From:	Kate Plikus <Redacted@microsoft.com>
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CC:	Jon Tinter <Redacted@microsoft.com>;Philippe Ockenden <Redacted@microsoft.com>;Andreas Homer < Redacted @microsoft.com>
Sent:	10/2/2018 4:56:53 PM
Subject:	Baja presentation.
Attachments:	Baja Slides 09-28-18.pptx

Hi Adrian and Steve,

It was great meeting you last week and I hope you had a good trip back. I'm attaching the deck that we through in the meeting for your reference.

Please let us know if you have any further questions.
Thank you,
Kate

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Baja Financial Model
September 2018

Baja Financial Model
September 2018

Scale evidence: Impact from original Yahoo supply

Key Takeaways:

- We have empirical proof from our Yahoo! Search deal that incremental volume drives up RPMs

- With the influx of Yahoo! Traffic into our ecosystem in 2012 we were able to realize a one-time boost to our RPMs driven by injection of scale (#3 on the graph).

- In addition, having bigger marketplace enabled us to increase our innovation which had driven up our RPMs even further over the next couple years (#4-6 on the graph)

- **We believe that injection of Apple volume would enable us to realize RPM lifts from scale and innovation similar to Yahoo! deal. We would expect that these lifts would help us get to** [Redacted] **of Google on iPhone, and** [Redacted] **of Google on iPad and Mac in the US. In international Markets we would be able to get to** [Redacted] **of Google**

Impact from original Yahoo! supply

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Notes:

- Curve represents how RPM moves with growth in supply. Supply drives advertiser demand, which drives RPM and improves quality of product, which drives more supply

- RPM increases with scale as advertisers increase bids to be on top in the auction, and algorithms improve with more data

- Curve is initially steep as small increases in scale meaningfully improve advertiser participation, making it possible to offset fixed cost of investing in another platform

- Product innovation shifts performance to a higher RPM curve, not along the same curve

- Most of subsequent performance improvements come from Innovation and Demand expansion

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US User Retention

Redacted

Safari Default on iPhone

1. We estimate that [Redact] of searches on iPhone take place through Safari while [Redact] of searches go throu Chrome and other entry points (including apps, voice)

2. Within Safari, we believe [Redact] of the searches go through default search engine

3. We believe that Google controls [Redact] of searches going through default as well as other entry points

4. Thus, we estimate that Google has total share of [Redact] of the iPhone and [Redacted] share through default Safari setting. We assume that se h deal with Google y on default setting

Safari Default on iPad

5. iPad in our view is similar to iPhone, though bigger real estate provides greater opportunity for Google to push Chrome

Safari Default on Mac

6. Mac, given even larger real estate, leads to even higher usage of Chrome and direct nav

Apple Insights?

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US User Retention Post Deal

Redacted

Safari Default on iPhone

1. In a post-deal world, we believe we will keep the same [Redac] capture rate on Safari Default traffic similar to Google now. We believe Go_ _e wi_ _spond competitively and wil_ cou_ _ _ users to use google.com directly and push more users towards Chrome. In our estimates, these actions may reduce Safari share from [ ] to [ ] and default share by from [ ] to [ ]

2. We estimate that Bing Share on iPhone will go up from [Redact] today to [Redac] post deal

Safari Default on iPad

3. On iPad, we expect Bing Share to go up to [Redacted] + post deal

International Markets

4. We estimate retention in Int'l markets to be [Redacted] of US considering current Google strength

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Appendix

US Mac User Retention Post Deal

Redacted

Safari Default on Mac

1. In a post-deal world, we expect Bing Share to go up to Redacted

International Markets

2. We estimate retention in Mac Int'l markets to be Redacted of US considering current Google strength