

Ellipsiz

New year brings new appointment

HOLD

▪ New CEO appointed

Melvin Chan, President of iNetest (wholly owned subsidiary of Ellipsiz), has replaced Xavier Chong as Ellipsiz's new Chief Executive Officer on 4th January 2008. Mr Chan brings with him more than two decades of experience in the local and regional semiconductor and electronics manufacturing industry. He has also held senior management positions in Electronic Resources Ltd (ERL) and Ingram Micro, prior to iNetest. Mr Chong will still retain his title as Executive Chairman and continue to steer the corporate developments of the company.

▪ No change in corporate strategy

Despite the reshuffling of top management, Ellipsiz continues its focus on developing its probe cards' technology and streamlining its business. Progress of its new 4,000 sqm probe card factory in Vietnam is on track. The Vietnam facility manufactures Cantilever probe cards and now produces 50% of Ellipsiz's probe card output.

▪ Production shift to mitigate pricing pressure

Although management maintained that they will try to keep margins stable, price attrition was still prevalent in the past six months. Pricing pressures were particularly severe in the mature and lower technology cantilever probe cards. Nonetheless, we anticipate the shift of Ellipsiz's production facility to low-cost Vietnam and improving efficiencies from continued research and development in the probe card space should help mitigate further margin erosion.

▪ Cessation of substantial shareholders hits share price

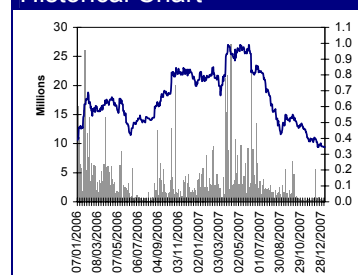
We believe part of the reason for Ellipsiz's poor price performance has been due to the cessation of two substantial shareholders – Atlantis Investment Management (from 5.0% to 4.9%) and Legg Mason (from 6.7% to 4.7%).

▪ Upgrade to Hold based on low valuation; maintain TP

We are upgrading our recommendation to a Hold from Sell as Ellipsiz currently trades below its prospective break-up value of \$0.38. Historically, Ellipsiz trades at 9x PE and 1.4x P/B. We are still maintaining our target price at \$0.46 based on 9x FY08 PE and 1.2x FY08 P/NTA. Key risks include continued pricing pressure from customers and sustained slowdown in the technology sector.

Price	\$0.34
Target	\$0.46
ST Index	3,353.06

Historical Chart



Stock Information

Bloomberg code	ELL SP
Reuters code	ELPZ.SI
Market Cap (S\$m)	86.9
52-week high (\$)	1.01
52-week low (\$)	0.34
Shares issued (m)	255.6
6m avg. daily vol (m)	2.7
Free float (%)	65.7
Major Shareholders (%)	
	Chong Fook Choy – Executive Chairman (11.3)
	Aegis Portfolio Managers (10.1)
	Atlantis Investment Mgmt (4.9)

Key Indicators – FY07

Gross Margin (%)	28.3
Operating Margin (%)	7.1
ROE (%)	12.8
ROA (%)	8.0
Current Ratio (x)	2.2
Net Debt/Equity (%)	(19.4)
Interest cover (x)	21.2
NTA (S c)	33.5
P/NTA (x)	1.0

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Year End Jun	2005	2006	2007	2008F	2009F
Sales (S\$m)	118.3	186.0	200.6	221.1	253.7
Pretax profit (S\$m)	16.7	40.9	14.1	16.3	20.2
Net profit (S\$m)	11.1	26.1	15.0	12.9	16.2
EPS (S cts)	4.5	10.6	5.9	5.1	6.3
Ex. EI EPS (S cts)	2.6	5.2	5.9	5.1	6.3
Ex. EI EPS growth (%)	54.6	103.8	12.8	(14.0)	25.1
PER (x)	13.3	6.5	5.8	6.7	5.4
EV/EBITDA (x)	3.0	1.1	2.7	2.4	1.5
DPS (S cts)	1.2	1.0	0.6	0.5	0.6
Yield (%)	3.5	2.9	1.8	1.5	1.9

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