



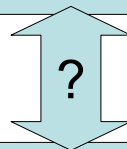
Steven Sakamoto
Santosh Sateesh



B2G Market: Decentralized

- \$600 bil federal, state and local gov't market

87,000 Gov't Purchasing Offices



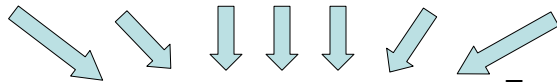
Procurement
Solutions

1 mil+ Suppliers



The Onvia Guide: True Value

50,000 Gov't Purchasing Offices



Onvia Guide

- E-mail/Fax Notification
- 40,000 Leads Generated Per Month
- Price: \$400+ Per Year
- 85%+ of Onvia's Sales*

23,400 Subscribers



*IAG Analyst Estimate

If you can't stand the heat,
get out of the kitchen

- | | |
|----------------------|--------------------|
| • GovernmentBids | <u>Onvia</u> |
| – 12,000 leads/month | 50,000 agencies |
| • B2GMarket | 40,000 leads/month |
| – 10,000 leads/month | |
| • BidNet | |
| – 4,500 agencies | |



In this corner we have...

- INPUT.com—Mysterious, secretive; solely IT based projects.
- FW Dodge—Leader in notification volume, but focuses on construction.
- Federal Sources—Focused on DoD work.



DemandStar: A Marketing Effort

- Gov't Agencies Benefit
 - Full E-Procurement Solution (FOR FREE)
 - Eliminate Mailing/Advertising & Admin Expenses
 - Access to Onvia's Subscriber Base & Reverse Auctions
 - 427 Agencies
- Onvia Benefits
 - Agencies refer vendors to Onvia
 - Agencies provide Onvia with Vendor List
 - Credibility
 - Suppliers pay \$30 per year or \$5 per download

**Bottom Line: Demandstar is Onvia's primary source
for subscribers**



Value of the Firm

Cash & Securities:	\$35 mil
Total Liabilities*:	- <u>\$14 mil</u>
Liquidation Value	\$21 mil
Market Cap	- <u>\$35 mil</u>
Value of Onvia's cash flows	\$14 mil



*Excludes shares that are antidilutive at Sept 30, 2003 price of \$3.8

**Includes \$7.8 mil in expected idle lease payments

Onvia's Cost Structure

	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3
Revenue	1,567	1,702	1,838	2,126	2,204	2,431	2,592
COGS	375	419	310	245	296	313	286
OpEx	5,057	5,278	4,989	4,979	4,348	3,867	3,768
CapEx	3	7	4	21	0	374	15
Total Cash Cost*	4,336	4,638	4,385	4,407	3,898	4,010	3,643

No Variable Cost & No CapEx Requirements!

Onvia Needs \$1 mil More per Quarter to Break Even



*COGS + OpEx + CapEx – Depreciation
(Excludes Idle Lease Payments)

The Threefold Path to Profitability

1. Growth in Average Subscription Price
2. Growth in Subscribers
3. Growth in Enterprise Solutions Group



Onvia Guide Pricing Plans*

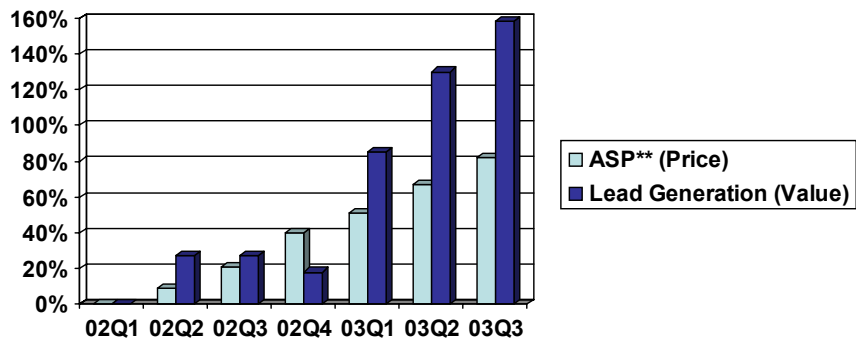
- Metropolitan level \$400
- State level \$700
- Multiple States \$900
- National Level \$3500

Premium Products	Price	Release Date
Advance Notice —Unannounced Gov't Projects	\$200	Jan 2003
Award Information —Subcontracting & getting to know your competitors.	\$200	Jan 2003
Subcontract Connection —Private IT consulting opportunities	\$1000	May 2003
Commercial Build —Commercial construction opportunities	\$320	Nov/Dec 2003



*IAG analyst estimates

Price vs. Value*



of Leads per Quarter up by 158% but price up by only up by 82%



*02Q1 is base quarter

**Total Revenues / # of Subscribers

Valuing ASP Growth

ASP is \$443, but Q3 sign-ups was \$505

Commercial Build Revenues

10% of subscriber base * \$250 price of CB = \$25
\$530 target run rate

15% growth; \$610

Revenue would then be up \$1 mil

Doesn't Account For: Potential new products, subscriber upgrades

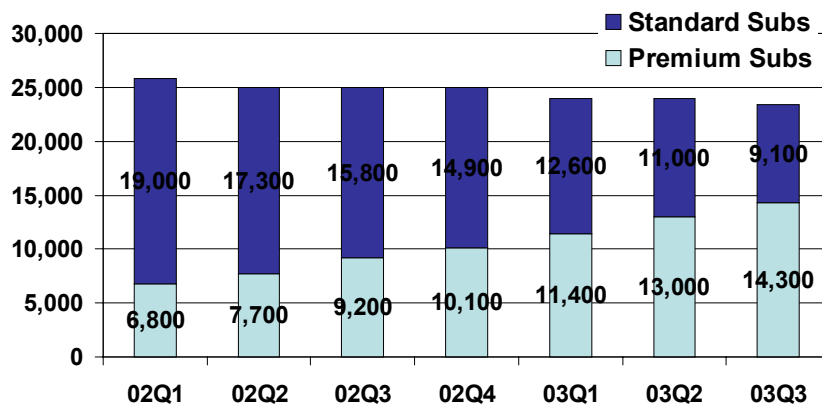


U.S. Senate

- Outsourcing Bill.
- Opens more contract to US firms.
- Bad for Adam Smith, Great for Onvia



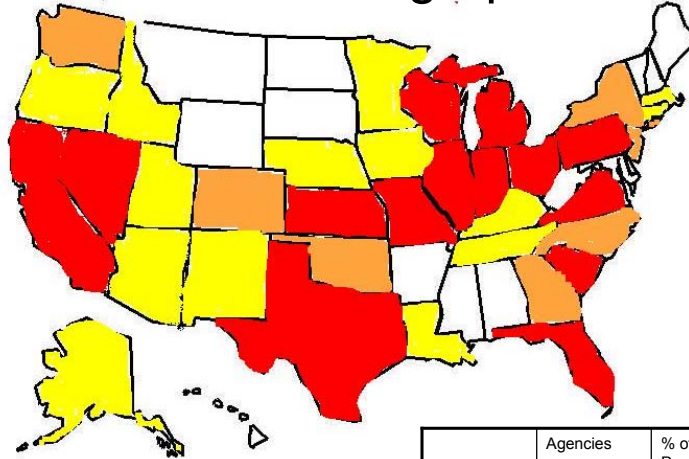
Subscriber Growth



Premium subscribers have very high retention rates
Reduced churn as # of standard subscribers decrease



Demandstar's Geographic Reach



	Agencies	% of US Population
Red	10+	53%
Orange	5-9	20%
Yellow	1-4	17%
White	0	10%

ONVIA

Subscriber Growth

- Agency growth: 17 since end of 03Q3
 - Currently only 2 sales agents on demandstar
- 2003 3Q—Switching objective from customer upgrade to customer acquisition
- “Dominate one segment at a time” Strategy
 - 9 new vertical categories in 03Q2, such as printing, insurance, medical equipment, health care services

Conservative Prediction

Subscription remains at 23,400

ONVIA

But the Best Driver is...

Enterprise Solutions Group

Services multiple geographic regions for extensive enterprises

- 1 employee over 5 quarters built ESG revenue up to approx. \$300,000 per Quarter.

	2003Q1	2003Q2	2003Q3
ESG Staff	1	6	14
ESG Revenue	???	\$360k	\$482k



One Way to Look at it...

- 14X the sales team = ???X the Revenue

	Increase in Revenue
10X	\$2.7 mil
8X	\$2.1 mil
6X	\$1.5 mil
4X	\$0.9 mil
2X	\$.3 mil



Another Way to Look at it...

- ESG solution's Price Range: \$6,250 to \$100,000

Potential Increase in Revenue

	Avg. Quarterly Fee				
		\$10,000	\$20,000	\$30,000	\$40,000
# of Clients	50	0.0	0.5	1.0	1.5
	100	0.5	\$1.5 mil	2.5	3.5
	150	1.0	2.5	4.0	5.5
	200	1.5	3.5	5.5	7.5
	250	2.0	4.5	7.0	9.5



Threefold Path Review

1. ASP Growth: \$1 mil increase
2. Subscriber Growth: nada
3. ESG: \$1.5 mil increase in revenues

\$1.5 mil cash flow per Q, or \$6 mil per year
What's that worth?



Perpetual Annuity Formula

$$\frac{\text{Cash Flows}}{\text{Cost of Equity}} = \text{Market Value of Cash Flows}$$

$$\frac{\text{Onvia's \$6 mil per year}}{10\%^*} = \$60 \text{ mil}$$

Value of Onvia's cash flows	\$60 mil
Liquidation Value	<u>\$21 mil</u>
Implied Market Cap	\$81 mil
Current Market Cap	<u>\$35 mil</u>

 ONVIA

Upside potential 130%+

Potential Acquisitions

- Strong Synergies
 - Gain Subscriber Revenue
 - Insignificant Increases in Cost
- Currently paying Broadview Int'l \$30k per quarter for potential acquisitions/mergers
- Bidnet.com (\$2.5 to \$3 mil in annual sales)
- Governmentbids.com

- Previous Acquisitions
 - BidLine, ProjectGuides

 ONVIA

Net Operating Loss Carryforwards

- Approximately \$45 mil in GAAP losses in last 2 years.
- NOL is valid for 15 to 20 years.




Real Estate Issues

- \$7.8m in expected idle lease expenses recorded as liabilities.
 - Assumes all property will be subleased at current market rates by early 2005.
- Onvia has reduced idle space from 83K to 59K sq ft.



But the wounds heal

- “We expect the sublease to reduce our cash outflow by \$140,000 per quarter beginning in the first quarter of 2004.”

-- 
Mike Pickett, CEO



A Little Help from a Rich Guy

- Vulcan Inc.—Paul Allen’s Real Estate company, buying acres of land in South Lake Union area of Seattle.
- Buy-up?



Pictures speak a thousand words

Would you have invested?



Bill Gates →

← Paul Allen

Microsoft Corporation, 1978

ONVIA

Cash vs. GAAP

- Steve, put in cash revenue vs. cost vs. GAAP revenue chart.
- Can cash revenue continue to outpace GAAP revenue?
- Employees sell quarterly and recently
- % of transactions that are for annual product is increasing.
- Sales staff can call potential new acquires and onvia

ONVIA

Porter's Five Forces

There is no supplier, so there is no power.

The only substitute for this product is personally researching leads, which takes time and money.



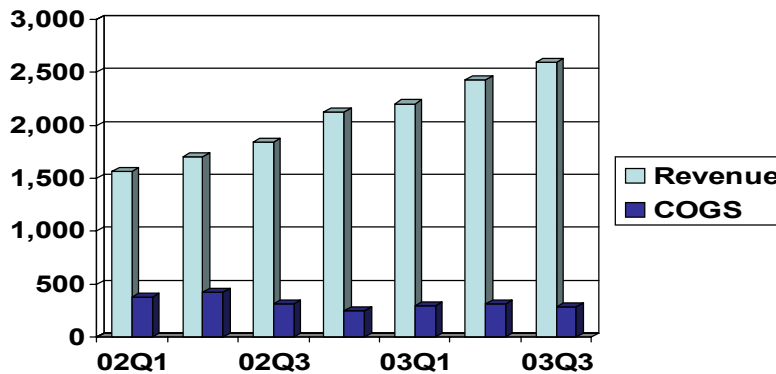
New entrants improbable, high cost of gaining client AND gov't base.

The Buyers are companies, who must sacrifice leads if they switch to Onvia's competitors.

Competitive Landscape is the hardest force, but not unbeatable.



Cost of Goods Sold

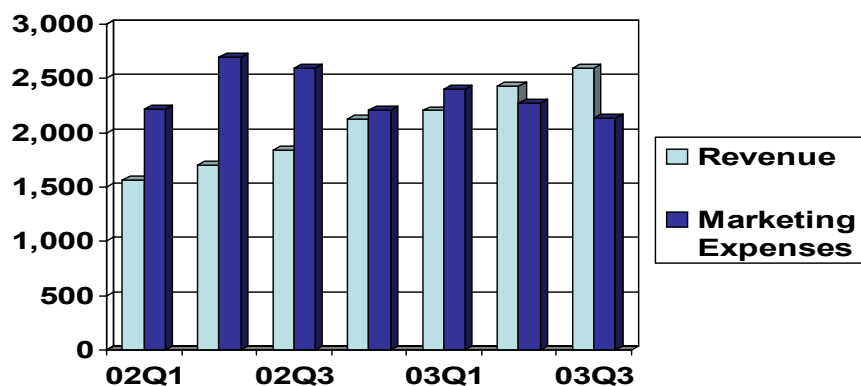


- Payroll expenses from publishing notification service.
- **Trend:** Streamlining of bid publication process.



Nature of Costs: Primarily FIXED

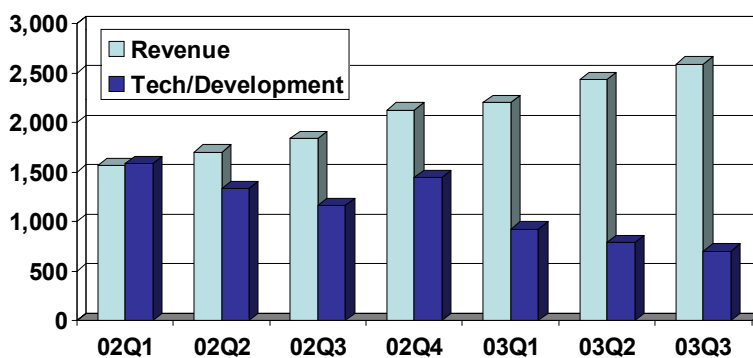
Sales & Marketing Expenses



- Utilization of in-house database = lower e-mail and direct mail expenses
- Increased headcount in Enterprise Solutions Group

Nature of Costs: Primarily Fixed
ONVIA

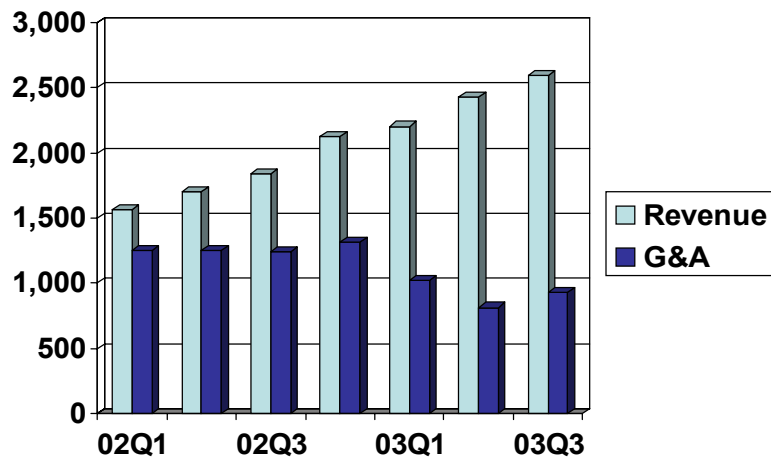
Technology/Development Costs



Lower Headcount
 Nature of Costs: Fixed

ONVIA

General & Administrative

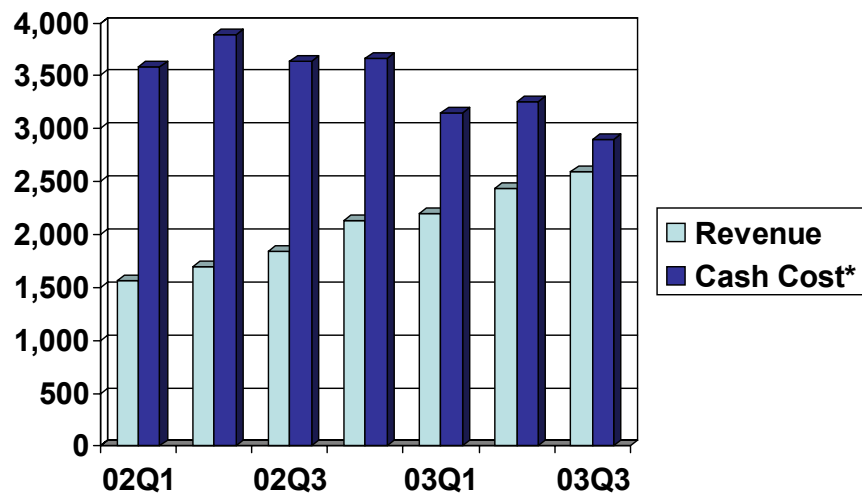


- Decrease in Cash Expenses: Lower Insurance Expense

Nature of Costs: Primarily Fixed



Fixed Cost Business



Total Costs minus Depreciation and Payments for Unused Office Space



Financials

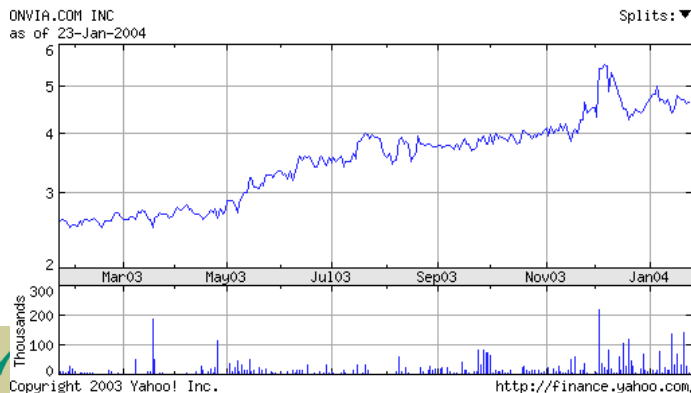
(\$ Mil)	03Q1	03Q2	03Q3
Revenues	2.2	2.4	2.6
GAAP Net Loss	2.3	1.6	1.3

Depreciation	0.7	0.5	0.4
CapEx	0.0	0.4	0.0
Cash Burn*	1.6	1.4	0.9

ONVIA Cash Burn = GAAP Net Loss – Depreciation + CapEx

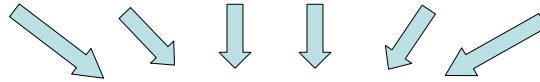
Key Statistics

- Share Price \$4.64
- Shares Outstanding 7.67M
- Insider Hold 51.77%
- ROE -45.60%
- ROA -31.69%



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