01 revenue was derived from Sockeye, which develops the Company's non-core technologies.

- As described above, Akamai faces an intensifying competitive environment over the next several years. The Company, in our view, will need to be more creative than ever before to successfully meet this challenge.

In general, as our operating projections imply, we expect Akamai to be buffeted by some strong economic headwinds over the near term but to be successful in meeting its longer-term competitive challenges.

Recent Developments ▶

Despite facing a daunting combination of external factors threatening its near-term operating progress, Akamai has continued to aggressively pursue customer and strategic relationships that should, we expect, position the Company to maximize its long-term revenue and profit performance. Here are some recent examples.

- *On July 17, Akamai Technologies GmbH, a wholly owned subsidiary of Akamai, announced that SAP AG (www.sap-ag.de) will expand its relationship with Akamai.* SAP has been using Akamai's streaming services to broadcast SAP events including its SAPPHERE conferences in Lisbon and Orlando as well as the SAP E-Business Summit. The expanded agreement calls for SAP to collaborate with Akamai in broadcasting further SAPPHERE conferences.
- *On July 12, Akamai and L90 Inc. (www.L90.com), a leading marketing, technology, and media company, announced an expanded relationship.* L90 will now leverage Akamai's EdgeSuite for geo-location and bandwidth characterization, content management, and global traffic management, enabling enhanced performance for L90's Web site partners and advertising clients.
- *On July 2, Akamai and CCBN.com (www.ccbn.com), a leading provider of Internet-based shareholder communications services, announced that there has been widespread adoption of the companies' joint solutions for complete financial Webcast management in the wake of Regulation FD.* During the first six months of 2001, Akamai and CCBN jointly delivered nearly 6,000 Webcast events, generating a combined audience of 1.25 million-plus. This represents a 200% increase in the number of live events versus the same period in 2000, and a ten-fold increase in the number of listeners.
- *On June 28, Akamai and RCN Corporation (www.rcn.com), a leading facilities-based provider of phone, cable television and high-speed Internet services, announced the deployment of Akamai's "edge" servers within the RCN network.* RCN's high-capacity local fiber optic networks target densely populated areas that represent 44% of the U.S. residential communications market located in just 6% of its geography.
- *On June 27, Akamai announced that Yahoo! Inc. (www.yahoo.com) has extended its service agreement to include Akamai's IP characterization service.* Yahoo will take advantage of Akamai's EdgeScape service to enhance its customized ad serving capabilities.
- *On June 24, Akamai and ON24 Inc. (www.on24inc.com) (www.on24.com), a leading rich media communications and financial media network, announced that their joint enterprise Webcasting solutions have gained significant momentum.* Akamai and ON24 have signed a number of new customers through this alliance, including iManage, Inc. (www.imanage.com), Montgomery Funds, and the Wells Fargo Van Kasper unit of Wells Fargo & Company (www.fsvk.com), among other enterprises that leverage the Internet for broad, timely business communications. Established in April 2001, the ON24 and Akamai alliance allows customers

of ON24's rich media production and targeted distribution capabilities to leverage Akamai's globally distributed network for enhanced, end-to-end multimedia communications.

- ***On June 11, Akamai announced that BestBuy.com, Inc. (www.bestbuy.com), a wholly owned subsidiary of Best Buy Co., has chosen Akamai's EdgeSuite service to deliver its mission-critical Web content from the Internet's edge.*** In addition to more than 400 retail stores nationwide, Best Buy has established a Web presence for the provision of a broad range of consumer goods as well as interactive, online learning courses regarding computer and digital technology products.
- ***On June 6, Akamai announced that Novartis Pharmaceuticals Corporation, a subsidiary of Novartis AG (www.novartis.com), a world leader in healthcare, has chosen Akamai's EdgeSuite content delivery service.*** EdgeSuite will be used by Novartis to deliver those of its Web sites designed to provide patients and healthcare providers with information on Gleevec, a new FDA-approved treatment for patients with chronic myeloid leukemia (CML).
- ***On May 29, Akamai announced a series of significant customer wins among US Federal government organizations that have selected Akamai for their Web infrastructure needs.*** Government agencies implementing Akamai's services are the U.S. Census Bureau (www.census.gov), the US Government Printing Office (www.gpo.gov), and the Voice of America (www.voanet.com).

Recent Financial Results ▶

In Q2:01, Akamai achieved impressive year-over-year operating results, but consecutive quarter comparisons reveal the impact of negative external factors—reduced Internet infrastructure spending, declining IT expenditures and dot.com failures—on Akamai's performance.

- Q2:01 ***revenue*** was up 138% year-over-year. The primary factors driving this expansion included significant growth in the Company's content provider customer base, the introduction of new services and increases in license revenue. On a consecutive quarter basis, revenue was up 7% in Q2:01. This was preceded by growth of 8% in Q1:01, 37% in Q4:00, 50% in Q3:00, and 151% in Q2:00.

As noted earlier in this report, Akamai recognized a total of \$4.5 million of revenue in Q2:01 derived from its agreements with Sockeye. Approximately \$3.0 million of this amount was recurring revenue.

- ***Gross profit*** in Q2:01 was up a sharp 210% year-over-year. The Q2:01 gross profit margin increased to an impressive 68.4% versus the year-earlier 52.4% reflecting a decline in the ratio of bandwidth costs to content-delivery prices as well as an increase in licensing revenue which has a nominal cost of sales. Consecutive quarter growth in gross profit was nearly 23% in Q2:01, 15% in Q1:01, 39% in Q4:00, 59% in Q3:00 and 334% in Q2:00.
- ***Net profit***, before amortization and other one-time non-cash charges, was \$(46.8) million, or \$(0.46) per share, in Q2:01. This was preceded by net profit, before amortization and other one-time non-cash charges, of \$(66.5) million in Q1:01, \$(58.9) million in Q4:00, \$(55.7) million in Q3:00, \$(43.4) million in Q2:00 and \$(24.2) million in Q1:00.

Engineering and development expenses increased 30% to \$16.7 million in Q2:01 versus \$12.9 million for the same period in 2000. This increase was primarily due to increased personnel and payroll-related expenses as a result of increased employee count.

Table I

Akamai Technologies, Inc.

Consolidated Statements of Income, Quarterly**Q1:00 through Q2:01**

(thousands, except per share figures)

	Q1:00		Q2:00			Q3:00		Q4:00			Q1:01				Q2:01				
	\$	As % of sales	\$	As % of sales	Growth: Q-to-Q	\$	As % of sales	Growth: Q-to-Q	\$	As % of sales	Growth: Q-to-Q	\$	As % of sales	Growth: Q-to-Q	Growth: Y-to-Y	\$	As % of sales	Growth: Q-to-Q	Growth: Y-to-Y
Revenue	\$ 7,222	100.0%	\$ 18,144	100.0%	151.2%	\$ 27,156	100.0%	49.7%	\$ 37,244	100.0%	37.1%	\$ 40,209	100.0%	8.0%	456.8%	\$ 43,141	100.0%	7.3%	137.8%
Cost of services	5,030	69.6%	8,631	47.6%	71.6%	12,056	44.4%	39.7%	16,264	43.7%	34.9%	16,160	40.2%	-0.6%	221.3%	13,622	31.6%	-15.7%	57.8%
Gross profit	2,192	30.4%	9,513	52.4%	334.0%	15,100	55.6%	58.7%	20,980	56.3%	38.9%	24,049	59.8%	14.6%	997.1%	29,519	68.4%	22.7%	210.3%
Operating expenses:																			
Engineering and development exp.	6,915	95.7%	12,931	71.3%	87.0%	18,352	67.6%	41.9%	17,408	46.7%	-5.1%	18,632	46.3%	7.0%	169.4%	16,737	38.8%	-10.2%	29.4%
SG&A expense	20,005	277.0%	35,589	196.1%	77.9%	41,118	151.4%	15.5%	48,679	130.7%	18.4%	41,885	104.2%	-14.0%	109.4%	39,279	91.0%	-6.2%	10.4%
Depreciation	3,063	42.4%	7,305	40.3%	138.5%	11,211	41.3%	53.5%	14,006	37.6%	24.9%	16,452	40.9%	17.5%	437.1%	18,340	42.5%	11.5%	151.1%
Amortization of Goodwill	9,000	124.6%	189,864	1046.4%	2009.6%	242,445	892.8%	27.7%	241,957	649.7%	-0.2%	239,329	595.2%	-1.1%	2559.2%	7,405	17.2%	-96.9%	-96.1%
Acquired in-process R&D exp.	-	0.0%	1,372	7.6%	n.m.	-	0.0%	-100.0%	-	0.0%	0.0%	1,912,840	4757.2%	n.m.	n.m.	-	0.0%	-100.0%	-100.0%
Equity-related compensation	2,189	30.3%	9,421	51.9%	330.4%	9,653	35.5%	2.5%	4,884	13.1%	-49.4%	4,514	11.2%	-7.6%	106.2%	11,038	25.6%	144.5%	17.2%
Restructuring charge	-	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	0.0%	26,194	60.7%	n.m.	n.m.
Total: operating expenses	41,172	570.1%	256,482	1413.6%	523.0%	322,779	1188.6%	25.8%	326,934	877.8%	1.3%	2,233,652	5555.1%	583.2%	5325.2%	118,993	275.8%	-94.7%	-53.6%
Operating profit	(38,980)	-539.7%	(246,969)	-1361.2%	n.m.	(307,679)	-1133.0%	n.m.	(305,954)	-821.5%	n.m.	(2,209,603)	-5495.3%	n.m.	n.m.	(89,474)	-207.4%	n.m.	n.m.
Interest income (expense), net	3,625	50.2%	3,803	21.0%	4.9%	3,624	13.3%	-4.7%	2,932	7.9%	-19.1%	581	1.4%	-80.2%	-84.0%	(1,637)	-3.8%	n.m.	n.m.
Other income (expense), net	-	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	(13,594)	-33.8%	n.m.	n.m.	(1,153)	-2.7%	n.m.	n.m.
Pretax profit	(35,355)	-489.5%	(243,166)	-1340.2%	n.m.	(304,055)	-1119.7%	n.m.	(303,022)	-813.6%	n.m.	(2,222,616)	-5527.7%	n.m.	n.m.	(92,264)	-213.9%	n.m.	n.m.
Taxes	42		70		66.7%	20		-71.4%	55		175.0%	164		198.2%	290.5%	344		109.8%	391.4%
Net profit, before extraord. loss	(35,397)	-490.1%	(243,236)	-1340.6%	n.m.	(304,075)	-1119.7%	n.m.	(303,077)	-813.8%	n.m.	(2,222,780)	-5528.1%	n.m.	n.m.	(92,608)	-214.7%	n.m.	n.m.
Dividends & accret. to pfd. stk. red.	-	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
Net profit, attrib. to com. shares	(35,397)	-490.1%	(243,236)	-1340.6%	n.m.	(304,075)	-1119.7%	n.m.	(303,077)	-813.8%	n.m.	(2,222,780)	-5528.1%	n.m.	n.m.	(92,608)	-214.7%	n.m.	n.m.
EPS, basic and diluted	\$ (0.47)		\$ (2.78)		n.m.	\$ (3.27)		n.m.	\$ (3.16)		n.m.	\$ (22.50)		n.m.	n.m.	\$ (0.91)		n.m.	n.m.
EBITDA calculation:																			
Gross profit	2,192	30.4%	9,513	52.4%	334.0%	15,100	55.6%	58.7%	20,980	56.3%	38.9%	24,049	59.8%	14.6%	997.1%	29,519	68.4%	22.7%	210.3%
Less: engineering and devel. exp.	6,915	95.7%	12,931	71.3%	87.0%	18,352	67.6%	41.9%	17,408	46.7%	-5.1%	18,632	46.3%	7.0%	169.4%	16,737	38.8%	-10.2%	29.4%
Less: SG&A expense	20,005	277.0%	35,589	196.1%	77.9%	41,118	151.4%	15.5%	48,679	130.7%	0.0%	41,885	104.2%	n.a.	n.a.	39,279	91.0%	-6.2%	10.4%
EBITDA	(24,728)	-342.4%	(39,007)	-215.0%	n.m.	(44,370)	-163.4%	n.m.	(45,107)	-121.1%	n.m.	(36,468)	-90.7%	n.m.	n.m.	(26,497)	-61.4%	n.m.	n.m.
EBITDA per share	\$ (0.33)		\$ (0.45)		n.m.	\$ (0.48)		n.m.	\$ (0.47)		n.m.	\$ (0.37)		n.m.	n.m.	\$ (0.26)		n.m.	n.m.
"Normalized" EPS calculation:																			
EBITDA	(24,728)	-342.4%	(39,007)	-215.0%	n.m.	(44,370)	-163.4%	13.7%	(45,107)	-121.1%	1.7%	(36,468)	-90.7%	n.m.	n.m.	(26,497)	-61.4%	n.m.	n.m.
Less: depreciation	3,063	42.4%	7,305	40.3%	138.5%	11,211	41.3%	53.5%	14,006	37.6%	24.9%	16,452	40.9%	17.5%	437.1%	18,340	42.5%	11.5%	151.1%
Plus: interest income (exp.), net	3,625	50.2%	3,803	21.0%	4.9%	3,624	13.3%	-4.7%	2,932	7.9%	0.0%	581	1.4%	-80.2%	-84.0%	(1,637)	-3.8%	n.m.	n.m.
Less: taxes	42	0.6%	70	0.4%	66.7%	20	0.1%	-71.4%	55	0.1%	175.0%	164	0.4%	198.2%	290.5%	344	0.8%	109.8%	391.4%
"Normalized" net profit	(24,208)	-335.2%	(42,579)	-234.7%	n.m.	(51,977)	-191.4%	n.m.	(56,236)	-151.0%	n.m.	(52,503)	-130.6%	n.m.	n.m.	(46,818)	-108.5%	n.m.	n.m.
"Normalized" EPS	\$ (0.32)		\$ (0.49)		n.m.	\$ (0.56)		n.m.	\$ (0.59)		n.m.	\$ (0.53)		n.m.	n.m.	\$ (0.46)		n.m.	n.m.
Average shares outstanding	75,029		87,374		16.5%	93,099		6.6%	95,970		3.1%	98,780		2.9%	31.7%	101,629		2.9%	16.3%

Source: Company publications.

Calculations: Laguna Research Partners LLC.

Table II
Akamai Technologies, Inc.
Selected Operating Metrics
Q1:99 through Q2:01

	1999				2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
REVENUE ANALYSIS										
Revenue, total (\$000)	\$ -	\$ 404	\$ 883	\$ 2,699	\$ 7,222	\$ 18,144	\$ 27,156	\$ 37,244	\$ 40,209	\$ 43,141
Recurring revenue (\$000)	\$ -	\$ 404	\$ 883	\$ 2,699	\$ 7,208	\$ 15,756	\$ 24,120	\$ 30,711	\$ 35,239	n.a.
as % of revenue		100.0%	100.0%	100.0%	99.8%	86.8%	88.8%	82.5%	87.6%	n.a.
One-time revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 2,388	\$ 3,036	\$ 6,533	4,969	n.a.
as % of revenue					0.2%	13.2%	11.2%	17.5%	12.4%	n.a.
CUSTOMER ANALYSIS										
Customers, total			44	227	425	2,107	2,879	3,682	3,389	n.a.
Customers, incremental				183	198	1,682	772	803	(293)	n.a.
Average customers				136	326	1,266	2,493	3,281	3,536	n.a.
Revenue / average customer (\$000)				\$ 19.919	\$ 22.153	\$ 14.332	\$ 10.893	\$ 11.353	\$ 11.373	n.a.
Recurring customers, total			44	227	418	895	1,115	1,337	1,473	1,333
Recurring customers, incremental				183	191	477	220	222	136	(140)
Services / average customer			1.0	1.0	1.1	1.3	1.5	1.6	1.8	n.a.
NETWORK ANALYSIS										
Country count		15	24	40	45	50	54	55	56	62
Network count		25	55	100	160	225	335	473	653	820
Server count		900	1,475	2,000	2,800	4,250	6,060	8,004	9,743	11,689
Average servers			1,188	1,738	2,400	3,525	5,155	7,032	8,874	10,716
Revenue / average server / month (\$000)			\$ 0.744	\$ 1.553	\$ 3.009	\$ 5.147	\$ 5.268	\$ 5.296	\$ 4.531	\$ 4.026
PRODUCTIVITY ANALYSIS										
Employee count		130	227	385	464	1,063	1,229	1,300	1,150	1,129
Revenue / average employee (\$000)			\$ 5	\$ 9	\$ 17	\$ 24	\$ 24	\$ 29	\$ 33	\$ 38
Salesperson count		8	13	20	44	51	113	96	130	n.a.
Revenue / average salesperson (\$000)			\$ 84	\$ 164	\$ 226	\$ 382	\$ 331	\$ 356	\$ 356	n.a.

Source: Company publications.
Calculations: Laguna Research Partners LLC.

Sales, general and administrative expenses increased 8% to \$39.3 million in Q2:01 compared to \$36.4 million in Q2:00 reflecting increased personnel and payroll-related expenses, higher sales commissions and higher rent expenses.

Depreciation expense increased 151% to \$18.3 million in Q2:01 compared with \$7.3 million in Q2:00. This increase was primarily due to the expansion of Akamai's edge server network.

Second quarter *interest income, net of interest expense*, was \$(1.6) million versus \$3.8 million for the same period in 2000. This drop was due to interest accrued on Akamai's convertible subordinated notes due 2007 and a decrease in invested cash balances.

Operating Outlook ►

Akamai management expects that the Company will be EBITDA positive in 2002. While recent cost-cutting measures—these include a workforce reduction of approximately 14%—should contribute significantly to improved EBITDA, broad economic uncertainties combined with the uncertainties inherent in a shifting competitive landscape dictate, in our view, a more conservative approach to forecasting Akamai's operating performance. Accordingly, our financial model assumes that Akamai will first achieve full-year EBITDA profitability in 2004.

We estimate that Akamai will first achieve profitability at the net profit line in 2005. Strengthening in the world economy during late 2001 or early 2002, in our view, could accelerate the achievement of this key milestone.

- *We are projecting that Akamai's revenue will increase at a compound annual rate of 47% between 2000—the Company reported 2001 revenue of \$89.8 million—and 2005—we are projecting revenue of \$610.0 million in that year.* On a year-by-year basis, we are projecting revenue growth of 89%, 47%, 44%, 31% and 30% in 2001, 2002, 2003, 2004 and 2005, respectively. Key assumptions driving these figures include growth in 1) the Company's customer base, 2) revenue per customer, 3) revenue per server deployed, and 4) revenue per employee.
- *We are estimating that gross profit—revenue less cost of services—will grow at a compound annual rate of 55% between 2000 and 2005.* The Company's cost of services consists primarily of bandwidth costs, depreciation of network hardware and fees paid to network data servers that house Akamai's servers. The largest of these components is the cost of bandwidth which, we project, will decline over the next five years.
- *EBITDA, we project, will grow from \$(153) million in 2000 to more than \$97 million in 2005, a positive swing of \$250 million.* Our projections call for Akamai to first achieve positive annual EBITDA in 2004. We project that key operating cost categories will grow at a rate slower than revenue as Akamai aggressively leverages its content delivery network platform with new products that command a higher revenue per customer. Specifically, we estimate that engineering and development expense—this cost category consists primarily of salaries and other costs related to the deployment and maintenance of Akamai's CDN—will grow at a compound annual rate of 17% during the 2000 through 2005 timeframe. We project that SG&A expenses will grow at a compound rate of 7% during the same period.

“Normalized” net profit—EBITDA less net interest expense, taxes and depreciation—is projected to grow from \$(175) million in 2000 to more than \$18 million in 2005, a positive swing of \$193 million. We estimate that the Company will first achieve positive annual net profit in 2005.

Table III-A
Akamai Technologies, Inc.
Consolidated Statements of Income, Annual
1999 through 2005E
(thousands, except per share figures)

	1999	2000	2001 E	2002 E	2003 E	2004 E	2005 E
Revenue	\$ 3,986	\$ 89,766	\$ 170,000	\$ 250,000	\$ 360,000	\$ 470,000	\$ 610,000
Cost of services	7,847	41,981	65,000	80,000	111,600	141,000	183,000
Gross profit	(3,861)	47,785	105,000	170,000	248,400	329,000	427,000
Operating expenses:							
Engineering and development expense	11,749	55,606	76,500	85,000	100,800	112,800	122,000
SG&A expense	29,621	145,391	161,500	175,000	180,000	188,000	207,400
Depreciation	3,434	35,585	75,000	98,000	92,000	80,000	78,000
Amortization of Goodwill	47	683,266	253,000	18,500	750	-	-
Acquired in-process R&D expenses	-	1,372	1,912,840	-	-	-	-
Equity-related compensation	10,005	26,147	15,000	8,800	3,800	-	-
Restructuring charge	-	-	26,194	-	-	-	-
Total: operating expenses	54,856	947,367	2,520,034	385,300	377,350	380,800	407,400
Operating profit	(58,717)	(899,582)	(2,415,034)	(215,300)	(128,950)	(51,800)	19,600
Interest income (expense), net	2,269	13,984	(1,200)	(8,000)	(11,000)	(9,000)	(1,000)
Other income (expense), net	(3,390)	-	(19,600)	(8,000)	(8,000)	(8,000)	(8,000)
Pretax profit	(59,838)	(885,599)	(2,435,834)	(231,300)	(147,950)	(68,800)	10,600
Taxes	-	187	164	-	-	-	-
Net profit, before extraordinary loss	(59,838)	(885,786)	(2,435,998)	(231,300)	(147,950)	(68,800)	10,600
Dividends and accretion to pref. stk. redemp.	2,241	-	-	-	-	-	-
Net profit, attributable to common shares	(62,079)	(885,786)	(2,435,998)	(231,300)	(147,950)	(68,800)	10,600
EPS, basic and diluted	\$ (2.06)	\$ (10.07)	\$ (23.20)	\$ (1.99)	\$ (1.22)	\$ (0.55)	\$ 0.08
EBITDA calculation:							
Gross profit	\$ (3,861)	\$ 47,785	\$ 105,000	\$ 170,000	\$ 248,400	\$ 329,000	\$ 427,000
Less: engineering and development exp.	11,749	55,606	76,500	85,000	100,800	112,800	122,000
Less: SG&A expense	29,621	145,391	161,500	175,000	180,000	188,000	207,400
EBITDA	\$ (45,231)	\$ (153,212)	\$ (133,000)	\$ (90,000)	\$ (32,400)	\$ 28,200	\$ 97,600
EBITDA per share	\$ (1.50)	\$ (1.74)	\$ (1.27)	\$ (0.78)	\$ (0.27)	\$ 0.23	\$ 0.76
"Normalized" EPS calculation:							
EBITDA	\$ (45,231)	\$ (153,212)	\$ (133,000)	\$ (90,000)	\$ (32,400)	\$ 28,200	\$ 97,600
Less: depreciation	3,434	35,585	75,000	98,000	92,000	80,000	78,000
Plus: interest income (expense), net	2,269	13,984	(1,200)	(8,000)	(11,000)	(9,000)	(1,000)
Less: taxes	-	187	164	-	-	-	-
"Normalized" net profit	(46,396)	(175,000)	(209,364)	(196,000)	(135,400)	(60,800)	18,600
"Normalized" EPS	\$ (1.54)	\$ (1.99)	\$ (1.99)	\$ (1.69)	\$ (1.12)	\$ (0.49)	\$ 0.14
Average shares outstanding	30,177	87,959	105,000	116,000	121,000	125,000	129,000

Source: Company publications.

Estimates: Laguna Research Partners LLC.

Table III-B
Akamai Technologies, Inc.
Consolidated Statements of Income, Annual
1999 through 2005E
(as a % of revenue)

	<u>1999</u>	<u>2000</u>	<u>2001 E</u>	<u>2002 E</u>	<u>2003 E</u>	<u>2004 E</u>	<u>2005 E</u>
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of services	196.9%	46.8%	38.2%	32.0%	31.0%	30.0%	30.0%
Gross profit	-96.9%	53.2%	61.8%	68.0%	69.0%	70.0%	70.0%
Operating expenses:							
Engineering and development expense	294.8%	61.9%	45.0%	34.0%	28.0%	24.0%	20.0%
SG&A expense	743.1%	162.0%	95.0%	70.0%	50.0%	40.0%	34.0%
Depreciation	86.2%	39.6%	44.1%	39.2%	25.6%	17.0%	12.8%
Amortization of Goodwill	1.2%	761.2%	148.8%	7.4%	0.2%	0.0%	0.0%
Acquired in-process R&D expenses	0.0%	1.5%	1125.2%	0.0%	0.0%	0.0%	0.0%
Equity-related compensation	251.0%	29.1%	8.8%	3.5%	1.1%	0.0%	0.0%
Restructuring charge	0.0%	0.0%	15.4%	0.0%	0.0%	0.0%	0.0%
Total: operating expenses	1376.2%	1055.4%	1482.4%	154.1%	104.8%	81.0%	66.8%
Operating profit	-1473.1%	-1002.1%	-1420.6%	-86.1%	-35.8%	-11.0%	3.2%
Interest income (expense), net	56.9%	15.6%	-0.7%	-3.2%	-3.1%	-1.9%	-0.2%
Other income (expense), net	-85.0%	0.0%	-11.5%	-3.2%	-2.2%	-1.7%	-1.3%
Pretax profit	-1501.2%	-986.6%	-1432.8%	-92.5%	-41.1%	-14.6%	1.7%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit, before extraordinary loss	-1501.2%	-986.8%	-1432.9%	-92.5%	-41.1%	-14.6%	1.7%
Dividends and accretion to pref. stk. redemp.	56.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit, attributable to common shares	-1557.4%	-986.8%	-1432.9%	-92.5%	-41.1%	-14.6%	1.7%

Source: Company publications.
Estimates: Laguna Research Partners LLC.

Table III-C
Akamai Technologies, Inc.
Consolidated Statements of Income, Annual
1999 through 2005E
(growth, year-over-year)

	1999	2000	2001 E	2002 E	2003 E	2004 E	2005 E
Revenue		2152.0%	89.4%	47.1%	44.0%	30.6%	29.8%
Cost of services		435.0%	54.8%	23.1%	39.5%	26.3%	29.8%
Gross profit		n.m.	119.7%	61.9%	46.1%	32.4%	29.8%
Operating expenses:							
Engineering and development expense		373.3%	37.6%	11.1%	18.6%	11.9%	8.2%
SG&A expense		390.8%	11.1%	8.4%	2.9%	4.4%	10.3%
Depreciation		936.3%	110.8%	30.7%	-6.1%	-13.0%	-2.5%
Amortization of Goodwill		1453657.4%	-63.0%	-92.7%	-95.9%	-100.0%	0.0%
Acquired in-process R&D expenses		n.m.	139319.8%	-100.0%	0.0%	0.0%	0.0%
Equity-related compensation		161.3%	-42.6%	-41.3%	-56.8%	-100.0%	0.0%
Restructuring charge		0.0%	n.m.	-100.0%	0.0%	0.0%	0.0%
Total: operating expenses		1627.0%	166.0%	-84.7%	-2.1%	0.9%	7.0%
Operating profit		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interest income (expense), net		516.3%	n.m.	n.m.	n.m.	n.m.	n.m.
Other income (expense), net		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Pretax profit		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Taxes		n.m.	-12.3%	-100.0%	0.0%	0.0%	0.0%
Net profit, before extraordinary loss		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Dividends and accretion to pref. stk. redemp.		-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit, attributable to common shares		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS, basic and diluted		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA calculation:							
Gross profit		n.m.	119.7%	61.9%	46.1%	32.4%	29.8%
Less: engineering and development exp.		373.3%	37.6%	11.1%	18.6%	11.9%	8.2%
Less: SG&A expense		390.8%	11.1%	8.4%	2.9%	4.4%	10.3%
EBITDA		n.m.	n.m.	n.m.	n.m.	n.m.	246.1%
EBITDA per share		n.m.	n.m.	n.m.	n.m.	n.m.	235.4%
"Normalized" EPS calculation:							
EBITDA		n.m.	n.m.	n.m.	n.m.	n.m.	246.1%
Less: depreciation		936.3%	110.8%	30.7%	-6.1%	-13.0%	-2.5%
Plus: interest income (expense), net		616.3%	n.m.	n.m.	n.m.	n.m.	n.m.
Less: taxes		n.m.	-12.3%	-100.0%	0.0%	0.0%	0.0%
"Normalized" net profit		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
"Normalized" EPS		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average shares outstanding		191.5%	19.4%	10.5%	4.3%	3.3%	3.2%

Source: Company publications.
Estimates: Laguna Research Partners LLC.

Table IV

Akamai Technologies, Inc.

Consolidated Balance Sheets**Focus: June 30, 2001 versus December 31, 2000 and June 30, 2000**

(thousands, except per share figures)

	June 30, 2000	December 31, 2000	June 30, 2001	Change:	
				6/30/01 versus 12/31/00	6/30/01 versus 6/30/00
ASSETS					
Cash and cash equivalents	\$ 354,540	\$ 150,130	\$ 120,254	-19.9%	-66.1%
Marketable securities	161,133	159,522	146,849	-7.9%	-8.9%
Accounts receivable, net	11,650	22,670	25,226	11.3%	116.5%
Prepaid expenses and other assets	10,472	23,002	18,495	-19.6%	76.6%
Total: current assets	537,795	355,344	310,824	-12.5%	-42.2%
Property and equipment, net	92,563	143,041	150,824	5.4%	62.9%
Marketable securities	2,656,074	77,282	-	-100.0%	-100.0%
Intangible assets, net	17,558	2,186,157	30,811	-98.6%	75.5%
Other assets	31,823	28,953	27,136	-6.3%	-14.7%
Total: assets	\$ 3,335,813	\$ 2,790,777	\$ 519,595	-81.4%	-84.4%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	\$ 29,212	\$ 52,212	\$ 38,112	-27.0%	30.5%
Accrued expenses	6,013	4,327	11,475	165.2%	90.8%
Accrued interest payable	-	8,754	8,646	-1.2%	n.m.
Accrued payroll and benefits	8,973	14,240	8,250	-42.1%	-8.1%
Deferred revenue	4,437	4,335	13,278	206.3%	199.3%
Capital lease / equip. loan obligations, current	1,023	1,080	5,334	393.9%	421.4%
Long-term debt, current	-	-	915	n.m.	n.m.
Total: current liabilities	49,676	84,948	86,010	1.3%	73.1%
Capital lease / equip. loan obligations, net of current	901	421	171	-59.4%	-81.0%
Other liabilities	523	1,009	16,373	1522.7%	n.a.
Convertible notes	300,000	300,000	300,000	0.0%	0.0%
Total: liabilities	351,100	386,378	402,554	4.2%	14.7%
Commitments and contingencies	-	-	-	0.0%	0.0%
Shareholders' equity					
Preferred stock	-	-	-	0.0%	0.0%
Common stock	1,058	1,082	1,151	6.4%	8.8%
Additional paid-in capital	3,353,006	3,382,582	3,444,291	1.8%	2.7%
Deferred compensation	(26,559)	(22,313)	(63,005)	n.m.	n.m.
Notes receivable from officers for stock	(6,306)	(5,704)	(5,869)	n.m.	n.m.
Accumulated other comprehensive loss	728	(6,882)	227	n.m.	-68.8%
Accumulated deficit	(337,214)	(944,366)	(3,259,754)	n.m.	n.m.
Total: shareholders' equity	2,984,713	2,404,399	117,041	-95.1%	-96.1%
Total: liabilities and shareholders' equity	\$ 3,335,813	\$ 2,790,777	\$ 519,595	-81.4%	-84.4%
Balance sheet metrics:					
Cash and equivalents per share	\$ 3.33	\$ 1.38	\$ 1.04	-24.2%	-68.7%
Current ratio (x)	10.8	4.2	3.6	-13.6%	-66.6%
Working capital	488,119	270,396	224,814	-16.9%	-53.9%
Long-term debt, obligations	301,424	301,430	316,544	5.0%	5.0%
Book value	\$ 28.05	\$ 22.08	\$ 1.02	-95.4%	-96.4%
Tangible book value per share	\$ 27.89	\$ 2.00	\$ 0.75	-62.6%	-97.3%
Shares outstanding	106,392	108,915	115,131	5.7%	8.2%

Source: Company publications.

Calculations: Laguna Research Partners LLC.

Table V-A
Akamai Technologies, Inc.
Consolidated Balance Sheets
December 31, 1999 through June 30, 2001, Quarterly
(thousands, except per share figures)

	December 31, 1999	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000	March 31, 2001	June 30, 2001
ASSETS							
Cash and cash equivalents	269,554	\$ 26,612	354,540	371,195	\$ 150,130	\$ 134,146	\$ 120,254
Marketable securities	-	198,554	161,133	67,548	159,522	178,968	146,849
Accounts receivable, net	1,588	3,136	11,650	15,592	22,670	23,865	25,226
Prepaid expenses and other assets	2,521	8,778	10,472	19,565	23,002	23,051	18,495
Total: current assets	273,663	237,080	537,795	473,900	355,344	360,030	310,824
Property and equipment, net	23,875	43,475	92,563	121,812	143,041	151,089	150,824
Marketable securities	434	-	2,656,074	2,425,207	77,282	-	-
Intangible assets, net	-	186,874	17,558	12,637	2,186,157	35,903	30,811
Other assets	2,843	4,384	31,823	24,770	28,953	29,631	27,136
Total: assets	300,815	\$ 471,813	3,335,813	3,058,326	\$ 2,790,777	\$ 576,653	\$ 519,595
LIABILITIES AND SHAREHOLDERS' EQUITY							
Accounts payable	8,987	\$ 17,071	29,212	28,883	\$ 52,212	\$ 49,037	\$ 38,112
Accrued expenses	2,083	7,026	6,013	7,995	4,327	6,205	11,475
Accrued interest payable	-	3,831	-	-	8,754	4,125	8,646
Accrued payroll and benefits	3,614	3,586	8,973	11,554	14,240	13,117	8,250
Deferred revenue	698	588	4,437	5,073	4,335	6,001	13,278
Capital lease / equip. loan obligations, current	504	64	1,023	1,067	1,080	1,111	5,334
Long-term debt, current	2,751	-	-	-	-	-	915
Total: current liabilities	18,637	32,166	49,676	54,562	84,948	79,596	86,010
Capital lease / equip. loan obligations, net of current	733	682	901	689	421	229	171
Other liabilities	-	-	523	780	1,009	1,268	16,373
Convertible notes	-	-	300,000	300,000	300,000	300,000	300,000
Total: liabilities	19,370	32,848	351,100	356,031	386,378	381,093	402,554
Commitments and contingencies	-	-	-	-	-	-	-
Shareholders' equity							
Preferred stock	-	-	-	-	-	-	-
Common stock	925	938	1,058	1,073	1,082	1,092	1,151
Additional paid-in capital	374,739	559,051	3,353,006	3,373,474	3,382,582	3,387,948	3,444,291
Deferred compensation	(5,907)	(6,220)	(26,559)	(25,270)	(22,313)	(19,668)	(63,005)
Notes receivable from officers for stock	(29,731)	(27,541)	(6,306)	(5,836)	(5,704)	(5,785)	(5,869)
Accumulated other comprehensive loss	-	6,715	728	143	(6,882)	(881)	227
Accumulated deficit	(58,581)	(93,978)	(337,214)	(641,289)	(944,366)	(3,167,146)	(3,259,754)
Total: shareholders' equity	281,445	438,965	2,984,713	2,702,295	2,404,399	195,560	117,041
Total: liabilities and shareholders' equity	300,815	\$ 471,813	3,335,813	3,058,326	\$ 2,790,777	\$ 576,653	\$ 519,595
Balance sheet metrics:							
Cash and equivalents per share	\$ 2.90	\$ 0.26	\$ 3.33	\$ 3.44	\$ 1.38	\$ 1.23	\$ 1.04
Current ratio (x)	14.7	7.4	10.8	8.7	4.2	4.5	3.6
Working capital	255,026	204,914	488,119	419,338	270,396	280,434	224,814
Long-term debt, obligations	733	682	301,424	301,469	301,430	301,497	316,544
Book value	\$ 3.02	\$ 4.21	\$ 28.05	\$ 25.03	\$ 22.08	\$ 1.79	\$ 1.02
Tangible book value per share	\$ 3.02	\$ 2.42	\$ 27.89	\$ 24.91	\$ 2.00	\$ 1.46	\$ 0.75
Shares outstanding	93,064	104,288	106,392	107,961	108,915	109,074	115,131

Source: Company publications.
Calculations: Laguna Research Partners LLC.

Table V-B
Akamai Technologies, Inc.
Consolidated Balance Sheets
December 31, 1999 through June 30, 2001, Quarterly
(as % of total assets or as % of total liabilities and shareholders' equity)

	December 31, 1999	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000	March 31, 2001	June 30, 2001
ASSETS							
Cash and cash equivalents	89.6%	5.6%	10.6%	12.1%	5.4%	23.3%	23.1%
Marketable securities	0.0%	42.1%	4.8%	2.2%	5.7%	31.0%	28.3%
Accounts receivable, net	0.5%	0.7%	0.3%	0.5%	0.8%	4.1%	4.9%
Prepaid expenses and other assets	0.8%	1.9%	0.3%	0.6%	0.8%	4.0%	3.6%
Total: current assets	91.0%	50.2%	16.1%	15.5%	12.7%	62.4%	59.8%
Property and equipment, net	7.9%	9.2%	2.8%	4.0%	5.1%	26.2%	29.0%
Marketable securities	0.1%	0.0%	79.6%	79.3%	2.8%	0.0%	0.0%
Intangible assets, net	0.0%	39.6%	0.5%	0.4%	78.3%	6.2%	5.9%
Other assets	0.9%	0.9%	1.0%	0.8%	1.0%	5.1%	5.2%
Total: assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Accounts payable	3.0%	3.6%	0.9%	0.9%	1.9%	8.5%	7.3%
Accrued expenses	0.7%	1.5%	0.2%	0.3%	0.2%	1.1%	2.2%
Accrued interest payable	0.0%	0.8%	0.0%	0.0%	0.3%	0.7%	1.7%
Accrued payroll and benefits	1.2%	0.8%	0.3%	0.4%	0.5%	2.3%	1.6%
Deferred revenue	0.2%	0.1%	0.1%	0.2%	0.2%	1.0%	2.6%
Capital lease / equip. loan obligations, current	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%	1.0%
Long-term debt, current	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Total: current liabilities	6.2%	6.8%	1.5%	1.8%	3.0%	13.8%	16.6%
Capital lease / equip. loan obligations, net of current	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	3.2%
Convertible notes	0.0%	0.0%	9.0%	9.8%	10.7%	52.0%	57.7%
Total: liabilities	6.4%	7.0%	10.5%	11.6%	13.8%	66.1%	77.5%
Commitments and contingencies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shareholders' equity							
Preferred stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common stock	0.3%	0.2%	0.0%	0.0%	0.0%	0.2%	0.2%
Additional paid-in capital	124.6%	118.5%	100.5%	110.3%	121.2%	587.5%	662.9%
Deferred compensation	-2.0%	-1.3%	-0.8%	-0.8%	-0.8%	-3.4%	-12.1%
Notes receivable from officers for stock	-9.9%	-5.8%	-0.2%	-0.2%	-0.2%	-1.0%	-1.1%
Accumulated other comprehensive loss	0.0%	1.4%	0.0%	0.0%	-0.2%	-0.2%	0.0%
Accumulated deficit	-19.5%	-19.9%	-10.1%	-21.0%	-33.8%	-549.2%	-627.4%
Total: shareholders' equity	93.6%	93.0%	89.5%	88.4%	86.2%	33.9%	22.5%
Total: liabilities and shareholders' equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company publications.
Calculations: Laguna Research Partners LLC.

Table VI

Akamai Technologies, Inc.

Consolidated Statements of Cash Flows**Six Months Ended June 30, 2001 versus Six Months Ended June 30, 2000**

(thousands, except per share figures)

	Six Months Ended:	
	June 30, 2000	June 30, 2001
Cash flows from operating activities:		
Net profit	\$ (278,633)	\$ (2,315,388)
Adjustments to reconcile net profit to net cash used in operating activities:		
Depreciation and amortization	208,448	279,122
Equity-related compensation	11,610	15,552
Amortization of prepaid advertising acquired in business acquisition	-	2,403
Accrued interest on notes receivable from officers for stock	(171)	(165)
Amortization of deferred financing costs	-	695
Loss on investments	-	12,747
Equity in losses of affiliate	-	2,000
Impairment of goodwill	-	1,912,840
Acquired in-process research and development	1,372	-
Changes in operating assets and liabilities, net of effects on acquired business:		
Accounts receivable, net	(3,991)	(4,491)
Prepaid expenses and other current assets	(7,638)	904
Accounts payable and accrued expenses	15,670	(993)
Deferred revenue	3,076	998
Other non-current assets and liabilities	1,065	19,362
Net cash used in operating activities	(49,192)	(74,414)
Cash flows from investing activities:		
Purchases of property and equipment	(55,624)	42,548
Purchase of investment	(277,588)	64,673
Cash acquired from acquisition of businesses, net of cash paid	17,466	-
Proceeds from sales and maturities of investments	147,777	147,393
Net cash provided by (used in) investing activities	(167,969)	40,172
Cash flows from financing activities:		
Proceeds from issuance of 5 1/2% convertible subordinated notes, net	290,200	-
Payments on capital leases and equipment financing loan	(273)	(609)
Payment on senior subordinated notes	(2,751)	-
Proceeds from issuance of common stock (stock option and employee stock purchase plans)	14,987	4,931
Net cash provided by financing activities	302,163	4,322
Effects of exchange rate translation on cash and cash equivalents	(16)	44
Net increase (decrease) in cash and cash equivalents	84,986	(29,876)
Cash and cash equivalents, beginning of period	269,554	150,130
Cash and cash equivalents, end of period	354,540	120,254

Source: Company publications.

Capital Resources ►

As of the end of Q2:01, in our view, Akamai had a reasonably strong balance sheet. However, we anticipate that the Company will need to attract new financing prior to the end of 2002.

- For the end of the most recent Q2, Akamai reported \$120 million in *cash and cash equivalents* and \$147 million in *marketable securities*. The Company's *working capital* was \$225 million at the end of Q2. During the first six months of 2001, *net cash used in operating activities* was approximately \$74 million compared with about \$49million for the same period in 2000. Cash used in operating activities during the first half of 2001 reflected an increase in losses from operations and an increase in accounts receivable offset by an increase in long-term liabilities and accrued expenses.
- As of June 30, 2001, Akamai reported *long-term debt and obligations* of \$317 million. The Company completed a \$300 million of 5.5% convertible subordinated notes for aggregate net proceeds of \$290 million in June 2000. These notes are due in July 2007 and are convertible at a share price of \$115.47. The Company commenced semi-annual interest payments of \$8.25 million in January 2001. Also in January 2001, Akamai filed a universal shelf registration that positions the Company to sell as much as \$500 million in debt or equity securities in one or more public offerings in the ensuing seven quarters. Additionally, Akamai has signed contracts for approximately \$25 million of financing with equipment vendors.

At the current rate of cash use, we estimate that Akamai's cash and marketable securities as of the end of Q1 will be sufficient to fund the company through the end of 2002. The Company indicates that its *capital expenditures* will be between \$70 million and \$80 million for 2001. About half of this annual figure is expected to support the purchase of new servers, while the remaining half to be spent on general infrastructure and facilities.

RISKS

Risks for Akamai include, but are not limited to, 1) the need for Akamai to maintain a competitive edge in an industry characterized by rapid technological change, 2) the possibility that some of Akamai's emerging Internet-based customers might not pay the Company on a timely basis, 3) the possibility that some of Akamai's emerging Internet-based customers might not succeed over the long term, 4) the possibility of network failure or intentional network disruption, 5) a possible decline in Akamai's pricing due to competitive pressures and evolving technologies, and 6) class action lawsuits that have been filed regarding the Company's Initial Public Offering.

Analyst Bio ▶ Kevin B. Skislock (skislock@LRPonline.net)

Kevin Skislock is Founding Partner and CEO of Laguna Research Partners LLC. He also serves as the Firm's senior technology analyst.

Kevin has more than 25 years of experience as a Wall Street stock analyst. Nearly half of his career has been spent analyzing stocks for leading buy-side money managers including the Citibank, N.A. unit of Citigroup, Inc. and Wellington Management Company. On the sell-side of Wall Street, he has analyzed stocks for the institutional and retail investment clients of firms including a "research boutique" subsidiary of Paine Webber, Inc. and Dain Raucher Wessels, Inc.

Having served as a Director of Investment Research and Investment Strategy Committee member on the buy-side of Wall Street and a Director of Investment Research and Commitment Committee member on the sell-side, Kevin is respected for his insights regarding the effective development and execution of business models across all sectors of the economy. He often takes an active role in the creation and development of new business enterprises, serving as Director or Advisory Board member to cutting-edge start-ups.

Kevin has been recognized by *Institutional Investor* magazine in their "Best of the Buy-side" rating of Wall Street's buy-side analysts. He has appeared on *NBC Nightly News with Tom Brokaw*, *CNBC's Market Wrap*, *CNBC's Business Center* and *The Wall Street Journal Report*, and is quoted widely in the general and financial press. He holds a BS degree in Economics from Villanova University in Villanova, Pennsylvania. He earned his MBA at the University of Chicago.

Companies mentioned in this report ▶

AOL-Time Warner, Inc. (AOL-NYSE)	International Business Machines Corp. (IBM-NYSE)
Adero, Inc. (privately held)	Inktomi Corporation (INKT-NASDAQ)
Agency.com Ltd. (ACOM-NASDAQ)	Intimate Brands, Inc. (IBI-NYSE)
Best Buy Co., Inc. (BBY-NYSE)	Intel Corporation (INTC-NASDAQ)
Blue Martini Software Inc. (BLUE-NASDAQ)	L90 Inc. (LNTY-NASDAQ)
British Telecommunications PLC (BTY-NYSE)	Logictier, Inc. (privately held)
BroadWing, Inc. (BRW-NYSE)	Loral Space & Communications Ltd. (LOR-NYSE)
Cacheflow Inc. (CFLO-NASDAQ)	Microsoft Corporation (MSFT-NASDAQ)
CCBN.com, Inc. (privately held)	NaviSite, Inc. (NAVI-NASDAQ)
Cidera, Inc. (privately held)	Novartis AG (NVS-NYSE)
CNET Networks, Inc. (CNET-NASDAQ)	Novell, Inc. (NOVL-NASDAQ)
Coca-Cola Company, The (KO-NYSE)	Ogilvy Group, The (privately held)
Concero, Inc. (CERO-NASDAQ)	ON24 Inc. (privately held)
Digex, Inc. (DIGX-NASDAQ)	Preview Systems, Inc. (PRVW-NASDAQ)
Digital Island, Inc. (ISLD-NASDAQ)	RCN Corporation (RCNC-NASDAQ)
Electronic Data Systems Corporation (EDS-NYSE)	SAP AG (SAP-NYSE)
EMC Corporation (EMC-NYSE)	Sapient Corp. (SAPE-NASDAQ)
Excite@Home Corporation (ATHM-NASDAQ)	StorageNetworks, Inc. (STOR-NASDAQ)
Exodus Communications, Inc. (EXDS-NASDAQ)	Storage Technology Corporation (STK-NYSE)
Frontier Corporation (FRO-NYSE)	VA Linux Systems, Inc. (LINUX-NASDAQ)
Genuity, Inc. (GENU-NASDAQ)	Wells Fargo & Company (WFC-NYSE)
iBEAM Broadcasting Corporation (IBEM-NASDAQ)	Yahoo! Inc. (YHOO-NASDAQ)
iManage, Inc. (IMAN-NASDAQ)	Zefer Corp. (privately held)

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