
From: naveen jain [naveen@infospace.com]

Sent: Thursday, April 20, 2000 5:43 AM

To: gmacleod@infospace.com; njain@infospace.com; ashok@infospace.com; arun@infospace.com

Cc: thalstead@infospace.com; khellebust@infospace.com; sshivers@infospace.com

Subject: RE: IMPORTANT European wireless revenues down

This is not good. How do we fix it.

Naveen Jain
Chairman and CEO
InfoSpace Inc; <http://www.infospace.com>
P: (425) 602-0604
F: (425) 882-0988

-----Original Message-----

From: Garth Macleod [mailto:gmacleod@infospace.com]

Sent: Thursday, April 20, 2000 12:06 AM

To: njain@infospace.com; ashok@infospace.com; arun@infospace.com

Cc: thalstead@infospace.com; khellebust@infospace.com; sshivers@infospace.com

Subject: IMPORTANT European wireless revenues down

Naveen; Arun; Ashok

We have a major revenue matter to solve.

Background & Problem Description:

Following a meeting between Ashok and Richard Wadsworth (Saraide Europe) last week, Wadsworth has lowered his European Yr 2000 wireless revenue forecast by a massive \$20m which represents a 61% reduction (i.e. from \$31m to \$12m).

Though there is always some variability to forecasting, the drastic size of the decrease and its timing of communication is totally unacceptable..... Saraide (via its CFO or Head of European Biz Dev) have repeatedly submitted updated forecasts and as recently as two weeks ago reassured Ashok that they were on track to execute on approx. \$31m European revenues. This was close to the revenue plan they represented at the time of the acquisition due diligence. One could argue that that acquisition terms were in part based on the assumed execution of this revenue plan. Clearly analysts have been primed to expect major wireless revenues in Europe based on this plan. Such a significant reduction with no early visibility makes it extremely difficult to provide accurate forecasts to enable us to beat the Street or have any level of comfort moving forward.

Quarterly details as follows: 2Q00 European wireless revenues down \$1.6m, 3Q00 revenues down \$6.5m and 4Q00 revenues down \$10.9m

Cause:

Three to six month deferral on signing of contracts versus the original forecasts.

Reasons:

The reasons Saraide give are to refocus due to limited resources. Could also be an overpromise/underdeliver issue, simply a lack of execution, or a combination of reasons. Ashok, Kent Hellebust or Steve Shivers might be able to shed some light on this.

Impact:

The full impact of Saraide's \$20m lower European revenues will not be felt as we had fortunately factored a significant risk adjustment to this revenue stream. However, we still have to lower our internal Yr 2000 revenue estimates by \$10m from \$106m to \$96m (versus Analysts currently at \$86m).

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On a quarterly basis, there is minimal impact to 2Q00, however there is moderate impact to 3Q00, and a MAJOR impact on 4Q00 as per the revised INSP consolidated forecast below:

2Q00 Revenues of \$21.5m v's Analysts \$17.5m (Note: cushion is misleading as analysts estimates will increase following our earnings announcement next week)

3Q00 Revenues of \$24.0m v's Analysts \$20.5m

4Q00 Revenues of \$32.0m v's Analysts \$32.6m

Further Action required:

1. Discussion with Wadsworth to determine whats going on
2. Establish if there is a corresponding reduction in expenses. If not, then we are generating less with the same resources which will negatively impact Gross margins and EPS
2. Get someone who knows the business over there quickly to do a reality check.
3. Look for ways to offset the shortfall.
4. Mitigate this risk moving forward
5. Establish accountability

This situation also highlights the need for evaluating performance based terms in future acquisitions.

Since we have an analyst retune next week we need to move fast on this.

Garth MacLeod
Director of Finance
InfoSpace
425 602-0551

-----Original Message-----

From: Stephen Dunlop [mailto:stephen.dunlop@saraide.com]
Sent: Wednesday, April 19, 2000 11:37 AM
To: gmacleod@infospace.com
Cc: Richard Wadsworth
Subject: Europe Sales

Hi Garth,

Following the resource allocation meeting that Richard had with Ashook and Kent last week in Redmond, there will have to be significant variations to the Europe wireless sales forecasts. There was a decision to focus on four carriers in Q2;

- * Omnitel
- * France Telecom Mobile
- * Virgin and
- * Vodofone

I have forecasted those being signed in June and having services ramp up after that.

Q3 focus will include;

- * Bouyges Telecom
- * Airtel
- * Orange CH
- * KPN Orange
- * One-2-One

I have these forecasted for signing in August time frame and ramping up services thereafter.

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