

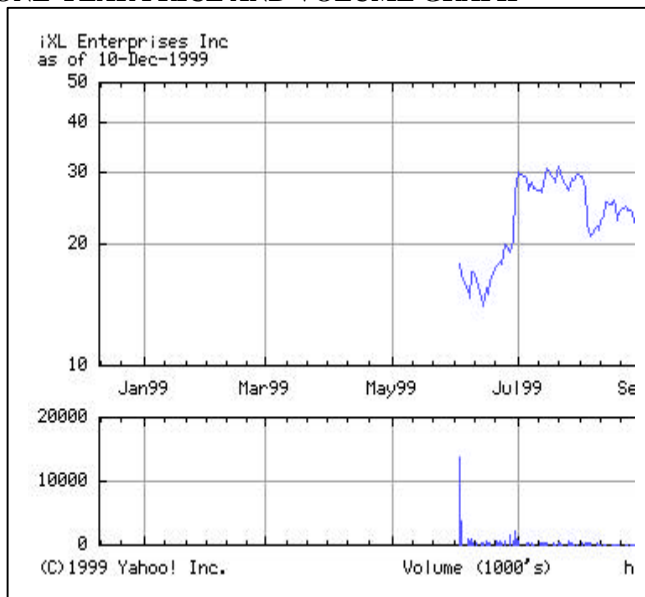
iXL Enterprises, Inc. (NASDAQ: IIXL)Initiating Coverage: **BUY**

August 25, 1999

KEY CONSIDERATIONS

- Recent long term contracts with General Electric and Delta Airlines has given iXL a boost and has led to a spot on USA Today's e-Business 50 and VARBusiness Fast 50.
- Recent Initial Public Offering gives the company 62.3 million for repayment of debt, future acquisitions, and development of its infrastructure.
- CFN has recently entered into agreements with TMA and Earthlink increasing its prospective customer base by more than 1.3 million.
- iXL is still unprofitable and is expected to continue to incur substantial losses for the foreseeable future.
- Intense competition in the strategic Internet services market will challenge iXL's ability to retain existing customers and gain market share.

Recent Price	\$23.00
52WK Low	\$13.75
52WK High	\$32.625
P/E	N/A
P/Book	5.94
P/Sales	3.64
Market Capitalization	1480 million
Shares Outstanding	64.5 million
Float	6 million
Daily Volume (3-month Average)	N/A
EPS	
1998E	\$4.92
1999E	\$2.71
2000E	\$2.40
Current Ratio	5.66
Total Debt to Equity	0.08
LT Debt	0.07
Total Cash	\$134.8 million

ONE-YEAR PRICE AND VOLUME GRAPH**COMPANY PROFILE**

iXL Enterprises, Inc. is the parent company of iXL, Inc. and the Consumer Financial Network(TM) Inc. (CFN). iXL, Inc. is a leading strategic Internet services company which provides Internet strategy consulting and comprehensive Internet-based solutions to Fortune 1000 companies and other corporate users of information technology. iXL is headquartered in Atlanta, GA, and has 20 offices in five countries. Additional information about iXL, Inc. can be found on its web site at <http://www.ixl.com>. The Consumer Financial Network, headquartered in Duluth, GA, is a sophisticated e-commerce platform for financial services and related benefits over the Internet and an around-the-clock teleweb customer service center.

This report was prepared by David R. Rivas, Ph.D., and Kit Lai.

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THE COMPANY

iXL Enterprises, Inc. is a leading Internet services company which provides Internet strategy consulting and comprehensive Internet-based solutions to Fortune 1000 companies and other corporate users of information technology. iXL helps businesses identify how the Internet can be used to their competitive advantage and uses its expertise in creative design and systems engineering to design, develop and deploy advanced Internet applications and solutions.

iXL has expanded rapidly since its inception in March 1996 through a combination of acquisitions and internal growth. iXL has completed 34 acquisitions to gain critical mass, experienced professionals, industry expertise, technical skills and geographic coverage. Its headquarters is located in Atlanta, Georgia, and it has 20 offices in five countries, including London, Madrid, and Hamburg. It has recently expanded into Japan, increasing its employee base to 1,565.

In addition to strategic Internet services offerings, iXL has developed Consumer Financial Network, Inc., a sophisticated e-commerce platform for marketing financial services and employee benefits over corporate intranets and the Internet, as well as through a telesales center. CFN's equity is owned 77% by iXL and 23% by General Electric. CFN has contracted with competing providers of various financial and other services to create a platform for comparison shopping and purchase of these services.

CFN's platform is currently provided at no cost to large companies and associations for distribution as a human resources benefit to their employees or members. CFN also intends to make its platform available to the general public. CFN service providers include Nationwide Mutual Insurance Co., Liberty Mutual Insurance Co., and Chase Manhattan Mortgage Corporation. Member companies include Nextel, Coca-Cola, Delta Air Lines and BellSouth. CFN receives a fee from the service providers for each sale of their services through the CFN network.

INDUSTRY OUTLOOK AND COMPETITION

The Internet represents a revolutionary and powerful new opportunity for business. International Data Corporation estimates dramatic growth in total e-commerce transaction volume, projecting an increase from \$32 billion in 1998 to \$426 billion in 2002. E-commerce refers to the buying and selling of goods and services on the Internet. Many companies currently do not have the capabilities required to conduct e-commerce with suppliers and customers. These companies are looking to independent service providers that can assist them in taking full advantage of the Internet's ability to improve their business. It is expected that this need will drive growth in the worldwide Internet development services market, which according to International Data Corporation, will grow from \$7 billion in 1998 to \$44 billion by 2002.

Due to the low cost of entering the strategic Internet services market, iXL faces intense competition which should challenge its ability to retain clients and accumulate market share. Although strong demand for Internet professional services allows room for many players in the market, iXL will have to work hard to become a major player. iXL's main competitors include USWeb, Sapient Corp, Scient Corp, and BroadVision Inc.

Table 1 Primary Competitors 8/25/99			
	Services	Clients	Products/Methodology
IXL	Internet strategy consulting; customized hosting; e-commerce systems and services; business information management systems; interactive learning environments; traditional website development;	Delta Airlines General Electric Merrill Lynch Chase	Siteman Pitchman ID5 methodology
USWeb	Strategy consulting, analysis and design, technology development , implementation and integration, audience development , maintenance	Levi's Apple Computers Dockers CNN	
Sapient	Technology implementation, business strategy, organizational transformation consulting	Apple Computers IBM E*Trade UPS	One Team Methodology
Scient	Strategy consulting, customer experience design, systems architecture, and application and technology infrastructure development.	Chase Ebay First Union Planet Rx	Scient Approach
BroadVision	Consulting, strategic services, interactive services, content and creative services, Customer Support	American Airlines Fingerhut Xerox Toyota (GB) Ltd.	One to One Enterprise, Solutions Delivery Methodology

ID5 Methodology

IXL has developed an engagement methodology known as ID5 which consists of 5 stages:

- **Discover.** Collect information relevant to the engagement objective.
- **Define.** Formulate an Internet business strategy.
- **Design.** Refine and document specifications of the Internet business strategy.
- **Develop.** Build elements required to implement the Internet business strategy.
- **Deploy.** Deliver final solution.

SERVICES

iXL offers clients a comprehensive range of services required to identify, design, develop and deploy Internet-based business solutions which complement or expand conventional business processes. iXL's services include Internet strategy consulting, Internet-based business solutions, and iXL Solution Sets.

1. Internet Strategy Consulting

iXL offers consulting services to its clients with the objective of developing Internet solutions that augment a client's overall business strategy. iXL offers Internet strategy consulting that combines knowledge of industry dynamics and business processes with an understanding of the client's specific needs. iXL has established practice groups, which are in varying stages of development and staffing, in the Banking & Financial Services, Media & Entertainment, Travel, Telecommunications and Healthcare industries. iXL also employs strategy consultants with general business and Internet expertise; presently, iXL has approximately 70 such professionals on staff.

While Internet strategy consulting directly generates only a small percentage of iXL's revenues, Internet strategy consulting might be a service offering which will help differentiate iXL from many of its competitors.

By offering strategy consulting services, iXL can leverage the consulting and strategy planning expertise of its various industry experts into engagements which will utilize the services provided by other iXL practice groups.

2. Internet-Based Business Solutions

iXL's revenues are principally derived from the design and delivery of Internet-based business solutions. These solutions typically are Web-based applications, many of which integrate with a client's existing computer systems. These solutions can incorporate multiple capabilities including Internet strategy consulting, creative design, information architecture, software engineering, project management, and audio, video and animation production.

Among the Internet-based business solutions, iXL offers e-commerce systems and services, business information management systems, interactive learning environments, digital media services, and website development and hosting services.

- **E-Commerce Systems and Services.** iXL designs, develops and deploys sophisticated e-commerce applications for bringing buyers and sellers together via the Internet. In 1998, iXL created over 60 different e-commerce applications for its clients, ranging from online retail sites to electronic procurement systems. iXL's strength in e-commerce lies in its ability to integrate third-party software with a client's existing computing and network infrastructure to create a robust e-commerce environment for the client's customers and prospects. The technology group utilizes a set of core e-commerce enabling technologies from companies, including:
 - . Microsoft and Netscape, for e-commerce server applications;
 - . Oracle, Sybase and Informix, for database platform development; and
 - . Sun and Hewlett-Packard, for networking products and services.iXL has also created its own brand of e-commerce applications for specific client needs. iXL also works with many third-party software companies, such as CyberCash, Accipiter and NetGravity to develop more general applications for conducting different aspects of e-commerce, ranging from security to online transaction payments processing.
- **Business Information Management Systems.** iXL designs and develops sophisticated computer based business information management systems. These include database-driven websites that help clients manage their customer, supplier, and vendor relationships more effectively and provide secure database access. iXL also develops intranets and extranets which enable clients to communicate with employees, customers, suppliers and vendors, as well as track and store critical business data and other information.
- **Interactive Learning Environments.** iXL has developed expertise in providing education and training using interactive multimedia and Web technology. The company employs instructional designers who create and adapt training materials for use in multimedia and online environments. Several customized solutions have been created to meet the needs of clients.
- **Digital Media Services.** iXL has developed solutions that combine video, audio, animation, graphics and content into digital media presentations. These media are also frequently utilized to produce Internet-based presentations. iXL possesses expertise in numerous post-production editing technologies. These technologies are used for the assembly of video and audio content used in many of its clients' Internet applications. iXL also provides video production services including the design, scripting, production, testing and distribution of audio and video clips and full broadcast-quality presentations. In addition, iXL owns the worldwide perpetual rights to a comprehensive stock video library of over 500,000 clips.

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- **Traditional Websites and Hosting.** To provide complete Internet solutions, iXL offers traditional websites development and website hosting services through the Memphis, Tennessee, and San Jose, California, hosting facilities.

3. iXL Solution Sets

- **Pitchman(R):** Pitchman is a presentation tool which combines graphics, animation, video and audio in a laptop computer presentation format which allows the user to synchronize with the latest version of the presentation via a corporate intranet or the Internet. The primary market for Pitchman are sales and marketing professionals.
- **Siteman(TM).** Siteman is a browser-based system for creating and managing up to thousands of websites that share a common style and similar look. Siteman enables users to quickly design and build custom websites by selecting from a library of templates and adding content. iXL also provides support for end users who need assistance in creating sites with this product.

STRATEGIES FOR GROWTH

- **Strategic Alliances**

Earthlink and CFN. Earthlink and CFN entered into a partnership that will provide CFN's comprehensive online financial planning services to Earthlink's 1.3 million members. In addition to online promotional efforts, CFN will be able to reach a broader base of potential customers through several off-line endeavors. CFN promotional inserts will be distributed in Earthlink mailers and "Welcome Kits" and CFN advertisements will be included in bLink, EarthLink's bi-monthly member magazine.

Treasury Management Association and CFN. TMA and CFN formed a strategic alliance that will give TMA members direct access to CFN's online network of financial products, services and expert advice. Under the agreement, CFN will create a TMA "members only" access portal which will allow TMA's 12,000 members customized, direct and immediate access to CFN's resources by entering their Association membership number at the CFN site. Treasury Management Association is the first financial association to join CFN's network of corporate partners.

General Electric and iXL. GE took a 23% stake in CFN with a series of private placements and stock purchases with the latest bid for 16.2 million shares priced at approximately \$50 million. GE affiliates have also acquired warrants to purchase 1 million shares at \$15 per share and 1.5 million shares at \$11 each. These transactions are intended to help solidify and expand iXL's relationship with GE.

iXL not only benefits from the financial support of GE but stands to gain more exposure in the market, for the two companies have executed a marketing agreement whereby GE is expected to advertise its relationship with iXL as well as promote awareness of the services offered by iXL and CFN. GE Capital is also expected to make efforts in providing access to CFN for its employees as well as workers at affiliate companies. GE Capital currently sells a variety of products through CFN's platform leading to further diversification of CFN's product lines.

- **Acquisition Program.** iXL has made 34 acquisitions since its inception in 1996. Acquisitions have contributed to growth by rapidly expanding the employee base, geographic coverage, client base, industry expertise, and technical skills. iXL anticipates that a large portion of its future growth will continue to be accomplished through acquisitions of similar businesses.

Most of the previous purchases have been paid for in the form of common stock. iXL anticipates that common stock and options to acquire common stock will continue to constitute most of the

consideration used to make future acquisitions. To this end, iXL intends to file a “shelf registration” with the SEC to register 4 million shares of common stock for use in future acquisitions.

- **Global Expansion.** iXL recently expanded its international presence into Tokyo, Japan. With this addition, iXL's global presence has grown to 1,565 employees working in 20 offices in five countries. We believe that iXL could take advantage of Tokyo's huge market to expand its business and gain new clients. This expansion has also given iXL an opportunity to expand current relationships with multinational clients. iXL is already working with General Electric and Merrily Lynch to develop Internet strategies for them in the Asia Pacific market. Continued geographic expansion is expected to be achieved through additional acquisitions.
- **New Contracts Types.** iXL primarily prices its projects on a fixed-price basis, rather than on a time and materials basis. With only a limited history in estimating costs for fixed-priced engagements and with average contract size on the rise, this could lead to increased exposure to the financial risks of fixed-priced contracts. In efforts to reduce financial risk, for larger contracts, iXL has implemented a method to price fixed-priced contracts using a three-phase basis. Each phase is priced separately, prior to its commencement. Less than a third of the revenue from contracts are currently priced using this method. Success in reducing financial risk due to fixed-price contracts will depend on iXL's ability to increase usage of the three-phase basis for pricing larger contracts and increase precision in estimating costs associated with such contracts.

iXL's clients generally retain iXL on a project by project basis. This leads to uncertainty in the revenue stream and the need to continuously seek new clients. iXL has deviated from this pattern by signing long term contracts with corporate giants including General Electric and Delta Airlines. Both are 5 year contracts. iXL will provide \$10 million in web services to Delta in the first year. The agreement with GE guarantees \$20 million to iXL in the first 15 months. Such prestigious engagements have attracted the attention of leading publications. iXL is currently ranked as the tenth fastest growing company on the VARBusiness Fast 50 and has been selected for USA Today's new e-Business 50 index. Recognition in these leading publications could help iXL reach a broader base of potential clients and investors. In turn, the long term engagements have not only provided a huge influx in revenue but has also helped iXL gain recognition as a leading strategic Internet services provider.

- **Broader Market Offering.** CFN intends to expand its business by making its platform available to the general public over the Internet and through its telesales center. Expansion into the general public arena would broaden the prospective customer base for both CFN and its service providers.
- **Research & Development.** iXL's Solution Sets currently includes the Pitchman and Siteman. Another Solution Set is currently in development. While the first two were designed as a presentation tool and for creation and management of web sites respectively, the third Solution Set will facilitate the creation and publication of interactive training courses. The third addition to the iXL Solution Sets collection is an example of iXL's innovative capabilities and its ability to leverage on Internet technology.
- **Employee Training.** iXL has created the iXL University programs to provide training on a continuing basis for its employees. The programs are designed to address the rapidly changing technological environment. Employees are educated on issues ranging from new technologies to office protocol. The iXL University provides a lot of flexibility in that employees can participate by attending live presentations in Atlanta, by viewing the live webcast of such presentations, or by viewing at their discretion archived versions of presentations through the iXL University website. By providing such options, employees worldwide will be able to participate in the iXL University programs.
- **Industry Practice Groups.** iXL has established practice groups in the Banking & Financial Services, Media & Entertainment, Travel, Telecommunications and Healthcare industries. iXL is also working to expand the practice groups to include Technology and Retail industries. To better serve clients, the company leverages on the experience of employees who have previously worked for major consulting

firms in the relevant industries to build industry practice group expertise. Industry expertise allows iXL to provide effective Internet strategy consulting and services tailored to the special needs of clients in these industries. iXL intends to expand existing industry practice groups by recruiting senior professionals from major consulting firms in the relevant industries. Acquiring companies with specific industry expertise is another strategy the company can employ.

KEY RISK FACTORS

- The Company has a limited operating history and is in the early stages of development.
- The Company has incurred losses since its inception and anticipates continuing to incur substantial losses for the foreseeable future.
- The Company generally does not have long term contracts and needs to establish relationships with new clients.
- The Company may not be able to keep up with the continuous technological change in the Internet services industry.
- There is intense competition due to low barriers of entry into the market which could limit the company's market share.
- Fixed-priced contracts involve financial risk.
- The Company has grown significantly in a short period of time. iXL might not be able to continue to grow at its historical growth rates or to effectively manage its growth.

FINANCIALS

Revenue. iXL derives its revenues primarily from the Internet-based business solutions. Net revenue is expected to rise due to the increase in the number and size of contract engagements and the growth of the industry practice groups. Furthermore, a significant portion of the revenue growth should be fueled by iXL's recent long term engagements and its new expansion into Tokyo, Japan. Although CFN contributes a very small portion of the net revenues, fees generated through customer purchases using the CFN platform should increase as CFN is able to attract more corporations to its client list and diversify its product offerings through strategic alliances. We also believe that plans to make the CFN platform available to the general public should also help promote revenue growth.

Gross Profit. The Gross Margin is expected to rise as the company continues to put emphasis on obtaining contracts with higher gross margins. Increased precision in estimating fixed-priced contract costs should also help the Gross Margin increase slightly.

Research and Development. The R&D expenses are expected to increase as the company continues to develop the CFN infrastructure and is currently developing iXL Solution Set designed for interactive training purposes. As net revenue increases at a substantial rate, the R&D Margin is expected to remain below 5%.

Sales and Marketing Margin. In addition to its marketing venture with GE, iXL is likely to enter into other such agreements to promote awareness of its services and products. As a result, marketing costs are expected to increase and the margin should increase slightly.

General and Administrative Margin. General and administrative expenses are expected to increase as the company continues to expand globally. The opening of a new office in Tokyo will contribute to the increase in expenses. The increase can be attributed to the need for employee training, the increase in employee headcount and the integration of the new office.

Net Income. Net income has been negative since the company's inception and we expect it to remain negative in the near future.

VALUATION

Internet Sector. After having moved together with the AMEX Internet Index for a little while, iXL has outperformed this index from July 1999 to the present. It is yet to be seen whether iXL's stock is highly correlated with the Street.com's E-Commerce Index (ICX) since iXL's stock only has a 2 month trading history but they do exhibit similar trends.



Value Comparison 8/25/99					
	\$ Price	Market Cap. In millions	Trailing 12 Month Sales in millions	P/S	Gross Margin %(TTM)
IXL Enterprises, Inc.	23.00	1480	126.3	3.64	35.19
USWeb	20.25	1550	320.3	4.39	23.41
Sapient Corporation	64.125	1780	216.3	8.56	51.35
Scient Corp.	43.75	1540	35.2	12.11	51.50
BroadVision, Inc.	91.938	2350	71.4	34.55	79.82

Margins. IXL has the second lowest Gross Margin at 35.19. among its main competitors listed on the table above. Historically, its Gross Margin has been in the range of 30-40% and we expect it to stay within that range over fiscal years 1999 and 2000.

Price to Sales. In comparison with its competitors, iXL has the lowest P/S ratio. We believe that this low value is justified by the shorter trading history of the stock and the lower gross margin of the company. The downward trend since mid July which led to nearly a 30% loss in value can be attributed to a correlation with the broad market which has not performed well in this period due to fears of higher internet rates, overvaluations and summer seasonality.

Cash. IXI's recent IPO has helped to generate approximately \$52 million cash reserves. Since all but 5 of iXL's 34 acquisitions were purchased for less than \$5 million and iXL has used common stock as the main consideration for its acquisitions, the existing cash reserve is expected to be sufficient for the company to fund future acquisitions and develop its infrastructure.

Investment Opinion

We believe that iXL shows promise in its aggressive effort to gain additional clients and market share and that in the long term iXL will become a major player in the strategic Internet services and business solutions market. iXL has the services, innovative products, and expertise to be able to grow significantly. Furthermore, the strong demand for Internet professional services and growth potential of E-commerce should provide the necessary environment to enable iXL expand its business. We therefore believe that iXL's business has a significant growth potential and that, as discussed above, it currently has a reasonable valuation. We thus give its stock a BUY recommendation.

IXL Enterprises, Inc. Income Statement					
Figures in thousands unless noted					
	FY96	FY97	FY98	FY99E	FY00E
Revenues	5379	18986	64767	185700	349184
Cost of revenues	3577	11343	44242	117783	215699
Gross profit	1802	7643	20525	67917	133485
Sales and marketing expenses	812	3903	17325	45896	87906
General and administrative expenses	1247	9114	30163	73434	116498
Research and development expenses	0	4820	4408	7348	10502
Depreciation	372	1408	5217	11724	17586
Amortization	928	5191	10590	17368	25357
Income (Loss) from operations	(1557)	(16793)	(47178)	(87853)	(124364)
Other income (expense), net	48	116	(28)	(228)	(525)
Gain (Loss) on equity investment	(249)	(1443)	(1640)	(130)	(260)
Interest income	32	136	750	1466	2932
Interest expense	(30)	(238)	(770)	(1386)	(2770)
Income (Loss) before income taxes	(1756)	(18222)	(48866)	(88131)	(124987)
Income tax benefit	302	2782	0	0	0
Net Income (Loss)	(1454)	(15440)	(48866)	(88131)	(124987)
Dividends on mandatorily redeemable preferred stock	0	0	(9099)	(30600)	(93744)
Net Income (loss) available to common stockholders	(1454)	(15440)	(57965)	(118731)	(218731)
Basic and diluted net loss per common share	(0.37)	(2.36)	(4.92)	(2.71)	(2.40)
Weighted average common shares outstanding	3972	6540	11777	43800	91000
<u>Margin Analysis (% of Revenue)</u>					
Gross Margin	33.50%	40.26%	31.69%	36.57%	38.23%
Sales & Marketing	15.10%	20.56%	26.75%	24.72%	25.17%
General & Administrative	23.18%	48.00%	46.57%	39.54%	33.36%
Product Development	0.00%	25.39%	6.81%	3.96%	3.01%
Operating Margin	-28.95%	-88.45%	-72.84%	-47.31%	-35.62%
Net Margin	-27.03%	-81.32%	-89.50%	-63.94%	-62.64%
<u>Growth</u>					
Net Revenue	N/A	252.97%	241.13%	186.72%	88.04%
Gross Profit	N/A	324.14%	168.55%	230.90%	96.54%
Sales & Marketing	N/A	380.67%	343.89%	164.91%	91.53%
General & Administrative	N/A	630.87%	230.95%	143.46%	58.64%
Product Development	N/A	N/A	-8.55%	66.70%	42.92%
Net Loss	N/A	961.90%	275.42%	104.83%	84.22%