



JumpTV Inc.

(JTV-T C\$7.05, JTV-Aim £3.25)

Keeping an eye on Aljazeera

Stock Rating:

Buy

12-month target	15.00
Potential ROR	100%

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)	319
Next event	Q4 FY06 results

Financial Summary (US\$ unless otherwise noted)

(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

Key Metrics

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

Analyst

Corey J. Hammill
 (416) 361-0754
 chammill@paradigmcapinc.com

Sales

Toronto (866) 361-1064

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.

JumpTV 1-Year Stock Chart

Source: Bloomberg

- **JumpTV has become the world's largest provider of ethnic television delivered over the Internet. Currently, JumpTV is offering over 254 channels from over 70 countries worldwide as of December 31.**
- **We believe the world wide addressable market for JumpTV's Internet based product offering is very large and growing. The United States alone represents a huge market opportunity in terms of subscribers with an ethnic population of 50m and growing (i.e. Hispanic).**
- **Continued new channel additions, a focus on international sports and the development of a video-on-demand platform are expected to continue to drive subscriber growth. The introduction of Social Networking capabilities such that JumpTV viewers can communicate to each other in real time while they are watching a sporting or news event represents an exciting differentiator in the viewing experience vis-à-vis conventional broadcasting.**

Company and Industry Fundamentals

JumpTV is poised to capitalize on two growing trends: the rise in levels of immigration and the rapid advancement of entertainment content being delivered online. JumpTV is building the world's largest network of exclusive Internet broadcast rights to television channels from countries around the world. The current focus is on ethnic audiences, allowing the hundreds of millions of immigrants around the world to watch live television online from their country of origin, regardless of their current location.

Catalysts and Risks

JumpTV is proving itself as an early leader in the rapidly evolving IPTV industry. We expect the company to grow its subscriber base from approximately 25,000 today to over 500,000 by 2008. This should in-turn drive revenues to upwards of \$50m from under \$5m today. We note that it is difficult to predict subscriber growth rates, this represents the greatest risk to our forecast.

Valuation and Recommendation

We are valuing JumpTV using a DCF model (20% discount rate, 10x terminal multiple). We initiate coverage with a \$15.00 target price and a Buy recommendation.



Table of Contents

JUMPTV – ENTERTAINMENT MEETS TECHNOLOGY3

WHAT IS IPTV?4

CHANGING TECHNOLOGICAL LANDSCAPE4

JUMPTV – FOCUSED GROWTH6

 PARTNERSHIPS WITH TELEVISION STATIONS 9

Channel Partner Agreements 9

 COMPETITIVE ADVANTAGES 10

 EVOLVING PRODUCT OFFERING 10

 ADVERTISING CREATES NEW REVENUE OPPORTUNITY 11

GREAT PRODUCT, BUT HOW DO YOU FIND SUBSCRIBERS? 12

 ETHNIC PORTALS 12

 CO-BRANDED OFFERINGS 12

 DIRECT-TO-CONSUMER MARKETING 12

 SUBSCRIBER-LED VIRAL MARKETING 12

WHAT ARE THE ALTERNATIVES TO JUMPTV? 13

 CANADA 13

 USA 13

 EUROPE 13

WHERE ARE THE JUMPTV SUBSCRIBERS TODAY? 14

PROFITABILITY IS WITHIN SIGHT 14

 KEY ASSUMPTIONS DRIVING FORECAST 14

 CLEAN BALANCE SHEET 16

 EXPERIENCED SENIOR MANAGERS 16

RISKS 17

PLENTY OF UPSIDE POTENTIAL 17

APPENDIX 1 – HIGHLIGHTS OF OUR INVESTMENT THESIS ON JUMPTV 19

APPENDIX 2: INCOME STATEMENT 20

APPENDIX 3: BALANCE SHEET 21

APPENDIX 4: STATEMENT OF CASH FLOWS 22

APPENDIX 5 – AFFILIATE PORTAL PARTNERS 23

APPENDIX 6 – AFFILIATE PORTAL PARTNERS 24



JumpTV – Entertainment Meets Technology

Technology and entertainment are merging to completely change the way content is delivered to consumers. The proliferation of high speed Internet access is allowing the Internet to deliver more than simply still images and text. It is common now to watch streaming full audio and video, in real-time, both at home and increasingly to handheld devices. People are more mobile than ever today which will drive demand for access to entertainment content from a variety of locations, not simply from the traditional family room. Hollywood has embraced this technological change with the recent agreements to make movies accessible over the Internet. We see the natural evolution of this “on-demand” service into the television market.

One of our key theses in Entertainment is the evolution of digital content delivery. The concept of delivering television channels worldwide over the Internet is a natural extension of our view. JumpTV is building the world’s largest network of exclusive Internet broadcast rights to television channels from countries around the world. The current focus is on ethnic audiences, allowing the hundreds of millions of immigrants around the world to watch live television online from the country of their origin, regardless of their current location. With the trend of immigration to developed countries, e.g. Mexicans into the U.S., we believe JumpTV has a very intriguing product offering.

JumpTV is proving itself as an early leader in this rapidly evolving industry with already 254 channels emanating from 70 countries. We expect the company to grow its subscriber base from approximately 25,000 today to over 500,000 by 2008. This should in-turn drive revenues to upwards of \$100m from under \$5m today. As well, we expect JumpTV to add 2 new television channels per week for the next two years, bringing the total offering to over 500 channels in 2008. A strong management team, established market leadership and being at the forefront of a fast growing industry, we believe JumpTV has the potential to be a very successful player in the future of television content delivery.

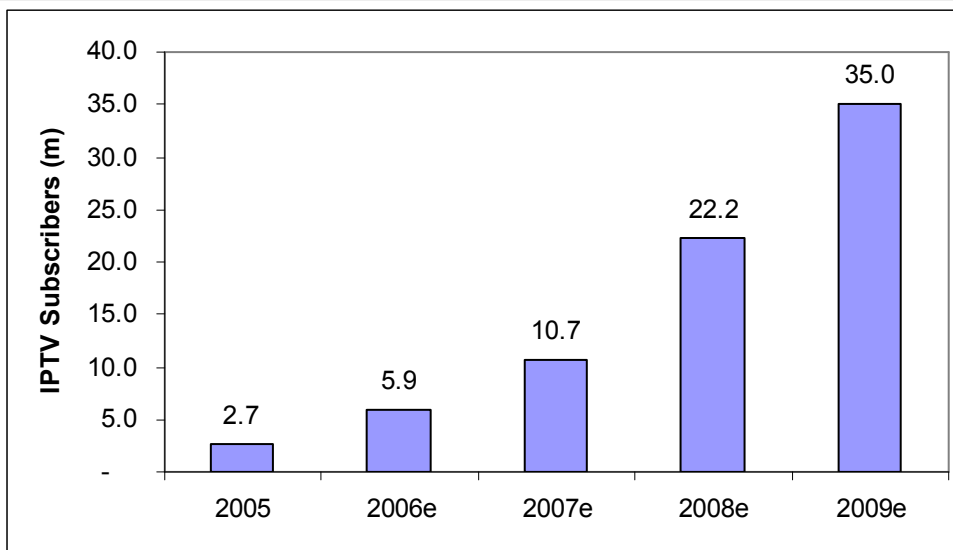


What is IPTV?

Internet Protocol Television ("IPTV") is the delivery of digital television stations and programs over the Internet using a high speed (or broadband) Internet connection. The evolution of this technology is allowing access to television stations and specific programs historically available only through traditional cable television networks in individual regions or countries.

IPTV subscriber counts are expected to increase 13-fold over the next four years. The chart below includes subscribers from the U.S., Western Europe and Asia/Pacific.

Figure 1: Forecast IPTV Subscriber Growth



Source: IDC, JumpTV, Paradigm Capital

The market remains in its infancy. It is conceivable to us that IPTV will become a viable competitor to satellite and cable television offerings. The current television delivery system typically uses a set-top box, which receives all channels into the box, all the time thereby requiring a large amount of bandwidth. This could limit the growth of additional channel offerings, especially with the move to high definition.

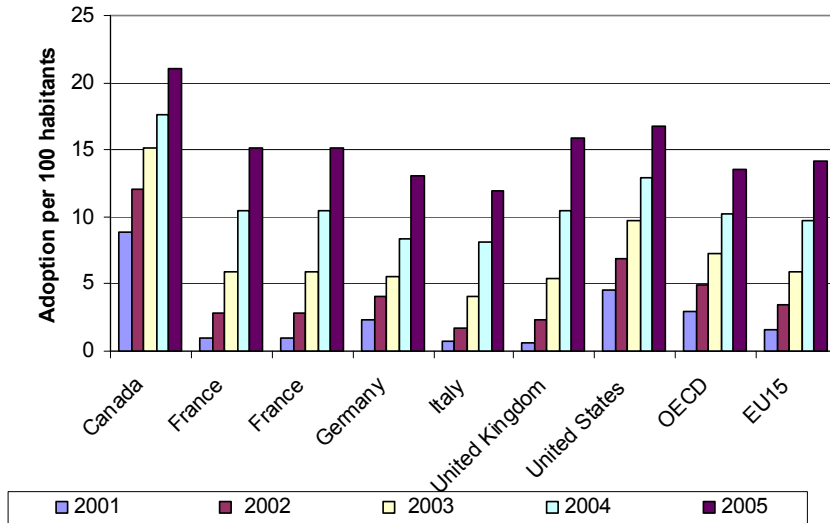
Alternatively, an advantage of IPTV is that only the channel being watched is streamed to the user, therefore the bandwidth requirement is significantly lower.

Changing Technological Landscape

A necessary ingredient to the growth of JumpTV is the adoption level of broadband Internet access. In order to watch streaming live television online, it is necessary to have a "high speed" connection. The chart below demonstrates the how rapid the adoption of broadband has been in developed countries over the past five years. Most of the countries that JumpTV is targeting today for subscribers have above average growth rates and overall levels of broadband adoption.



Figure 2: Broadband Internet Adoption per 100 habitants



Source: OECD, Paradigm Capital

Figure 3: Broadband Internet Adoption per 100 habitants

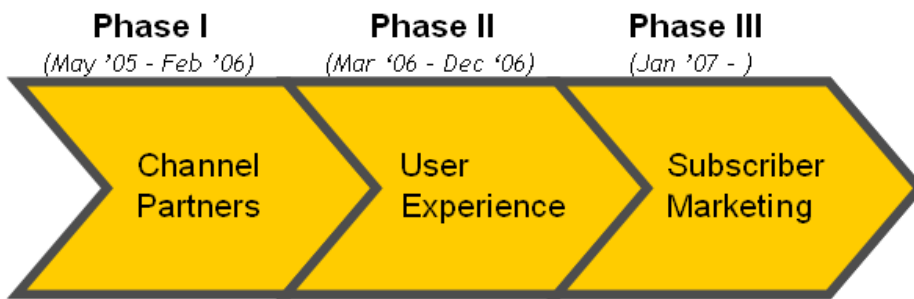
	DSL	Cable	Other	Total	Total subscribers
United States	8.0	9.8	1.4	19.2	56,502,351
Japan	11.3	2.7	4.9	19.0	24,217,012
Korea	13.2	8.8	4.5	26.4	12,770,911
Germany	14.7	0.3	0.1	15.1	12,444,600
United Kingdom	14.6	4.9	0.0	19.4	11,622,929
France	16.7	1.0	0.0	17.7	11,105,000
Italy	12.6	0.0	0.6	13.2	7,697,249
Canada	10.8	11.5	0.1	22.4	7,161,872
Spain	10.5	3.1	0.1	13.6	5,917,082
Netherlands	17.2	11.1	0.5	28.8	4,705,829
Australia	13.9	2.9	0.6	17.4	3,518,100
Mexico	2.1	0.7	0.0	2.8	2,950,988
Turkey	2.9	0.0	0.0	3.0	2,128,600
Sweden	14.4	4.3	4.0	22.7	2,046,222
Poland	3.9	1.3	0.1	5.3	2,032,700
Belgium	11.9	7.4	0.0	19.3	2,025,112
Switzerland	16.9	9.0	0.4	26.2	1,945,358
Denmark	17.4	9.0	2.8	29.3	1,590,539
Austria	11.2	6.3	0.2	17.7	1,460,000
Portugal	7.9	5.0	0.0	12.9	1,355,602
Finland	21.7	3.1	0.2	25.0	1,309,800
Norway	20.4	3.8	0.4	24.6	1,137,697
Czech Republic	3.9	2.0	3.5	9.4	962,000
Hungary	4.8	2.9	0.1	7.8	791,555
New Zealand	10.7	0.5	0.6	11.7	479,000
Ireland	6.8	1.0	1.4	9.2	372,300
Greece	2.7	0.0	0.0	2.7	298,222
Slovak Republic	2.2	0.5	0.2	2.9	155,659
Luxembourg	16.0	1.9	0.0	17.9	81,303
Iceland	26.5	0.0	0.7	27.3	80,672
OECD	9.7	4.6	1.2	15.5	180,866,265
EU 15	13.7	2.5	0.3	16.5	64,031,790

Source: OECD, Paradigm Capital



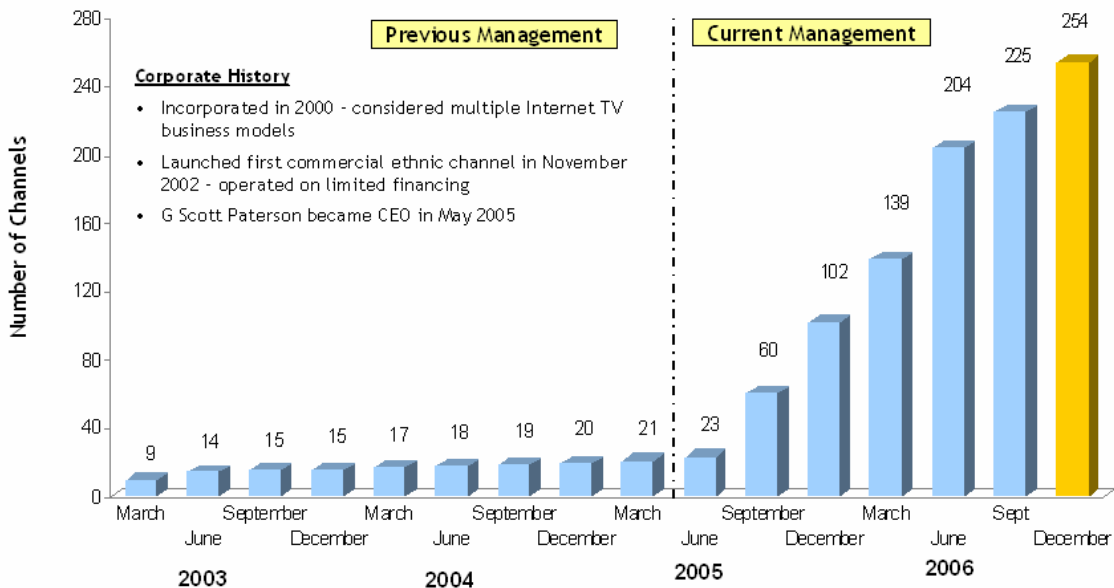
JumpTV – Focused Growth

JumpTV has become the largest provider of ethnic television delivered over the Internet. Currently, JumpTV is offering over 254 channels from over 70 countries worldwide. The company was founded in 2000 with the idea of delivering television via the Internet. Through its evolution, the scope of business was narrowed to focus on the ethnic market, which is a large, growing and seemingly underserved market segment. In May 2005, Scott Paterson, former Chairman & CEO of Yorkton Securities, took control of the Company and became CEO of the Company. Mr. Paterson had been Chairman of JumpTV since his investment in January 2002. Mr. Paterson quickly raised significant private funding, recruited key personnel, attracted a high profile board of directors and put in place a succinct three phased growth strategy that essentially can be summed up as “Content is King”.



The strategy is progressing on plan. We have extensively tested the user experience and feel the user interface is very robust. The focus now is on phase III, aggressively targeting new subscribers.

Figure 4: Significant Growth in Channel Partners



Source: JumpTV, Paradigm Capital



The United States is a focus market for JumpTV. The ethnic population of the United States (Hispanic, Asian, Sub-Saharan African, Arab) was over 50m as of the 2000 census. Using the above numbers, we estimate the addressable market for JumpTV's in Canada, US, UK, Germany, France, Spain, and Australia to be roughly 80m people. According to JumpTV, they believe, after extensive discussions with channel partners, embassies and other experts, the addressable market is likely closer to 200m, the difference due to timing differences, reporting methodologies, etc...

Figure 5: Snapshot of Addressable Market

	Born in U.S.	Born Outside U.S. in millions	Total
Hispanic	16.3	21.0	37.3
Asian	8.9	4.3	13.2
Sub-Saharan African	0.8	1.2	2.0
Arab	0.7	0.7	1.4
Total	26.7	27.2	53.9

Source: JumpTV, Paradigm Capital

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. The following table highlights a snapshot of the addressable market in some of the key target regions for JumpTV:

Figure 6: Large Ethnic Populations in Key Markets

USA

Hispanic

- In 2004, approximately 40m Hispanics lived in the United States. The population is projected to grow faster than any other major ethnic group in America to almost 50 million in 2009 and is projected to reach over 100 million by 2050 (almost 25% of the total US population).
- US Hispanic buying power is projected to grow from \$686 billion in 2004 to \$992 billion in 2009, which represents a 45% growth rate over the period.
- In 2005, 40% of US Hispanics used broadband at home and 23% watched Internet video or streaming video.

Asian

- In 2004, approximately 14m Asians lived in the US. The population is projected to reach 33 million by 2050. In 2005, almost 60% of Asian-American online households had broadband access compared to approximately 40% of total US online households.
- Asian buying power in the US is projected to grow from \$363 billion in 2004 to \$528 billion in 2009, which represents a growth rate of over 45% over the period.

Arab

- In 2000, approximately 1.4 million Arabs resided in the US.



Non-English Speaking Europeans

- In 2000, approximately 1.2 million Greeks, 1.4 million Hungarians and 1 million Ukrainians resided in the US.

African

- In 2000, approximately 200,000 Nigerians resided in the US.

Europe

- In 2000, approximately 3m Asians resided in the UK and approximately 1.5 million Asians resided in Canada.
- In 1999, approximately 2.5 million foreign-born Arabs resided in France.
- In 2001, approximately 350,000 foreign-born Arabs resided in Spain.
- In 2002, approximately 2 million Turks resided in Germany.
- In 2001, approximately 130,000 Kenyans resided in the UK.

Canada

- In 2000, approximately 1.5m Asians resided in Canada.
- In 2001, approximately 250,000 foreign-born Arabs resided in Canada.

Source: JumpTV, Paradigm Capital

JumpTV continues to add channels to its offering. The breakdown of the current offering is:

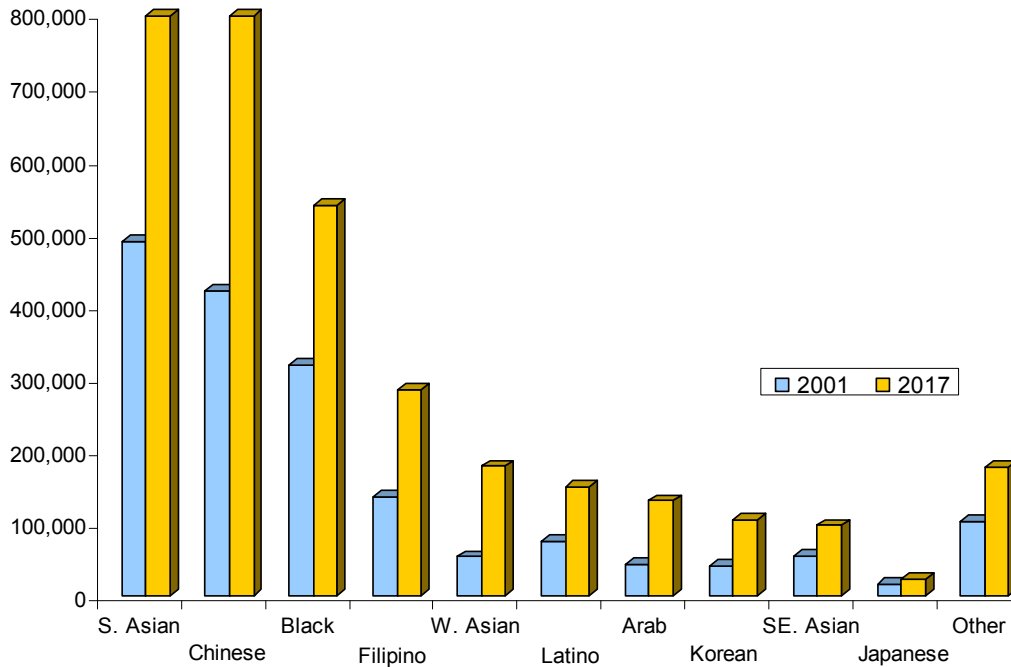
Breakdown of Channels Offered per demographic

Hispanic	91
Asian	49
Arab	45
Non-English Europe	47
African	12

By way of example, we have presented a growth forecast for the city of Toronto prepared by Statistics Canada. According to an article that appeared in the Toronto Star newspaper in October 2006, 2 million (44%) of Toronto residents were born outside of Canada, and 242 new immigrants arrive in Toronto each day. The chart below shows the continued expected growth expected in immigration.



Figure 8: Immigration Growth in Toronto



Source: Statistics Canada, Paradigm Capital

We believe it is important to understand the value that immigrants place on a computer and the ability to stay in touch with loved ones and news from “back home”. There was a very relevant quote in the December issue of Canadian Newcomer Magazine. According to its published, Dale Sproule, “I have yet to meet a newcomer under the age of 50 who doesn't consider a computer to be a priority purchase. The vast majority of new immigrants own one within their first year in Canada.”

Partnerships with Television Stations

Channel Partner Agreements

JumpTV signs exclusive deals with its channel partners around the world. This initiative is led by Kaleil Isaza Tuzman, President & COO of JumpTV. The general terms and conditions with respect to JumpTV's agreements with its channel partners are set forth below:

- **Broadcasting Rights**

JumpTV licenses from its channel partners the exclusive rights to broadcast the channel partners' live linear feeds world-wide over the Internet or through other IP-based broadcasting platforms. In many of the channel partner agreements, JumpTV's license extends to rebroadcasting of the channel partners' linear feeds on a live, time-shifted, pay per view, personal video recorder and video-on-demand basis.



- **Content Substitution**

JumpTV's channel partners are responsible for providing content to JumpTV that is intellectual property rights compliant and are contractually required to advise JumpTV when content for which they do not own the international distribution rights is scheduled to be aired by them to enable the Company to substitute compliant content in its place. JumpTV relies significantly on its channel partners to ensure that the content broadcast by JumpTV is intellectual property rights compliant.

- **Advertising Rights**

JumpTV generally has the right to replace all or a portion of the existing advertising on the channel partners' live linear feeds with JumpTV solicited advertisements. The channel partners are responsible for advising JumpTV of all scheduled advertisements so that JumpTV can effect advertising insertion on its broadcast of the channel.

- **Term**

The channel partner agreements generally have an initial term of four years from the first date that the channel is available for subscription. After completion of the initial term, the channel partner agreements generally provide that they renew on an annual basis unless either JumpTV or the channel partner gives 60 days written termination notice. Many of the channel partner agreements provide for automatic renewal at the end of the initial term on an annual basis for up to four additional annual renewals if JumpTV generates revenue for its channel partners based upon specified subscriber numbers in respect of the applicable channels or if JumpTV generates specified minimum subscriber thresholds in respect of the applicable channels.

- **Channel Partner Fees**

The channel partners generally receive a specified percentage (approximately 20% on average) of the gross subscription revenue generated each month by JumpTV from the applicable channels. The channel partners will generally receive a specified percentage (typically 30%) of the gross revenue generated by JumpTV for advertisements inserted in the linear feeds of the applicable channels.

Competitive Advantages

JumpTV is the leading provider of live television delivered online. Its competitive advantages include:

- World-wide exclusive contracts
- Experienced management team
- First mover advantage
- Clearly defined niche

Evolving Product Offering

Today, JumpTV specializes in live, streaming feeds from television stations around the world. The next generations of its product offering, which will be released successively in 2007 will include pay-per-view ("PPV") (available for certain sporting events today), video-on-demand (VOD), music subscription & store, and social networking including instant chat. JumpTV retains rights to the content it broadcasts, during the term of its agreements, allowing the company to create a library of foreign language programming.



Programming is offered both a-la-carte and in packages created around themes, languages and geographies. For example:

Figure 7: Subscription Prices

Sample Packages	#of Channels	Monthly Fee
Arabic Package	22	\$ 24.95
Turkish Package	4	\$ 16.95
Colombian Package	18	\$ 24.95
Dominican Package	9	\$ 19.95
Filipino	2	\$ 14.95
most a-la-carte Channels	1	\$ 9.95

Source: JumpTV, Paradigm Capital

Advertising Creates New Revenue Opportunity

Starting in 2007, JumpTV expects to add advertising to its business model. As we mentioned in the description of the channel partner agreements, JumpTV has the right to insert its own advertising into programming feeds. In our opinion, there are three types of advertising that makes sense in the JumpTV model:

1. Banner Advertising
2. Pre-roll Ads
3. Ad Insertion into Programming

Banner advertising is the ads that are inserted across the top of a web page. This type of advertising is very familiar to anyone used to “surfing the web”. This is also the lowest cost, therefore, lowest revenue potential form of advertising for JumpTV.

Pre-roll ads are inserted as video content is loaded/buffered. It takes approximately 15 seconds for streaming video content to begin playing. Pre-roll ads are now common to insert during this set-up time.

Ad insertion is the process of replacing the advertising embedded within the live feed with new advertising, targeted at the audience watching the program. The feeds being broadcast via JumpTV are live feeds, targeted at a local audience; therefore the advertising is specific to the local region. JumpTV is offering access to these channels worldwide. Through the miracle of modern technology, JumpTV can identify where a user is accessing the program (which country, city, neighborhood, etc...) and can deliver tailored advertising, inserted into the pre-existing advertising spots. We believe this is the highest revenue potential as it offers advertisers access to a very targeted group of viewers.



Great Product, But How Do you Find Subscribers?

JumpTV has an aggressive plan to grow its subscriber base but how will they find those subscribers? Marketing will be key. JumpTV has launched a four-stage customer acquisition strategy;

1. Ethnic portals and affiliate marketing
2. Co-branded offerings
3. Direct-to-consumer marketing
4. Subscriber-led viral marketing

Ethnic portals

JumpTV has identified its niche to be the leading provider of ethnic television delivered online. The target audience is therefore identifiable from the overall population. It makes sense to target market to those online locations that already attract significant numbers of targeted users...Ethnic portals. These portals, or websites, have an established and often growing user base who is both connected online and looking to access information from their home countries. To date, JumpTV has advertising in the form of links and banner ads/logo on 30 portal sites. (See appendix 5 for a list).

Co-Branded Offerings

Internet service providers ("ISP") appear to be a logical partner in the marketing of the JumpTV product offering. The co-branded effort could include marketing of channels as well as partnering with the ISP for billing and customer service.

JumpTV has signed an Internet distribution agreement with Terra (wholly owned subsidiary of Telefonica Internacional, S.A.). Telefonica is the dominant telecommunications provider in Latin America. This agreement has Terra agreeing to distribute certain JumpTV content through Terra and its affiliates in Argentina, Brazil, Chile, Columbia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. The deal with Telefonica has a 4-year term with minimum revenue targets in each year.

Direct-to-Consumer Marketing

The traditional marketing technique will include both online and offline strategies. The most common form of online marketing is likely to include banner advertising (top of an Internet page), search engine ranking (keep JumpTV in top 10 results) and email marketing campaigns from lists developed internally and acquired. Offline strategies may include newspapers, magazines, television and radio targeted at ethnic audiences.

Subscriber-Led Viral Marketing

This type of marketing is done by allowing users the ability to form online communities to communicate with each other using the JumpTV platform. The idea is to get people using the site to join these communities, often populated with people from their home country. These people in turn will be able to invite friends and family to join the online community thereby raising overall awareness of the JumpTV service at a marginal subscriber acquisition cost to JumpTV.



What are the Alternatives to JumpTV?

Foreigners in every country are interested in news and events from home. Cable and satellite operators have been adding to their line-up of ethnic programming. As well, online Internet portals continue to develop providing a variety of news and information on a specific region or country. Below we list selected larger product offerings;

Canada

Bell Express Vu (satellite) offers 19 ethnic channels
 Rogers (cable) offers 44 ethnic channels in Toronto
 Shaw (cable) offers 5 ethnic channels in Vancouver

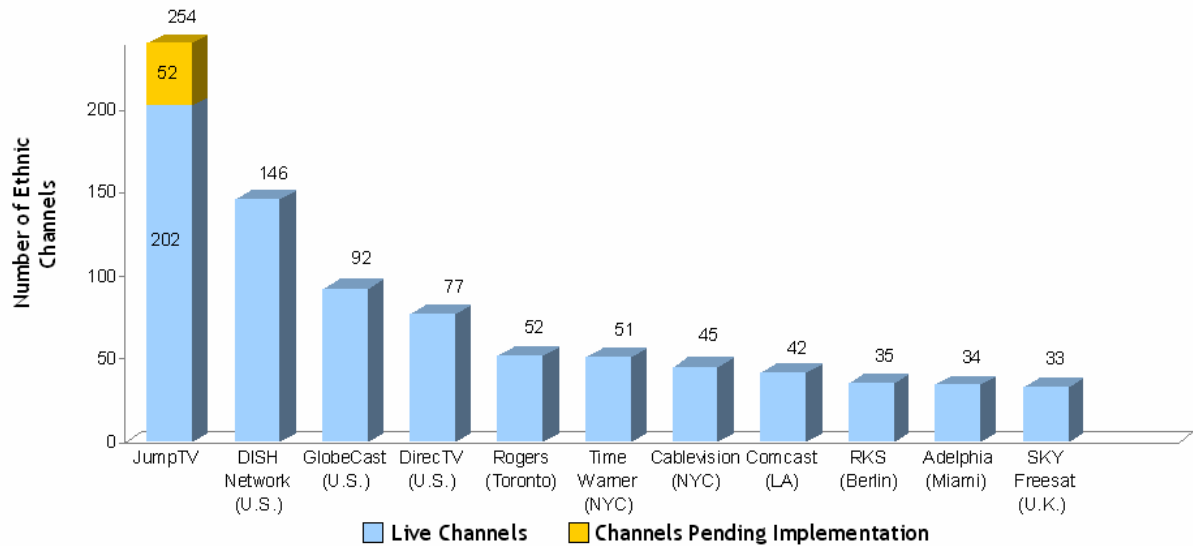
USA

DIRECTV (satellite) offers 70 ethnic channels
 Dish Network (satellite) offers 140 ethnic channels
 Comcast (cable) offers 43 ethnic channels in Los Angeles, 27 channels in Chicago
 Time Warner (cable) offers 51 ethnic channels in New York
 Adelphia (cable) offers 29 ethnic channels in Miami

Europe

British Sky Broadcasting (satellite - UK) offers 30 ethnic channels
 Premiere AG (satellite - Germany) offers 20 ethnic channels
 NTL Incorporate (cable – UK) offers 10 ethnic channels
 Liberty Global (cable – France) offers 12 ethnic channels
 Kabel-Service (cable – Germany) offers 35 ethnic channels

Figure 8: JumpTV vs. Traditional Ethnic Television Providers



Source: JumpTV, Paradigm Capital

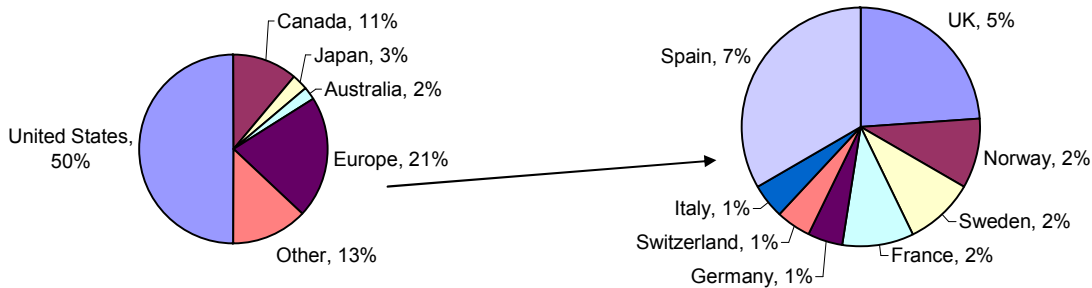
In our opinion, the JumpTV product offering is the largest offering available today and continues to add value added services to subscribers, including the expected launch of



video-on-demand. It is worth noting that the above services are offered in major centers but in many cases are not available outside of the listed metropolises.

Where are the JumpTV Subscribers Today?

Figure 8: Regional break-down of current subscribers



Source: Paradigm Capital

The company is just beginning to ramp its subscriber levels. Consistent with the company's 3 phase strategy, the company expects to begin to aggressively market its channels in 2007. We expect to see strong growth coming from all regions shown above.

Profitability is Within Sight

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 expected 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

As we highlighted earlier, the world wide 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.

Clean Balance Sheet

JumpTV raised roughly US\$65m in its initial public offering in August 2006. The balance sheet continues to have an estimated US\$50m in cash at year-end (\$1.57 per share) with no debt. The IPO was priced at \$5.50 per share.

Experienced Senior Managers

In any high growth company, especially in a new industry, we believe that the experience of senior management is important in determining the likelihood of executing the company's business plan.

G. Scott Paterson – Chairman & CEO

- Mr. Paterson is very well known in the Canadian business as the former Chairman/CEO of Yorkton Securities (1995 – 2001). During his tenure at the helm of Yorkton, revenues/earnings grew from \$60m/\$6.6m to \$244m/\$54m.
- During this period, Yorkton became well know as Canada's leading technology focused investment bank.
- Mr. Paterson is a past Chairman of the Canadian Venture Exchange and a past Vice-Chairman of the Toronto Stock Exchange.
- Mr. Paterson sat on the board of Leitch Technologies, a leading Canadian manufacturer of television broadcast equipment from 1994 – 2002.
- Mr. Paterson is on Board of Directors of Lionsgate (LGF-N), he is chairman of its audit committee and also sits in its strategic committee. It is worth noting that the a Vice-Chairman of Lionsgate (Mark Amin) site of JumpTV's board of directors and Lionsgate CEO (Jon Feltheimer) sits on JumpTV's advisory committee. Given that we have covered Lionsgate for 2 years, we believe the participation of Mr. Feltheimer and Mr. Amin is a positive validation of the company's strategy.
- Mr. Paterson is also on the board of Rand A Technologies (RND-T).

Kaleil Isaza Tuzman – President & COO, JumpTV

- Ran KIT Capital, a New York based merchant banking firm specializing in emerging growth companies (2001 – 2005)
- Spent five years in investment banking at Goldman, Sachs & Co.



Mr. Tuzman is based in Dubai, where JumpTV International is headquartered. The Dubai subsidiary was established in order to optimize taxation.

The company has also amassed an impressive Board of Directors and Advisory committee.

Board of Directors

- Lorne Abony, CEO of Fun Technologies
- Mark Amin, Vice-Chairman of Lionsgate Entertainment
- Curt Marvis, CEO Cinemanow
- James McNamara, Founder & Chairman Panamax Films
- G Scott Paterson, CEO JumpTV
- Kaleil Isaza Tuzman, President & COO JumpTV

Risks

Subscriber Growth

There can be no assurances as to the pace of new subscribers or to the level of churn within the subscriber base. Subscribers are free to cancel the service at any time.

Competition

Although we believe the agreements signed between JumpTV and its many channel partners to be exclusive, the IPTV industry remains in its infancy and it is not possible to predict what future delivery mechanisms could be developed, outside of the exclusivity of the current agreements.

New Channel Acquisitions

JumpTV has aggressive plans to continually grow the channel offering. To date, new channel announcements have been on track. There are no assurances that the current pace of channel partnerships is sustainable.

Plenty of Upside Potential

JumpTV is at the beginning of what should be an exciting future as the leading provider of ethnic television, delivered over the Internet. Modeling the company today is not without challenges. It is difficult to predict the ramp in subscriber growth, but we have modeled what we believe to be an achievable growth rate while leaving plenty of room for upside. In our opinion, JumpTV is on track to be earnings positive in 2008, well ahead of its satellite radio counterparts. We have decided to value the company using a discounted cash flow model. The table below highlights a variety of scenarios. We are using a 20% discount rate and a 10x terminal multiple to derive our \$15.00 target price.



Figure 12: DCF Analysis

		Discount Rate				
		10%	15%	20%	25%	30%
Terminal Multiple	10	29.58	20.95	15.18	11.24	8.49
	15	38.62	27.01	19.32	14.10	10.50
	20	47.67	33.08	23.45	16.96	12.51
	25	56.71	39.14	27.58	19.83	14.52

Source: Paradigm Capital

On a comparables basis, we believe JumpTV represents an exciting opportunity. On a multiple of revenue the company is trading between Canadian and U.S. satellite radio company valuations (see table). We see the world wide market opportunity to deliver television content to be deserving of a premium multiple.

Figure 13: Comparables Table

	Ticker	Last Px	Mkt Cap (m)	EV (m)	EV / Revenue			EV / EBITDA			PE		
					2006e	2007e	2008e	2006e	2007e	2008e	2006e	2007e	2008e
Television													
COMCAST CORP NEW	cmcsa-us	\$ 42.33	\$ 57,823	\$ 80,839	3.1	2.7	2.4	8.2	6.9	6.2	47.1	31.5	23.9
DIRECTV GROUP INC (THE)	dtv-us	\$ 24.94	\$ 30,516	\$ 31,642	2.2	1.9	1.8	9.5	7.6	6.6	23.0	18.6	16.9
CBS CORPORATION	cbs-n	\$ 31.18	\$ 22,429	\$ 26,286	1.8	1.8	1.7	8.5	8.2	7.8	18.6	17.1	15.3
ECHOSTAR COMMUNICATIONS CORP	dish-us	\$ 38.03	\$ 7,855	\$ 12,995	1.3	1.2	1.1	5.4	4.5	4.0	28.1	19.7	15.2
DISCOVERY HLDGS CO	disca-us	\$ 16.09	\$ 4,314	\$ 4,162	6.3	6.2	6.1	68.0	69.5	65.8	236.6	62.3	56.1
CHARTER COMMUNICATIONS	chtr-us	\$ 3.06	\$ 1,306	\$ 20,075	3.7	3.3	3.1	10.5	9.5	8.5			
	Median				2.6	2.3	2.1	9.0	7.9	7.2	28.1	19.7	16.9
Satellite Radio													
SIRIUS SATELLITE RADIO INC	siri-us	\$ 3.54	\$ 4,978	\$ 5,684	9.2	5.6	3.9	nmf	nmf	nmf	nmf	nmf	nmf
XM SATELLITE RADIO HLDGS INC	xmsr-us	\$ 14.45	\$ 3,880	\$ 4,938	5.4	4.0	3.1	nmf	nmf	308.7	nmf	nmf	nmf
CANADIAN SATELLITE RADIO	xsr-t	\$ 7.14	\$ 243	\$ 309	9.4	4.1	2.5	nmf	nmf	nmf	nmf	nmf	nmf
	Median				9.2	4.1	3.1	nmf	nmf	308.7	nmf	nmf	nmf
Internet													
GOOGLE INC	goog-us	\$ 460.48	\$ 140,152	\$ 130,152	18.0	12.2	9.0	28.8	20.0	14.9	44.6	33.5	26.0
YAHOO! INC	yhoo-us	\$ 25.54	\$ 34,740	\$ 32,930	7.2	6.0	5.0	18.3	14.9	11.9	55.8	42.9	30.8
AMAZON.COM INC	amzn-us	\$ 39.46	\$ 16,254	\$ 16,339	1.6	1.3	1.1	27.5	20.8	16.3	91.9	56.5	39.3
EBAY INC	ebay-us	\$ 30.07	\$ 41,921	\$ 38,664	6.5	5.4	4.4	17.1	14.0	11.2	29.5	24.4	20.0
REALNETWORKS INC	mwk-us	\$ 10.94	\$ 1,768	\$ 1,023	2.6	1.8	1.6	53.6	16.9	14.3	13.7	27.2	42.6
	Median				6.5	5.4	4.4	27.5	16.9	14.3	44.6	33.5	30.8
JUMP TV INC	jtv-t	\$ 7.45	\$ 257	\$ 203	101.1	10.9	3.6	nmf	nmf	20.3	nmf	nmf	32.4

Source: Paradigm Capital

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 are initiating coverage on JumpTV with a 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 2: Income Statement

	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
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



Appendix 3: Balance Sheet

	Dec-05	Mar-06	Jun-06	Sep-06
Year End: December	Q4 05	Q1 06	Q2 06	Q3 06
ASSETS				
Cash	5,475,052	10,973,989	5,110,401	54,020,499
Other receivables	78,309	92,733	289,454	487,040
Prepaid expenses	14,812	108,673	482,643	683,864
Funds held in trust	-	-	-	581,861
Property, plant and equipment	379,694	597,577	934,327	977,093
Intangible assets	-	-	464,528	464,195
Goodwill	-	-	-	-
Deferred direct broadcast operating costs	96,803	88,003	79,203	262,094
Other assets	105,216	265,454	3,566,000	227,922
Total Assets	6,149,886	12,126,429	10,926,556	57,704,568
Liabilities and Shareholders' Equity				
Accounts payable	1,008,845	1,519,196	3,251,350	2,230,796
Due to related parties	138,323	130,960	28,425	6,083
Current portion of accrued licence fees	79,592	45,310	41,797	65,696
Accrued professional fees	195,592	299,181	3,308,714	557,834
Accrued stock appreciation rights	-	-	-	623,859
Deferred revenue	56,268	66,964	80,853	103,106
Income tax payable	16,800	29,800	41,800	52,800
Accrued licence fees	120,000	120,000	120,000	120,000
Total Liabilities	1,615,420	2,211,411	6,872,939	3,760,174
Share capital	9,744,084	18,647,683	19,346,813	73,556,678
Contributed surplus	609,908	1,063,998	952,472	3,127,795
Accumulated other comprehensive loss	(40,355)	(40,355)	(40,355)	(40,355)
Accumulated deficit	(5,779,171)	(9,756,308)	(16,205,313)	(22,699,724)
Total Shareholders' Equity	4,534,466	9,915,018	4,053,617	53,944,394
Total Liabilities and S.E.	6,149,886	12,126,429	10,926,556	57,704,568

Source: Paradigm Capital



Appendix 4: Statement of Cash Flows

	Dec-05	Mar-06	Jun-06	Sep-06
(\$000's)	2005	Q1	Q2	Q3
Net Income	(4,631,070)	(3,977,137)	(6,449,005)	(6,494,411)
Depreciation	40,165	40,532	58,213	76,069
Stock based compensation	203,934	766,181	561,199	793,462
Amortization of deferred direct broadcast operating costs	5,867	8,799	8,800	8,799
Cash Flow from Operations	(4,381,104)	(3,161,625)	(5,820,793)	(5,616,081)
Changes in non-cash WC	1,025,428	327,469	1,026,963	(4,396,716)
Cash Flow from Operations (+ WC)	(3,355,676)	(2,834,156)	(4,793,830)	(10,012,797)
Capital Expenditures	(343,987)	(258,415)	(445,306)	(118,835)
Acquisitions				333
Purchase of HVMedia Limited assets				333
Other	74,462	-	(360,760)	-
Cash Flow Investing	(269,525)	(258,415)	(806,066)	(118,502)
Principal Repayments	-	-	-	-
New Equity	7,844,982	7,998,646	-	55,566,287
New Debt	-	-	-	-
Other	125,001	600,045	(263,692)	3,475,110
Cash Flow Financing	7,969,983	8,598,691	(263,692)	59,041,397
Cash Flow	4,344,782	5,506,120	(5,863,588)	\$ 48,910,098

Source: Paradigm Capital



Appendix 6 – Affiliate Portal Partners

Channel list by Country



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.

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. (3% of Paradigm's coverage list consists of Strong Buy recommendations).

Buy – Expected returns of 10% or more over the next 6-12 months. (65% of Paradigm's coverage list consists of Buy recommendations).

Hold – Expected returns of +/-10% over the next 6-12 months. (14% of Paradigm's coverage list consists of Hold recommendations).

Sell – Expected returns of -10% or more over the next 6-12 months. (3% 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: 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. 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.



Research

Special Situations

Doug Cooper (416) 363-5115
(Head of Research)

Biotech & Health Care

Claude Camiré (416) 360-1322

Energy Services

John Bereznicki, CFA (403) 513-1034

Entertainment

Corey Hammill (416) 361-0754

Gold and Precious Metals

Don MacLean (416) 360-3459

Don Blyth (416) 360-3461

Industrial Products

Marvin Wolff, CFA (416) 361-3376

Metals, Mining and Fertilizer

David Davidson (416) 360-3462

Jacob Willoughby (416) 361-9557

Oil & Gas

Rebecca Morley (403) 689-9971

Technology – Software/IT Services

Gabriel Leung (416) 361-6054

Technology – Hardware/Semiconductors

Daniel Kim (416) 363-6644

Technology – Wireless

Barry Richards (416) 364-4835

Research Associates

Dana Antal (403) 589-1631

Marissa Caron (416) 364-9764

Sean Curtis (416) 360-1397

Chris Gindl (403) 513-1035

Research Assistant

Michael Lobodzinski (416) 363-6228

Offices

Toronto

95 Wellington St. W.,
 Suite 2101, P.O. Box 55
 Toronto, Ontario M5J 2N7
 General Line (416) 361-9892
 Fax (416) 361-6050

Calgary

Ford Tower
 Suite 630, 633 6th Avenue SW
 Calgary, Alberta T2P 2Y5
 General Line (403) 513-1025
 Fax (Research & Sales) (403) 265-8721

Sales

John Bellamy *(Head of Sales)* (416) 361-6032

David Roland (416) 216-6844

Kristina Bates, CA (416) 361-9698

John Cooke, CFA (416) 361-6053

Fabiene Evans, CA (416) 361-6056

Nancy Fearon (416) 360-3578

Gabriel Ollivier (403) 513-1030

Robert Stabile, CFA (416) 361-1895

Peter Smiechowski, CFA (416) 361-5987

Trading

Clark Toews *(Head of Trading)* (416) 360-5129

Chris Glavin, CFA (416) 361-1901

Kevin Heffernan (416) 361-9752

Jonathan Hill (416) 361-9295

David Jarvis (416) 361-6030

Mervin Kopeck (416) 364-5451

Stock Rating System

Strong Buy: The stock is expected to appreciate and produce a total return of at least 10% over the next twelve months. This rating is used to highlight one or two stocks that our Analysts believe will outperform, from a risk-reward standpoint, all other companies in their respective coverage universes.

Buy: The stock is expected to appreciate and produce a total return of at least 10% over the next twelve months.

Hold: The stock is expected to provide returns of +/- 10% over the next twelve months. **Sell:** The stock is expected to depreciate and produce a total return of -10% or less over the next twelve months.