

BUY S\$0.95 STI : 3,204.55

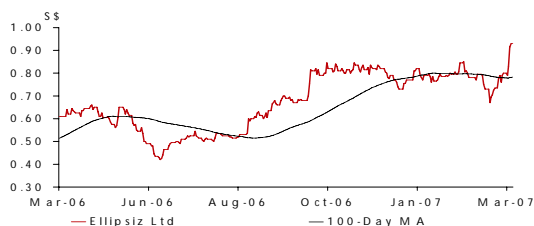
Price Target : 12-Month S\$ 1.10
Reason for Report : Corporate Update
Potential Catalyst: General offer

ANALYST

Don See +852 2971 1921
don_see@hk.dbsvickers.com

FORECASTS AND VALUATION

FY Jun (\$\$ m)	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	214.5	255.5
EBITDA	21.8	34.8	35.2	40.4
Pre-tax Profit	16.7	40.9	26.7	30.8
Net Profit	11.1	26.1	21.5	24.9
Net Pft (Pre Ex.)	11.1	14.5	21.5	24.9
EPS (\$ cts)	4.6	10.3	8.5	9.8
EPS Gth (%)	20	121	(18)	16
Diluted EPS (\$ cts)	4.6	10.3	8.5	9.8
Net DPS (\$ cts)	1.0	1.0	1.3	1.5
BVPer Share (\$ cts)	34.5	44.1	51.6	60.1
PE (X)	20.3	9.2	11.2	9.6
P/Cash Flow (X)	13.6	7.2	8.0	7.1
EV/EBITDA (X)	10.0	6.0	5.7	4.7
Net Div Yield (%)	1.1	1.0	1.3	1.6
P/Book Value (X)	2.7	2.1	1.8	1.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	14.3	26.9	17.7	17.5

SHARE PRICE CHART**AT A GLANCE**

Issued Capital (m shrs)	255.3
Mkt. Cap (\$\$m/US\$m)	241.3 / 159
Major Shareholders	
Chong Fook Choy (%)	11.3
Aegis Portfolio (%)	7.5
3 I Group (%)	6.7
Free Float (%)	74.5
Avg. Daily Vol. ('000)	3,505

Earnings Rev :	2007: -	2008: -
Consensus EPS :	2007: 6.7 S cts	2008: 9.8 S cts
Variance vs Cons :	2007: 26.9%	2008: -

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****Privatization Probable**

➤ **Story:** Privatisation fever hits Ellipsiz and we assign a high probability of success especially if there is a decent offer and an assurance of management participation and continuity.

➤ **Point:** Ellipsiz has articulated a target to become a S\$500m market cap company by 2008 but at the current rate of organic growth, it needs to see its share price double. Although not impossible, it looks quite a stretch at this point without any value enhancing acquisition and current market recognition. We, however, believe it could reach the goal via an alternative route – privatisation and a spin-off on NASDAQ later at higher valuation.

➤ **Relevance:** Privatisation makes sense to Ellipsiz as it captures several benefits. First, its acquisition and restructuring exercises could become less onerous without having to satisfy some listing requirements. Second, it provides an exit from the SGX and allows for a NASDAQ listing, which could offer better valuation and recognition. Finally for major shareholders and the management team, this could be the first step towards unlocking more value.

Privatisation options. We believe a plausible buyout option is a joint management and private equity buyout over an outright leveraged MBO. Not just because the management said this to the press but we believe Ellipsiz is still in an acquisition mode and it will need the cash to fund the exercise. We speculate the candidates could possibly be Affinity Partners, active in the local scene or 3i, currently a substantial shareholder of Ellipsiz. The visible exit route via a listing on NASDAQ is a strong lure. We also believe any private equity offers will have to consider current largest shareholder and CEO Xavier Chong's goal to grow the company further to realise more value before he encashes. Another distant possible candidate to offer could be Form Factor, which could reason that, Ellipsiz may be synergistic to its operations and value.

Company's fundamentals intact and prospects are bright. There is no change to our view that Ellipsiz has strong fundamentals, a healthy balance sheet and has good outlook and prospects. As wafer level testing activities expand, the Group's ability to offer a plethora (both advanced and conventional) of probe cards at cost effective prices (Vietnam manufacturing base) should see it enjoy strong demand growth and gain more market share. It also aims to continue to grow and expand via M&A initiatives to become a test centric semiconductor consumables products and solutions provider.

Street's fair value assessment holds key. We believe the Street's fair value assessments would be taken into account when the buyer makes the offer. Acquisition at this point in the industry cycle is very opportunistic in our view. An offer of S\$1.06, an average of Street's estimates, would price it at about 13% higher over a six week- period between 1HFY07 results announcement and the day when the speculation first surfaces. At that price, it pegs Ellipsiz at 6.9x historic EV/EBITDA, similar to the offer for STATS ChipPAC recently. Privatisation or not, Ellipsiz remains a BUY at current levels and relative to our target price.

Income Statement (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	214.5	255.5
Cost of Goods Sold	(79.6)	(129.4)	(144.8)	(172.5)
Gross Profit	38.7	56.7	69.7	83.0
Other Opg (Exp)/Inc	(22.3)	(28.9)	(43.0)	(51.7)
EBIT	16.4	27.7	26.7	31.4
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)	(0.9)
Exceptional Gain/(Loss)	0.0	13.0	0.0	0.0
Pre-tax Profit	16.7	40.9	26.7	30.8
Tax	(2.9)	(4.2)	(4.8)	(5.5)
Minority Interest	(2.7)	(10.6)	(0.4)	(0.4)
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	35.2	40.4
Sales Gth (%)	70	57	15	19
EBITDA Gth (%)	112	60	1	15
EBIT Gth (%)	99	69	(4)	18
Effective Tax Rate (%)	17.2	10.4	18.0	18.0

Cash Flow Statement (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Pre-Tax Profit	16.7	40.9	26.7	30.8
Dep. & Amort.	5.4	7.1	8.6	9.1
Tax Paid	(2.0)	(2.9)	(5.1)	(4.8)
Assoc. & JV Inc/(loss)	0.0	0.1	0.0	0.0
Chg in Wkg.Cap.	(9.8)	6.0	(1.6)	(2.4)
Other Operating CF	(4.4)	(17.5)	0.0	0.0
Net Operating CF	5.9	33.7	28.5	32.7
Capital Exp.(net)	(20.0)	(8.0)	(18.0)	(18.0)
Other Invts.(net)	0.0	22.8	0.0	0.0
Invts 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)	(3.2)
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	16.8
Net Cashflow	(19.0)	16.6	28.0	31.5

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

FY Jun	2H2005	1H2006	2H2006	1H2007
Turnover	57.6	81.7	104.3	104.6
Cost of Goods Sold	(38.1)	(58.6)	(70.8)	(70.1)
Gross Profit	19.5	23.1	33.5	34.4
Other Oper. (Exp)/Inc	(11.4)	(13.4)	(15.5)	(21.4)
EBIT	8.1	9.7	18.0	13.0
Other Non Opg (Exp)/Inc	N/A	N/A	N/A	N/A
Associates & JV Inc	(0.1)	(0.1)	(0.1)	0.0
Net Interest (Exp)/Inc	0.0	0.0	0.0	(0.1)
Exceptional Gain/(Loss)	0.0	0.0	13.0	0.0
Pre-tax Profit	8.1	9.8	31.1	13.0
Tax	(1.2)	(1.2)	(3.0)	(2.2)
Minority Interest	(1.0)	(3.0)	(7.6)	0.0
Net Profit	5.9	5.6	20.5	10.8
Net profit bef Except.	5.9	5.6	8.8	10.8
EBITDA	11.0	12.7	22.1	17.5
Sales Gth (%)	(5)	42	28	0
EBITDA Gth (%)	2	15	75	(21)
EBIT Gth (%)	(3)	21	85	(28)
Gross Margins (%)	33.8	28.3	32.2	32.9
EBIT Margins (%)	14.0	11.9	17.3	12.5

Source: Company, DBS Vickers

Balance Sheet (\$\$ m)

FY Jun	2005A	2006A	2007F	2008F
Net Fixed Assets	19.7	34.6	44.1	53.0
Invts in Assocs & JVs	1.7	1.4	1.4	1.4
Other LT Assets	33.4	41.2	41.2	41.2
Cash & ST Invts	29.8	46.4	74.4	105.9
Other Current Assets	47.8	78.6	89.6	105.5
Total Assets	132.4	202.3	250.7	307.0
ST Debt	4.9	14.1	14.1	14.1
Other Current Liab	24.9	68.9	78.0	92.2
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	130.8	152.5
Minority Interests	14.0	0.8	1.2	1.6
Total Cap. & Liab.	132.4	202.3	250.7	307.0
Non-Cash Wkg. Cap	22.9	9.7	11.6	13.3
Net Cash/(Debt)	20.2	31.2	39.2	50.7

Rates & Ratios

FY Jun	2005A	2006A	2007F	2008F
Gross Margin (%)	32.7	30.5	32.5	32.5
EBITDA Margin (%)	18.4	18.7	16.4	15.8
EBIT Margin (%)	13.8	14.9	12.4	12.3
Net Profit Margin (%)	9.4	14.0	10.0	9.7
ROAE (%)	14.3	26.9	17.7	17.5
ROA (%)	14.7	17.2	12.2	11.7
ROCE (%)	(25.8)	(15.7)	6.4	9.6
Div Payout Ratio (%)	21.5	9.5	15.0	15.0
Interest Cover (x)	106.3	NM	75.9	33.5
Debtors Turn (days)	82.7	79.0	90.8	89.5
Creditors Turn (days)	38.1	88.8	133.9	131.0
Inventory Turn (days)	29.7	44.4	60.5	59.6
Current Ratio (x)	2.6	1.5	1.8	2.0
Quick Ratio (x)	2.3	1.2	1.5	1.7
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	15.5	20.0
Opg CFPS (\$ cts)	6.62	10.9	11.9	13.8
Free CFPS (\$ cts)	(5.9)	10.2	4.1	5.8

PE Chart (x)


DBS Vickers Research receives compensation from the SGX MAS Research Incentive scheme for coverage of Ellipsiz Ltd participating in the scheme. Coverage of this stock has been assigned to DBS Vickers Research by the scheme administrator.

As of 27 Mar 2007, the analyst and his / her immediate family do not hold positions in the securities recommended in this report.

DBS Vickers Securities (Singapore) Pte Ltd and its subsidiaries do not have a proprietary position in the securities recommended in this report as of 23 March 2007.

ANALYST CERTIFICATION

The research analyst primarily responsible for the content of this research report, in part or in whole certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This document is published by DBS Vickers Research (Singapore) Pte Ltd ("DBSVR"), a direct wholly-owned subsidiary of DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") and an indirect wholly-owned subsidiary of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). The research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. DBSVR accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. DBS Vickers Securities Holdings Pte Ltd is a wholly-owned subsidiary of DBS Bank Ltd. DBS Bank Ltd along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and their associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, beneficially own a total of 1% or more of any class of common equity securities of the Ellipsiz mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBSVUSA, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the Ellipsiz. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

DBS Vickers Research (Singapore) Pte Ltd – 8 Cross Street, #02-01 PWC Building, Singapore 048424
Tel. 65-6533 9688, Fax: 65-6226 8048
Company Regn. No. 198600295W