


INDUSTRIES

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Stock Profile/Statistics

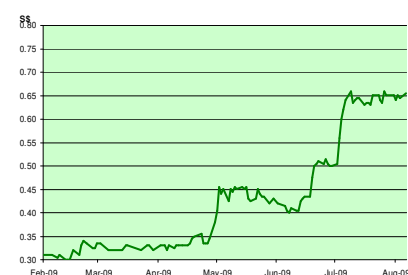
Bloomberg Ticker	KMEN SP
STI	2631.51
Issued Share Capital (m)	194.18
Market Capitalisation (S\$m)	125.25
52 week H L Price (S\$)	0.67 0.29
Average Volume (3m) '000	325.92
YTD Returns (%)	95.52
Net gearing (x)	Net cash
Altman Z-Score	3.56
ROCE/WACC	4.68
Beta (x)	0.54
Book Value/share (S\$)	24.25

Major Shareholders

Islanda Pte Ltd	19.57
O-vest Pte Ltd	19.57

Share Performance (%)

Month	Absolute	Relative
1m	15.2	1.3
3m	46.6	22.6
6m	108.1	53.8
12m	55.4	62.0

6-month Share Price Performance

2Q09 Results Review

Private Circulation Only

KINGSMEN CREATIVES

BUY	Maintain
Price	S\$0.645
Target	S\$0.71

A positive first half

Kingsmen's 2Q09 net profit of S\$3.5m (+8.3% YoY) came in within expectations. This was achieved on the back of strong orders from its customers in its Exhibition & Museums and Interior divisions, which boosted revenue by 48.1% YoY to S\$53.0m. Gross margin was 29.7% (-8.5 pts YoY), as the larger scale projects at Universal Studios yielded lower margins. The Group expects to continue to see healthy demand for its services in 2H09, supported by the Orchard Road revamp, the F1 Singapore Grand Prix and its contract with Universal Studios. Beyond that, major events slated for 2010 would drive revenue growth in FY10. An interim dividend of 1.5 S\$ per share was declared. We maintain our BUY recommendation and target price of S\$0.71.

Strategy is paying off. The Group's strategy of managing key accounts and undertaking "roll-out programmes" for its customers allowed the Interiors division to continue growing. 2Q09 revenue was also boosted by its fixture export business and the fit-out works it carried out at ION Orchard for its customers in the high-end retail scene (20 boutiques). Continual refurbishment of its customers' various retail outlets (both Singapore and globally) would contribute to revenue growth. Other projects in the pipeline include fit-out jobs for retail customers with outlets at the soon to be open 313@Somerset. As the retail brands expand globally, the demand for cost effective solutions for the fit-outs is likely to be strong. This would drive its fixture export business.

Outlook is exciting. Phase 2 of the Universal Studios project will commence in 2010, and is expected to boost revenue growth in its Exhibition & Museums division. With this expertise in carrying out thematic and scenic construction, Kingsmen will be in a good position to bid for future theme park projects in the region. The upcoming Shanghai World Expo is also expected to contribute to growth. Given Kingsmen's expertise in pavilion construction, management is confident of securing several projects. Its strong balance sheet (net cash of S\$20.5m, or 10.5 S\$ per share) would allow it to take on new projects easily.

Maintaining BUY. We are keeping our earnings estimate of S\$14.7m (EPS: 7.5 S\$) for FY09. Based on 9x blended FY09/10 earnings, our target price remains at S\$0.71.

FYE 31 Dec (S\$m)	FY06	FY07	FY08	FY09F	FY10F
Turnover	108.9	145.9	190.6	222.5	247.7
Net Profit	4.9	9.4	14.2	14.7	16.9
% chg YoY	125.2%	89.7%	51.4%	3.5%	15.1%
EPS (S\$)	3.3	5.2	7.5	7.5	8.7
DPS (S\$)	1.3	2.0	3.0	3.0	3.0
Div Yield	2.1%	3.1%	4.7%	4.7%	4.7%
ROE	29.7%	34.5%	36.1%	31.1%	29.6%
ROA	9.7%	11.9%	13.6%	12.4%	12.4%
P/E (x)	19.8	12.3	8.6	8.6	7.4
P/B (x)	5.1	3.3	2.8	2.3	1.9

Source: Company and DMG Estimates

Year End 31 Dec (\$m)				
Income Statement				
	2007	2008	2009F	2010F
Revenue	145.9	190.6	222.5	247.7
Cost of sales	(106.2)	(132.0)	(156.5)	(173.6)
Other Operating Income	2.5	2.7	3.3	3.7
Depreciation	(1.7)	(2.1)	(2.4)	(2.7)
Salaries and related costs	(20.5)	(29.9)	(35.6)	(39.6)
Other operating expenses	(7.8)	(10.5)	(12.2)	(13.6)
Financial income, net	0.2	(0.0)	0.0	0.1
Share of Associates	0.2	0.3	0.3	0.3
Profit Before Taxes	12.5	19.0	19.5	22.2
Income Tax Expense	(2.3)	(3.5)	(3.5)	(4.0)
Minority Interest	(0.9)	(1.3)	(1.3)	(1.3)
Net Income	9.4	14.2	14.7	16.9
Balance Sheet				
	2007	2008	2009F	2010F
Fixed Assets	4.6	12.2	10.6	11.0
Intangibles	8.4	6.8	6.9	6.7
Interests in Associates	6.0	6.2	6.2	6.2
Others	1.4	1.9	0.8	0.8
Non-Current Assets	20.3	27.1	24.5	24.6
Inventories	0.1	0.0	0.0	0.1
Contracts Work-in Progress	2.9	7.6	11.1	14.9
Receivables	54.3	46.3	60.0	63.4
Cash and Cash Equivalents	21.5	28.2	31.1	41.7
Current Assets	78.8	82.2	102.2	120.0
Total Assets	99.1	109.3	126.7	144.6
Share Capital	21.6	23.3	23.3	23.4
Treasury Shares	-	(1.9)	(1.9)	(1.9)
Reserves	14.2	21.3	30.1	41.2
Shareholders Fund	35.8	42.7	51.6	62.7
Minority Interest	1.6	2.7	2.8	2.8
Shareholders Equity	37.4	45.4	54.4	65.5
Loan and Borrowings	0.8	0.6	0.5	0.5
Others	-	0.1	-	-
Deferred Tax Liabilities	0.8	0.9	0.7	0.9
Non-Current Liabilities	1.6	1.6	1.2	1.4
Payables	46.7	50.4	60.4	65.7
Interest-bearing Borrowings	0.9	0.8	0.8	0.8
Contracts Work-in Progress	6.0	2.9	4.5	5.0
Income Taxes Payable	3.7	4.9	3.5	4.0
Deferred income	2.9	3.2	2.0	2.3
Current Liabilities	60.1	62.3	71.1	77.7
Total Liabilities	61.7	63.8	72.4	79.1
Total Equity and Liabilities	99.1	109.3	126.7	144.6

Cash Flow				
	2007	2008	2009F	2010F
Profit Before Taxation	12.5	19.0	19.5	22.2
Non-cash items	1.5	5.2	4.1	4.1
Changes in Working Capital	0.4	3.8	(8.7)	(2.4)
Income Tax Paid	(1.9)	(2.2)	(4.9)	(3.5)
Interest Paid	(0.1)	(0.2)	(0.1)	(0.1)
Interest Received	0.3	0.1	0.2	0.2
Net cash from operations	12.7	25.7	10.0	20.5
Purchase of Fixed Assets	(0.8)	(11.2)	(2.0)	(4.0)
Proceeds from Sale of Assets	0.0	0.7	-	-
Others	(8.0)	(0.7)	1.1	-
Dividends Received	-	0.1	-	-
Net cash from investments	(8.7)	(11.1)	(0.9)	(4.0)
Dividends Paid	(2.5)	(6.9)	(5.8)	(5.8)
Proceeds from Issue of Shares	8.8	1.6	-	-
Proceeds from/(Repayment of) Loan	(2.3)	(0.7)	(0.1)	(0.1)
Others	0.3	(1.9)	0.0	0.0
Net cash from financing	4.2	(7.9)	(5.9)	(5.9)
Net increase / (decrease) in cash	8.3	6.7	3.2	10.6
Cash (beginning)	12.9	21.1	27.9	31.1
Cash (end)	21.1	27.9	31.1	41.7

Ratios				
	2007	2008	2009F	2010F
Growth & Margin (%)				
Revenue Growth	33.9	30.6	16.8	11.3
EBIT Growth	108.0	54.2	2.2	13.9
EBIT Margin	8.3	9.8	8.6	8.8
Pretax Profit Growth	105.3	51.3	2.6	14.0
Pretax Profit Margin	8.6	10.0	8.7	9.0
Tax rate	18.3	18.6	18.0	18.0
Net Income Growth	89.7	51.4	3.5	15.1

*Including exceptional items

Revenue Breakdown				
	2007	2008	2009F	2010F
Exhibitions and Museums	50.3	90.2	112.7	129.6
Interiors	87.9	88.7	97.6	104.9
Research and Design	4.3	5.9	6.2	6.6
Integrated Marketing				
Communications	3.4	5.8	6.1	6.6
Total	145.9	190.6	222.5	247.7

Source: Company and DMG estimates

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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