Shanda Int. Entertainment Ltd. (Neutral/Buy)

Date: 04/17/2005
Symbol: SNDA
Price: 29.51

Summary: Shanda offers a portfolio of multiplayer and casual online games that users in China play over the Internet.

Company Highlights:
- Absolutely incredible growth.
- ROE and ROA impressive. Great Management.
- Tremendous potential in fast growing China.
- Well leveraged in the Chinese gaming market, both selling and producing video games.
- Largest operator of online games in China.
- Looking technically at the company, the Slow Stochastic looks good below 20, the volume has cooled off but may be moving upwards. SNDA is at a major technical resistance point at $29. The 200-day moving average is another resistance which currently is at $29.12.
- SNDA has seen significant correction, off over 30% from its 52-week high.

Major Risks:
- SNDA is a newly issued Chinese stock; it carries inherent risks with regulatory and cultural misunderstandings. As well, China is continuing to expand at a rapid pace that may not be sustainable. Any hint of a slowdown may bring economic uncertainties to the Country and hugely profitable stocks like SNDA.
- SNDA has been spending a lot of money acquiring competitors and software companies instead of R&D. There is concern that the company may not be as able to bring new product to market as efficiently and quickly as its competitors.
- If SNDA it breaks the quadruple bottom and the 200-day moving average at 21.12, there could be significant downside.
- IPO less than a year ago, no track record, still a relatively new company.

Analysts Opinion: We believe that SNDA is neutral/cautious buy. We believe that the significant correction experienced by SNDA from January to April has made a possible entry purchase point. Good management and potential growth has been the main factor in our buy consideration. However, after taking in consideration current market sentiment, viewing current-pricing pressures on the stock, as well the overheated growth in China and SNDA’s close proximity to its price resistance level, we are hesitant to fully endorse the stock.