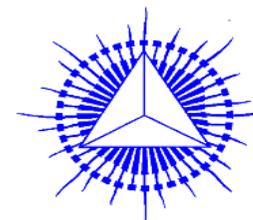


# Atlantis Research Summary Report 2Q09

A Service of Atlantis Investment Co., Inc.



Anne K. Anderson

1055 Parsippany Blvd., Suite 506

Parsippany, NJ 07054

(973) 263-2333

May 20, 2009

## Buy

**AirTran Holdings**  
**Activision Blizzard**

**Amazon.com**  
**Express Scripts**

**Google**  
**IMAX**  
**Netflix**  
**McAfee**

## Sell

**Accenture**  
**Dendreon**  
**KLA-Tencor**  
**Omnicare**  
**Jabil**  
**Symantec**  
**Yahoo!**

## Poised for Rebound or Another Plunge?

Investors need to stay hedged through the end of summer, 2009, as the probability of economic rebound now appears equally balanced with probability of further decline. While the April-May 2009 stock market rally indicates a resurgence of confidence, forecast of revenue decline from company managements indicates much more bad news lies ahead.

We see a few companies offering potential for unbridled growth. **Activision Blizzard**, now #1 in videogames, should see continued dynamic growth based on established videogame franchises. **Amazon.com** is gaining market share of online retailing as well as drawing business away from mall based retailers. **Express Scripts'** latest acquisition drives sudden expansion. **Google** continues to gain market share in online search. **Netflix** and **IMAX** are positioned for growth in video entertainment. **McAfee** is leaving **Symantec** behind in security software management systems for corporate customers. We add to this list of secular growth stories **AirTran Holdings**, as a play on lower fuel prices, supported by successful marketing strategies in a cyclical business.

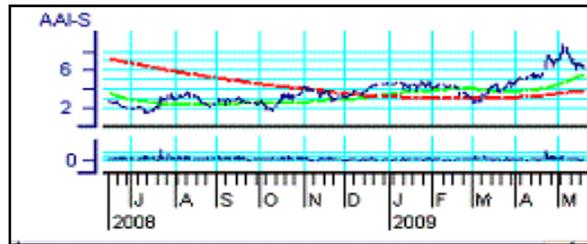
There are also opportunities for gains from shorting stocks. **Accenture** and **Symantec** both enjoy more optimistic investor support than is justified by their latest trends. **KLA-Tencor** and **Jabil** face abysmal results for semiconductor capital equipment and EMS operations, as lower consumer demand removes support for technology demand rebound. **Omnicare** struggles to restore margin as dependence on Medicare Part D presents a unique set of problems. **Yahoo!** lost investor support in avoiding merger with Microsoft, and now must justify a higher stock price while market share loss causes dwindling revenues. **Dendreon**, striving for approval of prostate cancer vaccine Provenge, must convince skeptical FDA reviewers to reverse their previous denial of approval based on recent equivocal clinical results.

Note: This report is for information only. It is not a solicitation or an offer to buy or sell securities of any company mentioned herein. Atlantis Investment Co., Inc. does not make markets in the securities mentioned herein and does not have investment banking relationships with any company mentioned herein. The views expressed are those of the authors, and are based on a diligent review of available information. The report is based on information which is believed to be accurate, but we do not guarantee its accuracy or completeness. The Atlantis Investment Co., Inc., its officers, employees, and stockholders (and members of their families) and its customers may have long/short positions or holdings in the securities mentioned, and they may at any time hold, increase or decrease these positions. Neither the authors of this report nor any related household members are officers, directors, or advisory board members of any company mentioned herein. Atlantis Investment Co., Inc. or any of its employees do not own shares equal to 1% or more of any company mentioned herein. Copyright 2009 Atlantis Investment Co., Inc.

**AirTran Holdings (AAI \$6)****BUY**

Date	EPS	P/E
12/31/2008	(\$2.51)	NM
12/31/2009	\$0.90	NM
12/31/2010	\$0.40	16.1X

Projected Growth Rate:	15%
2010 P/E/Proj. Growth	140%
Market Cap:	\$890M
Market Cap/Ann. Rev.	0.4X

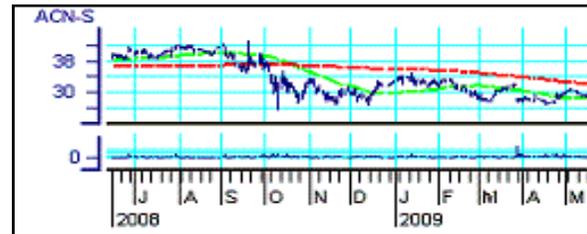


Capacity reductions should enable better margins, while lower fuel cost provides opportunity to return to profitability. AirTran is targeting a (3%)-(7%) capacity reduction for 2009. Market share has been maintained, as AirTran's effective frequent flyer program and low cost opportunities build a loyal customer base. Asset sales have improved AirTran's liquidity and cash resources. Recession impact and flu fears hurt traffic, but AirTran's exceptionally low fares support a strong rebound.

**Accenture Ltd (ACN \$30)****SELL**

Date	EPS	P/E
08/31/2008	\$2.66	10.7X
08/31/2009	\$2.65	11.0X
08/31/2010	\$2.75	10.8X

Projected Growth Rate:	8%
2010 P/E/Proj. Growth	135%
Market Cap:	\$23,592M
Market Cap/Ann. Rev.	1.0X

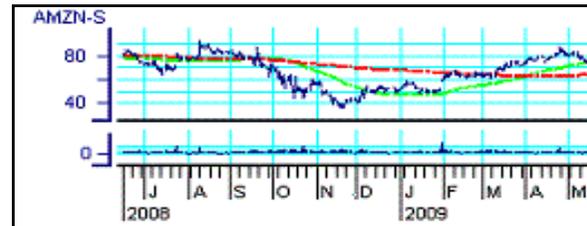


Reduced guidance based on currency impact still leaves room for additional disappointment as customer IT spending reductions for 2009 take effect. Accenture's management appears overly optimistic, compared to other industry participants. Bookings are forecast in a range of \$26-\$29 billion for FY 2009 (ending August, 2009), down (3%) from FY 2008. Unbilled revenues may be subject to dispute or tied to achievement of specific milestone objectives that may never be reached. We question sustainability of Accenture's trends.

**Amazon.com (AMZN \$78)****BUY**

Date	EPS	P/E
12/31/2008	\$1.91	40.8X
12/31/2009	\$2.25	34.6X
12/31/2010	\$2.70	28.8X

Projected Growth Rate:	18%
2010 P/E/Proj. Growth	160%
Market Cap:	\$34,029M
Market Cap/Ann. Rev.	1.7X

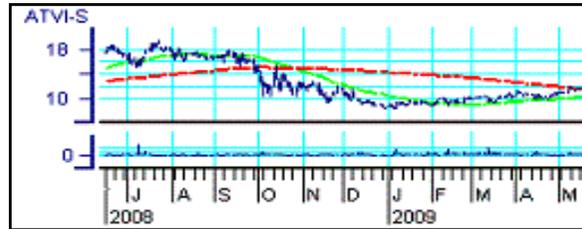


Amazon.com blew away expectations for 1Q 2009, with revenue growth of 18% despite currency impact. Consumer electronics, up 38%, contributed much of this growth. Operating cash flow of \$1.8 billion for trailing 12 months increased more than 80%. While traditional retailers suffer from lower customer traffic, Amazon.com gains market share through expanded product lines and reliable service. As recession impacts consumer discretionary spending, convenience of online retailing should increase frequency of spending.

**Activision Blizzard (ATVI \$11)****BUY**

	EPS	P/E
12/31/2008	\$0.59	19.4X
12/31/2008	\$0.70	16.3X
12/31/2009	\$0.80	14.3X

Projected Growth Rate:	20%
2010 P/E/Proj. Growth	71%
Market Cap:	\$15,533M
Market Cap/Ann. Rev.	5.4X

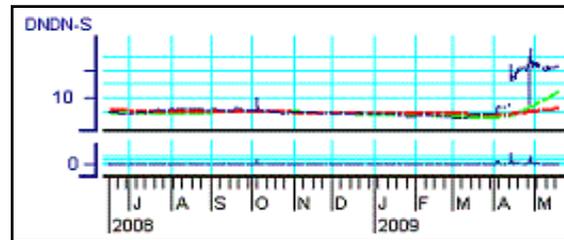


Now the largest and most successful videogame company, merger of Activision with Blizzard united the #1 console franchise, Guitar Hero, with the #1 PC game, World of Warcraft. Growth is driven by new titles to be released in 2009 based on upcoming films (including TRANSFORMERS, X-Men, and Ice Age), release of a new IP title, and a new release from Guitar Hero franchise. Addition of NetEase as operator of World of Warcraft in China, with pending approval of Revenge of the Lich King could drive massive international growth, with more than 3.5 million of 11.5 million World of Warcraft subscribers located in China.

**Dendreon (DNDN \$21)****SELL**

	EPS	P/E
12/31/2008	(\$0.93)	NM
12/31/2009	(\$0.78)	NM
12/31/2010	(\$0.39)	NM

Projected Growth Rate:	NM
2010 P/E/Proj. Growth	NM
Market Cap:	\$2,096M
Market Cap/Ann. Rev.	NM

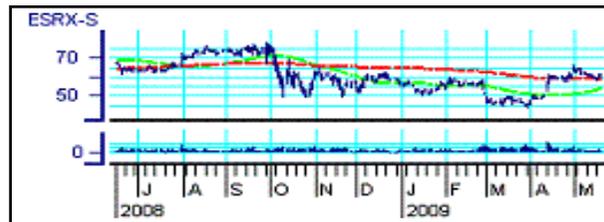


Now that Dendreon presented positive Provenge results and completed a \$221 million stock offering, investors must await FDA action on an amended BLA. IMPACT trial demonstrated that while Provenge may be an important alternative to chemotherapy, Provenge is not a cure for prostate cancer, nor does it shrink tumors or cause prolonged stabilization of disease. FDA will weigh survival benefits of Provenge against open questions including the vaccine's mechanism of action, as well as power of IMPACT's results.

**Express Scripts (ESRX \$60)****BUY**

	EPS	P/E
12/31/2008	\$3.10	19.3X
12/31/2008	\$3.75	15.9X
12/31/2009	\$4.45	13.4X

Projected Growth Rate:	15%
2010 P/E/Proj. Growth	90%
Market Cap:	\$14,903M
Market Cap/Ann. Rev.	0.7X

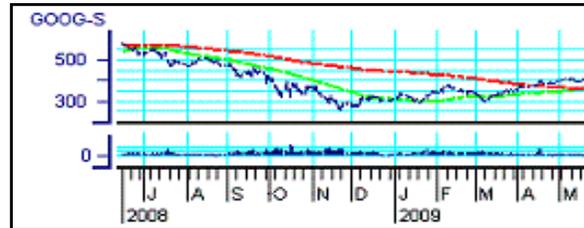


Acquisition of WellPoint's NextRx adds \$1.0 billion to Express Scripts' EBITDA annually, while adding 50% to claims volume. We think Express Scripts faces less exposure to recession than Medco Health Solutions, due to Medco's large exposure to the automotive sector, including both Ford and GM. Despite flat revenues for 1Q 2009, pro forma EPS increased 23% on improved profitability.

**Google (GOOG \$399)****BUY**

	<u>EPS</u>	<u>P/E</u>
12/31/2008	\$19.49	20.5X
12/31/2008	\$22.00	18.1X
12/31/2010	\$24.00	16.6X

Projected Growth Rate:	20%
2010 P/E/Proj. Growth	83%
Market Cap:	\$126,445M
Market Cap/Ann. Rev.	7.8X

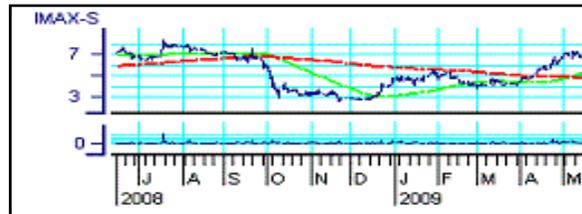


Dominant market share of paid search worldwide drives exceptional financial returns. Leading market share in Internet search (still more than 65% worldwide) gives Google the fastest growth for Internet ad spending, with revenue up 10% for 1Q 2009, despite currency impact. Aggregate paid clicks increased 17% from the previous year. Pro forma operating margin exceeding 30% highlights the phenomenal profitability of Google's franchise. Addition of Android, Google's new mobile platform, enables growth from mobile broadband customers.

**IMAX Corp. (IMAX \$7)****BUY**

	<u>EPS</u>	<u>P/E</u>
12/31/2008	(\$0.70)	NM
12/31/2009	\$0.19	37.1X
12/31/2010	\$0.40	17.6X

Projected Growth Rate:	NM
2010 P/E/Proj. Growth	NM
Market Cap:	\$308M
Market Cap/Ann. Rev.	2.3X

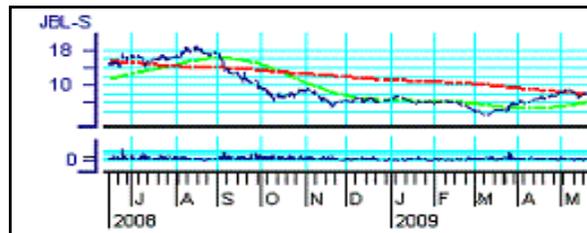


IMAX provides a cheap form of entertainment even during difficult economic times. Strong box office performance, premium ticket price, and 'event-type' movie-going contribute to IMAX appeal. IMAX expects to return to profitability during 2009, as successful digital projection and JV revenue sharing strategies reduce capital costs for studios and exhibitors, resulting in IMAX's rapid network expansion. Remaining 2009 releases includes expected blockbusters Harry Potter, TRANSFORMERS, and Avatar. Strong cash position, available credit, and operating cash flow provide necessary funding to continue digital rollout without the need for additional capital.

**Jabil Circuit Inc (JBL \$8)****SELL**

	<u>EPS</u>	<u>P/E</u>
08/31/2008	\$1.12	7.6X
08/31/2009	\$0.25	44.6X
08/31/2010	\$0.40	21.1X

Projected Growth Rate:	8%
2010 P/E/Proj. Growth	264%
Market Cap:	\$1,658M
Market Cap/Ann. Rev.	0.1X

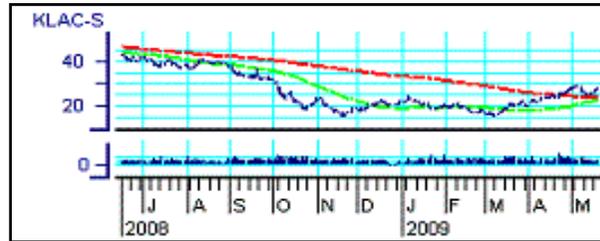


Severe impact of recession on demand for consumer and business electronics products puts EMS suppliers like Jabil in a difficult position of manufacturing less than expected, while continuing to fund new technology investment. Volatile markets may drain financial resources faster than anticipated. Loss of momentum in mobile handsets or communications products would have a negative impact on stock price. As the most profitable of EMS competitors, Jabil has the most to lose from pressure on contract prices.

**KLA-Tencor Corp (KLAC \$27)****SELL**

Date	EPS	P/E
06/30/2008	\$2.78	18.3X
06/30/2009	(\$0.40)	NM
06/30/2010	\$0.00	NM

Projected Growth Rate:	10%
2010 P/E/Proj. Growth	%
Market Cap:	\$4,562M
Market Cap/Ann. Rev.	3.7X

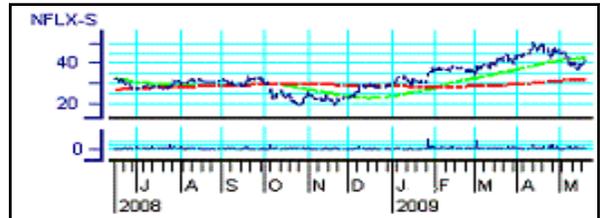


Shuttered foundries and idle memory plants for KLA-Tencor customers signal abysmal sales decline will continue throughout 2009. Profitability cannot be maintained in this environment. Visibility for the rest of FY 2009 (ending June, 2009) is so bad that management assumes orders and revenues may decline as much as (35%)-(50%) from the previous year, with only logic and solar customers continuing to spend. As investors digest the implications of more than half of the traditional semiconductor industry closed down for the duration of the economic downturn, KLA-Tencor stock should continue to trade down.

**Netflix Inc. (NFLX \$40)****BUY**

Date	EPS	P/E
12/31/2008	\$1.45	27.3X
12/31/2009	\$1.80	22.0X
12/31/2010	\$2.00	19.8X

Projected Growth Rate:	20%
2010 P/E/Proj. Growth	47%
Market Cap:	\$2,406M
Market Cap/Ann. Rev.	1.5X

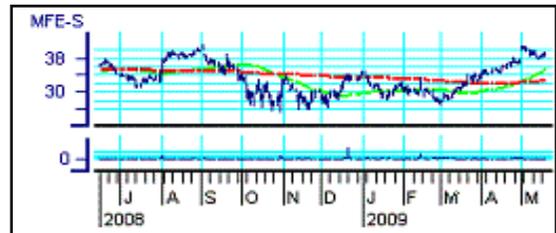


There appears to be no better positioned company than Netflix for video rentals, whether via Internet subscription service or in the emerging market for Internet VOD (video on demand). Bundled service of DVD-by-mail and instant Internet viewing drives penetration despite increased competition from kiosks and positions Netflix for exceptional long term growth. Growth is projected to continue through 2009 with as many as 12 million subscribers generating revenues of \$1.7 billion, up 25% from 2008, with pro forma EPS up 24%. Netflix should gain market share from competitor Blockbuster due to focus on customer satisfaction and service expansion.

**McAfee, Inc. (MFE \$39)****BUY**

Date	EPS	P/E
12/31/2008	\$2.01	19.3X
12/31/2009	\$2.30	16.9X
12/31/2010	\$2.60	14.9X

Projected Growth Rate:	15%
2010 P/E/Proj. Growth	99%
Market Cap:	\$6,056M
Market Cap/Ann. Rev.	3.4X

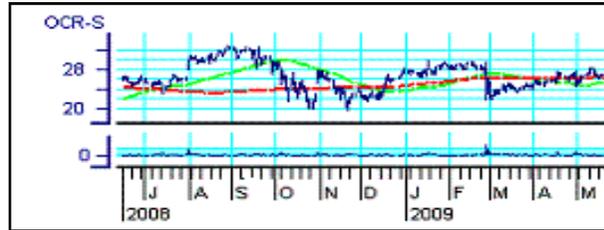


Divergent stock price performance for McAfee and Symantec indicates investors now recognize and appreciate McAfee's success in capturing security software market share from Symantec. Revenue growth of 20% for 1Q 2009 highlights McAfee's ability to build on recurring revenue. Acquisitions drive enterprise growth, supported by powerful marketing. Relationships with PC OEMs, portals and ISPs drives market share gains among consumers.

**Omnicare (OCR \$27)****SELL**

	EPS	P/E
12/31/2008	\$2.12	12.7X
12/31/2009	\$2.50	10.7X
12/31/2010	\$2.75	9.8X

Projected Growth Rate:	8%
2010 P/E/Proj. Growth	122%
Market Cap:	\$3,148M
Market Cap/Ann. Rev.	0.5X

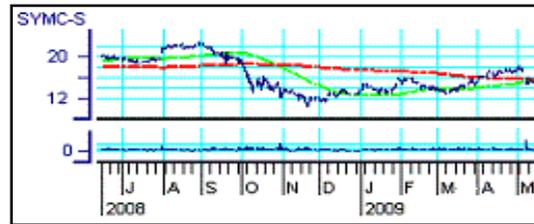


Omnicare continues to disappoint investors as reimbursement for Medicare Part D PDP reimbursement still lags initial projections. Revenues are flat, with declining operating margins. Government scrutiny of the success of Part D PDP lies ahead. Omnicare is seeing gradual erosion of market share in institutional pharmacies. Omnicare litigation against UnitedHealth Group may have unpredictable impact on the stock price.

**Symantec (SYMC \$15)****SELL**

	EPS	P/E
03/31/2008	\$1.57	10.0X
03/31/2009	\$1.50	10.5X
03/31/2010	\$1.60	9.9X

Projected Growth Rate:	8%
2010 P/E/Proj. Growth	124%
Market Cap:	\$12,650M
Market Cap/Ann. Rev.	2.2X

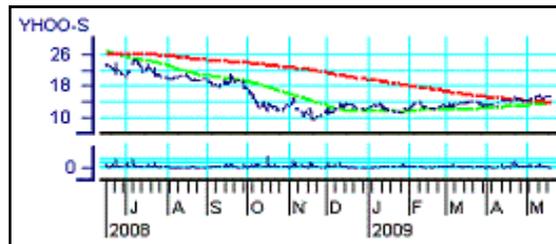


Symantec traded down on announcing (5%) revenue decline for the March, 2009 period, impacted by currency and market share loss. Guidance for June, 2009 indicates revenue decline will accelerate, with EPS to erode (15%). Accelerating revenue decline presents a difficult environment for Symantec to maintain operating margin. Next driver for Symantec's revenue growth is likely to be Microsoft Windows 7, not set to ship for full distribution until spring 2010. Investors must wait another year to see positive numbers from Symantec.

**Yahoo! (YHOO \$15)****SELL**

	EPS	P/E
12/31/2008	\$0.47	32.3X
12/31/2009	\$0.36	42.2X
12/31/2010	\$0.40	38.0X

Projected Growth Rate:	8%
2010 P/E/Proj. Growth	474%
Market Cap:	\$21,373M
Market Cap/Ann. Rev.	4.6X



New CEO fails to restore investor confidence after loss of Microsoft's takeover offer. Icahn's representation by board members ensures additional unrest. Slower revenue growth concerns investors, impacting stock price. While Yahoo! leads in developing media and wireless alliances to provide new markets for online advertising, we expect the stock to trade lower on disappointing online advertising revenues, as key segments, including finance, auto and travel, decline.