

Tier1 Research: Executive Ins/TER for 05/18/06

HEADLINES

- **Photobucket secures more financing; Functional hosting keeps growing**

SUMMARIES AND INSIGHTS

Photobucket secures more financing; Functional hosting keeps growing

Photobucket, a privately held content hosting provider, confirmed that it had secured \$10.5mn in a second round of financing from Trinity Ventures. T1R spoke with Photobucket, which plans to use the funds to engage new hires and accelerate its growth. The company is looking to expand its advertising sales, product marketing and business development teams in Palo Alto, and its development team in Denver, covering the areas of software, content moderation and customer support. Photobucket previously closed a \$2-3mn round of financing with Insight Venture Partners. According to management, a second round of financing was sought because they wanted to be able to properly attack a rapidly expanding market. Gus Tai of Trinity Ventures will join the board of directors. He led Trinity's investment in Speedera Networks, among other investments, which is interesting since Photobucket says it does not use a CDN provider. The company reports being profitable and cash flow positive. This investment is worth mentioning because it is a sign of the growth in functional hosting services which as we have noted in recent research, represents a growing threat to shared hosting providers.

- **If you build it they will come:** Photobucket has achieved unprecedented growth and popularity among its 15M registered users to-date (10M unique users/mo.), which is reportedly growing at a clip of 2M users per month. The company only recently launched its video publishing services in April of this year with its community of users already reportedly contributing in excess of 1M videos. Setting Photobucket apart from competitors such as YouTube is the fact the company enables users to link their content to thousands of community and e-commerce sites such as MySpace, eBay or Blogger while storing all of their own content in one location. Currently, the company offers a free version of its services with 1GB of storage, 10GB bandwidth, 1MB image size limit and 3 minute videos and 1,000 images or videos per album or sub-album. The company's premium offering is \$9 for 3mo. or \$25/yr. and includes 5GB of storage, unmetered bandwidth, 2MB image size limit, 5 minute videos and 1,000 images or videos per album or sub-album. The company also generates revenue through advertising and aiding in the company's early profitability despite the massive amounts of data the company is streaming is the fact they do not currently pay for the services of a CDN provider, but have developed a proprietary delivery solution, which it serves from three outsourced data center colocation providers in the Denver, CO-area.

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