

BUY S\$0.82 STI : 3,029.04

Price Target : 12-Month S\$ 1.02 (Prev S\$ 1.10)

Potential Catalyst: Resumption of orders from key customers.

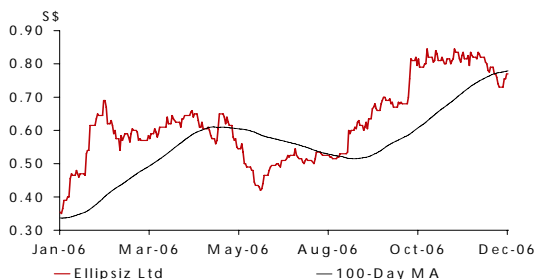
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FORECASTS AND VALUATION

FY Jun (\$\$ m)	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	254.2	291.2
EBITDA	21.8	34.8	35.3	40.2
Pre-tax Profit	16.7	40.9	26.7	30.5
Net Profit	11.1	26.1	21.5	24.9
Net Pft (Pre Ex.)	11.1	14.5	21.5	24.9
EPS (S cts)	4.6	10.3	8.5	9.8
EPS Gth (%)	20	121	(18)	16
Diluted EPS (S cts)	4.6	10.3	8.5	9.8
DPS (S cts)	1.0	1.0	1.7	2.0
BV Per Share (S cts)	34.5	44.1	51.6	59.7
PE (X)	17.6	8.0	9.7	8.4
P/Cash Flow (X)	11.8	6.2	6.9	6.1
EV/EBITDA (X)	8.7	5.1	4.9	4.1
Net Div Yield (%)	1.2	1.2	2.1	2.4
P/Book Value (X)	2.4	1.9	1.6	1.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	14.3	26.9	17.7	17.6

SHARE PRICE CHART**AT A GLANCE**

Issued Capital (m shrs)	255.2
Mkt. Cap (S\$m/US\$m)	209 / 136
Major Shareholders	
Chong Fook Choy (%)	11.3
Aegis Portfolio (%)	7.5
3 I Group (%)	6.7
Free Float (%)	74.5
Avg. Daily Vol. ('000)	2,411

Earnings Rev :	2007: (6.8)%	2008: (5.8)%
Consensus EPS :	2007: 9.1 S cts	2008: 10.3 S cts
Variance vs Cons :	2007: (6.9)%	2008: (4.9)%

Sector : Technology

Bloomberg/Reuters Code: ELL SP EQUITY/ELPZ.SI

Principal Business: A leading provider of integrated solutions to the semiconductor and electronics related industry.

SGX MAS Research Incentive scheme**Ellipsiz Ltd****Negative impact from slow sector demand**

➤ **Story:** The semiconductor inventory adjustment exercise and the delay in the launch of Microsoft's new Vista OS have had an adverse impact on ELL's probe card sales, which saw orders deferred. Other key segments also saw sales slowing.

➤ **Point:** Sales from the wafer probe card, equipment distribution and manufacturing test solutions have slowed in 4Q06. In particular, the push out of orders by its largest customer should have a negative impact on 1H07 and consequently our FY07 earnings estimates.

➤ **Relevance:** We have cut our earnings estimates for FY07 by 6.9% to account for the slower sales. We have also fine-tuned our estimates for FY08 to incorporate slower sales growth and more conservative margin assumptions from its wafer probe and equipment distribution business. Despite slower business momentum, the Group remains relentless in its pursuit for M&A opportunities to achieve its S\$500m market cap goal by FY08.

Near term blip. We have lowered our earnings estimates for the Group due to slower than expected probe card orders. Sales from its manufacturing test solutions and distribution segment were also below expectations. The only bright spot is their wafers reclaim business, which has seen continued high utilization despite a 50% increase in capacity to 150K wafers per month.

Firm prospects with M&A possibilities. Despite the current blip, we remain upbeat over the Group's longer-term prospects given its leading position in Asia as a non-memory wafer probe card supplier. Meanwhile, the Group reiterated its aim to become a S\$500m market cap company by FY08. To achieve that, the Group remains on the lookout for M&A opportunities. We also believe a spin off of its wafer probe business is not a remote possibility.

Fine tuning estimates and price target. We have fine-tuned our earnings estimate and on that account we have also lowered our price target to S\$1.02. We reiterate that the short-term blip is not a sign of deteriorating fundamentals. We remain upbeat on the Group's prospects going forward and inorganic growth could spur further earnings and stock price expansion.

Income Statement (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	254.2	291.2
Cost of Goods Sold	(79.6)	(129.4)	(175.4)	(200.9)
Gross Profit	38.7	56.7	78.8	90.3
Other Opg (Exp)/Inc	(22.3)	(28.9)	(52.1)	(59.1)
EBIT	16.4	27.7	26.7	31.1
Other Non Opg (Exp)/Inc	0.5	0.4	0.4	0.4
Associates & JV Inc	0.0	(0.1)	0.0	0.0
Net Interest (Exp)/Inc	(0.2)	0.0	(0.4)	(1.0)
Exceptional Gain/(Loss)	0.0	13.0	0.0	0.0
Pre-tax Profit	16.7	40.9	26.7	30.5
Tax	(2.9)	(4.2)	(3.2)	(3.7)
Minority Interest	(2.7)	(10.6)	(2.0)	(2.0)
Preference Dividend	0.0	0.0	0.0	0.0
Net Profit	11.1	26.1	21.5	24.9
Net profit before Except.	11.1	14.5	21.5	24.9
EBITDA	21.8	34.8	35.3	40.2
Sales Gth (%)	70	57	37	15
EBITDA Gth (%)	112	60	1	14
EBIT Gth (%)	99	69	(4)	17
Effective Tax Rate (%)	17.2	10.4	12.0	12.0

Cash Flow Statement (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Pre-Tax Profit	16.7	40.9	26.7	30.5
Dep. & Amort.	5.4	7.1	8.6	9.1
Tax Paid	(2.0)	(2.9)	(5.1)	(3.2)
Assoc. & JV Inc/(loss)	0.0	0.1	0.0	0.0
Chg in Wkg.Cap.	(9.8)	6.0	(3.9)	(2.1)
Other Operating CF	(4.4)	(17.5)	0.0	0.0
Net Operating CF	5.9	33.7	26.3	34.2
Capital Exp.(net)	(20.0)	(8.0)	(18.0)	(18.0)
Other Invnts.(net)	0.0	22.8	0.0	0.0
Invnts in Assoc. & JV	0.3	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0
Other Investing CF	0.3	(36.2)	0.0	0.0
Net Investing CF	(19.4)	(21.4)	(18.0)	(18.0)
Div Paid	(2.3)	(2.0)	(2.5)	(4.3)
Chg in Gross Debt	(0.1)	21.2	20.0	20.0
Capital Issues	0.1	0.1	0.0	0.0
Other Financing CF	(3.2)	(15.0)	0.0	0.0
Net Financing CF	(5.5)	4.3	17.5	15.7
Net Cashflow	(19.0)	16.6	25.8	31.9

Quarterly / Interim Income Statement (\$\$ m)

FY Jun	1H2005	2H2005	1H2006	2H2006
Turnover	60.7	57.6	81.7	104.3
Cost of Goods Sold	(41.4)	(38.1)	(58.6)	(70.8)
Gross Profit	19.3	19.5	23.1	33.5
Other Oper. (Exp)/Inc	(11.0)	(11.4)	(13.4)	(15.5)
EBIT	8.3	8.1	9.7	18.0
Other Non Opg (Exp)/Inc	N/A	N/A	N/A	N/A
Associates & JV Inc	0.1	(0.1)	(0.1)	(0.1)
Net Interest (Exp)/Inc	(0.1)	0.0	0.0	0.0
Exceptional Gain/(Loss)	0.0	0.0	0.0	13.0
Pre-tax Profit	8.6	8.1	9.8	31.1
Tax	(1.7)	(1.2)	(1.2)	(3.0)
Minority Interest	(1.7)	(1.0)	(3.0)	(7.6)
Net Profit	5.1	5.9	5.6	20.5
Net profit bef Except.	5.1	5.9	5.6	8.8
EBITDA	10.8	11.0	12.7	22.1
Sales Gth (%)	50	(5)	42	28
EBITDA Gth (%)	92	2	15	75
EBIT Gth (%)	80	(3)	20	85
Gross Margins (%)	31.7	33.8	28.3	32.2
EBIT Margins (%)	13.7	14.0	11.9	17.3

Source: Company, DBS Vickers

Balance Sheet (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Net Fixed Assets	19.7	34.6	44.1	53.0
Invnts in Assocs & JVs	1.7	1.4	1.4	1.4
Other LT Assets	33.4	41.2	41.2	41.2
Cash & ST Invnts	29.8	46.4	72.2	104.1
Other Current Assets	47.8	78.6	104.9	119.2
Total Assets	132.4	202.3	263.8	319.0
ST Debt	4.9	14.1	14.1	14.1
Other Current Liab	24.9	68.9	89.4	102.0
LT Debt	4.7	1.0	21.0	41.0
Other LT Liabilities	1.5	5.6	5.6	5.6
Shareholder's Equity	82.4	111.8	130.9	151.4
Minority Interests	14.0	0.8	2.8	4.8
Total Cap. & Liab.	132.4	202.3	263.8	319.0
Non-Cash Wkg. Cap	22.9	9.7	15.5	17.2
Net Cash/(Debt)	20.2	31.2	37.0	48.9

Rates & Ratios

FY Jun	2005A	2006A	2007F	2008F
Gross Margin (%)	32.7	30.5	31.0	31.0
EBITDA Margin (%)	18.4	18.7	13.9	13.8
EBIT Margin (%)	13.8	14.9	10.5	10.7
Net Profit Margin (%)	9.4	14.0	8.5	8.5
ROAE (%)	14.3	26.9	17.7	17.6
ROA (%)	14.7	17.2	11.8	11.1
ROCE (%)	(25.8)	(15.7)	6.3	9.4
Div Payout Ratio (%)	21.5	9.5	20.0	20.0
Interest Cover (x)	106.3	NM	76.0	32.4
Debtors Turn (days)	82.7	79.0	84.3	91.1
Creditors Turn (days)	38.1	88.8	120.5	130.2
Inventory Turn (days)	29.7	44.4	54.9	59.3
Current Ratio (x)	2.6	1.5	1.7	1.9
Quick Ratio (x)	2.3	1.2	1.4	1.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
Capex to Debt (%)	208.7	52.5	51.2	32.6
N.Cash/(Debt)PS (\$ cts)	8.5	12.3	14.6	19.3
Opg CFPS (\$ cts)	6.62	10.9	11.9	14.3
Free CFPS (\$ cts)	(5.9)	10.2	3.3	6.4

PE Chart (x)


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