

JAXX AG

GERMANY / LOTTERY AND BETTING SOLUTIONS

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

Q2 RESULTS

RATING:	Add
PRICE TARGET:	€1.70
RETURN POTENTIAL:	12.6%
RISK RATING:	High

Q2 RESULTS SHOW IMPACT OF THE ECONOMIC CRISIS

Jaxx published its Q2 results yesterday. Sales increased slightly y-o-y; however, the impact of seasonal effects and the recession on Jaxx' profitability was much stronger than we had earlier expected. As we no longer believe that our old forecasts are achievable, we reduce our forecasts and lower the price target to €1.70 (previously €2.50). The rating, however, remains Add.

Sales slightly higher y-o-y Jaxx reported Q2 sales of €30.1m (+1.0% y-o-y). The growth was mainly attributable to the sports betting segment, where revenues grew by 18.7% y-o-y to €20.8m due both to an increase in the number of customers in H1 2009 to 505k (H1/08: 318k) and in the average betting stake per active customer per month to €191 (H1/08: €150). Horse Betting performed worse (€4.3m in Q2 2009, -38.5% y-o-y) due to the weak market environment and a change in the revenue breakdown between betting agency business (€2.9m vs. €2.4m in Q2 2008) and own account betting business (€4.0m vs. €6.8m in Q2 2008). Due to the introduction of the State Treaty on Gambling in Germany in January 2009, revenue from Lottery & Gaming stemmed only from Spanish lotteries and the pan-European EuroMillions lottery. In Q2 2009, this amounted to €5.1m (-5.4% y-o-y).

EBIT and net income significantly lower y-o-y In Q2 2009, Jaxx generated an operating loss of €3.2m (Q2/08 loss: €0.2m) and a net loss of €2.8m (H1/08 loss: €0.3m). The main reason was a low gross or hold margin from sports betting (6.8% vs 18.3% in Q2 2008) due to a high number of favourite wins in the European soccer leagues. The corresponding operating loss and net loss figures for H1 2009 were €2.6m (H1/08: €0.5m) and €2.7m (H1/08: €0.8m) respectively.

H2 expected to be better, however we reduce forecasts We believe the start of the European soccer leagues and ticket sales for the highly popular Spanish Christmas lottery, as well as the horse racing week in Baden-Baden in August will have a positive impact on Jaxx' sales and profitability in H2 2009. Additionally, we expect the announced cost savings program (combining organisational units to avoid duplication entailing 7-digit savings potential according to management) to widen margins in the near future. However, after the weak H1 results, we no longer believe that our old estimates for 2009 and beyond are achievable and reduce them accordingly.

FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	50.92	73.85	123.54	127.25	142.52	158.20
Y-o-y growth	na	45.0%	67.3%	3.0%	12.0%	11.0%
EBIT (€m)	-5.89	-4.88	-10.44	0.38	2.85	6.33
EBIT margin	-11.6%	-6.6%	-8.5%	0.3%	2.0%	4.0%
Net income (€m)	-8.23	-5.67	-17.23	-0.12	1.26	3.48
EPS (diluted) (€)	-0.55	-0.36	-1.06	-0.01	0.08	0.22
P/E (x)	na	na	na	na	19.2	7.0
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.

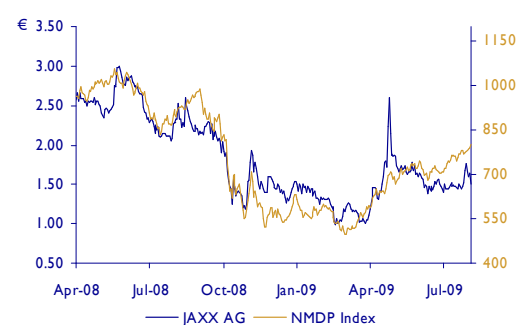
COMPANY PROFILE

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. 188 employees.

TRADING DATA

Closing price (13.08.09)	€1.51
Shares outstanding	16.03m
Market capitalisation	€24.20m
52-week range	€0.99 / 2.57
Average volume (12 months)	48,912

STOCK OVERVIEW



COMPANY DATA (as of 30 June 2009)

Liquid assets	€9.07m
Current assets	€19.29m
Intangible assets (incl. goodwill)	€22.49m
Total assets	€46.32m
Current liabilities	€14.80m
Consolidated equity	€20.69m

SHAREHOLDERS

Free Float	100.0%
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Q2/09 VS Q2/08 RESULTS

All figures in €m	Q2 2008	Q2 2009	Difference	%Difference
Net sales	29.83	30.14	0.31	1.0%
EBIT	-0.16	-3.17	-3.01	n.a.
Margin (%)	-0.5%	-10.5%	-	-
Net income	-0.16	-2.60	-2.43	n.a.
EPS diluted (€)	-0.02	-0.18	-0.16	n.a.

Table 1

Source: Jaxx, First Berlin

SALES AND EBIT MARGIN RESULTS AND ESTIMATES

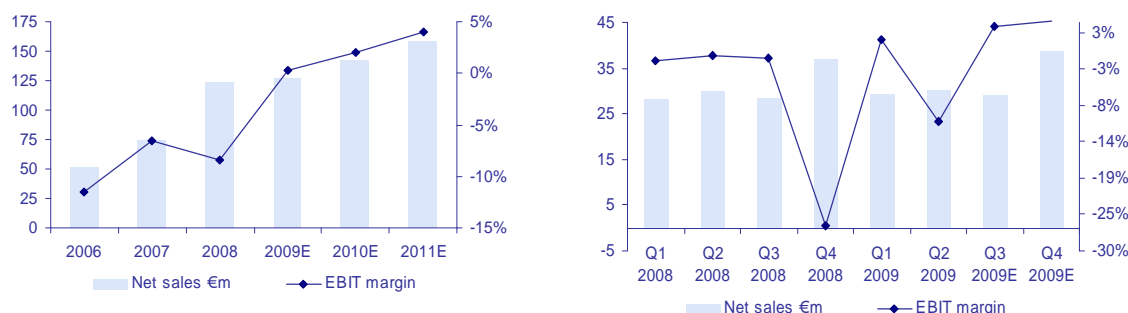


Chart 1 & 2

Source: Jaxx, First Berlin

CHANGES IN OUR FORECASTS

All figures in €m	2009E			2010E			2011E		
	old	new	% change	old	new	% change	old	new	% change
Net sales	135.53	127.25	-6.1%	154.09	142.52	-7.5%	173.43	158.20	-8.8%
EBIT	2.37	0.38	-83.9%	5.86	2.85	-51.4%	9.54	6.33	-33.7%
Margin (%)	1.8%	0.3%	-	3.8%	2.0%	-	5.5%	4.0%	-
Net income	0.90	-0.12	n.a.	2.99	1.26	-57.9%	5.39	3.48	-35.4%
EPS diluted (€)	0.06	-0.01	n.a.	0.19	0.08	-58.7%	0.34	0.22	-36.1%

Table 2

Source: Jaxx, First Berlin

H1 SALES SPLIT / SALES AND COSTS PER EMPLOYEE

All figures in €'000	H1 2008	H1 2009
Sport Betting	32,720	40,040
% change y-o-y		22.4%
% sales	56.3%	67.3%
Horse Betting	14,040	8,463
% change y-o-y		-39.7%
% sales	24.2%	14.2%
Lottery & Gaming	11,344	10,966
% change y-o-y		-3.3%
% sales	19.5%	18.4%
Total sales	58,104	59,469
Avg. number of employees	180	188
Sales per employee (€'000)	323	316
Personnel costs per employee (€'000)	28	26

Table 3

Source: Jaxx, First Berlin

**FIRST BERLIN RATING & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Rating	Price target	Interim high	% change to high
Initial Report	12 October 2005	€3.53	Strong Buy	€4.40	-	-
2...35	↓	↓	↓	↓	↓	↓
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	7 May 2009	€2.18	Buy	€2.50	€1.88	-13.8%
39	Today	€1.51	Add	€1.70	-	-

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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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