



The power to be your best



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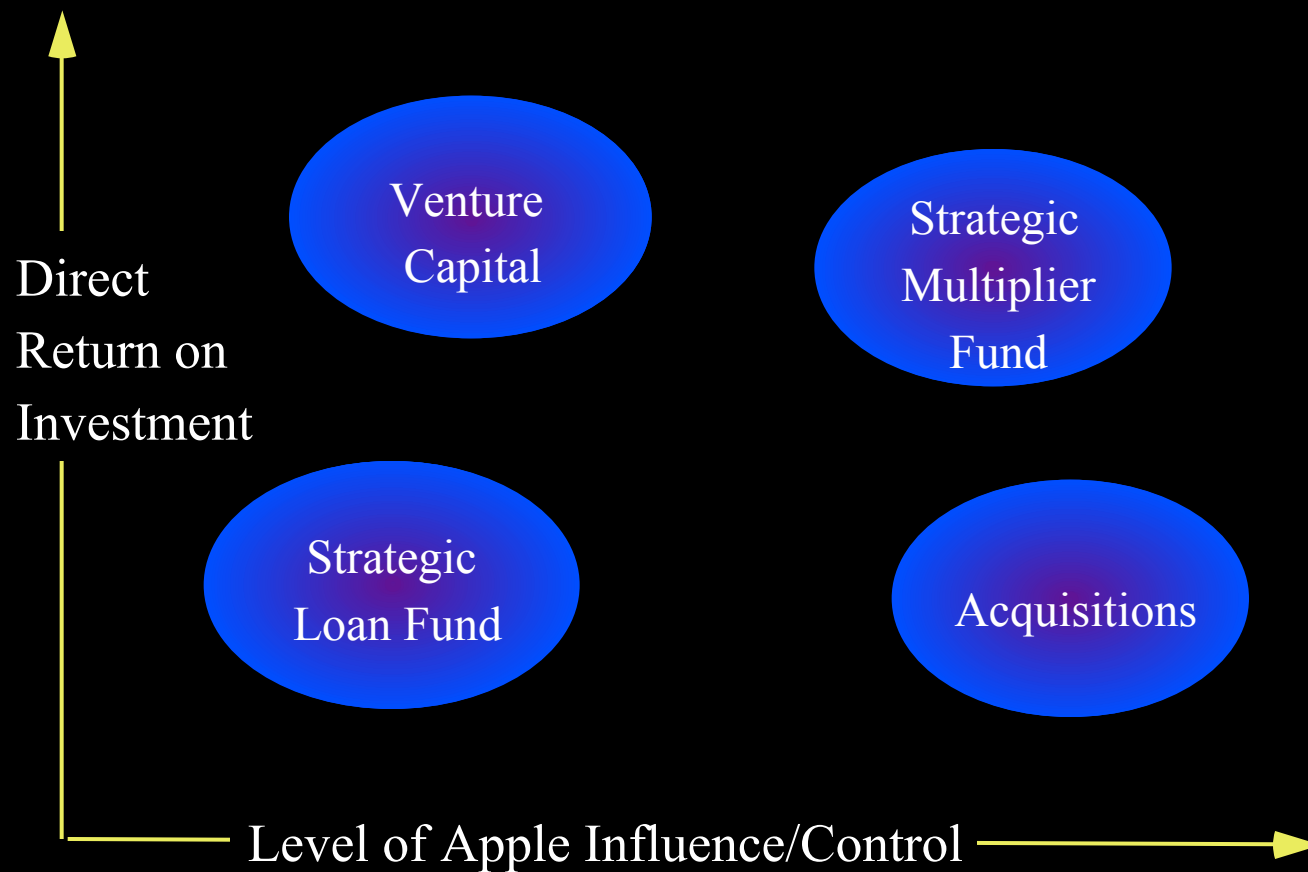
Financing and Nurturing the Growth of Apple's Third-Party Companies

Corporate Development/Strategic
Investments

Why Strategic Investments At Apple

- To build strong 3rd party companies
- To bring our products to new markets
- To obtain windows on new technologies
- To obtain high returns on Apple's cash

Strategic Investment Group



What Does It Take to Raise Capital?

- Ideally, a strong management team
- A large market for planned product(s)
- Realistic business plan
- Defensible business strategy
- Six to twelve months

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Management Team

- Ideally, a complete team with relevant education and experience
- Balanced view of *need* for a *team*
- Openness, realism, honesty

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Market

- Large enough for a 20% market share company to be a “big” business
- Distribution channels which can reach and support customers
- Ability to access distribution channels with favorable supplier and channel economics

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Business Plan

- Shows understanding of market and technology
- Efficient use of cash
 - Capital requirements less than \$50 million total
 - Technical risk reduced by small \$\$ investment
 - Most cash for infrastructure building

Business Plan (*cont.*)

- Reasonable staffing levels
- Knowledge of competition
- Reasonable return on investment

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Defensible Business Strategy

- Differentiated product—in a meaningful way
- Technical (or “work effort”) lead over competition
- Distribution barriers to competition
- Way to create market or brand franchise

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What Do Venture Capitalists Provide?

- Capital
- Management advice and review
- Recruiting assistance
- Industry contacts
- Financial contacts
- Visibility

What Apple Looks For

- Increased sales of Apple products
- Defensible and profitable **business** (not just a product)
- An excellent management team (experienced, flexible, tenacious, honest)
- Ability to “exit” the investment (IPO, acquisition, loan repayment, etc)
- Fair initial pricing (valuation) of the company

What Apple Looks For

- A growth plan:
 - Venture Capital–10X return in 5 years
 - Strategic Loans–repayment of loan in 2 years
 - Strategic Multipliers–20% per year ROI

Advantages of Apple Venture Capital Over Other Venture Capital Sources

- Focus on Apple related businesses only
- Unique market perspective
- Access to Apple engineering, sales and marketing groups
- Computer industry contacts

Areas of Likely Investment

- Network and Communications hardware and software
- Video/Graphics/Sound hardware and software
- Desktop Presentations and Publishing
- AI Tools, Applications, Expert Systems and CASE
- High speed I/O, File Servers and Data Base
- R&D Automation and Visualization
- **Horizontal software goes to Claris**



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