

Ellipsiz

2H07 results likely below expectations

BUY

Slowdown in industry will affect Ellipsiz

We envisage that overcapacity in the semiconductor industry will adversely affect Ellipsiz's 2H07 results. We are expecting a weaker 2H07 NPAT of \$6.2m (-43% HoH) vs. our previous forecast of \$10.6m. Customers such as Texas Instrument and Xilinx have reduced their June quarter forecasts whilst industry research firms i.e SIA, WSTS, Gartner have slashed their semiconductor sales growth forecast to within 2-3% for 2007.

Distribution and Probe cards expect to be weak

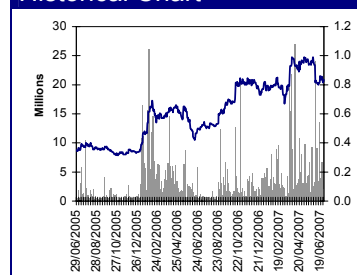
Management foresees that the Distribution and Services Solutions and Probe Cards Solutions segment will be affected by the inventory glut whereas Silicon Reclaim Solutions (9% sales in FY06) should remain buoyant. Riding on the year end seasonality, Probe Cards Solutions and Services Solutions will see a boost which will likely provide a buffer for slower sales in 1H08 Distribution Solutions segment. In light of the above events, we are reducing both our FY07 and FY08 bottomline by 21% to \$17.0m and \$22.7m respectively.

Maintain Buy based on 11x FY08 PE

Despite the near term blip, we are still maintaining a Buy on Ellipsiz based on valuation. Ellipsiz trades at a compelling 9x FY08 PE vs. weighted average peer basket of 18x FY08 PE. We see fair value at 11x FY08 PE (40% discount to leading peers) and target price of \$0.98. Buy on dips. Key risk includes prolong weakness in the semiconductor industry.

Price	\$0.825
Target	\$0.98
ST Index	3538.23

Historical Chart



Stock Information

Bloomberg Ticker code	ELL SP
Reuters Ticker code	ELPZ SI
Market cap (\$m)	210.9
52-week high (\$)	1.01
52-week low (\$)	0.48
Shares issued (m)	255.6
6m avg. daily vol (m)	4.3
Free float (%)	71.7
Major Shareholders (%)	
	Xavier Chong (11.3)
	Ageis Portfolio Managers (10.1)
	Legg Mason (6.9)

Key Indicators – FY06

Gross Margin (%)	30.5
Operating Margin (%)	22.5
ROE (%)	26.9
ROA (%)	15.6
Current Ratio (x)	1.5
Net Debt/Equity (%)	Net Cash
Interest Cover (x)	50.0
NBVPS (S c)	29.1
P/B (x)	2.8

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Year End June	2005	2006	2007F	2008F	2009F
Sales (\$m)	118.3	186.0	204.3	236.5	271.5
Pretax profit (\$m)	16.7	40.9	22.6	29.8	36.3
Net profit (\$m)	11.1	26.1	17.0	22.7	28.1
EPS (cts)	4.5	10.6	6.8	8.9	11.0
EPS Ex. EI (cts)	2.6	5.2	6.8	8.9	11.0
EPS Ex EI growth (%)	54.6	103.8	29.8	31.3	23.6
PER (x)	32.2	15.8	12.2	9.3	7.5
EV/EBITDA (x)	7.8	3.6	5.9	4.7	3.3
DPS (cts)	1.2	1.0	1.7	2.3	2.8
Yield (%)	1.4	1.2	2.1	2.8	3.4

INTERIM 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	4.2	2.34	81%	8.2	-48%
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

Year end Jun	2005	2006	2007F	2008F	2009F
Turnover	118.3	186.0	204.3	236.5	271.5
COGS	(79.6)	(129.4)	(138.9)	(160.8)	(184.6)
Gross Profit	38.7	56.7	65.4	75.7	86.9
Other Operating Inc.	1.6	2.2	2.0	2.0	2.0
Distribution Costs	(6.8)	(11.4)	(14.3)	(15.4)	(16.3)
Administration Exp	(20.7)	(24.1)	(26.6)	(28.4)	(31.2)
Other Operating Exp	(0.2)	(4.0)	(3.1)	(3.0)	(3.0)
Operating Profit	17.3	41.9	23.5	31.0	38.4
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	0.0
Pretax Profit	16.7	40.9	22.6	29.8	36.3
Taxation	(2.9)	(4.2)	(3.6)	(5.1)	(6.2)
Minority Interests	(2.7)	(10.6)	(2.0)	(2.0)	(2.0)
Net Profit	11.1	26.1	17.0	22.7	28.1

EPS (¢)	4.6	10.6	6.8	8.9	11.0
EPS Growth	19.8%	127.1%	-35.8%	31.3%	23.6%
Gross DPS (¢)	1.2	1.0	1.7	2.3	2.8

Sales Growth	70.1%	57.3%	9.8%	15.7%	14.8%
Gross Profit Growth	182.1%	46.4%	15.4%	15.7%	14.8%
Operating Profit	95.5%	142.5%	-44.0%	32.0%	23.9%
Pretax Profit Growth	90.8%	145.5%	-44.7%	31.6%	21.7%
Net Profit Growth	35.1%	135.7%	-34.8%	33.6%	23.6%

Gross Margin	32.7%	30.5%	32.0%	32.0%	32.0%
Operating Margin	14.6%	22.5%	11.5%	13.1%	14.1%
Pretax Margin	14.1%	22.0%	11.1%	12.6%	13.4%
Effective Tax Rate	17.2%	10.4%	16.0%	17.0%	17.0%
Interest Cover (x)	29.2	50.0	30.9	27.4	18.6
Dividend Cover (x)	4.9	13.1	3.8	3.9	3.9

SEGMENT BREAKDOWN

Year end Jun	2005	2006	2007F	2008F	2009F
Distribution & Services	69.2	87.2	72.4	77.5	84.0
Silicon Reclaim	11.8	16.6	20.8	31.1	40.5
Probe Cards	37.3	82.3	111.2	127.9	147.0
Total Revenue	118.3	186.0	204.3	236.5	271.5
Distribution & Services	59%	47%	35%	33%	31%
Silicon Reclaim	10%	9%	10%	13%	15%
Probe Cards	32%	44%	54%	54%	54%
% Revenue	100%	100%	100%	100%	100%
Distribution & Services		26%	-17%	7%	8%
Silicon Reclaim		41%	25%	50%	30%
Probe Cards		121%	35%	15%	15%
Revenue Growth		57%	10%	16%	15%

Sources: Company data, KE estimates

BALANCE SHEET (\$m)

As at Jun	2005	2006	2007F	2008F	2009F
Current Assets	77.6	125.0	93.7	126.5	166.5
Cash & ST Invt	29.8	51.8	27.5	39.6	77.0
Receivables	38.4	49.6	43.9	59.2	59.3
Inventories	8.9	22.2	21.5	26.0	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	178.4	217.3	252.6
Current Liabilities	29.8	83.0	45.2	45.6	48.5
ST Borrowings	4.9	14.1	3.5	0.9	0.9
Payables	23.4	61.1	38.9	38.6	40.1
Others	1.5	7.8	2.8	6.1	7.5
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	54.1	74.5	87.3
Share Capital	59.7	117.2	120.7	120.7	120.7
Reserves	22.7	(5.3)	2.5	21.0	43.4
Minority Interests	14.0	0.8	1.1	1.1	1.1
Total Equity + MI	96.4	112.6	124.3	142.8	165.3

Debtors Turnover	83	72	71	69	70
Stock Turnover (days)	28	71	62	62	62
Creditors Turnover	46	43	47	46	46
Current Ratio (x)	2.6	1.5	2.1	2.8	3.4
Net Debt/Equity (x)	-24.5%	-27.9%	-12.3%	-7.0%	-22.7%
Total Debt/Equity (x)	11.6%	13.6%	6.1%	17.6%	21.3%
NBV/Share (S c)	29.55	29.09	34.05	41.98	51.44
ROE	14.3%	26.9%	14.5%	17.2%	18.4%
ROA	9.5%	15.6%	8.9%	11.5%	12.0%

CASH FLOW (\$m)

Year end Jun	2005	2006	2007F	2008F	2009F
Pretax Profit	16.7	40.9	22.6	29.8	36.3
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	(6.4)	(1.7)	(4.8)
Change in Working Cap.	(12.6)	14.9	(17.8)	(21.0)	(1.1)
Operating Cash Flow	8.0	65.4	8.0	19.1	44.3
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)	(3.4)	(4.3)	(5.6)
Others	9.3	(23.9)	(1.7)	(2.0)	(2.0)
Financing Cash Flow	10.8	(14.9)	(14.9)	11.2	2.3
Net Cash Flow	(22.4)	16.6	(23.7)	12.2	37.4
Cash/(Debt) at Beg of Yr	52.2	29.8	46.4	22.7	34.9
Cash/(Debt) at End of Yr	29.8	46.4	22.7	34.9	72.3

Sources: Company data, KE estimates

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