

## IPO Spotlight: ATA Inc.

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NEW YORK -

Initial public offerings by Chinese companies pick up this week with the market debut of ATA Inc., but analysts aren't convinced the IPO will be greeted with the same level of investor enthusiasm that marked Chinese deals in 2007 because of the current market environment.

China-based companies made up half of the 25 best-performing IPOs last year, including solar-cell maker JA Solar Holdings Co., the top-performing company of 2007. JA Solar shares have more than quadrupled since its IPO priced at \$15 in February. In total, there were 31 Chinese IPOs in 2007, more than three times as many as in 2006.

But analysts worry that the current market environment will weigh on upcoming IPOs, even if the deals are solid.

**"I'm not sure the market will be receptive of really strong companies, at least not for the next 30 days," said Brian Hamilton, chief executive of financial research firm Sageworks Inc.**

David Menlow, president of IPOfinancial.com, said China, however, seems to be impervious to the financial worries plaguing the rest of the world.

As long as there isn't over-saturation in a particular industry, the Chinese will continue to show relative strength with their IPOs, said Menlow, who believes ATA is the only deal worthy of attention this week.

ATA, which is incorporated in the Cayman Islands and headquartered in Beijing, provides computer-based testing services in China, as well as test-based educational programs and test preparation services. Clients include professional associations, such as the China Banking Association and the Securities Association of China, governmental agencies, IT vendors, educational institutions and individual consumers.

The company's computer-based testing is used for professional licensing and certification in various industries. It's in an up-and-coming sector, Menlow said. The company also plans to use proceeds for the expansion of its business, rather than to pay off debt or company insiders, which can sometimes deter investors.

For the six months ended Sept. 30, ATA reported earnings of \$1.1 million on revenue of \$10.2 million. That compares with a loss of \$1.5 million on revenue of \$4.1 million in the prior-year period. But the risk profile of ATA might be a little higher than others given the small size of the deal, said Paul Bard, an analyst at Renaissance Capital's IPOHome.com.

The company expects the IPO to total 4.9 million American Depositary Shares and price between \$9.50 and \$11.50 apiece. Each ADS represents two common shares. Assuming an offering price of \$10.50 per ADS, ATA expects to raise about \$43.8 million, after fees and expenses.

There will be a lot of pressure on the pricing of the deal, said Bard, as recently public Chinese companies have traded down with the rest of the market in 2008. "Companies are being forced to price at a bigger discount than during a healthier IPO market," he said.

"I especially see danger in ATA," said Scott Sweet, managing director of research firm IPO Boutique. "Recent Chinese education IPOs have performed very poorly." Shares of ChinaEDU Corp., which provides educational services for the online degree programs of Chinese universities, are currently trading at a 30 percent discount to their offering price of \$10. ATA's ADSs will trade on the Nasdaq Global Market under the symbol "ATAI."