TA SECURITIES HOLDINGS BERHAD
(Formerly known as Botly Securities Sdn Bhd)
A Participating Organisation of
Bursa Malaysia Securities Berhad

NEW LISTING

AT Systematization Berhad

Automating its Success

RM0.53 (+60.6%) Fair Value

KLCI **912.58**

SHARE INFO

Stock Code		NA
Listing		Mesdaq
Enlarged Share Cap	(m)	167.5
Market Cap @ RM0.53	(RMm)	88.7
Par Value	(RM)	0.10
IPO	(m)	50
Issue Price	(RM)	0.33
Estimated Free Float	(%)	28.1%
Oversubscription Rate	(x)	na
Tentative Listing Date		23-Feb-05
Major Shareholders	(%)	
		Pegasus - 54.9%
		Beh Lai Lien - 5%
		Wong Pow Keong - 4.3%

RATIO & ANALYSIS

NTA/shr (Post IPO)	(RM)	0.19
Price to NTA	(x)	2.9
ROE - '04		9.5%
ROA - '04		7.0%
Net Gearing - after IPO	(x)	Cash of RM9.6m

UTILISATION OF IPO PROCEEDS

	(RMm)	(%)
Working Capital	6.5	39.4
Business Development & Expansion	3.0	18.2
Purchase of New Equipment and Computer Hardware & Software	3.0	18.2
R&D	2.5	15.2
Estimated Listing Expenses	1.5	9.1
	16.5	

For the past 13 years, AT Systematization Berhad (ATS) has been braving the technological challenges and filling the manufacturing floors with its automating machines and conveyor systems. ATS differentiates itself as an integrated machine designer and manufacturer of industrial automation system and machinery and has a diversified customer base. Having established a strong track record in the industry, ATS is ready for a new growth phase thorough the public listing on the Bursa Malaysia Securities. Armed with an enlarged capital and new incentives like pioneer status, ATS's offers strong growth potential. ATS is worth between RM0.53 to RM0.71 based on prospective PER of 15.7x (peg to Pentamaster's PEG) to 21x (Mesdaq average) for CY05 PER. The fair value represents a generous 60.6% to 115% upside over the issue price of RM0.33.

Track Record Since 1991

AT Systematization Berhad's (ATS) history can be traced back to 1991, when it was initially involved in the designing of industrial automation systems and machinery. The group has since expanded its operations to become an integrated machine designer and manufacturer of industrial automation system and machinery. ATS currently operates 2 manufacturing plants, located in Bayan Lepas, Penang and Suzhou, China.

An Experienced Management Team

ATS is led by an experienced management team comprising of its founder, Beh Lai Lien who has 25 years experience in the industrial automation systems and machinery business. He was an Equipment Engineer with Mattel and later joined Intel (M) Sdn Bhd and rose to the rank of Senior Automation Engineer and Section Head. The group's co-founder, Lai Siaw Ling has accumulated approximately 17 years of experience in the industry with past employment in TNB, Osram Opto Semiconductors and Hewlett Packard.

An Integrated Machine Designer

As an integrated machine designer, ATS combines its expertise in software programming, electrical, electronic and mechanical engineering to produce machines that cater to the diverse needs and requirements of its clients. ATS has produced an array of machines which can be categorised into four

EARNINGS SUMMARY (RMm)

YE 29 Feb		2001	2002	2003	2004	2005E	2006F
Revenue		18.8	11.4	16.6	18.8	35.0	40.5
Pretax profit		1.2	0.1	2.2	3.5	6.6	7.3
Net profit		1.0	-0.1	1.5	2.9	4.8	5.8
EPS	(Sen)	0.6	-0.1	0.9	1.8	2.9	3.5
EPS Growth	(%)	0.0%	-108.5%	1889.3%	96.1%	62.9%	20.8%
PER @ RM0.53	(x)	90.1	-1056.5	59.0	30.1	18.5	15.3
Div	(sen)	0.0	0.0	0.0	0.0	0.0	0.0
Div Yield	(%)	0.0	0.0	0.0	0.0	0.0	0.0

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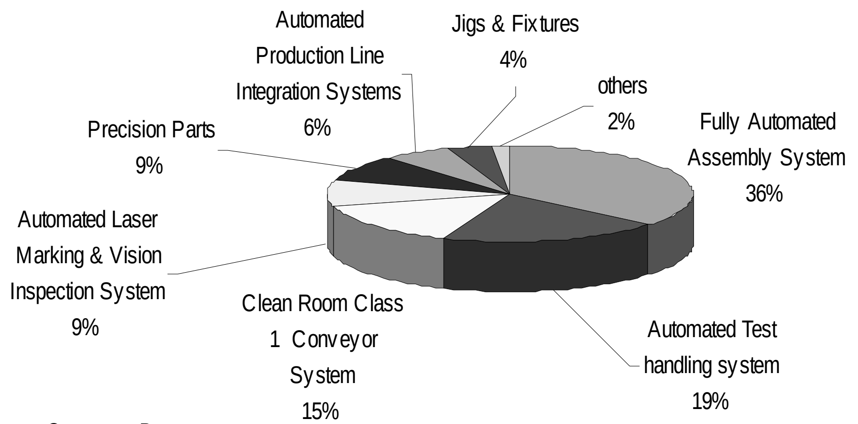
core groups, namely automated test handling system, automated laser marking and vision inspection system, fully automated assembly and clean room class 1 intelligent conveyor transport system. Currently, the fully automated assembly system is the main revenue generator accounting for 36% of total revenue for nine months period ending November 2004.

REVENUE BY PRODUCTS - 9 MTH FY04 (%)

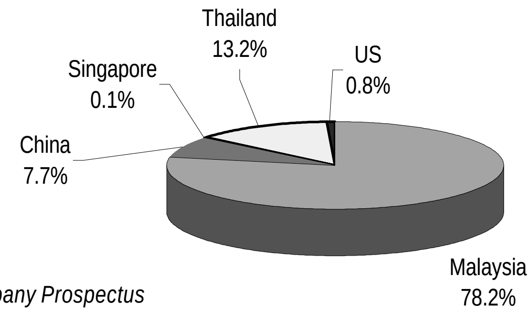


Source : Company Prospectus

A Diversified Customer Base

ATS's integrated design capability has won itself a large customer base of approximately 140 companies. Most of its customers are MNCs operating in diverse industries including electronics and electrical (E&E), medical devices, automotive and toy industries. Renowned names like Agilent Technologies, B.Braun Medical Industries, Motorola Malaysia, Proton, Flextronics, Hewlett Packard, Western Digital, Mattel and Jabil Circuit are among its long list of customers.

REVENUE BY GEOGRAPHICAL LOCATION



Source : Company Prospectus

Advantage of Customer Diversity

ATS espouses the belief of having a wide industry exposure in terms of its customer base. Its track record in this area and its diverse pool of customer base differentiate itself from most of the industrial machine manufacturers in Bursa Malaysia. Pentamaster and LKT are presently mostly involved in semiconductor or electronics sector even though Pentamaster has also recently expressed its plan to diversify its industry exposure. Malaysia AE Model Berhad is mostly involved in conveyor system and does not have the same technology platform for high tech assembly like vision inspection machines or test handlers.

We believe the wider industry exposure is appropriate for ATS, as it mitigates the risk of potential downturn in the end-user industries. The sharp swing in the semiconductor sector, for example, was one of the reasons for the losses in LKT for the past few years. The customer diversity also allows ATS to accumulate crucial knowledge from different industries to improve its skill sets and apply them in its designs.

Outlook for Industrial Automation and Machinery Industry

ATS is involved in the growing industrial automation and machinery industry, which is also a crucial component of Malaysia's industrialisation process. For Malaysia to survive in the technology arena and to move up the value chain, the local industrial automation and machinery industry, which is currently relatively crowded with over 30 players, must move in tandem. Currently, a large chunk of Malaysia requirements for industrial machineries are imported. The import bills for 2003 amounted to RM25bn. Most of the imports are from manufacturers in US, Japan, Taiwan and Germany.

The local industrial automation and machinery players, however, faced constant problems of recruiting skilled engineers. The local players also faced with lack of support in terms of R&D platforms that led to longer lead-time for product development. For ATS, the public listing exercise will provide an avenue for the company to recruit and retain skilled engineers. It currently has 37 engineers.

Strong Platform for Success

We believe over the past 13 years, ATS has established a strong platform for growth given its strong track record in producing a wide range of machines and its diversified customer base. Armed with an enlarged capital base after the public listing and new incentives like pioneer status from the Malaysian government, ATS is on the verge of entering into a new growth phase.

For one, it has identified three platforms for potential mass manufacturing. The test handling system, laser marking system and fully automated assembly system could potentially boost the sales of ATS, which has traditionally been focusing on customised machines. The mass production of these machines could also lead to higher profit margins given the lower R&D costs involved.

Rolling Out New Products

ATS also plans to increase its range of products between 2005 and 2007. Among the new products to be launched and commercialised include a high-speed test mark cure system for miniaturised package, colour recognition system as well as clean room class 1 assembly system. These products will be mainly targeted at the electronics and electrical (E&E) industry.

Growing Revenue and Profits

Revenue grew at a compounded annualised rate of 5.8% between 2000 and 2004 while net profit grew at a much stronger rate of 61.4% during the same period. These growth rates could surge in the years ahead if the performance for the 9 months ended November 2004 is of any guide. For the 9 months period last year, revenue and net profit jumped 57% and 58% on annualised basis. Hence, our revenue and net profit forecast of 16% and 21% respectively for FY06 is very much on the conservative side especially given the potential benefits from pioneer status, rolling our of new products and the mass manufacturing program.

Fair Value at RM0.53

In terms of business profile, the closest comparison in the Bursa Malaysia is none other than Pentamaster. Although Pentamaster is much bigger and established, ATS is not far behind. In the past, ATS was not able to grow as fast mainly due to capital constraint and a conservative management strategy. This is likely to change soon with the listing exercise. Applying the same PEG ratio of 0.63x, we value ATS at RM0.53, or prospective CY05 PER of 15.7x. ATS could potentially worth RM0.71 if we apply the Mesdaq market PER average of 21.2x. The fair value range of RM0.53 to RM0.71, offers an upside of 60.6% to 115% over the issue price of RM0.33.

PEERS COMPARISON

CY05		**Pentamaster**	**ATS**
FYE		**Dec**	**Feb**
Share Price @ 28/1	(RM)	2.18	0.53
Revenue	(RMm)	120.0	39.6
Net Profit	(RMm)	19.0	5.6
EPS	(sen)	14.3	3.4
PER	(x)	15.3	15.8
PBV	(x)	2.8	2.9
Operating Profit Margin *	(%)	26.4%	19.9%
Profit Before Tax Margin *	(%)	26.0%	18.8%
ROE *	(%)	21.3%	9.5%
ROA *	(%)	16.7%	7.0%
NTA/Share **	(RM)	0.77	0.19
Net Gearing **	(%)	net cash	net cash

** derived from latest financial year*
*** derived from latest quarter*