

JumpTV

JTV : TSX : C\$7.43

JTV : AIM

BUY

Target: C\$8.75

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COMPANY STATISTICS:

52-week Range: 5.30-8.29
 Avg. Daily Vol. (000): n/a
 Market Capitalization (M): 304.5

EARNINGS SUMMARY:

FYE Dec	2006E	2007E	2008E
P/Sales:	NM	16.4x	5.4x
P/E:	NM	NM	NM

Sales:	Q1	Q2	Q3	Q4	Total
	0.3A	0.4A	0.5A	0.7	2.0
	0.8	2.7	6.7	8.2	18.5
	9.9	12.3	15.3	19.2	56.8

EPS:	Q1	Q2	Q3	Q4	Total
	(0.21)A	(0.31)A	(0.23)A	(0.28)	(1.03)
	(0.29)	(0.27)	(0.23)	(0.21)	(1.00)
	(0.19)	(0.17)	(0.20)	(0.20)	(0.76)

Note: Includes 2¢/quarter in stock-based compensation.

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

JumpTV holds exclusive broadband distribution rights to over 200 ethnic television channels across the globe. The company sells single- and multiple-channel packages for prices beginning at \$9.95/month and sells directly to consumers as well as through partners such as Terra Networks.

All amounts in C\$ unless otherwise noted.

Technology -- Digital Media and Software

MANAGEMENT CHANGE AND CONTENT ADDITIONS

Event

Alex Blum, who had been president of JumpTV and focused on the US operations and customer experience, is leaving the company to become CEO of a social networking start-up. His duties will be assumed by Kaleil Isaza Tuzman, president and CEO of JumpTV International (the company's wholly owned subsidiary), who has been named president and COO of JumpTV.

The company also announced the addition of 12 more channels, bringing the year-end 2006 total to 254, ahead of our estimate of 240. Channels signed include Galaxy Television of Nigeria, Banglavision of Bangladesh, El Gourmet out of Latin America, Net 25 Channel from the Philippines, TVRI of Indonesia, Channel 3 from Trinidad and Tobago, and three channels from Pakistan. The content will be offered for \$9.95/month for single channels, as well as being worked into multi-channel bundles.

Impact

Mr. Blum was a big contributor to JumpTV, especially his efforts to revamp the website and the subsequent improvements in user experience. However, given the nascent stage of the business model and the depth of the management team, we do not anticipate that his departure will have any material impact on operations in the near term nor the company's achievement of its long-term goals.

Action

While still in the early stages of its development, JTV is a unique play on IPTV/Internet TV. We believe there is value in the company's exclusive content relationships.

Valuation

The shares currently sell at 3.6 EV/2008E revenue.

Next Catalyst

DecQ results in late February.

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Price target

Our C\$8.75 price target is based on 4.4x EV/2008E revenues.

Investment risks

- Scaling the subscriber business in a prudent and economic manner.
 - Managing subscriber churn.
 - Building out the infrastructure.
 - Quarter-to-quarter variability due to the small size of the revenue base.
 - Other risks, as outlined in the company's filings.
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Figure 1: JumpTV Model

JumpTV (000) US\$	De05	Q106	Q206	Q306	Q406E	De06E	Q107E	Q207E	Q307E	Q407E	De07E	Q108E	Q208E	Q308E	Q408E	De08E
Revenue	745	351	427	535	695	2,007	834	2,711	6,777	8,268	18,590	9,921	12,303	15,378	19,223	56,825
Direct broadcast operating costs	231	250	481	706	1,738	3,175	1,752	2,575	3,388	4,134	11,849	4,762	5,905	7,382	8,843	26,892
Gross Margin	515	100	(54)	(171)	(1,043)	(1,168)	(917)	136	3,388	4,134	6,740	5,159	6,397	7,997	10,380	29,934
Selling, General and Administrative	495	3,356	5,865	5,319	7,646	22,185	7,924	8,403	10,165	10,500	36,993	10,517	11,072	13,840	16,339	51,769
Stock-Based Compensation	157	766	561	1,417	561	3,306	640	640	640	640	2,560	640	640	640	640	2,560
Depreciation & Amortization	15	22	26	34	35	117	90	150	160	180	580	450	450	450	450	1,800
Total Operating Expenses	666	4,144	6,452	6,770	8,242	25,607	8,654	9,193	10,965	11,320	40,133	11,607	12,162	14,930	17,429	56,129
Operating Income (Loss)	(152)	(4,044)	(6,505)	(6,942)	(9,284)	(26,775)	(9,571)	(9,058)	(7,577)	(7,186)	(33,392)	(6,448)	(5,765)	(6,934)	(7,049)	(26,195)
(Gain) Loss of Foreign Exchange	4	(8)	17	(108)	-	(99)	-	-	-	-	-	-	-	-	-	-
Interest Income (Expense)	8	(71)	(85)	(351)	450	(57)	400	350	300	280	1,330	200	150	120	100	570
Pretax Income	(164)	(3,964)	(6,437)	(6,483)	(9,734)	(26,619)	(9,971)	(9,408)	(7,877)	(7,466)	(34,722)	(6,648)	(5,915)	(7,054)	(7,149)	(26,765)
Income Taxes	-	13	12	11	15	51	25	25	25	25	100	25	25	25	25	100
Net Income (Loss)	(164)	(3,977)	(6,449)	(6,494)	(9,749)	(26,670)	(9,996)	(9,433)	(7,902)	(7,491)	(34,822)	(6,673)	(5,940)	(7,079)	(7,174)	(26,865)
EPS	\$ (0.21)	\$ (0.31)	\$ (0.23)	\$ (0.28)	\$ (1.03)	\$ (0.29)	\$ (0.27)	\$ (0.23)	\$ (0.21)	\$ (1.00)	\$ (0.19)	\$ (0.17)	\$ (0.20)	\$ (0.20)	\$ (0.20)	\$ (0.76)
EPS (ex SBC)	\$ (0.17)	\$ (0.28)	\$ (0.18)	\$ (0.27)	\$ (0.89)	\$ (0.27)	\$ (0.25)	\$ (0.21)	\$ (0.20)	\$ (0.93)	\$ (0.17)	\$ (0.15)	\$ (0.18)	\$ (0.18)	\$ (0.18)	\$ (0.68)
FD Shares Outstanding (Mil)		18.784	21.055	28.848	34.500	25.797	34.700	34.800	34.900	35.000	34.850	35.200	35.400	35.600	35.800	35.500
Operating Metrics:																
Revenue Growth Y/Y							138%	535%	1168%	1090%	826%	1090%	354%	127%	133%	206%
Revenue Growth Q/Q			21.8%	25.2%	30.0%		20.0%	225.0%	150.0%	22.0%		20.0%	24.0%	25.0%	25.0%	
Gross Margin		28.6%	-12.6%	-32.1%	-150.0%		-110.0%	5.0%	50.0%	50.0%		52.0%	52.0%	52.0%	54.0%	
SG&A		957.4%	1373.5%	994.8%	1100.0%		950.0%	310.0%	150.0%	127.0%		106.0%	90.0%	90.0%	85.0%	
# of Subscriptions			18,119	23,885												
Q/Q Growth in Subscriptions				32%												
Begin Subscribers		11,572	13,850	16,319	22,019											
Ending Subscribers	11,572	13,850	16,319	22,019	32,000	32,000					250,000					500,000
Net Subs Added		2,278	2,469	5,700	9,981											
Q/Q Sub Growth		20%	18%	35%	45%											
ARPU (reported)		\$ 9.19	\$ 10.31	\$ 9.43												
SAC			\$ 30.00	\$ 21.80												
Channels Signed		138	204	225	240											
Channels Live			144	165-185												
Monthly Churn			15.8%	22.8%												

Source: Canaccord Adams and Company Documents

Figure 2: JumpTV Balance Sheet

	De05	Q106	Q206	Q306
Balance Sheet				
<i>Assets</i>				
Cash and equivalents	5,475		5,110	54,020
Other receivables	78		289	487
Prepaid expenses	15		483	1,266
Total Current Assets	5,568		5,882	55,773
Equipment, net	380		934	977
Intangibles			465	464
Other assets	105		116	228
Deferred direct broadcast costs	97		79	262
Deferred share issuance costs			3,450	-
Total Assets	6,150		10,927	57,705
<i>Liabilities and Shareholder's Equity</i>				
Accounts Payable	1,009		3,251	2,231
Due to related parties	138		28	6
Current portion of accrued lic. Fee	80		42	66
Accrued professional fees	196		3,309	558
Accrued Stock Appreciation Rights	-		-	624
Deferred revenue	56		81	103
Income tax payable	17		42	53
Total Current Liabilities	1,495		6,753	3,640
Accrued license fee	120		120	120
Shareholder's Equity	4,535		4,054	53,944
Total Shareholder's Equity	6,150		10,927	57,705

Source: Company documents

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(as of 1 December 2006)

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	#	%	%
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Speculative Buy	56	11.00%	67.86%
Hold	139	27.31%	30.22%
Sell	22	4.32%	13.64%
	509	100.00%	

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JumpTV	1A, 2, 3, 7

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