

DivX, Inc

JPM Tech Conference Takeaways - ALERT

- **Increasing penetration of DivX-certified devices should offset declining overall unit volumes.** Worldwide penetration is currently at 42% with some major countries still underpenetrated (US: 30%, Japan: 15%).
- **Business model looks cleaner post Stage6.** The company recently upped guidance at its recent earnings conference call, after shutting down the Stage6 site and hence, eliminating a significant drag on earnings. Operating margins are expected to be in the high 20%, in an investment year. The company has nearly \$4/share in cash, even after a \$20m stock buyback program.
- **DivX viral community stats:** 10m unique visitors/month, over 320m codec downloads (with 80m in the last year), well over 100m CE DivX-certified devices (which are mostly DVD players but expected to include more PS3 players, DTVs, mobile handsets and Set-Top Boxes going forward)

Overweight

\$9.70 (intraday)

21 May 2008

Applied Technologies

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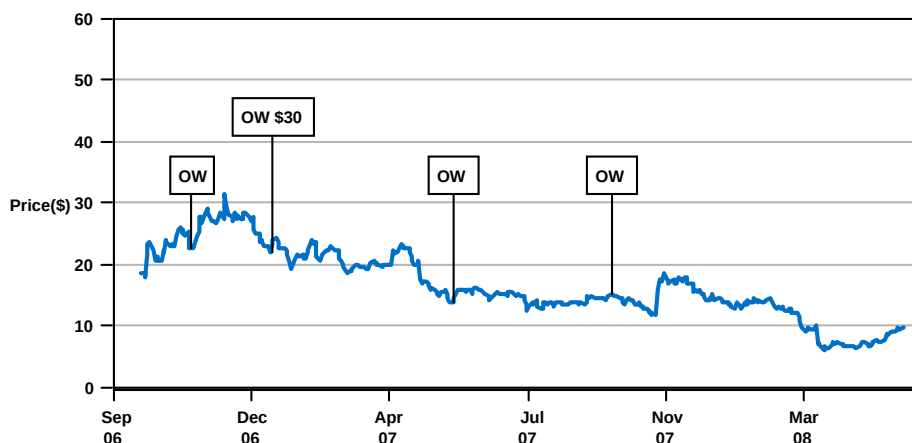
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DivX, Inc (DIVX) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
01-Nov-06	OW	22.84	-
04-Jan-07	OW	21.92	30.00
29-May-07	OW	13.95	--
01-Oct-07	OW	15.17	--

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 01, 2006. This chart shows JPMorgan’s continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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North America Equity Research
21 May 2008

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