

FTC v. Meta Platforms, Inc.

Prof. Jihoon Rim
April 21, 2025

Qualifications



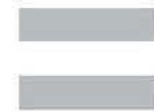
NEW YORK UNIVERSITY

kakao



CUBE VENTURES

(주)케이큐브벤처스



SoftBank
Ventures Asia

Source: Rim Report § 1

Expert Assignment

- Review and respond to parts of two Meta expert reports (the Kaplan and Carlton Reports) that imply that Instagram and WhatsApp were likely to fail absent their acquisitions by Meta.
 - Kaplan Report Sections II, III, IV, V, VI.
 - Carlton Report Paragraphs 8 and 9 (citing to Kaplan Report).
- Review and respond to parts of the Kaplan and Carlton Reports that state that WhatsApp was unlikely to provide personal social networking if not acquired by Meta.
 - Kaplan Report Section IV.G.2.
 - Carlton Report Section V.C.1.a.

Source: Rim Report § 2

Summary of Opinions

- 1) Instagram and WhatsApp were highly likely to be successful. There is no reason to believe that they were likely to fail at the time of their respective acquisitions.
- 2) WhatsApp, absent its acquisition by Meta, was likely to develop an offering including a social networking offering similar to Facebook.

Source: Rim Report § 3

Opinion 1: Instagram and WhatsApp were highly likely to be successful

Opinion 1 Roadmap

1. Instagram and WhatsApp were exceptional as indicated by industry metrics
2. Instagram and WhatsApp were flooded with investment offers
3. Instagram and WhatsApp received valuable assistance from venture capital firms
4. Data from Meta's expert Professor Kaplan confirms that Instagram and WhatsApp had at most a 6% chance of failure

Instagram and WhatsApp were exceptional as indicated by industry metrics

1. Scale
2. Growth
3. Engagement

How many users you have + How fast the user base is growing + How often users use it = Holistic view of whether an app is likely to be successful.

Source: Rim Report ¶¶ 50-51

Standard industry metrics for evaluating mobile applications

Standard Methods of Measuring **Scale**, **Growth**, and **Engagement** :

Scale – Daily Active Users (DAU) or Monthly Active Users (MAU)

DAU = number of unique app users in a day

MAU = number of unique app users in a month

Growth – Rate of Growth (% , month over month, year over year)

– How many DAUs or MAUs are added in a given period

Engagement – DAU/MAU (%)

ex: 70% DAU/MAU = 70% of MAU are active on a given day

Source: Rim Report ¶¶ 52-54

Instagram was exceptional as indicated by industry metrics

Scale: 24.5M (Feb 2012)

Growth: 1.4M (Jan 2011) ➡ 12.2M (Dec 2011) ➡ 24.5M (Feb 2012)

– Exponential

Engagement: DAU/MAU: 64%

Sources: Rim Report ¶¶ 54-55, 57-60

WhatsApp was exceptional as indicated by industry metrics (1 of 2)

Scale: 265M (June 2013)

Growth: 265M (June 2013) ➡ 460M (Feb 2014)

– Sequoia memo (June 2013): adding 850,000 users a day

Engagement: DAU/MAU: 60% (USA), 71% (Global)

Jim Goetz (Sequoia): “WhatsApp is one of the highest engagement apps we have seen, with a DAU/MAU ratio of 68% vs. Facebook at 60%”

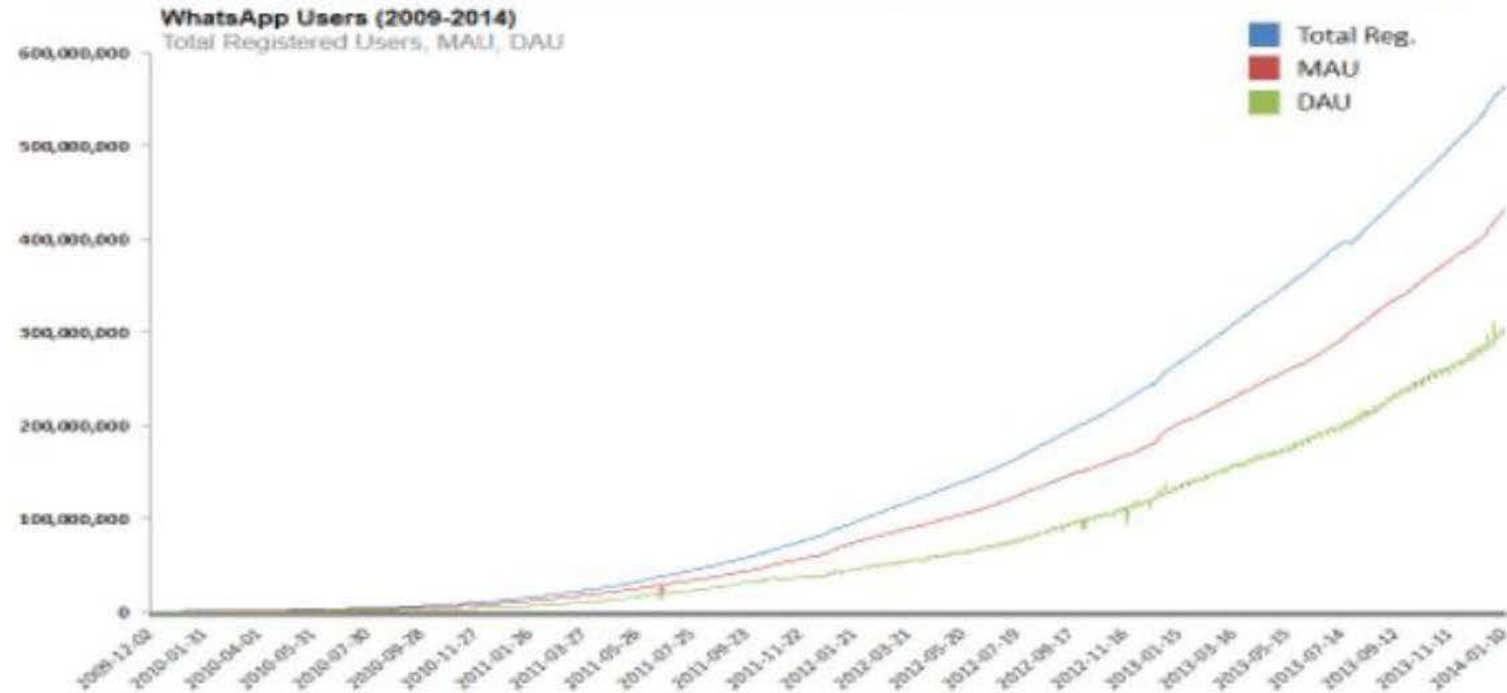
Sources: Rim Report ¶¶ 61-62; PX10232
(Sequoia WA investment memo)

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WhatsApp was exceptional as indicated by industry metrics (2 of 2)

Over 600 Registered, 460M MAU, 325M DAU

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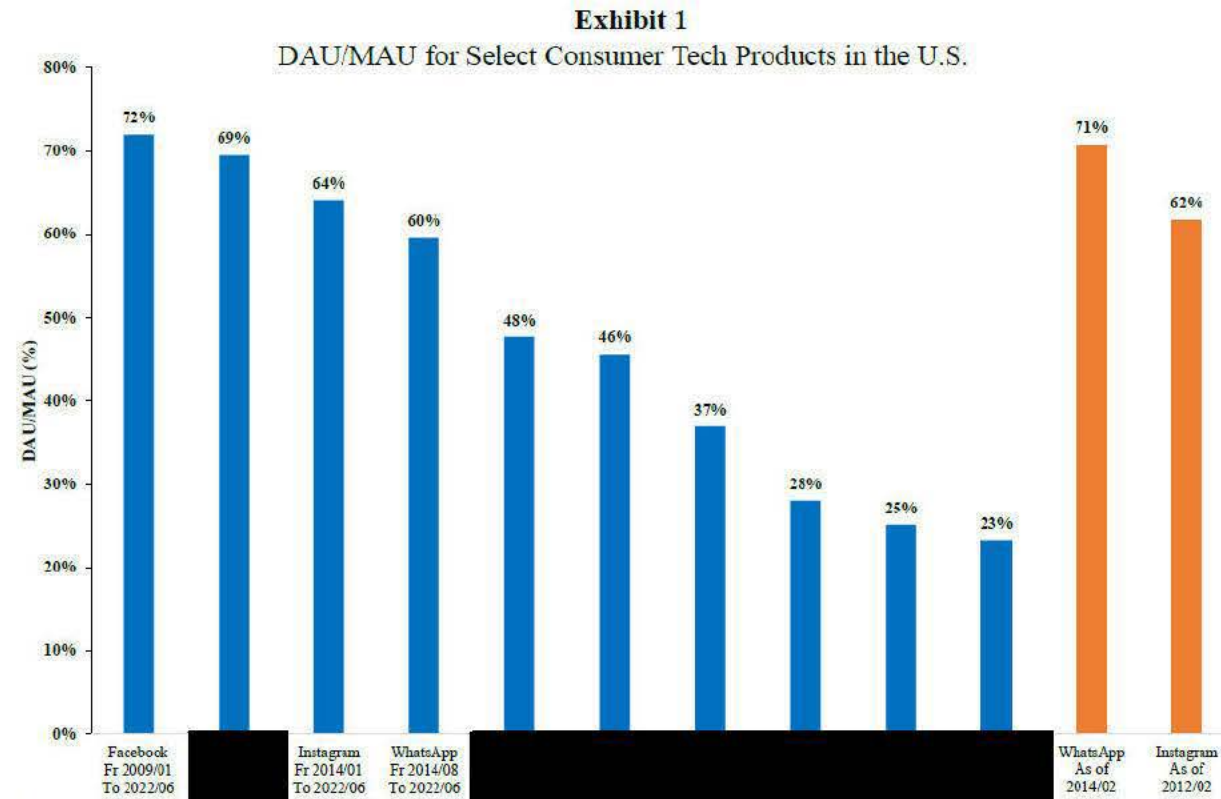


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Sources: PX10858 (Meta Board deck);
Rim Report ¶¶ 61-62

Instagram and WhatsApp had exceptional engagement compared to other consumer technology applications



Sources:

Confidential data and documents from Meta and third parties.

Notes:

[1] An asterisk (*) denotes DAU/MAU is shown for logged-in users only.

[2] Blue-colored vertical bars show the average monthly DAU/MAU over the period indicated below the bar.

[3] Orange-colored vertical bars show DAU/MAU at the time indicated below the bar.

Source: Rim Report Ex. 1

Instagram and WhatsApp were flooded with investment offers (1 of 2)

Potential investors that reached out to Instagram  (Oct 2010 – Feb 2012):

Benchmark Capital

David Marcus

Docomo Capital

General Catalyst
Partners

Google Ventures

Greylock Partners

Kleiner Perkins

Redpoint Ventures

Sequoia Capital

SoftBank Capital

Spark Capital

SV Angel

Source: Rim Report ¶¶ 76-77

Instagram and WhatsApp were flooded with investment offers (2 of 2)

Potential investors interested in WhatsApp



(late 2010-early 2014) :

America Movil	Battery	Benchmark Capital
Bessemer	Blackrock	Coatue
DST	Felicis Ventures	Fidelity
General Atlantic	Google Ventures	Greylock
IVP	Maverick	Meritech Capital
Microsoft	Naspers	Raketu
Sequoia Capital	Softbank	Suhail Rizvy
Tencent	Tiger	T. Rowe

Source: Rim Report ¶¶ 78-80

Instagram and WhatsApp received valuable assistance from venture capital firms

Extraordinary Metrics + Top Venture Capitalists' Assistance = **Likely to Succeed**

- Hiring
- Raising Money
- Strategy
- General Company Operations
- Business model
- Handling acquisition offers

Sources: Rim Report ¶¶ 69-73

Sequoia actively assisted WhatsApp (1 of 2)

Message

From: Jim Goetz [goetz@sequoiacap.com]
Sent: 1/7/2014 10:36:18 PM
To: Jan Koum [jan@whatsapp.com]
Subject: Re: need help!

Will call when I get out of my bod meeting.

From: Jan Koum <jan@whatsapp.com>
Date: Tuesday, January 7, 2014 11:27 AM
To: jim goetz <goetz@sequoiacap.com>
Subject: Re: need help!

thanks but i think that Ed and Jackie alone won't move the needle for us. we need a list of 15-20 top web developers in the valley that we can talk to and potentially convince to move. we need help of the entire partnership with this.

On Tue, Jan 7, 2014 at 6:32 AM, Jim Goetz <goetz@sequoiacap.com> wrote:
Got it. Will reach out to Ed and go after Jackie. More to come.

From: Jan Koum <jan@whatsapp.com>
Date: Monday, January 6, 2014 11:18 PM
To: jim goetz <goetz@sequoiacap.com>
Subject: need help!

really need help finding and hiring 2-3 good web developers. our web client is showing HUGE potential but with just one engineer working on it, it will never launch. we need to turbocharge this project asap!

Mr. Koum: "really need help finding and hiring 2-3 good web developers . . . we need to turbocharge this project asap!"

Mr. Goetz: "Got it . . . More to come."

Sources: Rim Report ¶¶ 69-73;
PX3814

Sequoia actively assisted WhatsApp (2 of 2)

Message

From: Jim Goetz [goetz@sequoiacap.com]
Sent: 4/8/2013 4:47:15 PM
To: Neeraj Arora [neeraj@whatsapp.com]
Subject: RE: Samsung intro

we have heard from:
twitter, tencent, msft, google, yahoo, facebook, quattrone and grimes. have forwarded most to jan but we have avoided signalling where possible.

From: Neeraj Arora [mailto:neeraj@whatsapp.com]
Sent: Monday, April 08, 2013 9:44 AM
To: Jim Goetz
Subject: Re: Samsung intro

Sure. Marissa pinged me separately. Not sure Jan sent you the note but I am happy to.

On Mon, Apr 8, 2013 at 9:33 AM, Jim Goetz <goetz@sequoiacap.com> wrote:

wonderful. we should also discuss all the inbound M&A interest we received over the last three days (have forwarded to Jan).

From: Neeraj Arora [mailto:neeraj@whatsapp.com]
Sent: Monday, April 08, 2013 9:11 AM
To: Jim Goetz
Subject: Samsung intro

Hi Jim,

Was talking to Jan last week and I think we are willing to talk to Samsung to discuss a broader partnership. He asked me to ping you to get intros to the relevant people.

thanks,

neeraj

Mr. Arora: "I think we are willing to talk to Samsung to discuss a broader partnership. [Jan Koum] asked me to ping you to get intros to the relevant people."

Mr. Goetz: "wonderful. we should also discuss all the inbound M&A interest we received over the last three days (have forwarded to Jan)."

Sources: Rim Report ¶¶ 69-73; PX14801

Professor Kaplan's own data shows a high likelihood of success for Instagram and WhatsApp (1 of 3)

Kaplan (Meta) Report: **31.6%**

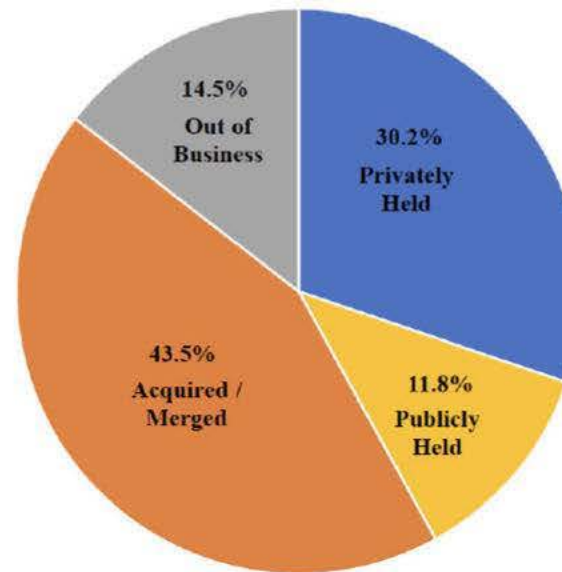
28. A study of more than 17,000 VC-backed startups finds that, 10 years after founding, 31.6% of the startups have failed, 23.8% have been acquired, and 7.6% have gone public, with the remaining 37% remaining in business, privately held.³⁸ This means that for “realized” deals – that is, those either failed, acquired, or public – approximately 50% have failed in 10 years, 38% have been acquired, and only 12% have gone public.³⁹

Source: Rim Report § IV.A
(citing Kaplan (Meta) Report)

Professor Kaplan's own data shows a high likelihood of success for Instagram and WhatsApp (2 of 3)

Kaplan (Meta) Report: **14.5%**

Exhibit D
Current Status of Sequoia Capital-Backed Companies
(First Sequoia Investment: 2008-2014)



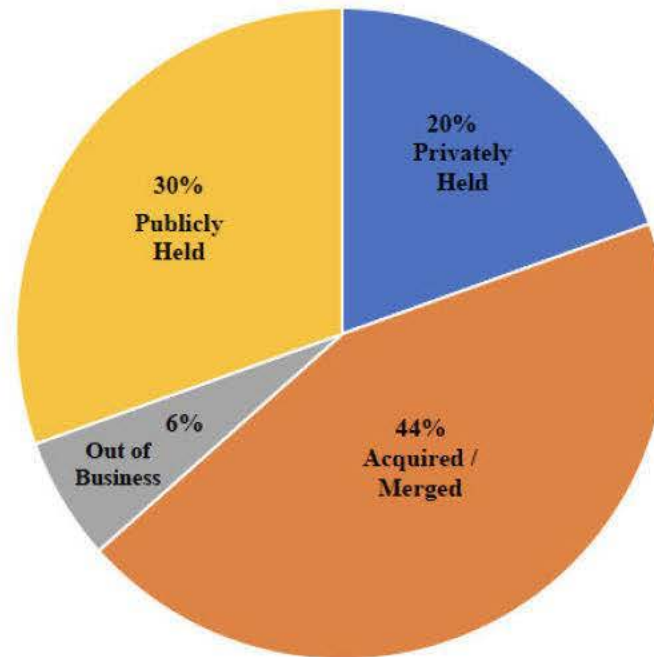
Source: Rim Report § IV.A
(citing Kaplan (Meta) Report)

Professor Kaplan's own data shows a high likelihood of success for Instagram and WhatsApp (3 of 3)

Kaplan (Meta) Report: **6%**

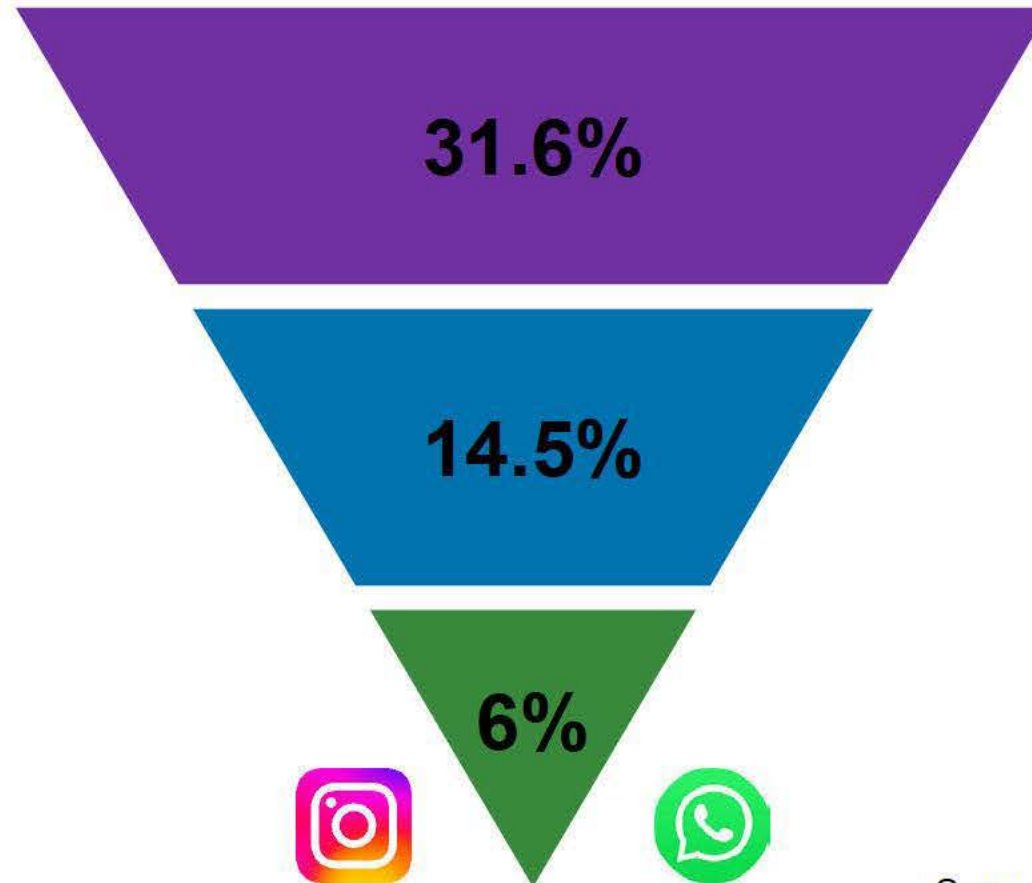


Exhibit B
Companies With Post Valuations (Series B)
Between \$250 Million and \$5 Billion
(2008 to 2014)



Source: Rim Report § IV.A
(citing Kaplan (Meta) Report)

Failure rates decline as startups become more mature and well funded, and for Instagram and WhatsApp, even a 6% failure rate would be high



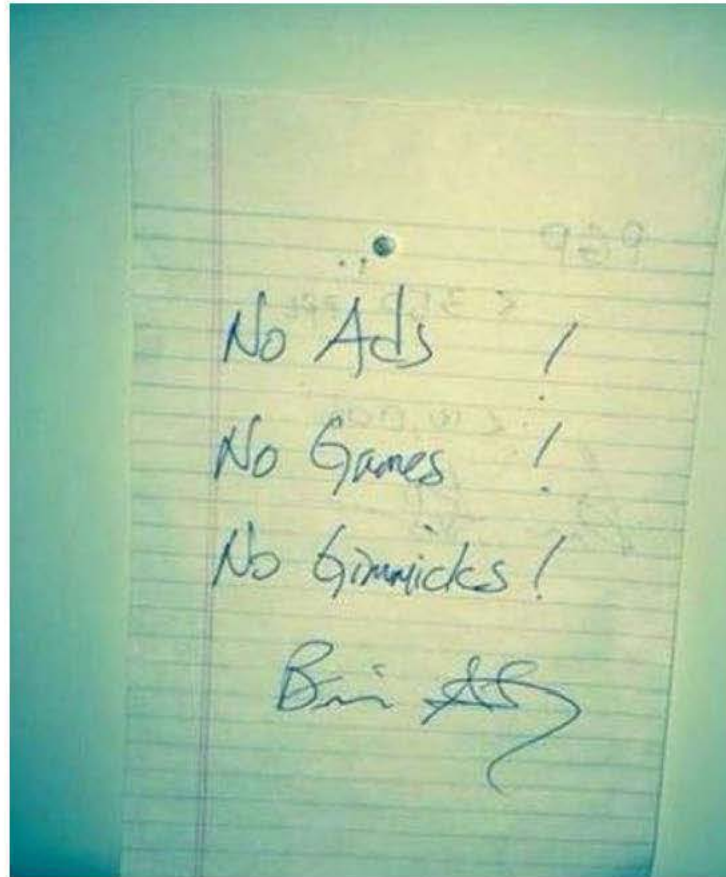
Source: Rim Report ¶ 46, § IV.B

Opinion 2: Absent its acquisition by Meta, WhatsApp was likely to develop a social networking offering similar to Facebook

Opinion 2 Roadmap

1. WhatsApp would have monetized
2. Each leading mobile messaging app that monetized successfully at the time added a social networking offering
3. Knowledgeable industry players showed a strong belief in WhatsApp's potential as a social network
 - Sequoia (investment memo)
 - Morgan Stanley (investment bank presentation)
 - Meta (Board deck)

Monetization is necessary for startups



Source: Rim Report ¶¶ 100-102;
DX0123

WhatsApp venture capitals expected monetization

- Sequoia expected monetization
 - In talks with WhatsApp founders about monetization
- DST expected monetization
 - DST agreed to a handshake deal to provide WhatsApp with up to \$300 million in funding in early 2014
 - Mehta (DST) testified DST expects its portfolio companies to be able to monetize successfully

Sources: Rim Report ¶¶ 105-106; Mehta Tr. at 107:8-12

WhatsApp's subscription model was limited

Jim Goetz (Sequoia) recognized that WhatsApp's subscription model was limited:

"WhatsApp was primarily a tech service, but we had ambitions in the product **roadmap to roll out photos and video**. And given the price point of the service and the sheer number of users, the annual cost of supporting the consumer population with the mobile messaging app was going to increase as we attempted to move more bits for video and photos. And **without a monetization strategy**, those costs were the primary expense in the company at this juncture, I believe **more significant than payroll**."

WhatsApp 2013: total revenue of \$10.2 million vs. **net loss of \$138.1 million**.

Sources: Rim Report ¶¶ 103-104;
Goetz Tr. at 193:2-17

WhatsApp was iterating on a new monetization plan

- Sequoia's June 2013 investment memo shows the WhatsApp founders were already working on a monetization plan.
- Authors of investment memos would not present speculative information to the investment committee.

SEQUOIA CAPITAL

To: Investors
From: MSA/JJG
Date: June 3, 2013
Re: WhatsApp Series B - GFV

WhatsApp has reached its leading scale of 360 million registered users without spending on user acquisition but competitive rivalry has intensified with LINE aiming a large marketing budget at WhatsApp strongholds Spain and Indonesia and WeChat pushing into Mexico and India. Strategically, WhatsApp has remained focused on simplicity akin to Skype or Chrome while Kakao and LINE have innovated to become full-fledged social networks in the spirit of Facebook with virtual goods and popular gaming platforms. Thus the WhatsApp business model is based on recurring subscription revenue whereas competitors generate revenue via gaming platforms and virtual goods. WhatsApp management is iterating on this topic in real time and will refresh with a virtual goods API while maintaining a simple user interface.

Sources: Rim Report
105-106 PX10232

Three of the four leading mobile messengers successfully introduced a monetization method including social networking offerings

WeChat 

Digital goods, **social networking offering (WeChat Moments)**, games

LINE 

Digital goods (stickers), **social networking offering (LINE Timeline)**, games

Kakao Talk 

Digital goods (stickers and gifting), **social networking offering (KakaoStory)**, games

Source: Rim Report ¶¶ 108-109

Sequoia's investment memo contemplated that WhatsApp would follow the path of those leading messengers (1 of 2)

SEQUOIA CAPITAL

To: Investors
From: MSA/JJG
Date: June 3, 2013
Re: WhatsApp Series B - GFV

Addressable Market

WhatsApp sits at the intersection of the telecommunications and social networking markets.

[...]

Separately, with a global user network WhatsApp has the opportunity to build out a social platform either as a standalone company or via acquisition by an existing social player. The social networking market is large and growing with Tencent generating \$8.6B of run rate revenue in Q1 2013, Facebook generating approximately \$6B of run rate revenue in Q1 2013, LINE generating \$240mm of run rate revenue in Q1 2013 up 92% from Q4 2012, and privately held Kakao growing 25x in 2012 to \$42mm of revenue.

Sources: PX10232, Rim Report 111-113

Sequoia's investment memo contemplated that WhatsApp would follow the path of those leading messengers (2 of 2)

SEQUOIA CAPITAL

To: Investors
From: MSA/JJG
Date: June 3, 2013
Re: WhatsApp Series B - GFV

Strategic Value

Multiple companies with a combined market cap in excess of \$750B have reached out to WhatsApp at various points in time including Facebook, Microsoft, Yahoo, Google, Twitter, Tencent and NHN.

Strategic interest is likely due to the company's unique positioning as a large, global, independent, and growing mobile-only asset.




WhatsApp's user base combined with industry standard monetization could yield meaningful high margin revenue. For example, in Q1 2013 Facebook generated \$2 of annualized mobile advertising revenue per MAU, up from effectively \$0 in the prior year. Overall in Q1, Facebook generated \$5.25 of annualized revenue per MAU.

Sources: PX10232, Rim Report ¶¶ 111-113

PDX0021-030

Planned advertising revenue for a messenger strongly implies a social network

- Users do not like to see anything between their text messages; it is intrusive.
 - To monetize by ads, a messenger would create (1) a **new tab** or (2) a **new app**.

- **New Tab** (LINE, WeChat)  
- **New App** (KakaoStory) 

Morgan Stanley recognized that adding a social networking offering was a likely evolution path for WhatsApp



Sources: PX10227; Rim Report 95-105-117

Morgan Stanley recognized that adding a social networking offering was a likely evolution path for WhatsApp

Fit With Facebook

- **Complementary to Facebook's Core Functionality**
 - Facebook defines itself as a communications platform
 - Photo sharing is core to the Facebook experience (Instagram)
 - Group communications has been a key offering on Facebook since the start
- **WhatsApp Could Determine the Social Network Winner on Mobile**
 - Google's resources combined with WhatsApp's user base and traction could create the predominant social network on Mobile (surpassing Facebook)
- **Solves Facebook's Demographic Problem**
 - Teen engagement is declining on Facebook
 - WhatsApp's demographics are 37% below 24 yrs and 65% below 34 yrs of age
 - Teens are the most engaged demographic on WhatsApp

Fit With Google

- **Complementary to Google's Core Initiatives**
 - **Google+:** Strengthens Google+'s position as a social network and helps Google win the social network war on a new turf (mobile)
 - **Android:** Strengthens Google's Android offering with an embedded messenger which reaches far beyond the Android install base
- **Offensive Play Against Facebook and Microsoft**
 - Google's resources combined with WhatsApp's user base and traction could create the predominant social network on Mobile (surpassing Facebook)
- **Desirable Demographics**
 - Teens are the leading indicator of where technology goes and WhatsApp's core demographics is the younger generation
 - 37% below 24 year and 65% below 34 years of age
 - Teens are the most engaged demographic on WhatsApp

Meta recognized that adding a social networking offering was a likely evolution path for WhatsApp











Sources: Rim Report § V.B.3;
PX10858

PDX0021-034

Meta recognized that adding a social networking offering was a likely evolution path for WhatsApp

Social Messaging Monetization Landscape

	Monetization Services						User Metrics			
	Advertising	App Installs	Mobile Games	Virtual Goods (Stickers)	Subscription	Other	MAUs (M)	ARPU ⁽¹⁾		Growth
								2012	2013	
 facebook	✓	✓		✓			1,228 ⁽¹⁾	\$5.32	\$6.81	28%
 skype	✓				✓	Premium voice / messaging / video	280	na	\$6.88 ⁽⁴⁾	na
 WhatsApp	✓	✓	✓	✓	✓		272 ⁽²⁾	\$0.00	\$1.80	nm
 twitter	✓					Data license / analytics	241	\$1.98	\$2.97	50%
 line	✓	✓	✓	✓			207	\$1.12	\$2.17	95%
 TALK	✓	✓	✓	✓			130 ⁽³⁾	\$0.72	\$1.67	133%
 Viber				✓			105	\$0.00	\$0.01	nm
 Cobalt					✓		460	\$0.10	\$0.10	-
Potential: Enterprise mobility messaging, remittance, public messaging							High	\$6.88		
							Mean	3.19		
							Median	2.17		
							Low	0.01		

If Cobalt were to monetize at Line's current ARPU of \$2.17 off its current user base of 460 MAUs, it would generate approximately \$1 billion of revenue.

Sources: Rim Report § V.B.3; PX10858