

Daniel W. Roberts,  
President

## *Roberts & Ryan Investments Inc.*

Based in San Francisco, we provide "value added" information to our global asset managing clients.

Serving Investors since 1987

### About Roberts & Ryan

Our President, Mr. Daniel W. Roberts, has been reelected as the Western Region representative to the FINRA Small Firms Advisory Board (SFAB). This board examines all proposed rules prior to presentation to the National Board for action. Mr. Roberts represents approximately 800 smaller firms located in the 13 Western States.

In order to facilitate our receipt of directed order flow, we show our list of agents as follows:

#### Global markets:

Merrill Lynch  
Societe Generale

Cheuvreaux -  
(Pan European only)

HSBC -  
(Asia only)

Deutsche Bank -  
(Australia only)

#### US Domestic:

Pershing

## The Americas

### Zlango looks for Silicon Valley office space

Move over smiley face, sad dude, and happy guy wearing sunglasses. Zlango Ltd. Specializes in expressive, visual icons and images for text and mobile messaging. It has more than 8 billion icons in more than four million active users can use. And now the Tel Aviv, Israel-based company is entering the U.S. market, for a Silicon Valley base and making its free app available for the Android market, with the iPhone to follow toward the beginning of the next year. Its CEO is serial entrepreneur, telecommunications and tech industry veteran Roni Haim, now on his fifth startup with Zlango. The company is also closing in on a merger. New York-based public company Vringo Inc., which develops software for mobile phones, said it signed a letter of intent to acquire and merge with Zlango for an undisclosed amount.

Vringo also said it closed a private placement of convertible notes in the aggregate amount of \$2.5 million primarily to Menlo Park-based Benchmark Capital and Palo Alto-based DAG Ventures, which are investors in Zlango. Haim's 30 -employee company is seeking a small office in Mountain View to set up its

U.S. operations "as soon as possible," and Haim said he is already working with two U.S. recruiting agencies to bring on about 10 employees in Mountain View.

The company has been on the ground for about five years primarily in Asia and Europe, though it views the United States as its most important market. Zlango has raised \$22 million to date from Benchmark Capital, Palo Alto-based Accel Partners and DAG Ventures, closing its last round in the fourth quarter of 2010. It isn't currently seeking additional funding. The company has free content, and makes money from advertising and additional content for which users pay.



[www.robertsryan.net](http://www.robertsryan.net)

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise  
57 Post Street, Suite 614 San Francisco, CA 94104  
(415)956-2000, Toll Free (800)676-6717, Fax (415)296-8873  
Please Visit us @ [www.robertsryan.net](http://www.robertsryan.net)

# Russia

## Huge VC infusion bolsters Twitter



“The 2-year old startup is valued at \$8 billion, more than double its worth after closing its last venture round in December.”

Even as some naysayers have questioned Twitter’s business model, the microblogging site has landed the largest venture capital investment in history as part of an \$800 million funding deal. Although Twitter would not confirm the size the round led by Russian venture firm DST Global, saying only that it was “significant,” regulatory documents indicate the company has sold \$400 million in new shares. That likely values the 2-year old startup at \$8 billion, more than double its worth after closing its last venture round in December. Accompanying the \$400 million investment, according to a person close to the company, is another \$400 million to let Twitter’s employees and investors cash out some of their shares.

DST used the same tactic two years ago in the transaction that put it on Silicon Valley’s map: A \$400 million investment in Facebook. Half of that money went to the company, and half to give insiders liquidity while easing pressure on management to go public. San Francisco-based Twitter said some of its prior investors participated with DST in the funding round, the company’s seventh. Documents from the secretary of state’s office in Delaware, where Twitter is incorporated, indicate that the company agreed to sell about 24.9 million shares of preferred stock, priced at \$16.09 apiece, according to VC Experts, a data provider for the VC industry.

Justin Byers, head of business intelligence for VC Experts, said that stock is divided into two classes, only one of which grants the right to participate in the election of Twitter’s board members. Byers noted that in past investments in companies like Groupon and Zynga, DST has

declined to take board seats, “so it’ll be interesting to see if they did somehow get a seat out of this.” In a statement released by Twitter, DST Global founder Yuri Milner called the startup “one of the few companies that has truly changed the world.” He added, “We couldn’t pass up the chance to be a bigger part of its future.” Byers said regulatory filings indicate Twitter has authorized for sale 600 million shares of common stock. Given the price of the shares authorized in the new agreements, “It’s very possible they’d beat at an \$8 billion valuation. That’s 40 times the \$200 million in yearly revenues that equity research firm Hudson Square recently estimated Twitter takes in. Byers said that there are no regulatory filing concerning the reported \$400 million side deal by DST, since that agreement would cover existing stock from shareholders rather than new shares issued by Twitter.

Even the \$400 million injection the company itself is receiving breaks the record for venture capital deals. “There’s nothing else bigger out there,” said John Taylor, research chief for Virginia-based National Venture Capital Association. In fact, he said, only four companies have ever received more than \$400 million in total venture funding, much less that amount in one fell swoop. According to CrunchBase, Twitter had taken in venture capital.

Twitter said it would use the money “to aggressively innovate hire more great people and invest in international expansion.” It noted that in the past year, its head count has grown to 600, and it’s more than tripled the number of tweets transmitted each day, to more than 200 million.



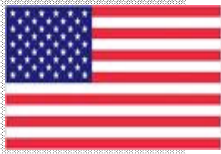
[www.robertsryan.net](http://www.robertsryan.net)

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.

# The Americas

## LinkedIn beats expectations



“LinkedIn reported second-quarter net income of \$4.5 million, about 4 cents per share, a slight increase from the \$4.3 million from last year.”

LinkedIn may have boosted the fortunes of the entire social-networking sector when the Mountain View firm surprised Wall Street by reporting a profit in its first-ever earnings report as a public company. Some analysts had expected the professional social-networking firm to post net loss of between 1 and 4 cents per share. But LinkedIn reported second-quarter net income of \$4.5 million, about 4 cents per share, a slight increase from the \$4.3 million for the same period last year when it was still a privately held firm. Revenue grew to \$121 million, a 120 percent increase compared with the \$54.9 million for the same quarter last year.

And LinkedIn said membership has increased to 115.8 million worldwide, a 61 percent increase from June 2010. Also, Chief Executive Officer Jeff Weiner noted the firm saw a 400 percent increase in page views coming from the company’s mobile device applications. “We’re going to build on that momentum going forward,” Weiner said in a call with analysts.

LinkedIn, which went public May 19, is considered a bellwether for a hot social networking industry that is dominated by Palo Alto’s Facebook and San Francisco’s Twitter. While Facebook has about 750 million active users worldwide, LinkedIn leads a niche of

smaller social networks that are tailored to professional workers who are searching for their next job opportunity or want to connect with peers in their field. Analysts were closely watching LinkedIn’s first financial report as an indicator of whether the estimated valuations of other social-networking companies were accurate or part of a new tech stock bubble.

Facebook, which has indicated it might begin selling stock sometime next year, has been



valued at as much as \$100 million. For the moment, LinkedIn has “passed their first test, which is relatively good news for Facebook and Twitter,” said Mark Cannice, chair of the University of San Francisco’s Department of Entrepreneurship, Strategy and International Business.

“If it had gone the other way, if revenue weren’t growing as fast as expected, I think you could make a case that there is a broader bubble that we’re encountering,” Cannice said.

“At this point, it doesn’t imply a bubble, it implies a rapidly growing, transformational firm that people are willing to pay for.” Still, LinkedIn projected third-quarter revenue to remain about the same, in the \$121 million to \$121 million range. For the full fiscal year, the company projects revenues of \$475 million to \$485 million. LinkedIn’s stock has more than doubled from its initial price of \$45 per share when the company joined in New York Stock Exchange. Shares in LinkedIn dropped about 9.6 percent to close at \$95.52 per share, down \$10.13. But that decrease also came as the Dow Jones Industrial Average plummeted 512.76 points, a 4.31 percent decline the previous day.

The LinkedIn report was “not bad news in an otherwise dreary day in the macro economy and on Wall Street,” Cannice said.

In a report issued July 18, one of the IPO’s underwriters, J.P. Morgan, downgraded LinkedIn stock from “overweight” to “neutral.” The stock at the time was trading at \$109 per share and the report set a target price of \$85 per share. Still the report maintained a positive view of the company. “We continue to believe LinkedIn is disrupting both the online and offline job recruitment markets,” the report said. “Our move to neutral here is based on valuation rather than fundamental concerns.”

[www.robertsryan.net](http://www.robertsryan.net)

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.

# China

## Yahoo, Alibaba settle over payment service Alipay



“Yahoo won’t make as much money of its Alibaba investment as it would have if Alipay hadn’t spun off into a separate company.”

Yahoo has settled a dispute tarnishing a key investment in China, but the truce didn’t bring much peace of mind to the embattled Internet company’s disillusioned shareholders. The complex agreement revolves around the spinoff of an online payment service formerly owned by China’s Alibaba, an emerging Internet powerhouse partially owned by Yahoo. Alibaba spun off the payment service, Alipay, earlier this year a move that Yahoo shareholders didn’t learn about until it was disclosed in regulatory filing in the U.S. Yahoo’s shares have lost a quarter of their value since that bombshell, reflecting investor concerns that the value of the Sunnyvale company’s 43 percent stake in Alibaba.

The settlement will require Alipay to share nearly half its profits with Alibaba. It will culminate in Alipay writing a check of \$2 billion to \$6 billion to Alibaba if it becomes successful enough to pursue an initial public offering of stock within the next decade. A big chunk of that money eventually could flow to Yahoo and Alibaba’s other major shareholder, Japan’s Softbank, which also signed off on the Alipay agreement. The terms confirmed what investors had suspected all along: Yahoo won’t make as much money off its Alibaba investment as it would have if Alipay hadn’t spun off into a separate company controlled by a group led by Alibaba CEO Jack Ma.

Instead of owning all of Alipay, Alibaba now owns 37.5 percent stake in the service. Alibaba’s potential windfall from an Alipay IPO has now been capped at \$6 billion, a ceiling that might look low if Alipay can realize its ambition of becoming the China’s equivalent of PayPal, which has steadily risen in value since eBay Inc. bought it for \$1.5 billion in 2002. The chief financial officers of Yahoo and Alibaba did their best to sell the Alipay settlement as a good deal for all parties involved, but Wall Street didn’t appear to be buying the rationale. After initially jumping on news of the deal, Yahoo shares slipped 40 cent or nearly 3 percent, to close Friday at \$13.10. “Alipay agreement: better than nothing but not that great,” J.P. Morgan analyst

Doug Anmuth wrote in a note that summed up the market’s sentiment. The sour reaction keeps the pressure on Yahoo CEO Carol Bartz, whose inability to turn around the company or boost its stock after two and a half years on the job has spurred talk on Wall Street that she might be replaced before her contract expires in January 2013. Yahoo has consistently indicated that Bartz has the support of the company’s board, which hired her despite her lack of Internet experience. Bartz, 62, also had a rocky relationship with Alibaba’s Ma, another source of worry for Yahoo shareholders. That’s because Alibaba has emerged as a prized asset while Yahoo’s own revenue has been falling during Bartz’s tenure.

Anmuth estimates Yahoo’s stake in privately held Alibaba is worth about \$4.76 billion, accounting for more than one-third of Yahoo’s current market value of \$17 billion.

Yahoo’s value has shed \$7 billion since the news of Alipay spinoff. In a conference call, Alibaba CEO Joseph Tsai stressed that Alipay had to be spun off to comply with Chinese laws forbidding foreign investments in an online payment service operating in the country.

If Yahoo and Softbank had still held indirect stakes in Alipay through Alibaba, the service wouldn’t have been licensed in China. Given that, Tsai said, Yahoo shareholders should be happy to have a chance to share in Alipay’s profits and IPO under the new arrangement that leaves Alibaba with a 37.5 percent stake in the payment service instead of full ownership. “If you own 100 percent of a business that doesn’t have a license to operate, that’s 100 percent of zero,” Tsai said.



[www.robertsryan.net](http://www.robertsryan.net)

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.