

JAXX AG

GERMANY / LOTTERY AND BETTING SOLUTIONS

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

2008 RESULTS

RATING:	Buy
PRICE TARGET:	€2.60
RETURN POTENTIAL:	154.9%
RISK RATING:	High

PRODUCT AND MARKET DIVERSIFICATION VERY POSITIVE

Yesterday, Jaxx published its 2008 annual report. During the analyst conference yesterday, management gave more detailed information about the business development in 2008 and its short term plans. Our forecasts and our €2.60 price target remain unchanged. The rating is Buy.

Withdrawal from German lottery business, UK business with loss Due to the uncertainty created by the State Treaty on Gambling (introduced early 2008), Jaxx wants to give up its lottery operations in Germany completely. In 2008, sales of Jaxx' German lottery business were 40% lower than in 2007. Jaxx UK, which was established at the end of 2007, generated a loss in 2008 due to higher than expected start-up costs. However, its net result was positive during the first three months of 2009. The outlook for Jaxx UK is very promising as the UK is one of the biggest online gambling markets in the world and the subsidiary will benefit from German customers shifting to foreign gambling operators.

Sport betting up strongly, horseracing betting weaker than expected Net sales from sport betting increased by 73.8% to €73.9m and accounted for 59.8% (2007: 57.8%) of total net sales. The good performance in 2008 was mainly attributable to big international sport events, like the Olympic Games and the European Championship. However, horseracing betting performed weaker than expected. Although net sales of the segment went up to €25.8m (€2.1m) on the back of the first-time consolidation of Pferdewetten.de (previously Sportwetten.de), its net loss was €3.5m due to goodwill depreciation of €3.4m. Nevertheless, we are positive on the segment since, in contrast to lottery and sport bets, horseracing bets are not covered by the State Treaty on Gambling. In 2008, horse betting accounted for 20.9% of Jaxx' total net sales (2007: 2.8%).

Digidis tripled its revenues, international expansion planned Digidis, Jaxx' 70%-owned Spanish subsidiary, tripled its net sales to €4.5m and generated an EBIT of €1.1m, thus beating our expectations. We expect that Digidis will be able to continue its strong performance as the Christmas lottery is very popular in Spain and Jaxx plans to expand the lottery syndicate business. Jaxx already generates more than 90% of its total net sales abroad and plans to expand further geographically. Management has identified France, Italy and the CEE countries as target regions and regard France as a particularly promising market due to its limited level of competition. We expect announcements in this regard in the near future.

FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	50.92	73.85	123.54	135.53	154.09	173.43
Y-o-y growth	na	45.0%	67.3%	9.7%	13.7%	12.6%
EBIT (€m)	-5.89	-4.88	-10.44	2.85	6.09	10.22
EBIT margin	-11.6%	-6.6%	-8.5%	2.1%	3.9%	5.9%
Net income (€m)	-8.23	-5.67	-17.23	1.36	3.56	5.90
EPS (diluted) (€)	-0.57	-0.38	-1.06	0.08	0.22	0.37
P/E (x)	na	na	na	12.0	4.6	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 (01.04.09)	€1.02
Shares outstanding	16.02m
Market capitalisation	€16.34m
52-week range	€0.90 / 3.40
Av. vol. (12 months)	53,714

STOCK OVERVIEW



COMPANY DATA (as of 31 December 2008)

Liquid assets (31 December 2008)	€12.90m
Current assets	€22.10m
Intangible assets	€22.10m
Total assets (31 December 2008)	€48.60m
Current liabilities	€17.60m
Shareholders' equity (31 December 2008)	€18.10m

SHAREHOLDERS

Free float	100%
------------	------

**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	€1.02	Buy	€2.60	-	-

Adrian Kowollik

First Berlin
Equity Research GmbH

Lennéstrasse 9
10785 Berlin

Tel. +49 (0)30 - 80 93 96 90

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

FIRST BERLIN POLICY

In an effort to assure the independence of First Berlin research neither analysts nor the company itself trade or own securities in subject companies. In addition, analysts' compensation is not directly linked to specific financial transactions, trading revenue or asset management fees. Analysts are compensated on a broad range of benchmarks. Furthermore, First Berlin receives no compensation from subject companies in relation to the costs of producing this report.

ANALYST CERTIFICATION

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.

ADDITIONAL DISCLOSURES

This report is not constructed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer would be illegal. We are not soliciting any action based upon this material. This material is for the general information of clients of First Berlin. It does not take into account the particular investment objectives, financial situation or needs of individual clients. Before acting on any advice or recommendation in this material, a client should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only; such opinions are subject to change without notice.

Copyright © 2009 First Berlin Equity Research GmbH. All rights reserved. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without First Berlin's prior written consent. The research is not for distribution in the USA or Canada. When quoting please cite First Berlin as the source. Additional information is available upon request.