



Ellipsiz set to beef up ready-to-eat meal JV

It is tying up with celebrity chef Justin Quek in a joint venture dubbed "Chef & Chefs"

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ENGINEERING services provider Ellipsiz is raising the stakes in its ready-to-eat venture through a tie-up with celebrity chef Justin Quek.

Ellipsiz associate Kalms SG and Mr Quek's JQ Global culinary consultancy have agreed to trade in ready-to-eat meals in a joint venture dubbed "Chef & Chefs".

The move is expected to support Ellipsiz's fresh move into the vending machine business, where the company has teamed up with local greeting card and gift retailer Kalms (Singapore), or Kalms SG. Ellipsiz took a 50 per cent stake in Kalms Investment, which owns 90 per cent of Kalms SG, for S\$10 million in May.

Struggling with rents and manpower costs, Kalms shuttered its physical stores in 2016 and turned to vending machines to sell its goods.

It also added Japanese ready-to-eat meals and other imported snacks to its stock. Ready-to-eat meals now make up about 30 per cent of inventory.

A bullish Kelvin Lum, chief executive of Ellipsiz, said that the new joint venture is expected to grow Kalms SG's number of vending machines by 20 per cent to 30 per cent a year.

But, citing confidentiality amid an expansion, he declined to state how many machines are now in the stable.

The expansion into ready-to-eat meals and vending machines comes on the back of the bonanza from the sale of Ellipsiz's probe card business last year, Mr Lum told The Business Times on the phone.

"We want to deploy cash into investments that can complement our current business," he said, referring to product distribution.

Ellipsiz's piggy bank has been well stuffed, after it sold SV Probe to Japan's Nidec Corp for US\$70 million. It had S\$71.7 million in cash and cash equivalents as at Sept 30, according to its recent first-quarter statements.

But that does not mean that the engineering services business is going away. Mr Lum said that the vending machine operations will not detract from the group's semiconductor services, which he still plans to grow, despite the global chip slowdown.

"Consumer retail is a separate part of the business. The main business will continue, and we're trying to scale up that distribution platform as well."

Ellipsiz's core business involves distributing test equipment, cleanroom consumables and the like to electronics manufacturing players.

The Chef & Chefs joint venture - which will sell ready-to-eat meals to Kalms SG, its nominees, or third-party customers - will give Kalms SG more control over its product range, said Ellipsiz in a bourse filing.

It added that Kalms SG could benefit from direct involvement in the business from production to sale, thanks to the central kitchen facilities at food manufacturer Gozen.

Kalms SG took a 60 per cent stake in Gozen, which makes ready-to-eat meals, for S\$300,000 in August.

"Justin will provide the recipes and the branding and all that," Mr Lum added. Mr Quek, who opened two eateries at Marina Bay Sands this year, also sells pre-mixed sauces and offers industry consulting services.

When asked about the commercial value of the tie-up, Mr Lum said that the arrangement will involve revenue-sharing. Funds for setting up Chef & Chefs came from Kalms SG's internal resources, and is not expected to have any material impact on the consolidated earnings and net tangible assets per share of Ellipsiz for the year to June 30, 2019, said the group.

Ellipsiz recorded S\$434,000 in its pre-tax share of losses from Kalms Investment in the first quarter, with Mr Lum noting that the group is likely to continue ploughing money into the company, to pursue growth in countries such as China and Malaysia.

On when the investment will turn around into profitability, he said: "It really depends on how fast we are able to roll out in the region.'

Ellipsiz shares did not trade on Friday, but were last quoted at 44 Singapore cents bid and 45 Singapore cents offered.