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## Recommendation:

# BUY

Previous call: BUY at S\$0.805 on 14 February 2007

## Price

**Previous close** **S\$0.935**

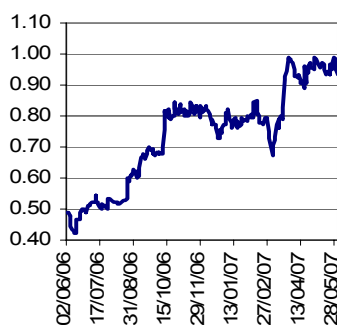
**Fair value** **S\$1.02**

## Share Statistics

Shares	255.4m
Market Cap.	S\$238.8m
Historical PER (based on adj. EPS)	18.1x
Forward PER	10.9x
P/NTA	3.2x
52-week Price Range	S\$0.42 – S\$1.01
52-week PER Range (based on adj. EPS)	11.6x - 19.6x
Listing Bourse	Mainboard
	Xavier Chong (11.3%)
Major Shareholders	Aegis (10.1%) Legg Mason (6.9%)

Source: Bloomberg, Phillip Securities Research

## Price Chart



## Company Profile

Ellipsiz is a global probe card leader and outsourced service provider serving the semiconductor electronics industries. Its core businesses include probe card manufacturing, silicon reclaim, and equipment distribution & services.

# Ellipsiz Ltd

## Termination of potential M&A talks

4 June 2007

**Potential M&A talks ceased as both parties were unable to agree on the terms of the transaction.** Ellipsiz disclosed on 21 March 2007 that the company and certain of its major shareholders were in preliminary discussions with a certain party, which may or may not lead to a voluntary general offer for its shares. In a follow-up announcement last Friday, Ellipsiz said that it was unable to agree on the terms of the transaction with the interested party. Both parties have therefore mutually decided to terminate the discussions.

**Business fundamentals and prospects remain intact.** Despite the cessation of M&A talks, we remain positive over Ellipsiz's business prospects and fundamentals. Comments from industry participants suggest that the inventory correction that began in the second half of last year has been largely eased by the end of 1<sup>st</sup> quarter this year – more importantly, most of them see orders starting to recover in the 2<sup>nd</sup> quarter. Further, Ellipsiz continues to trade at a significant discount to its global peers in the probe cards business (average forward PER of above 15x), in spite of its position as the 4<sup>th</sup> largest probe card company in the world. The interest in Ellipsiz as a potential acquisition target reaffirmed our view that the company remains undervalued.

**Maintain BUY; any near term share price weakness would present opportunities to accumulate.** We have highlighted in our weekly report "Phillipianomics" of 28 March 2007 that the share price could face some near term selling pressure should a voluntary general offer fail to materialise. Nonetheless, we see any share price weakness as an opportunity for investors with longer investment horizon to accumulate the shares. We maintain our BUY recommendation and Fair Value Estimate of S\$1.02, based on an unchanged relative valuation of 12x FY07 PER against a 3-year adjusted EPS CAGR of 27% between FY07 and FY09.

## Key Financial Data

(Financial Year Ended 30 June)

	FY05A	FY06A	%ch	FY07E	FY08E	FY09E
Revenue (S\$m)	118.3	186.0	57.3	219.3	244.8	270.8
Gross Profit (S\$m)	38.7	56.7	46.4	72.3	81.2	90.5
Profit Before Taxation (S\$m)	16.2	40.9	152.1	26.5	30.2	33.9
Adjusted Net Profit* (S\$m)	6.0	12.8	112.4	21.6	24.3	27.0
Adjusted Net Margin* (%)	5.1	6.9	1.8 ppt	9.9	9.9	10.0
Adjusted ROE* (%)	7.3	11.4	4.1 ppt	16.6	16.1	15.6
Adjusted EPS* (cents)	2.5	5.2	104.6	8.5	9.5	10.6
Net DPS (cents)	0.8	0.8	0.0	1.7	1.9	2.1
NTA per Share (cents)	29.2	29.1	-0.2	35.9	43.9	52.7
BV per Share (cents)	34.6	44.9	29.9	51.2	59.0	67.6

\*Excluding extraordinary gains.

Source: Company, Phillip Securities Research

## Financials

### Income Statement

In S\$'000	FY05A	FY06A	FY07E	FY08E	FY09E
Revenue	118,276	186,044	219,308	244,778	270,766
Cost of sales	(79,559)	(129,379)	(147,048)	(163,606)	(180,255)
Gross profit	38,717	56,665	72,260	81,172	90,511
Other operating income	5,808	23,952	1,177	1,258	996
Distribution and selling expenses	(6,802)	(11,442)	(17,545)	(19,582)	(21,661)
Administrative expenses	(21,146)	(24,139)	(28,071)	(31,332)	(34,658)
Other operating expenses	(163)	(4,010)	(1,316)	(1,469)	(1,625)
Profit from operations	16,414	41,026	26,506	30,047	33,563
Finance costs	(591)	(836)	(868)	(692)	(748)
Interest income	437	887	823	743	1,004
Share of result of associate	(26)	(149)	50	55	60
Profit before taxation	16,234	40,928	26,511	30,153	33,880
Income tax expense	(2,860)	(4,239)	(4,772)	(5,729)	(6,776)
Net profit attributable to minority interests	2,738	10,598	100	110	121
Net profit attributable to shareholders	10,636	26,091	21,639	24,314	26,983
Adjusted net profit attributable to shareholders*	6,012	12,768	21,639	24,314	26,983

*Excluding extraordinary gains.*

### Balance Sheet

In S\$'000	FY05A	FY06A	FY07E	FY08E	FY09E
Current assets	77,584	125,016	107,584	129,511	143,727
Non-current assets ex-intangible assets	43,018	37,879	46,652	51,692	57,370
Intangible assets	11,772	39,366	38,952	38,538	38,124
Current liabilities	29,567	83,029	55,337	61,776	58,958
Non-current liabilities	6,198	6,635	5,923	5,979	6,036
Minority Interests	14,014	753	1,223	1,333	1,454
Shareholders equity	82,595	111,844	130,705	150,653	172,773

### Cash Flow Statement

In S\$'000	FY05A	FY06A	FY07E	FY08E	FY09E
Profit before taxation	16,234	40,928	26,511	30,153	33,880
Depreciation	5,303	6,865	10,931	13,556	16,406
Operating profit before working capital changes	17,924	30,581	38,674	44,760	51,388
Net cash flow from operating activities	5,970	33,737	38,871	25,632	50,212
Net cash flow from investing activities	(19,490)	(21,421)	(39,025)	(19,305)	(20,000)
Net cash flow from financing activities	(9,081)	5,007	(8,367)	(3,811)	(1,713)
Net increase/(decrease) in cash/cash equivalents	(22,601)	17,323	(8,521)	2,516	28,499
Cash and cash equivalents at beginning of year	48,822	29,788	46,386	37,865	40,382
Exchange rate changes and other adjustments	3,567	725	0	0	0
Cash and cash equivalents at end of year	29,788	46,386	37,865	40,382	64,001

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BUY	>15% upside from the current price
HOLD	Trade within $\pm$ 15% from the current price
SELL	>15% downside from the current price

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