



JumpTV Inc.

(JTV-T C\$2.17)

Free To Consumer Service Launched in Canada

(YE - Dec)	Revenue	EBITDA	EPS	Subscribers	
				Average	Ending
FY06	2.1	(26.0)	(0.99)	20k	28k
FY07e	9.5	(24.0)	(0.50)	45k	90k
FY08e	30.0	(8.0)	(0.21)	115k	135k
FY09e	52.6	3.8	0.04	150k	165k

Financial Summary (US\$ unless otherwise noted)

- **JumpTV has partnered with newly launched Canoe.TV to offer a selection of JumpTV programming free to consumer in Canada.**
- **This deal compliments the extensive free to consumer roll-out already underway by JumpTV in the United States.**
- **We expect a steady pace of growth announcements from JumpTV over the near term. The company continues to add new channels on a weekly basis as well as focusing on the third phase of its growth plan: subscriber / viewer growth. Recent financing provides necessary capital to pursue a near term acquisition strategy.**

Free to Consumer Launch in Canada

JumpTV announced that it has partnered with Canoe.TV to offer a selection of JumpTV's live streaming ethnic television channels free to consumer in Canada. Canoe.TV is wholly owned by Quebecor Inc. (QBR.a-T). The Canoe.TV portal was recently launched and aims to provide Canadians with a wide range of programming from suppliers including the CBC, House and Home and The Flight Network.

Initially, JumpTV will launch five channels including: MBC1 (Arabic), CVM TV (Jamaica), AAJ TV (Pakistan), Sahara Family (India) and RTP International (Portugal). It is expected that JumpTV will increase the number of channels offered for free in Canada.

In the United States, JumpTV is currently offering approximately 120 of its 300 international television channels (those 120 channels represent 75 countries) of a free to consumer basis.

Stock Rating:

Buy

12-month target C\$6.00

Potential ROR 176%

Company Profile

Sector Entertainment

Ticker JTV-T, JTV-LN

Shares O/S (m) 34.0

Shares O/S FD (m) 48.4

Mkt cap (\$m) 73.8

Next event Q4/FY07 results

Key Metrics

Cash/sh (\$) \$1.25

Analyst

Corey J. Hammill

(416) 361-0754

chammill@paradigmcapinc.com

Sales

Toronto (866) 361-1064

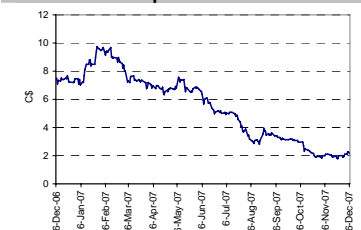
Calgary (877) 513-1025

Paradigm Capital research is available on First Call, Reuters or at <http://www.paradigmcap.com>

Please view last page for official disclaimer

Issued by Paradigm Capital Inc.

JTV 1-Yr stock price chart



10/16/07 Target lowered (\$6.00)

01/08/07 Initiating target price (\$15.00)

Source: Bloomberg



Recall Q3 – Advertising revenue sees 100%+ growth

We have included the following table to recap its last quarterly results:

	Q3 07	Q2 07	Q1 07
Revenue	\$2,004,056	\$ 1,175,924	\$ 1,003,146
Subscriptions	86,000	34,148	34,496
Channels	305	302	280
Average Monthly Revenue per User	\$ 11.54	\$ 11.42	\$ 11.52
Subscriber Acquisition Costs	\$ 14.49	\$ 33.69	\$ 51.72
Monthly Churn	13.2%	13.3%	12.5%

Revenue's were generated from monthly subscriptions and advertising (\$287k). Advertising revenue grew by 130% quarter over quarter. The company is continually adding channel bundles as a way of enhancing the consumer offering as well as increasing ARPU.

Looking to the balance sheet, JumpTV finished Q3 with \$60m of cash on hand. The company continues to have no debt, which in our opinion, places the company in a strong position to look at growth opportunities.

What to Do with the Remaining Cash

We continue to believe JumpTV will use its remaining cash position to make acquisitions that will:

- Compliment the existing business (i.e. buy a company with content relationships)
- Expand the product offering (i.e. mobile applications)
- Expedite the growth of revenue and positive earnings

Recall the Free to Consumer Business Model

JumpTV now offers roughly 125 channels in the United States and 5 channels in Canada on an ad-supported basis. This is a popular model for numerous reasons. First, by offering the product for free, it obviously generates a significant number of viewers. Those viewers can be monetized through the selling of advertising. The two types of advertising we expect to see on the on the ad-supported channels will be:

- **Video Pre-roll**
 - A video pre-roll is the video that is shown while the requested video is loading (buffering). This requested video typically requires a few seconds at a minimum to load, thereby making it an ideal time to offer a targeted advertisement.
- **Banners (including Leader board and Skyscrapers)**
 - A leaderboard is a popular type of banner advertisement. A leaderboard is the width of the page and typically lies between the masthead (the title area at the top of a Web page) and content. A skyscraper ad is a tall and narrow banner advertisement usually placed to the right of content on a Web page.

Another positive benefit of going ad-supported on certain channels is that it allows JumpTV to advertise its premium offering, which will continue to be offered on a subscription of pay-per-view basis. For example, JumpTV has an extensive selection of sporting events from around the world.



Jordan Banks has Assumed CEO duties

As announced in October, JumpTV has changed its executive leadership. G. Scott Paterson has become Executive Chairman, while handing over the CEO title to Jordan Banks, who was a member of the Board of Directors. Mr. Banks was most recently the managing director of eBay Canada. Under his leadership (he was employee number 2), eBay Canada has grown to have over 5m users and generates in excess of \$1b in annual revenue. This change is effective November 12th. Prior to eBay, Banks managed the Licensing & International Business Group for the NHL Players Association.

We believe Mr. Banks has the right skill set to lead JumpTV forward. He has considerable experience with Internet businesses, sports and advertising, all key aspects to the JumpTV growth strategy. This move will allow Mr. Paterson to focus on the strategic vision of the company.

Management and Board have Acquired Shares

On November 21, 2007, two senior executives and two members of the Board of Directors acquired additional shares in JumpTV. Shares were acquired at prices of \$1.90 and \$1.95. Transactions were as follows:

		Bought	Total Holdings
G. Scott Paterson	Exec.Chairman	125,000	5,344, 990
Jordan Banks	CEO	125,000	125,000
Mark Amin	Director	50,000	320,000
James McNamara	Director	100,000	100,000

Key Assumptions Driving Forecast

FY08 – A year of Traction

- Average subscribers
 - 115,000
- Average revenue per subscriber / month
 - \$12.00
- Revenue contribution from advertising
 - \$9m

FY09 – A year of Continued Growth

- Average subscribers
 - 133,000
- Average revenue per subscriber / month
 - \$12.50
- Revenue contribution from advertising
 - \$25m

We are expecting advertising revenue to grow from near zero to \$9m next year. We believe that online advertising will continue to experience considerable growth as advertisers embrace online advertising more fully. We believe many advertisers are testing the waters of online advertising, and in the coming quarters, these tests are likely to yield a significant increase in dollars spent online. In our opinion, online advertising dollars are going to follow Internet traffic, specifically, well defined demographics. We believe that JumpTV's product offering is well suited for this business as the company is able to provide a detailed demographic breakdown of users to its advertising clients.



Figure 9: Highlights of Revenue Forecast

	2006	2007e	2008e	2009e
REVENUE				
Net Subscription Revenue	\$ 2,220,000	\$ 5,942,149	\$ 15,870,000	\$ 21,600,000
Advertising	\$ -	\$ -	\$ 9,000,000	\$ 24,750,000
Ancillary Services		\$ 3,333,333	\$ 5,000,000	\$ 6,250,000
Revenue	\$ 2,061,031	\$ 9,469,661	\$ 29,870,000	\$ 52,600,000

Source: Paradigm Capital

Over the past few weeks, the share price of JumpTV has begun to recover. The stock is up roughly 20% in the past month. A quick sum of the parts including only cash on hand and the recent acquisition of XoS technologies (now JumpTV sports) totals \$120m, the current market capitalization of the company is \$160m.

We are valuing JumpTV using a 5x EV/Sales multiple applies to our FY09e sales forecast of \$50m. This results in a target price of \$6.00. Buy.



Appendix 1: Income Statement

	2006	2007e	2008e	2009e
REVENUE				
Net Subscription Revenue	\$ 2,220,000	\$ 5,942,149	\$ 15,870,000	\$ 21,600,000
Advertising	\$ -	\$ -	\$ 9,000,000	\$ 24,750,000
Ancillary Services		\$ 3,333,333	\$ 5,000,000	\$ 6,250,000
Revenue	\$ 2,061,031	\$ 9,469,661	\$ 29,870,000	\$ 52,600,000
Costs				
Direct Operating Costs	\$ 2,569,648	\$ 9,705,454	\$ 12,744,000	\$ 23,107,500
SG&A	\$ 21,690,938	\$ 23,747,350	\$ 25,075,300	\$ 25,653,000
EBITDA	\$ (26,296,906)	\$ (23,983,144)	\$ (7,949,300)	\$ 3,839,500
Stock based Comp	\$ 4,097,351	\$ 3,537,313	\$ 3,537,313	\$ 3,537,313
Amortization	\$ 150,950	\$ 528,929	\$ 2,000,000	\$ 2,000,000
EBIT	\$ (26,447,856)	\$ (28,049,386)	\$ (13,486,613)	\$ (1,697,813)
Interest expense	\$ (1,083,050)	\$ (4,998,221)	\$ (3,775,705)	\$ (3,775,705)
fx	\$ 186,990	\$ 86,303		
Income Taxes	\$ 45,300	\$ 43,950	\$ -	\$ -
Net Income	\$ (25,597,096)	\$ (23,181,418)	\$ (9,710,908)	\$ 2,077,892

Source: Paradigm Capital



Disclaimer Section:

1. Corey Hammill does not have an ownership position in JumpTV (JTV-T, JTV-Aim).
2. Paradigm Capital Inc. has assumed an underwriting liability for, and/or provided financial advice for consideration to JumpTV (JTV-T, JTV-Aim) during the past 12 months.
3. Paradigm's disclosure policies and research distribution procedures can be found on our website at www.paradigmcapinc.com.

Research Rating System:

Paradigm Capital uses the following rating recommendations in its research:

Strong Buy – Analysts' top sector picks, with expected returns of 10% or more over the next 6-12 months. (1% of Paradigm's coverage list consists of Strong Buy recommendations).

Buy – Expected returns of 10% or more over the next 6-12 months. (66% of Paradigm's coverage list consists of Buy recommendations).

Hold – Expected returns of +/-10% over the next 6-12 months. (13% of Paradigm's coverage list consists of Hold recommendations).

Sell – Expected returns of -10% or more over the next 6-12 months. (5% of Paradigm's coverage list consists of Sell recommendations).

Speculative Buy – Expected returns of 10% or more over the next 6-12 months on high-risk development or "pre-revenue" companies, such as junior mining and early stage biotech companies. (15% of Paradigm's coverage list consists of Speculative Buy recommendations).

About Paradigm Capital Inc.

Paradigm Capital is a research driven, independent, institutional equity investment dealer focused on sectors and companies that have attractive long-term secular growth prospects. Paradigm Capital's research is available on our website at www.paradigmcap.com. Please speak to your Sales or Trading Representative if you require access to the website.

The analyst (and associate) certify that the views expressed in this report accurately reflect their personal views about the subject securities or issuers. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations expressed in this research report.

Analysts are compensated through a combined base salary and bonus payout system. The bonus payout is determined by revenues generated directly or indirectly from various departments including Investment Banking, based on a system that includes the following criteria: reports generated, timeliness, performance of recommendations, knowledge of industry, quality of research and investment guidance and client feedback. Analysts are not directly compensated for specific Investment Banking transactions.

The opinions, estimates and projections contained herein are those of Paradigm Capital Inc. ("PCI") as of the date hereof and are subject to change without notice. PCI makes every effort to ensure that the contents herein have been compiled or derived from sources believed reliable and contain information and opinions, which are accurate and complete. However, PCI makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this research report or its contents. Information may be available to PCI, which is not reflected herein. This research report is not to be construed as, an offer to sell or solicitation for or an offer to buy, any securities. PCI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. PCI may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. Paradigm Capital Inc. is a member of The Toronto Stock Exchange, The TSX Venture Exchange and The Investment Dealers Association of Canada.

To U.S. Residents: This report was prepared by Paradigm Capital Inc. which is not subject to U.S. rules with regard to the preparation of research reports and the independence of analysts.

Paradigm Capital U.S. Inc., affiliate of PCI, accepts responsibility for the contents herein, subject to the terms as set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so through Paradigm Capital U.S. Inc.