
VC Deal Of The Year

Sheep-Throwing Slide Looks Smart For Stockpiling Cash

By Tomio Geron

Slide Inc. has built much of its success on esoteric social-networking applications like sheep-throwing and poking, which now reach 155 million people each month.

But the company has also proven adept at making savvy business decisions – notably, deciding at the end of 2007 to stockpile as many venture capital dollars as possible while they were still available.

Slide, whose applications are used by people to communicate on sites like Facebook, raised a \$50 million round in January from **T. Rowe Price Associates Inc.** and **Fidelity Management & Research Co.** at a \$550 million post-money valuation.

That oversized round defied the logic of most start-up companies, which typically raise conservative amounts of capital only a few months before their cash runs out. While Slide's executives determined it wouldn't need any funds until fall 2008, troubling signs in the economy stirred them into action earlier.

"We wanted to be in position where if the economy worsens, we would be well funded to not have to do what everyone else is doing – conserving and worrying about cash," said Chief Financial Officer Kevin Freedman. "We wanted to be in position to grow and take share during the downtime."

Its foresight served it well as the economy cratered, forcing many start-ups that hadn't been as careful to cut jobs or shut down all together. Venture firms are now stingier with their capital, and firms like Fidelity Management and T. Rowe Price, which can help a start-up with their Wall Street and public markets expertise, are being especially careful. So Slide is happy it raised money in time to get those two on board.

"We're trying to build a very significant global public Internet company," said John Malloy, a partner at **BlueRun Ventures** and Slide board member. "When you don't need to raise money you can think about who the investors are."

While plans for an IPO have been pushed back, Malloy says the company's ambitions are still the same despite the economic outlook. "You're looking at a two- to three-year horizon [to go public], minimum," Malloy said. "Our strategic focus is ultimately to be a public company."

Slide has its work cut out for it as it tries to turn its popular network of applications into a substantial revenue generator to match its aggressive valuation. Faced with a probable slowdown in online advertising, the company has moved away from traditional online ads such as banners and sought other ways to make money.

For instance, in one campaign with Energy Brands' Glaceau Vitaminwater, Slide's "Top Friends" application let users send virtual representations of Vitaminwater to friends online. Another application, "Funspace," allows people to watch video on Facebook from major media companies such as CBS Corp., Time Warner Inc.'s Warner Bros. and Comcast Corp.'s E Entertainment. Slide sells ads next to the videos and takes a cut of revenue from ads its partners sell. In Slide's "SuperPoke" and "SuperPoke Pets" applications, people can buy a monthly subscription or pay small amounts of cash for virtual items like clothes or decorations for a pet's house.

With these models in place, Slide projects revenue of between \$30 million and \$50 million in 2009, according to *The Wall Street Journal*. More notably, thanks to its decision to hoard funds early on, it's one of the few Internet companies that is aggressively expanding while others slash expenses. ■

Slide Inc.

[The Company](#)

Slide, founded in 2004, develops applications that people use to decorate their Web pages on social networking sites like Facebook and MySpace. More than 155 million people interact with these applications per month, according to the company, which has sought various ways to generate revenue including premium-brand advertising and micro-transactions.

[The Deal](#)

Slide gathered \$50 million from T. Rowe Price Associates Inc. and Fidelity Management & Research Co. Slide previously received backing from BlueRun Ventures, Founders Fund, Khosla Ventures and Mayfield Fund across three rounds.

[The Competition](#)

Slide's main competitor is RockYou Inc., which has also raised large amounts of capital and aggressively sought ways to generate revenue through various advertising schemes. To keep up with Slide, RockYou announced a \$35 million Series C round led by DCM in June, and then added another \$17 million in November mostly from Softbank Japan in order to expand into Asia.