

Ellipsiz

Weathering through the storm

BUY

◆ Results were in line with expectations

Ellipsiz's results were in line with our expectations. Interim 1H07 net profit rose 95% y/y to \$10.9m despite interim revenue rising only 28% y/y to \$104.5m. The results were mainly due to the low base effect in 1H06 as K&S acquisition was absent in 1H06 results. As it now stands, the results constitutes 51% and 49% respectively of our FY07 estimates. The revenue outlook was tempered by the semiconductor industry's slowdown and inventory corrections but gross margins saw an improvement from 28% in 1H06 versus 33% in 1H07 and held steady compared to 32% in 2H06. We have trimmed FY07 revenue by 7% to \$214m but raising NPAT by 6% to \$21.4m in view of a better than expected turnout at the net profit level.

◆ Recurring revenues remain strong

Silicon Reclaim and Probe Card segments saw modest H/H growth despite experiencing slowdown in the broader market. These segments grew 32% y/y and 132% y/y respectively although operating margin for Probe cards dropped by half to 11% from 21% in 1H06. Management attributed this to the integration of K&S and SV Probe cards products which saw an erosion in gross margins due to the product mix and we believe the addition of K&S into the segment also contributed to the erosion. Notwithstanding, we expect operating margins to improve going forth as the integration of K&S has been completed. Non-recurring revenue from the Distribution & Services Solutions segment fell 28% y/y due to lower semiconductor equipment shipped to customers.

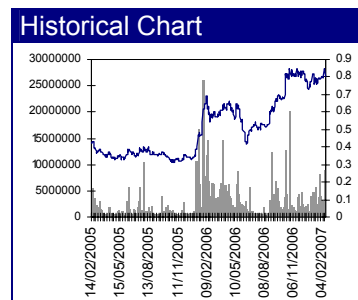
◆ Cautious outlook ahead but Vietnam could provide upside triggers

With the semiconductor industry forecasts expecting to see slower growth for 2007, it is clear that we will be anticipating a weaker FY07. However, we believe that Ellipsiz will benefit from the expansion of its Vietnam facility and possibly new market penetration by 2H08.

◆ Maintain Buy; target price at \$1.04

We are maintaining our Buy recommendation and target price of \$1.04 based on 9x FY08 PE versus 2-year EPS Cagr of 31%. We believe valuations are undemanding as Ellipsiz is implicitly priced at a steep 55% discount to the international peer basket of 16x forward PE. Management has proposed an interim dividend of S 0.6c.

Price	\$0.81
Target	\$1.04
ST Index	3,149.16



Stock Information	
Ticker code	ELPZ SI ELL SP
Market Cap (\$m)	201.8
52-week high (\$)	0.875
52-week low (\$)	0.420
Shares issued (m)	249.2
6m avg. daily vol (m)	2.5
Free float (%)	61.5
Major Shareholders (%)	Xavier Chong (11.6) Ageis Portfolio Managers (7.7) 3I Group PLC (6.9)

Key Indicators	
ROE (%)	26.9
Net Gearing	Net Cash
NTA (S c)	29.09
Interest cover (x)	50.0

Year End Jun	2005	2006	2007F	2008F	2009F
Sales (\$m)	118.3	186.0	213.7	247.0	285.0
Pretax profit (\$m)	16.7	40.9	28.2	37.1	45.6
Net profit (\$m)	11.1	26.1	21.4	28.8	35.9
EPS (cts)	4.5	10.6	8.5	11.7	14.5
EPS Ex. EI (cts)	2.6	5.2	8.5	11.7	14.5
EPS Ex EI growth (%)	54.6	103.8	63.3	36.8	24.0
PER (x)	31.6	15.5	9.5	6.9	5.6
EV/EBITDA (x)	9.5	4.8	5.8	4.5	4.5
Yield (%)	1.2	1.0	1.8	2.2	2.2

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SEMI ANNUAL PERFORMANCE (\$m)

6 months to (\$ m)	Dec 06	Dec 05	% yoy	Jun 06	% hoh
Turnover	104.6	81.70	28%	104.3	0%
Operating Profit	13.4	10.22	31%	31.7	-58%
Pretax Profit	13.0	9.84	32%	31.1	-58%
Net Profit	10.8	5.58	94%	20.5	-47%
EPS Cents	4.3	2.34	84%	8.2	-47%
Key ratios					
Operating Margin	12.8%	12.5%	+30bps	30.4%	-1760ps
Pretax Margin	12.5%	12.0%	+50bps	29.8%	-1730bps
Net Margin	10.4%	6.8%	+360bps	19.7%	-930bps

PROFIT & LOSS (\$m)

Year end Jun	2005	2006	2007F	2008F	2009F
Turnover	118.3	186.0	213.7	247.0	285.0
COGS	(79.6)	(129.4)	(143.2)	(168.0)	(193.8)
Gross Profit	38.7	56.7	70.5	79.0	91.2
Other Operating Income	1.6	2.2	2.0	2.0	2.0
Distribution Costs	(6.8)	(11.4)	(15.0)	(14.3)	(16.5)
Administration Expenses	(20.7)	(24.1)	(25.6)	(27.2)	(28.5)
Other Operating Expenses	(0.2)	(4.0)	(2.9)	(1.2)	(1.4)
Operating Profit	17.3	41.9	29.0	38.3	46.8
Interest Expense	(0.6)	(0.8)	(0.8)	(1.1)	(2.1)
Associates	0.1	(0.0)	(0.0)	(0.0)	(0.0)
Exceptionals	0.0	0.0	0.0	0.0	1.0
Pretax Profit	16.7	40.9	28.2	37.1	45.6
Taxation	(2.9)	(4.2)	(4.8)	(6.3)	(7.8)
Minority Interests	(2.7)	(10.6)	(2.0)	(2.0)	(2.0)
Net Profit	11.1	26.1	21.4	28.8	35.9

EPS (¢)	4.6	10.6	8.5	11.7	14.5
EPS Growth	19.8%	127.1%	-19.2%	36.8%	24.0%
Gross DPS (¢)	1.2	1.0	1.2	1.2	1.2

Sales Growth	70.1%	57.3%	14.8%	15.6%	15.4%
Gross Profit Growth	182.1%	46.4%	24.4%	12.1%	15.4%
Operating Profit Growth	95.5%	142.5%	-30.7%	32.0%	22.0%
Pretax Profit Growth	90.8%	145.5%	-31.1%	31.7%	22.9%
Net Profit Growth	35.1%	135.7%	-17.9%	34.6%	24.5%

Gross Margin	32.7%	30.5%	33.0%	32.0%	32.0%
Operating Margin	14.6%	22.5%	13.6%	15.5%	16.4%
Pretax Margin	14.1%	22.0%	13.2%	15.0%	16.0%
Effective Tax Rate	17.2%	10.4%	17.0%	17.0%	17.0%
Interest Cover (x)	29.2	50.0	38.2	33.9	23.1
Dividend Cover (x)	4.9	13.1	7.0	9.4	11.7

SEGMENT BREAKDOWN

Year end Jun	2005	2006	2007F	2008F	2009F
Distribution & Services Sol	69.2	87.2	74.3	79.5	87.7
Silicon Reclaim	11.8	16.6	20.8	31.1	40.5
Probe Cards	37.3	82.3	118.6	136.4	156.9
Total Revenue	118.3	186.0	213.7	247.0	285.0
Distribution & Services Sol	59%	47%	35%	32%	31%
Silicon Reclaim	10%	9%	10%	13%	14%
Probe Cards	32%	44%	56%	55%	55%
% Revenue	100%	100%	100%	100%	100%
Distribution & Services Sol		26%	-15%	7%	10%
Silicon Reclaim		41%	25%	50%	30%
Probe Cards		121%	44%	15%	15%
Revenue Growth		57%	15%	16%	15%

Sources: Company data, KE estimates

BALANCE SHEET (\$m)

As at Jun	2005	2006	2007F	2008F	2009F
Current Assets	77.6	125.0	100.6	142.6	196.8
Cash & ST Invt	29.8	51.8	31.8	54.8	104.8
Receivables	38.4	49.6	45.6	61.5	61.9
Inventories	8.9	22.2	22.4	24.7	28.5
Project in Progress	0.3	0.1	0.1	0.1	0.1
Others	0.2	1.3	0.7	1.5	1.5
Fixed Assets	19.7	34.6	43.5	51.4	47.4
Associates	1.5	1.3	1.3	1.3	1.3
JV	0.2	0.1	0.1	0.1	0.1
Investments	21.3	0.1	1.8	1.8	1.8
Other Assets	12.1	41.1	38.1	36.3	35.5
Total Assets	132.4	202.3	185.3	233.4	282.9
Current Liabilities	29.8	83.0	46.4	47.2	52.3
ST Borrowings	4.9	14.1	3.5	0.9	0.9
Payables	23.4	61.1	40.1	38.6	42.0
Others	1.5	7.8	2.8	7.6	9.4
LT Loans	4.7	1.0	4.0	24.0	34.0
Deferred Liabilities	1.4	4.7	4.5	4.5	4.5
Red. Con. Pref. Shares	0.1	0.1	0.1	0.1	0.1
Other Payables	0.0	0.8	0.2	0.2	0.2
Total Liabilities	36.0	89.7	55.2	76.0	91.1
Share Capital	59.7	117.2	120.7	120.7	120.7
Reserves	22.7	(5.3)	8.3	35.6	69.9
Minority Interests	14.0	0.8	1.1	1.1	1.1
Total Equity + MI	96.4	112.6	130.1	157.4	191.8

Debtors Turnover (days)	83	72	69	69	70
Stock Turnover (days)	19	31	38	35	34
Creditors Turnover	46	43	46	44	44
Current Ratio (x)	2.6	1.5	2.2	3.0	3.8
Net Debt/Equity (x)	-24.5%	-27.9%	-15.1%	-16.0%	-34.1%
Total Debt/Equity (x)	11.6%	13.6%	5.8%	16.0%	18.3%
NBV/Share (S c)	29.55	29.09	36.36	47.77	61.90
ROE	14.3%	26.9%	17.8%	20.2%	20.7%
ROA	9.5%	15.6%	11.0%	13.8%	13.9%

CASH FLOW (\$m)

Year end Jun	2005	2006	2007F	2008F	2009F
Pretax Profit	16.7	40.9	28.2	37.1	45.6
Depreciation	5.3	6.9	9.6	12.1	14.0
(Profit)/Loss on Sale of A	0.0	0.0	0.0	0.0	0.0
Associates Profits	0.1	(0.0)	(0.0)	(0.0)	(0.0)
Tax Paid	(1.5)	2.7	(7.5)	(1.5)	(6.0)
Change in Working capital	(12.6)	14.9	(19.3)	(20.4)	(0.8)
Operating Cash Flow	8.0	65.4	10.9	27.3	52.8
Net Capex	(9.8)	(21.8)	(18.4)	(20.0)	(10.0)
Associates & Investments	(18.5)	16.1	(1.0)	0.0	0.0
Change in Other Assets	(12.9)	(28.2)	2.7	1.8	0.7
Investing Cash Flow	(41.2)	(33.9)	(16.7)	(18.1)	(9.2)
Change in Share Capital	0.4	3.7	3.6	0.0	0.0
Net Change in Debt	9.3	5.6	(7.6)	17.4	10.0
Dividends Paid	(2.3)	(2.0)	(2.1)	(1.5)	(1.5)
Others	9.3	(23.9)	(1.7)	(2.0)	(2.0)
Financing Cash Flow	10.8	(14.9)	(13.6)	13.9	6.4
Net Cash Flow	(22.4)	16.6	(19.4)	23.0	50.0
Cash/(Debt) at Beg of Yr	52.2	29.8	46.4	27.0	50.0
Cash/(Debt) at End of Yr	29.8	46.4	27.0	50.0	100.0

Sources: Company data, KE estimates

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