



JAXX AG

GERMANY / LOTTERY AND BETTING SOLUTIONS

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

Q1 RESULTS

RATING:	Add
PRICE TARGET:	€2.50
RETURN POTENTIAL:	14.7%
RISK RATING:	High

Q1 2009 PROFITABLE, BUT CAUTIOUS OUTLOOK

Yesterday, Jaxx published its Q1 2009 report. Weaker revenues from the Lotteries business area following the introduction of the German Treaty on Gambling and lower sales from Horse betting were more than compensated by a strong Sports betting segment. A lower depreciation charge helped to push Jaxx into the black. However, due to the weak outlook for Q2 and further potential negative effects of the economic crisis, we reduce our forecasts for 2009 and subsequent years, as well as our price target. Our price target is now €2.50 (previously €2.60) and our rating is Add (previously Buy).

Sports betting drives total sales growth Jaxx' Q1 total sales were adversely affected by the German Treaty on Gambling, which has reduced Lotteries' revenues in Germany to almost zero, and lower sales from Horse betting due to changes in the sales split (own vs. brokered sales) as well as a weaker general market environment. Despite this, Jaxx was able to increase its total Q1 net sales by 3.7% to €29.3m due to the strong performance of the Sport betting segment.

Positive EBIT and net result due to lower depreciation In Q1 2009, Jaxx generated a positive EBIT of €0.6m (Q1 2008: -€0.4m). The main reason for the improvement was the lower depreciation charge of €1.5m (€2.4m) as a result of reduced lottery syndicate assets and the extensive value adjustments on assets conducted in Q4 2008. Net profit in Q1 2009 was €0.1m (-€0.5m).

Stable liquidity position At the end of March 2009, Jaxx' liquidity figures were very close to those at the end of Q1 2008. The company had cash of €12.9m (Q1 2008: €12.9m) and the equity ratio was 41.4% (41.8%).

Profitability estimates as well as price target reduced For Q2 2009 we assume slightly negative profitability as this period of the year is usually weak because the European soccer season ends in May. Moreover, we believe that there could be additional negative effects on the company's full-year 2009 figures due to the severity of the economic crisis as well as the German Treaty on Gambling. Therefore, we slightly reduce our EBIT and net income estimates for 2009 and subsequent years. Our price target is now €2.50 (previously €2.60) and we reduce the rating to Add from Buy.

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	2.37	5.86	9.54
EBIT margin	-11.6%	na	na	1.8%	3.8%	5.5%
Net income (€m)	-8.23	-5.67	-17.23	0.90	2.99	5.39
EPS (diluted) (€)	-0.57	-0.38	-1.06	0.06	0.19	0.34
P/E (x)	na	na	na	38.7	11.7	6.5
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' entry into highly competitive international markets; integration risks posed by acquisitions; and legislative and regulatory uncertainty in Germany.

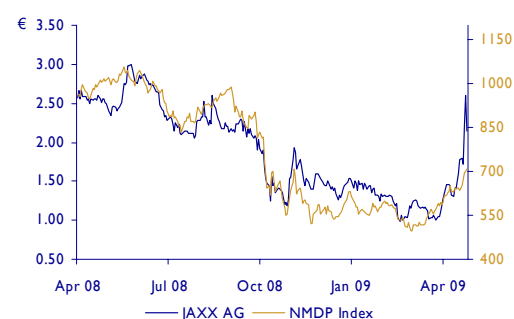
COMPANY PROFILE

JAXX AG is a holding company and invests in companies in the gaming industry. From betting, casino and poker to bingo and lotteries, the companies that make up the JAXX Group offer state-licensed gaming products via online platforms such as www.jaxx.com, www.myBet.com and www.pferdewetten.de. With investment companies in Germany, the UK, Spain, Austria and Malta, the JAXX Group has a total of c. 180 employees.

TRADING DATA

Closing price (06.05.09)	€2.18
Shares outstanding	16.02m
Market capitalisation	€34.92m
52-week range	€0.90 / 3.40
Av. vol. (12 months)	62,627

STOCK OVERVIEW



COMPANY DATA (as of 31 March 2009)

Cash and cash equivalents	€12.85m
Current assets	€22.73m
Intangible assets (incl. goodwill)	€22.49m
Total assets	€49.23m
Current liabilities	€17.91m
Shareholders' equity (incl. minorities)	€20.40m

SHAREHOLDERS

Free Float	100.0%
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Q1 RESULTS

All figures in €m	Q1 2008	Q1 2009	Difference	%Difference
Net sales	28.28	29.33	1.05	3.7%
EBIT	-0.38	0.57	0.94	249.9%
Margin (%)	-1.3%	1.9%	-	-
Net income	-0.52	0.09	0.61	117.3%
EPS diluted (€)	-0.03	0.01	0.04	133.3%

Table 1

Source: Jaxx, First Berlin

Q1 SALES SPLIT / SALES AND COSTS PER EMPLOYEE

All figures in €m	Q1 2008	Q1 2009
Sport betting	15.19	21.36
% change y-o-y		40.6%
% total net sales	53.7%	72.8%
Horse betting	7.11	4.20
% change y-o-y		-40.9%
% total net sales	25.1%	14.3%
Lotteries	5.98	3.77
% change y-o-y		-37.0%
% total net sales	21.2%	12.8%
Total net sales	28.28	29.33
Avg. number of employees	181	182
Sales per employee (€m)	0.16	0.16
Personnel costs per employee (€m)	0.01	0.01

Table 2

Source: Jaxx, First Berlin

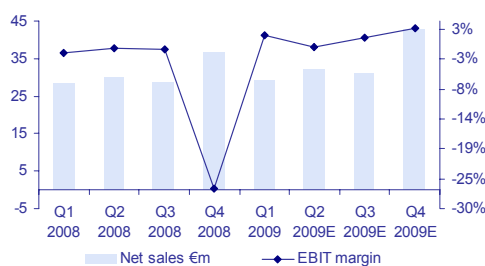
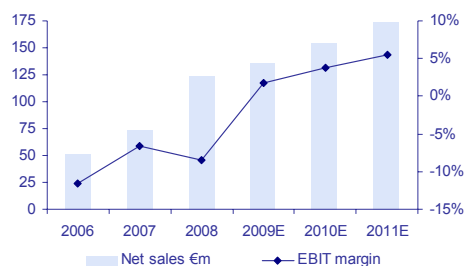
CHANGES TO OUR FORECASTS

All figures in €m	2009E			2010E			2011E		
	old	new	% change	old	new	% change	old	new	% change
Net sales	135.53	135.53	0.0%	154.09	154.09	0.0%	173.43	173.43	0.0%
EBIT	2.85	2.37	-16.8%	6.09	5.86	-3.9%	10.22	9.54	-6.7%
Margin (%)	2.1%	1.8%	-	4.0%	3.8%	-	5.9%	5.5%	-
Net income	1.36	0.90	-33.6%	3.56	2.99	-16.1%	5.90	5.39	-8.6%
EPS diluted (€)	0.08	0.06	-29.5%	0.22	0.19	-15.2%	0.37	0.34	-9.0%

Table 3

Source: First Berlin

SALES AND EBIT MARGIN RESULTS AND ESTIMATES



Charts 1 & 2

Source: Jaxx, First Berlin

**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...34	↓	↓	↓	↓	↓	↓
35	7 November 2008	€1.55	Buy	€2.60	€1.74	12.3%
36	25 March 2009	€1.10	Buy	€2.60	€1.08	-1.8%
37	2 April 2009	€1.02	Buy	€2.60	€2.47	142.2%
38	Today	€2.18	Add	€2.50	-	-

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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.

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