Singapore

Company Focus

DBS Group Research . Equity

22 Jun 2007

Ellipsiz Ltd

The tough gets going…

BUY S$0.84 STI : 3,639.49

Price Target : 12-Month S$ 0.95 (Prev S$ 1.10)
Reason for Report : Company update
Potential Catalyst: New customer wins, stronger than expected quarterly results.

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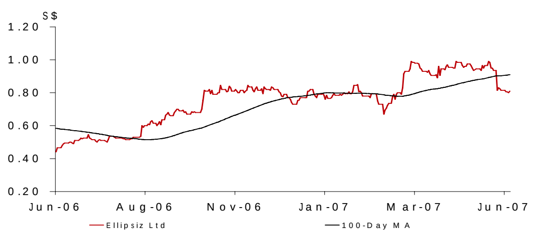
FORECASTS AND VALUATION

FY Jun (S$ m)	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	200.9	255.5
EBITDA	21.8	34.8	29.5	35.4
Pre-tax Profit	16.7	40.9	20.5	24.9
Net Profit	11.1	26.1	16.4	20.0
Net Pft (Pre Ex.)	11.1	14.5	16.4	20.0
EPS (S cts)	4.6	10.3	6.5	7.9
EPS Gth (%)	20	121	(37)	22
Diluted EPS (S cts)	4.6	10.3	6.5	7.9
Net DPS (S cts)	1.0	1.0	1.0	1.2
BVPer Share (S cts)	34.5	44.1	49.6	56.5
PE (X)	18.0	8.1	12.9	10.6
P/Cash Flow (X)	12.1	6.4	8.5	7.3
EV/EBITDA (X)	8.8	5.2	6.1	4.9
Net Div Yield (%)	1.2	1.2	1.2	1.4
P/Book Value (X)	2.4	1.9	1.7	1.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	14.3	26.9	13.8	14.9

SHARE PRICE CHART



T A GLANCE

Issued Capital (m shrs)	256
Mkt. Cap (Sm/USm)	213 / 139
Major Shareholders	
Chong Fook Choy (%)	11.3
Aegis Portfolio (%)	10.1
Leff Mason Asset Mgmt (%)	6.9
Free Float (%)	71.7
Avg. Daily Vol.('000)	5,200

Earnings Rev (%):	2007: (23.5)	2008: (19.4)
Consensus EPS (S cts):	2007: 7.3	2008: 10.6
Variance vs Cons (%):	2007: (10.9)	2008: (25.5)

Sector : Technology
Bloomberg/Reuters Code: ELL SP/ELPZ.SI
Principal Business: A leading provider of integrated solutions to the semiconductor and electronics related industry.

- **Story:** Our recent update with Ellipsiz suggests that order momentum has eased in the last six months. This is not unexpected given ongoing inventory digestions among semiconductor customers. As a result of order push-outs, we believe a shortfall in revenue could lead the company to report sequentially weaker earnings in 2H versus our previous expectation for a flat second half year performance.

- **Point:** In anticipation of weaker than expected results due in early August, we have therefore trimmed our FY07 and FY08 earnings by 23% and 19% respectively.

- **Relevance:** Although there could be a lack of strong price catalyst in the near term, we are positive on the long-term fundamentals and outlook of Ellipsiz's business model. Moreover, improving newsflow in the semicon space from hereon will likely buoy sentiment on the stock. Maintain Buy for long term investors with 12-month target price of S$0.95 based on sum of parts valuation which translates to approximately 12x FY08 PE multiple.

2HFY07 hit by equipment push-outs and slower probe cards. The Distribution business continued to decline as semicon customers who were struggling with inventory issues in the first six months further postponed delivery of equipment. Demand for probe cards also moderated in the seasonally softer Q1 and even into Q2 as the sector continues to languish. Wafer reclaim was the only bright spot, with demand still holding steady and capacity utilisation rate hovering around 90% in spite of a 50% capacity addition in the beginning of January.

1H08 looks brighter. Apart from a gradual ramp up, aided by seasonality and the expected recovery in the semicon industry, management is positive of recurring and rising demand for probe cards in the next two quarters as these are essential consumables for wafer productions. Besides, several prospective customers are currently qualifying Ellipsiz for supply of higher-value vertical probe cards. If successful, we can expect some contributions of these new wins to start coming through in 1HFY08. In addition, a higher proportion of vertical probe cards will enrich the product mix as ASP of a vertical card is approximately 10x that of a cantilever card.

Expansion ongoing for future growth. Ellipsiz is doubling capacity in Vietnam with a new plant completing by year end to house production of cantilever probe cards and for relocation of vertical cards from France and the US to save costs and sustain, if not, improve margins.

DBS VICKERS SECURITIES

Income Statement (S$ m)

FY Jun	2005A	2006A	2007F	2008F
Turnover	118.3	186.0	200.9	255.5
Cost of Goods Sold	(79.6)	(129.4)	(137.5)	(174.9)
Gross Profit	**38.7**	**56.7**	**63.3**	**80.6**
Other Opg (Exp)/Inc	(22.3)	(28.9)	(42.4)	(54.2)
EBIT	**16.4**	**27.7**	**20.9**	**26.4**
Other Non Opg (Exp)/Inc	0.5	0.4	0.3	0.3
Associates & JV Inc	0.0	(0.1)	0.0	0.0
Net Interest (Exp)/Inc	(0.2)	0.0	(0.7)	(1.8)
Exceptional Gain/(Loss)	0.0	13.0	0.0	0.0
Pre-tax Profit	**16.7**	**40.9**	**20.5**	**24.9**
Tax	(2.9)	(4.2)	(3.7)	(4.5)
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**	**16.4**	**20.0**
Net profit before Except.	11.1	14.5	16.4	20.0
EBITDA	21.8	34.8	29.5	35.4
Sales Gth (%)	70.1	57.3	8.0	27.2
EBITDA Gth (%)	112.3	59.8	(15.2)	20.0
EBIT Gth (%)	99.2	69.4	(24.5)	25.9
Effective Tax Rate (%)	17.2	10.4	18.0	18.0

Balance Sheet (S$ 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	69.1	95.7
Other Current Assets	47.8	78.6	84.4	105.5
Total Assets	**132.4**	**202.3**	**240.1**	**296.8**
ST Debt	4.9	14.1	14.1	14.1
Other Current Liab	24.9	68.9	72.4	91.1
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	125.8	143.3
Minority Interests	14.0	0.8	1.2	1.6
Total Cap. & Liab.	**132.4**	**202.3**	**240.1**	**296.8**
Non-Cash Wkg. Cap	22.9	9.7	12.0	14.3
Net Cash/(Debt)	20.2	31.2	33.9	40.5

Cash Flow Statement (S$ m)

FY Jun	2005A	2006A	2007F	2008F
Pre-Tax Profit	16.7	40.9	20.5	24.9
Dep. & Amort.	5.4	7.1	8.6	9.1
Tax Paid	(2.0)	(2.9)	(5.1)	(3.7)
Assoc. & JV Inc/(loss)	0.0	0.1	0.0	0.0
Chg in Wkg.Cap.	(9.8)	6.0	(0.9)	(3.2)
Other Operating CF	(4.4)	(17.5)	0.0	0.0
Net Operating CF	**5.9**	**33.7**	**23.2**	**27.1**
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)	(2.5)
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**	**17.5**
Net Cashflow	(19.0)	16.6	22.7	26.6

Rates & Ratios

FY Jun	2005A	2006A	2007F	2008F
Gross Margin (%)	32.7	30.5	31.5	31.5
EBITDA Margin (%)	18.4	18.7	14.7	13.9
EBIT Margin (%)	13.8	14.9	10.4	10.3
Net Profit Margin (%)	9.4	14.0	8.2	7.8
ROAE (%)	14.3	26.9	13.8	14.9
ROA (%)	14.7	17.2	9.8	10.2
ROCE (%)	(25.8)	(15.7)	6.5	10.1
Div Payout Ratio (%)	21.5	9.5	15.0	15.0
Interest Cover (x)	106.3	NM	29.0	15.0
Debtors Turn (avg days)	82.7	79.0	93.7	86.9
Creditors Turn (avg days)	38.1	88.8	135.3	124.3
Inventory Turn (avg days)	29.7	44.4	61.5	57.0
Current Ratio (x)	2.6	1.5	1.8	1.9
Quick Ratio (x)	2.3	1.2	1.5	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 (S cts)	8.5	12.3	13.4	16.0
Opg CFPS (S cts)	6.6	10.9	9.5	11.9
Free CFPS (S cts)	(5.9)	10.2	2.0	3.6

PE Chart (x)

Source: Company, DBS Vickers

DBSV recommendations are based an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (0-15% total return over the next 12 months for small caps, 0-10% for large caps)

FULLY VALUED (negative total return i.e. > -1% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

As of 22 Jun 2007, the analyst and his / her immediate family do not hold positions in the securities recommended in this report.

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