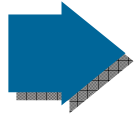

Financial Communication

Internet: Lessons from the US situation

November 20, 2001

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Agenda



- Internet is an essential tool for US financial community and its usage should accelerate in the near future...hopefully for the best !
- Internet will be a critical enabler for companies willing to develop a strong financial brand
- A real time shareholder information is conceivable

Internet has become an essential tool for US financial community

- **Companies** : reaching investor is the second most important reason for them to have a web site
 - Information disclosure
 - Communication with shareholders
- **Investors** : Internet made possible professional day traders
 - Information
 - Investment selection
 - Portfolio management
- **Financial professionals** : business models of banks are redesigned (Merrill Lynch)
 - Market's expectations
 - Business management

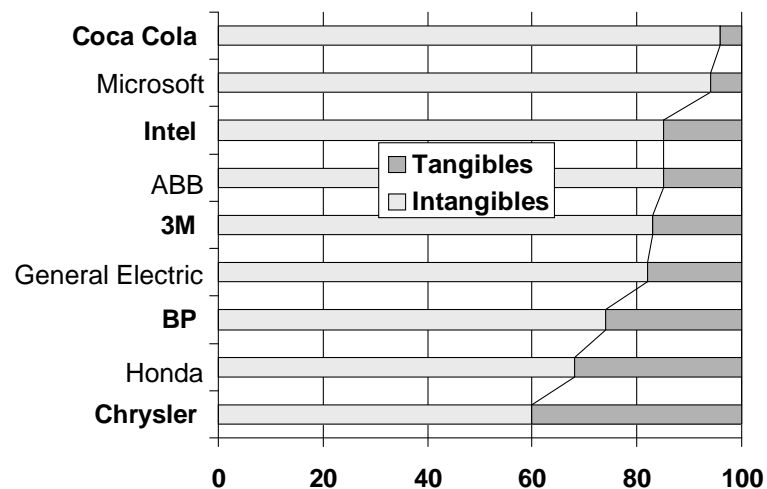
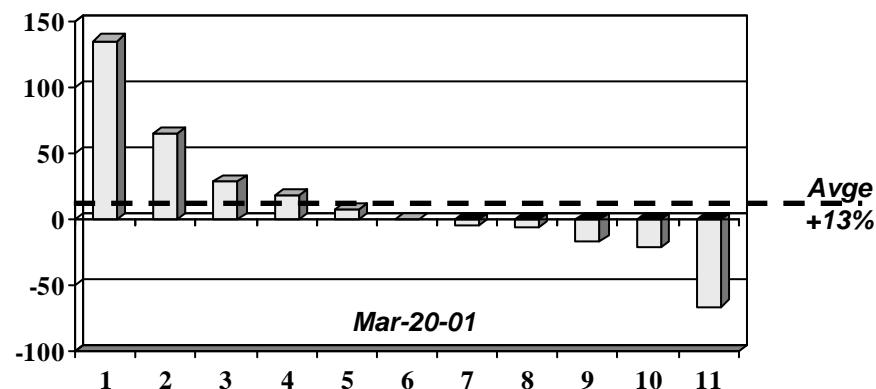
- 34,000 people logged onto Cisco Systems' quarterly earning report in May 2001 to attend the webcast
- 75% of cios post notices on their sites
- 84% notify investors and media of upcoming webcast
- 80% of cios rely on the use of internet broadcasts
- 55% rely on push technology (via e-mail) to alert investors
- 10.5 Million online trading account beginning of 2000; 20 millions by 2001 (majority for convenience and lower fees)
- Equity assets in these accounts will reach \$3 trillion by 2003 (\$400 at the end of 1999)

Internet has permeated day-to-day life of the US financial community

Internet usage has strong drivers in the US

- **Demand** for internet financial communication is strong:
 - Fragmented shareholder base
 - Culture of the US people
 - Need to compensate analyst credibility gap (desintermediation)
- **Technology** is there:
 - PC installed base
 - Falling costs and expanding capabilities
 - Convenience
- **Regulation** becomes more stringent:
 - Regulation Fair Disclosure (oct 2000) requires companies to disclose « market moving » information to the general public and to analyst at the same time
 - Non financial information disclosure is coming next (FASB 2001 report and SEC task force recommendation in May 2001)

11 stocks on the sell list (out of 1328 covered by CSFB)
Gain/loss since the date of recommendation



Overall, internet has improved financial communication

- **Reg FD Critics point up:**

- Information glut
- Unfiltered disclosure
- Overaction of the market as a result

MKT VOLTLTY NDX (Chicago Board Options Exchange)
as of 15-Nov-2001



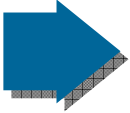
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- **But:**

- Reg FD has led to an increased **speed** and **volume** of disclosed information
- For the second quarter of 2001, there were more than 1,300 pre-announcement (up from 555 alerts the year before)
- 150% increase in the average number of disclosures per firm in the 2000 4Q
- Clear pre-announcements generally see their stocks fare 6-7% better than those who piece out the bad news
- 28% of cies are providing more information after Reg FD and 48% have not cut back
- **Financial volatility reflect the volatility of the competitive position** of companies

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Creating a financial brand is a critical differentiation factor

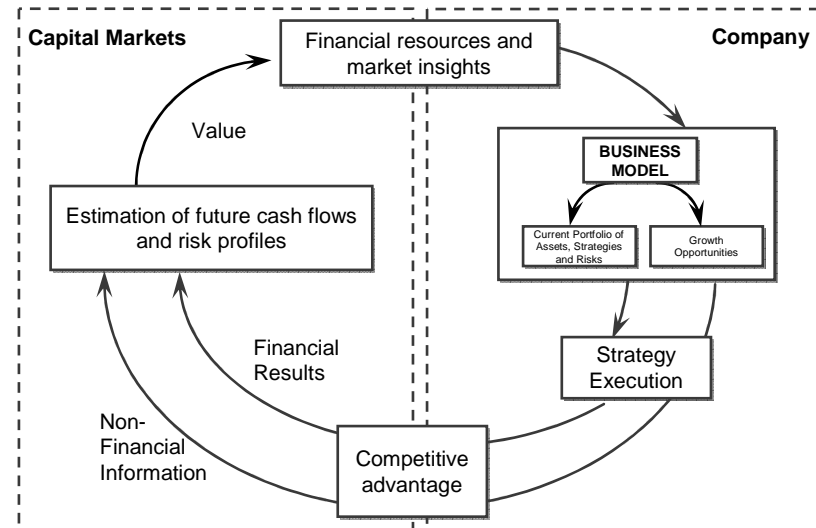
- The US financial market is **highly competitive** due to the increase in:
 - the number of listed companies
 - the availability of financial and non-financial information
 - the selectivity of analyst coverage
 - the sophistication of individual investors
 - the international markets' globalization
- Creating a **strong financial brand helps** a listed company to:
 - Draw investors' attention
 - Gain more financial resources than its competitors
 - Utilize its financial clout to accelerate external growth
 - Attract talents
- **Creating a brand is the company's own responsibility**



A comparison of Amazon and Barnes & Noble strikingly illustrates the “value polarization” phenomenon

Establishing a financial brand is a complex process

- A financial brand is the company's **promise to deliver in the long run** a specific combinations of risk and returns to its current and future shareholders
- At its core is the market's conviction that the company will be able to create and sustain a **competitive advantage** even if the continuous transformation of business models makes it increasingly difficult
- In the context of the New Economy, market value is primarily driven by **intangible** assets and future strategic **growth options**
- Shareholders reward **new business models** which are based on:
 - Organizational and strategic flexibility
 - Intangible asset management
 - Network (business web) management
 - Growth options portfolio management



Companies must gain control of their capital markets feedback loop through a deliberate disclosure of the key non-financial performance and value drivers

In the future, web sites will be a one-stop-shopping area for investors

The image displays two overlapping Microsoft Excel windows. The left window, titled 'Microsoft Excel - http://www.microsoft.com/msft/download/PivotTables/revenuepivot.xls', shows a PivotTable with the following data:

Business Division	Enterprise Platforms, Software
Fiscal Year	2001
Revenue	Quarter
Sales Channel	Q1
South Pacific and Americas Region	
Europe, Middle East, and Africa Region	
Asia Region	
OEM	
Total	

The right window, titled 'Microsoft Excel - http://www.microsoft.com/msft/download/PivotTables/FY2001WhatIf.xls', shows a 'Project Microsoft FY 2001' dialog box with the following input fields:

- ...revenue to change by? (%):
- ...investment income to be? (in millions):
- ...cost of revenue to be? (as a % of revenue):
- ...other expenses to be? (in millions):
- ...sales & marketing exp to change by? (%):
- ...the tax rate to be? (%):
- ...research & dev. exp to change by? (%):
- ...the avg. shares to be? (in millions):
- ...general & admin. exp to change by? (%):

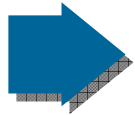
Below the dialog box, a data table is visible:

12	Research and development		1 863	2 601	2 970	3 775
13	Acquired in-process technology		--	296,	--	
14	Sales and marketing		2 411	2 828	3 231	4 141
15	General and administrative		362	433	689	1009
16	Other expenses		259	230	115	92

- Trends:
 - Proprietary and value added information (real time information that matters) will be easily accessible on companies' web sites
 - Amplification of the analysts' desintermediation: investors will be provided with analysis tools
 - Companies will use shareholders' feedback to better market their equity
 - Shareholders may be able to manage their position directly through the web site

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Financial communication needs to adapt to the blurring of the real and financial markets

Attributes	Real Market	Real mimics financial	Financial Market
Price	Fixed	www.eBay.com	Floating
Knowledge of the Offer	Asymmetric	www.compare.net	Symmetric
Feedback Time	Lagged	www.fedex.com	Real-time
Value Mindset	Stock	www.dell.com	Flow
Source of Value	Use	Secondary markets	Trade
Regulation	Possible	Yahoo Nazi auction	Unsustainable
Risk	Eliminate Through Design	2002 World Cup cancellation hedging	Adapt and Hedge

There is an opportunity to create a market place for the information that matters

