

PopMail.Com, Inc.

NASDAQ-POPM - \$0.81

www.popmail.com

www.fanasylum.com

September 13, 2000

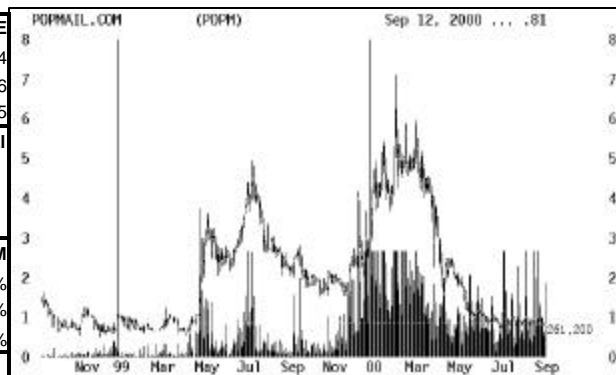
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2Q00 Results: Company Remains in Development Stage, but there were some Interesting Events...

Current Data		EPS		P/E
Fiscal Year End:	Dec	1999	\$ (2.05)	-0.4
Current Price	\$ 0.81	2000E	\$ (1.33)	-0.6
52-Week Range	8-0	2001E	\$ (1.54)	-0.5
Shares Out (Mill)	45.2	Valuation		Current
Ave Volume LTM	441,880	P/E (Next FY)	-0.61	NM-NM
Market Capitalization	\$ 36.7	P/B	0.90	7.8-0.6
LTD/Tot Cap	0.6%	Price/Sales	3.21	26.13-2.29
Institutional Holdings	0.8%	Operating Data		This Qtr
Insiders Holdings	20.0%	Sales Growth	-11.1%	14.3%
Book Value	\$ 0.92	EBITDA Margin	-107.8%	-79.2%
10Yr Bond	5.77%	Net Inc. Growth	-1095%	-4535%

Source: Baseline, except for Insider Hldgs and EPS estimates.



Source: Baseline

Key Investment Points

- Operating results continue to reflect start-up nature of Internet segment.
- Net loss per share (\$0.36) slightly lower than our forecast due to underperformance of restaurants.
- Shares are expected to trade within the current range (\$0.80-\$1.00) until impact of Fan Asylum and branded newsletters are reflected in operating results.
- Our 18-month target price is \$4.50.

Company Description

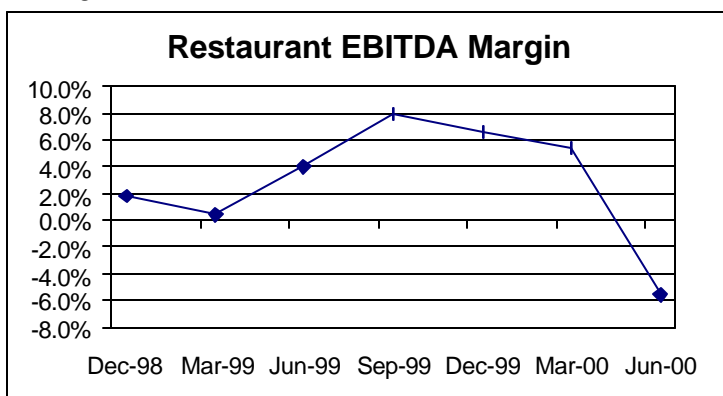
Based in Dallas, Texas, PopMail.com (POPM) is an Internet marketing firm that specializes in email-based permission and affinity marketing services in Broadcast, Media, Sports, Technology, and Entertainment sectors. POPM's technologies allow businesses to more effectively and efficiently communicate with their constituents via targeted messaging that are created by affinity and permission opt-in email lists. The Company's three email divisions consist of; PopMail Network (opt-in email); IZ.com (digital publishing); and Fan Asylum, Inc. (fan club sites for musicians). The Company also runs Café Odyssey, a two-unit chain of themed restaurants.

2Q00 RESULTS

Operating results for the second quarter came in below our expectations, largely due to underperformance of the restaurants. Email operations remain in a development stage mode as revenue growth is outpaced by expense growth as the Company continued to position itself for future growth. The financial condition was bolstered by several private placements.

Restaurant revenues were relatively flat. Average weekly sales per location were \$90,600 in 2Q00 versus \$94,100 during 1Q00 and \$91,300 in 2Q99. Note that in 2Q99, POPM had three units open (the Cincinnati location was closed August 29, 1999). The primary drag on revenues appears to be the Mall of America location, where same store sales dropped 14%. While it is not unusual for a location to experience a drop after the honeymoon period (usually an especially busy 18-month period following the opening), the combination of flat revenues and higher operating costs caused the restaurant EBITDA margin to go negative (see Figure 1). We attribute the sequential growth in restaurant operating expenses (from \$1.7 million in 1Q00 to \$1.9 million in 2Q00) to the tight labor pool.

Figure 1



Internet marketing revenues more than doubled to \$808,000 versus \$388,000 in 1Q00.

These revenues were generated from set-up, hosting and license fees from PopMail's fan club email services and IZ.com's publishing revenues. We do not think that Fan Asylum was a significant contributor to the top line because the acquisition was not completed until June 14th.

The net loss for the quarter was \$13.4 million, versus losses of \$10.6 million in 1Q00 and \$6.3 million in 2Q99. The increased operating loss is due to increased depreciation & amortization charges, SG&A spending as well as increased interest expense and other one-time charges. Depreciation and amortization expense increased to \$7.3 million in 2Q00 versus \$0.4 million in 2Q99 as the result of the acquisitions that occurred during the last year.

SG&A expenses continued to grow as POPM integrated the operations of IZ.com and Fan Asylum. During the period, POPM relocated restaurant management to Denver and continued to invest in technology and infrastructure. Figure 2 shows the quarterly trend in SG&A expense. Note that the Company started to acquire Internet operations in spring 1999.

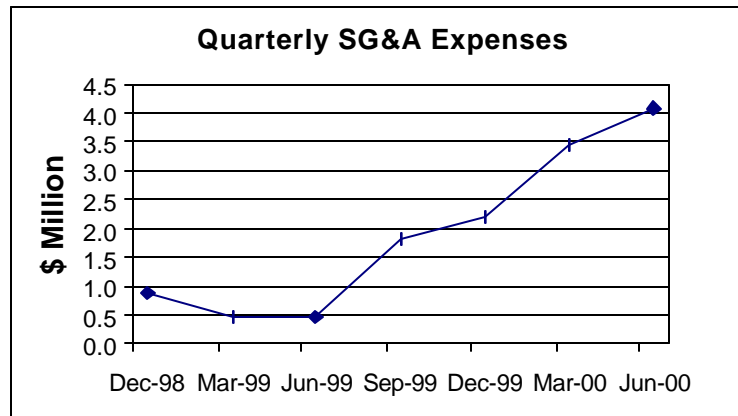


Figure 2

Interest expense increased to \$929,000 from \$245,000 due to the debt used to finance acquisitions.

Other one-time charges consisted of:

- \$958,000 in non-cash financing fees relating to private placements and other services and;
- \$762,000 loss on the sale of the Cincinnati restaurant.

RESTAURANT OPERATIONS FRANCHISED TO COMPANY FORMED BY EX-OFFICERS OF POPM

The executives that ran Cafe Odyssey have left and formed another firm that will operate the current two locations and expand the concept. We consider this a positive development for two main reasons. First, it allows POPM management to focus on the Internet marketing business and the restaurant experts to run the restaurants.

The second benefit is that the agreement has the potential to provide additional cash flows (royalties) to POPM as new units are opened. According to documents in the 10-Q, a new unit is planned for Dearborn, Michigan. However, our earnings model does not assume any additional cash flows from this event.

FINANCIAL CONDITION

While financial leverage (defined as defined as debt/assets) improved as the result of the several private placements, operating cash flows remained negative. While management has been successful at raising funds over the last 18 months to reduce leverage, this raises concerns about continuing dilution to existing shareholders not participating in these placements. And, with cash flows expected to remain negative for the next 18 months, Management will need to continue seeking more capital in order to fund operations and interest expense.

The improvement in the debt/asset ratios is the result of four private placements that raised approximately \$13.2 million as follows:

- \$2.0 million raised 1Q00 from placing 2.35 million units valued at \$1.00. Each unit consisted of one common share and a 5 year warrant with an exercise price of \$2.00;

- \$4.5 million netted in 1Q00 from placing 2.67 million units valued at \$2.25 per unit. Each unit consisted of one common share and a 5 year warrant with an exercise price of \$3.00;
- \$4.0 million raised in 2Q00 from placement of 10% convertible preferred stock (aggregated stated value of \$6.0 million) with warrants to purchase up to 500,000 shares at an exercise price of \$2.51; and
- \$2.7 million raised during 2Q00 from a private sale of 1.0 million common shares at \$3.00 per share with 5year warrants with an exercise price of \$1.00 and additional adjustable warrants that allow the investors to bring the value of their investment to at least \$4.00 per share.

OUTLOOK

We lowered our EPS forecast (about \$0.03 per share) due to reduced expectations for restaurant revenues. We now expect the restaurants to generate approximately \$2.4 - \$2.5 million in sales per quarter in 2000. In 2001, we assume a 3.5% growth rate. We had previously assumed a growth rate in the 5%-7% range for 2001. Table 1 contains our annual EPS model.

(\$Million, except per share data)	1998	1999	2000	2001
Revenues				
Restaurant	6.933	12.166	9.702	10.042
Email & Commerce		0.107	4.802	19.981
Total Revenues	6.933	12.273	14.504	30.022
Fan Asylum Merch COGS			1.313	7.890
Food, Beverage, Rest.	1.897	3.145	2.536	2.630
Rest. OP Expenses	5.038	8.404	6.927	7.273
Rest. Pre-Open Exp.	0.733	0.939	0.000	0.000
G&A	3.081	5.002	18.780	32.700
Depreciation/Amortz	0.940	5.573	29.447	32.612
Impairment	2.000	0.000	0.000	0.000
Operating Income	-6.756	-10.790	-44.498	-53.082
Interest Exp/(Inc.)	-0.050	2.308	3.276	9.817
Warrant Reprice		4.539	0.000	0.000
Debt Guarantee		1.608	0.155	0.000
Fin Advisor Fee		1.489	2.185	0.000
PreTax Income	-6.706	-20.734	-50.114	-62.900
Income Taxes	0.000	0.000	0.000	0.000
Net Income	-6.706	-20.734	-50.114	-62.900
Prefd Stock Div & Accretn		-3.514	0.100	0.000
Loss to Comm Shareholders	-6.706	-24.248	-50.014	-62.900
EPS-Common Stock	\$ (0.84)	\$ (2.40)	\$ (1.33)	\$ (1.54)
Diluted Shares	8.000	10.108	37.680	40.934
Debt/Equity	0.55	0.26	0.28	-19.54
Operating Cash Flow/Share	\$ (0.52)	\$ (0.98)	\$ (0.61)	\$ (0.66)

VALUATION

We think the shares will continue to trade within a range (\$0.80 - \$1.00) until one, or more, of the following happen:

- The market perceives that POPM is now more of a pure-play Internet company;
- Fan Asylum operations are fully reflected in operations, boosting top line growth;
- The launch of branded e-newsletters and other joint ventures increases brand awareness and marketing revenues;
- Financial leverage/ dilution issues are resolved by a large capital infusion; and
- Other analysts start to follow the Company, increasing market awareness.

Our 12 – 18 month target price remains in the low-mid single digit range as discussed in our July 28, 2000 report.

INVESTMENT RISKS

In addition to the risks posed by the challenges of operating in the restaurant and Internet arenas, there are additional risks that must consider when evaluating a potential investment in these shares:

Operations have not been profitable to date and we expect operating losses to continue at least until 2001. The conversion of the company from a restaurant operator to an Internet operator has resulted in significant operating expenses. We expect SG&A expenses to outpace revenue growth as POPM expands staff to accommodate future growth. We also assume that debt will be used to fund operations and this causes interest expense to increase significantly in 2001.

Significant dilution potential from future acquisitions and the need to fund operations. The Company has issued a significant number of shares, options and warrants to fund acquisitions and operations. While we do not assume any acquisitions in our forecast, it is reasonable to expect that the Company may make additional acquisitions in the future. In addition, our model indicates that the Company will need to fund operating losses or risk becoming overly leveraged. In both cases, the issuance of additional equity would dilute existing shareholders.

Internet stocks are subject to extreme market volatility. Despite the decline in dotcom stocks since April, valuations remain high by traditional measures and are thus still vulnerable to significant fluctuations in share price.

The Company may not be able to access the market for future funding needs. The market appears to be increasingly concerned about cash-burn rates and real earnings potential. As a result, many Internet shares have not been able to go back to the market to get needed funding. The same may occur to POPM.

The Company may be forced to reprice options in the future. Because POPM relies heavily on options to both raise funds and reward employees, the risk of future repricings will increase if the stock price remains at current levels. POPM repriced options in 1999 and 2Q00 that resulted in charges of \$3.5 million and \$750,000 (our estimate), respectively.

One individual controls a substantial amount of the common stock and may influence the future direction of the Company. James L. Anderson, who resigned from the Board, has effective control of 31.6% of the outstanding common stock.

The common shares could be delisted from the Nasdaq Smallcap market, which would adversely impact share liquidity and the ability to get price quotes. The following are the events that could cause POPM to be delisted:

1. Bid below \$1.00.
2. Net tangible assets below \$2 million.
3. Reduction to one market maker.
4. Reduction in the market value of the public float to less than \$ 1 million.
5. At the discretion of the NASDAQ SmallCap Market.

The Company is not followed by many analysts. We think the market is largely unaware of POPM because the company was not widely followed to begin with and is still classified as a restaurant stock in several databases.

This report contains "forward looking" statements within the meaning of U.S. federal securities laws. Forward-looking statements regarding the Company's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence upon third party vendors; year 2000 issues; and other risks discussed in the Company's periodic report filings, including interim reports, with the Securities and Exchange Commission. By making these forward looking statements, researchstock.com, Inc. undertakes no obligation to update these statements for revisions or changes after the date of this report.

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