



JumpTV Inc.

(JTV-T C\$8.50, JTV-Aim £3.55)

Leading Arabic Internet Portal Partnership

Financial Summary (US\$ unless otherwise noted)					Subscribers	
(YE - Dec)	Revenue	EBITDA	EPS	EV/Rev	Average	Ending
FY05	0.7	0.0	n/a	nmf	nmf	nmf
FY06e	2.2	(22.6)	(0.89)	112.7	20k	25k
FY07e	10.8	(8.8)	(0.27)	23.0	90k	160k
FY08e	44.8	11.5	0.20	5.5	325k	500k

- **Strategic partnership with leading Arabic Internet portals.**
- **Internet portal partnerships are expected to drive a large number of new subscribers. This is the 3rd such deal announced to date.**
- **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 acquisitions.**

LINKdotNET Partnership

JumpTV announced Friday that it has signed a strategic partnership with LINKdotNET, wholly owned by Orascon Telecom. LINKdotNET owns and operates 10 leading Arabic Internet portals including the hugely popular MSN Arabia. LINKdotNET portals average 30m unique visitors per month.

This agreement will provide LINKdotNET users with access all of JumpTV's 254 channels on a subscription basis. The user interface will have the look and feel of LINKdotNET's portals (e.g. MSN Arabia) and the payment mechanism will be provided by the same payment processing company already being used by the portals. The idea is to make the product as seamlessly integrated into the established portal as possible.

Our understanding is that the key to this contract is the minimum subscriber guarantee provided by LINKdotNET. This is a 4-year deal over which time LINKdotNET must meet annual minimum subscriber levels or pay JumpTV the difference. In exchange for providing all the advertising to attract the aggressive subscriber targets, LINKdotNET will receive a percentage of the gross subscription revenue. Another key benefit to JumpTV from this partnership is that subscriber acquisition costs are \$0.

Although the subscription minimums were not disclosed, we are estimating the minimum subscriber guarantee to be between 100k – 200k over the term of the agreement. This is incredibly meaningful as we estimate JumpTV finished 2006 with roughly 25,000 subscribers.

Stock Rating:

Buy

12-month target C\$15.00
Potential ROR 77%

Company Profile

Sector Entertainment
Ticker JTV-T, JTV-A
Shares O/S (m) 35.4
Shares O/S FD (m) 42.6
Mkt cap (\$m) 362
Next event Q4/FY06 results

Key Metrics

Book value/sh (\$) \$1.27
Cash/sh (\$) \$1.27

Analyst

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Sales

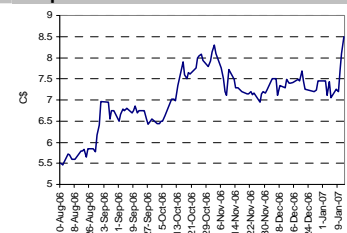
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JumpTV 1-Year Stock Chart



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

Source: Bloomberg



The deal with LINKdotNET is the third such deal, the first two being with Telefonica (Latin America) and Comcast (USA). We believe these types of deals are the key to JumpTV tapping into the huge addressable market for the company's ethnic television product offering.

Looking for Profitability in 2008

We believe JumpTV is poised to significantly ramp its subscriber count in 2007 based on an aggressive marketing campaign and greater overall product awareness. In our opinion, JumpTV should achieve profitability in 2008, roughly 3 years after its launch. We are targeting subscriber count to approach 500,000 by the end of 2008, a level which will deliver a significant amount of EBITDA and earnings.

Key Assumptions Driving Forecast

FY07 – A year of Growth

- Average subscribers
 - 90,000
- Average revenue per subscriber / month
 - \$10.50
- Revenue contribution from advertising
 - \$1m

FY08 – A year of forecast profitability

- Average subscribers
 - 325,000
- Average revenue per subscriber / month
 - \$12.00
- Revenue contribution from advertising
 - \$12m



There are currently roughly 25,000 subscribers, a number expect to ramp significantly through 2007. Potential upside to our 2007 forecast could come from advertising. We are using a very conservative estimate for advertising in 2007 as the rollout is just beginning. We expect going forward; advertising is likely to be a significant contributor to the overall business model.

Figure 9: Highlights of EBITDA forecast

	2006e	2007e	2008e
REVENUE			
Net Subscription Revenue	\$ 2,220,000	\$ 10,800,000	\$ 44,850,000
Advertising	\$ -	\$ 821,250	\$ 11,900,825
Telefonica	\$ -	\$ 1,500,000	\$ 6,000,000
Revenue	\$ 2,220,000	\$ 13,121,250	\$ 62,750,825
Costs			
Direct Operating Costs	\$ 1,764,000	\$ 8,379,563	\$ 35,625,371
SG&A	\$ 20,090,341	\$ 13,503,963	\$ 15,598,870
EBITDA	\$ (22,634,341)	\$ (8,762,275)	\$ 11,526,584

Source: Paradigm Capital

One way to think about the path to profitability is to look at the fixed costs of the business, and work back to a break-even number of subscribers. For this analysis, we will use positive EBITDA as our goal.

Figure 10: Breakeven Analysis

Costs	
SG&A	\$ 15,000,000
Direct Operating Costs	
Fixed (per sub, per month)	\$ 6.00
Variable	30%
Revenue	
ARPU, per month	
Subscription	\$ 11.50
Advertising	\$ 7.00
Subscribers Required for Breakeven	180,000
EBITDA	\$ 12,000

Source: Paradigm Capital



One way to look at the LINKdotNET partnership is the minimum subscriber guarantees alone could lead JumpTV to profitability.

As we highlighted earlier, the worldwide addressable market for ethnic television is huge. In our opinion, JumpTV is very well positioned to continue to be the leader in the online delivery of content to people living outside of their home countries. We see 1800,000 subscribers as a reasonable hurdle by which to achieve profitability. For comparison:

Figure 11: Subscriber Levels

Company	Subscribers
XM Satellite Radio	7.2m
XM Canada	0.1m
Sirius Satellite Radio	6.0m
MLB.com	1.2m

Source: Paradigm Capital

Looking at these comparables, JumpTV has a considerably larger addressable market which we believe more than supports our subscriber growth assumptions.

We expect many positive announcements to come from JumpTV over the near term as the company ramps up both its product offering and subscriber base. A focus on international sports as well as offering a video-on-demand service should both contribute significantly to customer adoption. We maintain our BUY recommendation and \$15.00 target price.

Appendix 1 – Highlights of our Investment Thesis on JumpTV

Growth Potential

- We believe the addressable market for JumpTV's Internet based product offering is very large and growing. The United States alone represents a huge market opportunity of over 26m foreign born residents.
- Focus on adding international sports is likely to substantially increase subscribers.
- New generation of platform, Jump 4.0, is likely to include video-on-demand which should vastly expand the number of subscribers by allowing access to local programming at any time.

Competitive Advantages

- First mover advantage in a mainstream deployment of IPTV
- Large and growing collection of exclusive broadcast rights
- Clearly defined niche (ethnic) allowing for clear understanding of product offering and a targeting marketing campaign

Management

- Experienced management team includes expertise in finance, technology development, television and online audiences.



Profitability

- Expected to be profitable in 2008, a significant accomplishment as compared to other online content delivery companies (i.e. satellite radio)
- We estimate break-even to be roughly 200,000 subscribers, a level which should be passed by early 2008.

Balance Sheet

- JumpTV raised roughly \$61m in its initial public offering in August 2006. The balance sheet continues to have over \$54m in cash with no debt. The IPO was priced at \$5.50 per share.

Valuation

- Target based on DCF (20% discount rate, 10x terminal multiple).
- Currently trades at roughly 1/20 the market capitalization of US satellite radio companies.

Appendix 1: Income Statement

	2006e	2007e	2008e
REVENUE			
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SG&A	\$ 20,090,341	\$ 13,503,963	\$ 15,598,870
EBITDA	\$ (22,634,341)	\$ (8,762,275)	\$ 11,526,584
Stock based Comp	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Amortization	\$ 100,000	\$ 2,000,000	\$ 2,000,000
EBIT	\$ (22,734,341)	\$ (13,762,275)	\$ 6,526,584
Interest expense	\$ (1,047,010)	\$ (2,160,820)	\$ (2,160,820)
Tax rate	0%	0%	0%
Income Taxes	\$ -	\$ -	\$ -
Net Income	\$ (21,687,331)	\$ (11,601,455)	\$ 8,687,404
EPS			
Basic	\$ (0.89)	\$ (0.33)	\$ 0.25
Fully Diluted	\$ (0.89)	\$ (0.27)	\$ 0.20

Source: Paradigm Capital



Disclaimer Section:

1. Corey Hammill does not have an ownership position in JumpTV (JTV-T, JTV-Aim).
2. Paradigm's disclosure policies and research distribution procedures can be found on our website at www.paradigmcapinc.com.

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Hold – Expected returns of +/-10% over the next 6-12 months. (8% of Paradigm's coverage list consists of Hold recommendations).

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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.

(12% of Paradigm's coverage list consists of Speculative Buy recommendations).

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