STANDARD
&POOR'S

Atis Corporation

Recommendation: **STRONG BUY**

Stock Code: **5055** Bloomberg: **ATIS MK** Price: **MYR0.73** 12-Month Target Price: **MYR1.15** Date: **September 25, 2006**

Board: Main

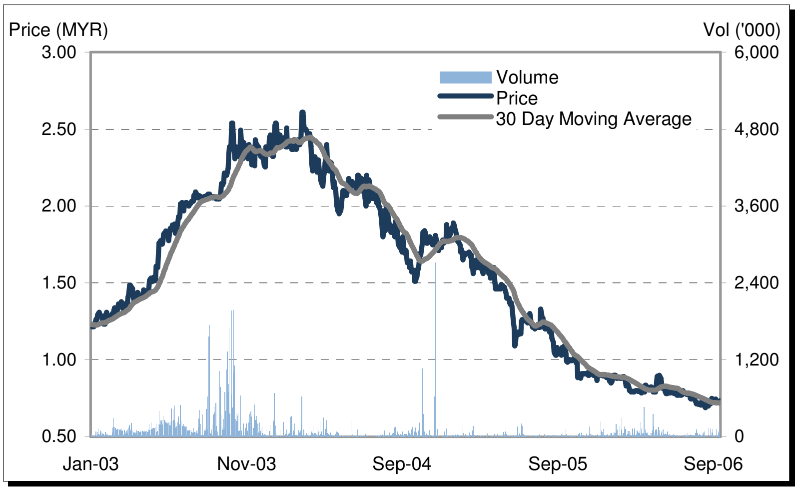
Sector: Trading Services

GICS: Industrials / Electrical Components & Equipment

Market Capitalization: MYR115.9 mln

Summary: ATIS Corporation's (ATIS), through its subsidiaries, engaged in the distribution and supply of industrial, electrical and electronic products and related accessories and components. ATIS was listed on the Main Board of Bursa Malaysia in 2002.

Analyst: Belinda Chan, CPA



Recent Developments

- Atis has declared a first and final dividend of 5 sen per share (gross) for FY06 (Mar.), same as last year and was in line with our expectations. Together with an interim DPS of 2.5 sen (gross), the gross dividend payout ratio was largely unchanged at 54%.

- Driven by organic growth in the local business and contribution from its new Indonesian venture starting in 2QFY07, we expect earnings to pick up in 2HFY07. We understand that the Indonesian operation is currently profitable. Contributions from overseas operations rose 7% in 1QFY07 vs. 5% in FY06 and the company expects the proportion to increase to 10% for FY07.

Earnings Outlook

- We maintain our earnings forecast for ATIS. We expect earnings to accelerate in FY07 and FY08 with growth rates at low teens due to higher domestic sales and contributions from overseas operations. Contributions from overseas operations are expected to increase from 7% of total revenue in 1QFY07 to 25% in three years. We forecast EBIT margin to rebound modestly from 8.4% in FY06 to 9.4% in FY07 but to decline modestly to 9.1% in FY08 due to increase in contributions from lower-margin overseas operations.

Recommendation & Investment Risks

- We are maintaining our Strong Buy recommendation and 12-month target price of MYR1.15. Our target price is based on 8.0x PER and 1.0x P/B (both unchanged) on our projected EPS and BVPS for FY07. Our target valuation multiples are in line with its historical trading averages.

- We believe ATIS is attractively valued with its rolling P/B and P/E significantly below its trading averages since IPO in 2002. Its FY07 P/B of 0.7x vs a trailing ROE of 15.5% appears undemanding. EBIT margin appears to have recovered in 1QFY07 and should increase the potential of a faster-than-expected improvement in ATIS's operations. Finally, its projected dividend yield of 10.3% should provide support to the share price, in our view.

- The key risks to our forecasts, recommendation and target price are lower-than-expected contributions from overseas operations and lower-than-expected synergies derived from the integration of newly acquired businesses. In addition, ATIS' long collection period for accounts receivable (~140 days) may be a concern, in our opinion, as a delay in cash collection and an increase in the provision for doubtful debt will have an adverse impact on its cash flow and earnings, respectively.

Key Stock Statistics

FY Mar.	2006	2007F
EPS (sen)	**14.0**	**15.7**
PER (x)	**5.2**	**4.6**
Dividend/Share (sen)	**7.5**	**7.5**
NTA/Share (MYR)	**0.88**	**0.96**
Book Value/Share (MYR)	**0.95**	**1.04**
Issued Capital (mln shares)	**158.8**	
52-week Share Price Range (MYR)	**0.69-1.09**	
Major Shareholders:	**%**	
Chen Khai Voon	**33.0**	
Evolusi Impian	**16.4**	

Per Share Data

FY Mar.	2004	2005	2006	2007F
Book Value (MYR)	0.76	0.85	0.95	1.04
Cash Flow (sen)	21.3	17.9	17.9	21.2
Earnings (sen)	19.2	14.1	14.0	15.7
Dividend (sen)	7.5	7.5	7.5	7.5
Payout Ratio (%)	39.7	53.1	53.7	47.7
PER (x)	3.8	5.2	5.2	4.6
P/Cash Flow (x)	3.4	4.1	4.1	3.5
P/Book Value (x)	1.0	0.9	0.8	0.7
Dividend Yield (%)	10.3	10.3	10.3	10.3
ROE (%)	27.9	17.5	15.5	15.8
Net Gearing (%)	34.0	43.9	56.1	35.0

Atis Corporation

Recommendation: **STRONG BUY**

Stock Code: **5055** Bloomberg: **ATIS MK** Price: **MYR0.73** 12-Month Target Price: **MYR1.15** Date: **September 25, 2006**

Profit & Loss

FY Mar. / MYR mln	2005	2006	2007F	2008F
Revenue	362.1	406.6	410.6	443.3
Operating Profit (EBIT)	36.0	34.3	38.6	40.3
Depreciation	-6.0	-6.2	-8.6	-9.8
Net Interest Income / (Expense)	-2.8	-3.9	-3.1	-2.5
Pre-tax Profit	33.2	30.8	36.6	41.9
Effective Tax Rate (%)	30.2	24.9	29.0	28.0
Net Profit	22.4	22.2	25.0	29.2
Operating Margin (%)	10.0	8.4	9.4	9.1
Pre-tax Margin (%)	9.2	7.6	8.9	9.5
Net Margin (%)	6.2	5.5	6.1	6.6

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.
Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.
Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.
Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"); in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

CMDF-Bursa Research Scheme ("CBRS")

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of MYR15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: http://www.bursamalaysia.com/website/bm/

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Lee Leng Hoe, or Ching Wah Tam.