

JAXX AG

GERMANY / LOTTERY AND BETTING SOLUTIONS

Primary exchange: Frankfurt
 Bloomberg symbol: FXXN GR
 ISIN: DE000A0JRU67

PRELIMINARY 2008 RESULTS

RATING:	Buy
PRICE TARGET:	€2.60
RETURN POTENTIAL:	136.4%
RISK RATING:	High

BOTTOM-LINE HIT HARD BY EXTRAORDINARY WRITE-DOWNS

Yesterday, Jaxx published preliminary 2008 results. Due to exceptional write-downs of its fixed assets, goodwill and deferred tax assets, the company reported much lower EBIT and net profit than we expected. At the same time, revenues developed stronger than we anticipated. Our short term outlook remains intact. We reiterate our €2.60 price target and Buy rating.

Exceptional write-downs Jaxx profitability in 2008 was hit hard by exceptional write-downs amounting to €15m. The value of the write-downs which the company conducted on its fixed assets was €4m, the reason being the negative effects of the State Treaty on gambling in Germany. The State Treaty also had an impact on deferred tax assets which had to be adjusted by €6.5m as a result of a reduction of losses carried forward of the company's subsidiaries. Goodwill was reduced by €4.5m, particularly due to the weak stock price development of Jaxx' listed subsidiary Pferdewetten.de AG.

Operating and net profit negative, revenues increased strongly Due to exceptional write-downs of fixed assets and goodwill, EBIT in 2008 decreased to -€10.1m (2007: -€4.9m). Net income was additionally negatively impacted by adjustments of deferred tax assets and went down to -€16.9m (-€5.7m). However, revenues beat our expectations and increased by 67% to €123.5m. The reason was mainly that sales of subsidiary Pferdewetten.de, which amounted to €24m in 2008, were accounted for in Jaxx' total revenues for the first time.

Rainer Jacken proposed as new chairman of the Board Jaxx also announced that due to the resignation of Götz von Hardenberg, Rainer Jacken, who co-founded the company in 1998 and has been its CEO since then, was proposed as new chairman of Jaxx' Board of Directors. His responsibilities within the management board, which comprise the areas Consumer Sales and Business Development, will be taken over at the beginning of April by CFO Stefan Hänel and Matthias Dahms, who will also take over the position as CEO. Mr Jacken's nomination still has to be approved by Jaxx' shareholder meeting in May.

Strong liquidity position, equity ratio decreased to 44% Despite the exceptional write-downs, Jaxx' operating cash flow in the period remained strong. For 2008, it was equal to €3.7m (2007: €5.5m). With €13.2m, the total cash position remained almost equal to 2007 when it was €13.8m. However, the equity ratio went down from 61% to 44% as a result of the high net loss.

FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	50.92	73.85	123.52	135.53	154.10	173.44
Y-o-y growth	na	45.0%	67.3%	9.7%	13.7%	12.6%
EBIT (€m)	-5.89	-4.88	-10.13	2.85	6.09	10.22
EBIT margin	-11.6%	-6.6%	-8.2%	2.1%	3.9%	5.9%
Net income (€m)	-8.23	-5.67	-16.93	1.74	3.96	6.36
EPS (diluted) (€)	-0.57	-0.38	-1.06	0.11	0.25	0.40
P/E (x)	na	na	na	10.1	4.4	2.8
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RISKS

The primary risks to our forecasts and price target include, but are not limited to: JAXX's entry into highly competitive international markets; integration risks posed by acquisition; and legislative and regulatory uncertainty in Germany.

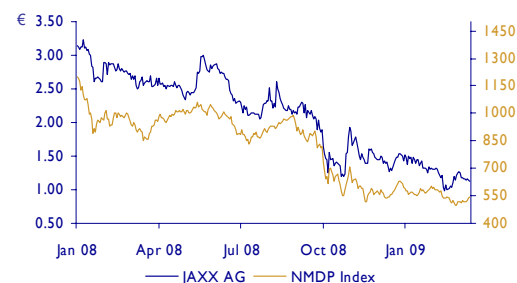
COMPANY PROFILE

JAXX is a leading service provider for online lotteries and betting. The company develops, installs and maintains tailor-made gaming platforms for state-licensed lottery and betting operators, horse-racing venues and B2B third parties. Apart from Germany, JAXX is present in the UK, Poland, Hungary and Spain.

TRADING DATA

Closing price (24.03.09)	€1.10
Shares outstanding	16.02m
Market capitalisation	€17.62m
52-week range	€0.90 / 3.40
Av. vol. (12 months)	53,975

STOCK OVERVIEW



COMPANY DATA (as of 30 September 2008)

Liquid assets (31 December 2008)	€13.20m
Current assets	€22.30m
Intangible assets	€27.86m
Total assets (31 December 2008)	€48.60m
Current liabilities	€15.26m
Shareholders' equity (31 December 2008)	€21.48m

SHAREHOLDERS

Free float	100%
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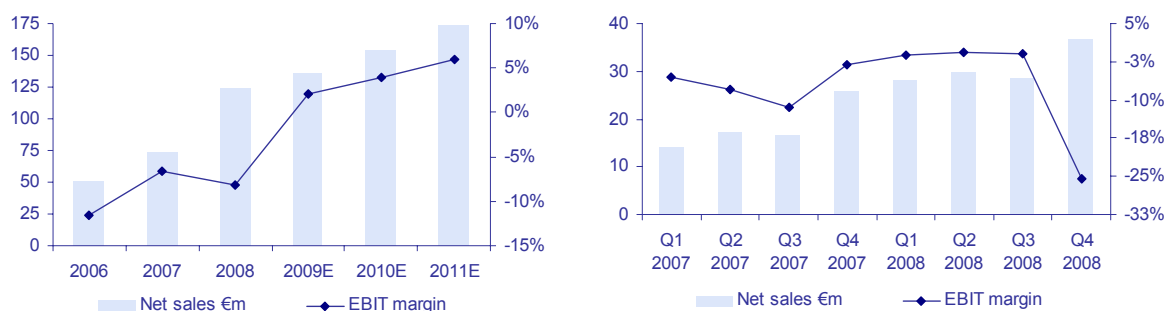
2008 RESULTS VS ESTIMATES

All figures in €m	2008E	2008A	Difference	%Difference
Net sales	116.54	123.52	6.98	6.0%
EBIT	0.07	-10.13	-10.20	-
Margin (%)	0.1%	-8.2%	-	-
Net income	-0.11	-16.93	-16.82	-
EPS diluted (€)	-0.01	-1.06	-1.05	-

Table 1

Source: Jaxx, First Berlin

FULL YEAR AND QUARTERLY SALES AND EBIT MARGIN RESULTS AND ESTIMATES



Charts 1 & 2

Source: Jaxx, First Berlin

Due to the exceptional write-downs of €15m, Jaxx did not achieve our EBIT and net income estimates for 2008. However, revenues developed stronger than we anticipated. The company reported a sales increase of 67% and revenues of €123.5m compared to our estimate of €116.5m. The main reason was that Jaxx' subsidiary Pferdewetten.de was consolidated for the first time. In 2008, Pferdewetten.de generated revenues of €24m.

The lottery segment continues to perform weakly. Although DigiDis, Jaxx' Spanish lottery subsidiary, developed well, the company's German lottery business has suffered from the State Treaty on gambling. We do not expect this situation to change in the short term, however, we think that the company will be able to offset its weak German lottery business by strong growth of DigiDis as well as its sports and horse betting segments. We thus keep our short term revenue forecasts unchanged.

In the short term, Jaxx' operating profitability should grow much stronger than in 2008. We do not expect that Jaxx will need to conduct additional write-downs in the short term which constituted a necessity in the legal and economic situation of 2008. Additionally, we believe that due to the ongoing sale of its gambling syndicate contracts, Jaxx will be able to significantly reduce its operating expenses in the next years. Thus, the company should be able to meet our EBIT and net profit estimates for 2009. From 2010, there should be an additional positive effect on profitability due to a recovering economy.



Despite the high exceptional write-downs, we still believe that Jaxx is an attractive investment. Especially, we like its low dependence on the German lottery market as compared to competitors and strong foreign lottery business as well as sports and horse betting segments. Additionally, its comfortable liquidity position gives the company adequate means to expand its business. We expect Jaxx to move towards our fair value as soon as the regulatory situation in Germany clarifies and the economy recovers. Our price target remains €2.60 and we reiterate our Buy recommendation for the stock.

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	12 October 2005	€3.53	Strong Buy	€4.40	-	-
2...32	↓	↓	↓	↓	↓	↓
33	25 September 2008	€2.06	Buy	€3.70	€2.10	1.9%
34	30 October 2008	€1.31	Buy	€3.70	€1.90	45.0%
35	7 November 2008	€1.55	Buy	€2.60	€1.80	16.1%
36	Today	€1.10	Buy	€2.60	-	-

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I, Adrian Kowollik, certify that the views expressed in this report accurately reflect my personal and professional views about the subject company; and I certify that my compensation is not directly linked to any specific financial transaction including trading revenue or asset management fees; neither is it directly or indirectly related to the specific recommendation or views contained in this research. In addition, I possess no shares in the subject company.

INVESTMENT RATING SYSTEM

First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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