

Kingsmen Creative

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Singapore: KMEN.SI/KMEN.SP
Cyclical Consumers/Consumer Services

Change in Numbers
16 August 2005

SO WHAT? THE BNP PARIBAS ANGLE

- We cover this stock under the MAS-SGX research scheme.
- We cut our target price in our last report despite odds of it being tightly-held working against our recommendation. Since then, the share price has fallen to our target price.

Net profit 2005 ... SGD1.7m
..... (From SGD1.5m)

Diff from consensus ↔
Consensus (mean) ↔
Consensus (momentum) ↔

Target Price SGD0.11
..... (Unchanged)

Diff from consensus ↔
Consensus (median) ↔
Consensus (momentum) ↔

Current Price SGD0.115
Upside/(Downside) (4.3%)

HOLD
(From Underperform)

Recs in the Market
Positive ↔
Neutral ↔
Negative ↔
Consensus (momentum) ↔

Sources: Thomson One Analytics; BNP Paribas Peregrine estimates

Taking into account stronger-than-expected interior division performance but low base effect of 1H04, we have raised our net profit forecast for 2005 to SGD1.67m from SGD1.47m. Since our last report the stock price has fallen 25% to our target price of SGD0.11/share, thus we upgrade our recommendation to HOLD.

Overseas units doing well

- Did better without Asian Aerospace.
- Better 2H05 but mindful of higher base effect.
- Overseas subsidiaries and associates doing well.
- Maintain target price and upgrade recommendation to HOLD.

1H05 better in the absence of low-margin show Despite the absence of revenue contribution from the biennial Asian Aerospace show in Singapore estimated at SGD6m, Kingsmen Creatives (KMEN) chalked up a good 7% y-y increase in sales to SGD28m. This is attributable to a maiden contribution from consolidating its 90%-owned Vietnam subsidiary (added SGD2.3m to group sales) and significant growth in its interior division, up by SGD6m y-y. The latter is largely attributable to a couple of retail-related projects in Guam, Okinawa and Singapore.

Margins were also better, gross margins improved to 27% from 25%. One reason ironically is the absence of the SGD6m revenue from the Aerospace Show. Based on the margins differential over the two periods, we estimate the air show's margins to KMEN at below 10%.

Associated companies share of profits rose 114% to SGD0.2m on the back of maiden contributions from its 30% and 25%-owned Japanese and Korean associated companies.

2H05 to be better

Taking into consideration traditionally stronger 2H and last year 2H having recognised full 12 months contributions of three key overseas affiliated companies – Vietnam (KMEN booked in full 12 month for 2004 in previous 2H of SGD4.9m in sales), Korea and Japan (full 12 month of share of both 2004 profits booked in 2H04), we revise up our 2005 net profit to SGD1.67m (up from SGD1.47m).

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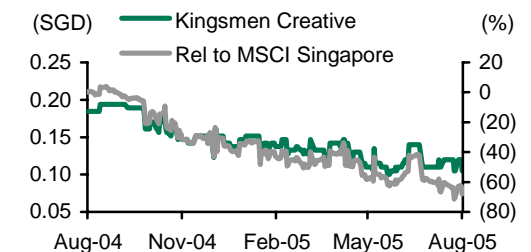
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Earnings Estimates And Valuation Ratios

YE Dec (SGD m)	2004	2005E	2006E	2007E
Revenue	63	65	72	73
Reported net profit	1.42	1.67	1.77	2.22
Recurring net profit	1.42	1.67	1.77	2.22
Previous net profit	1.42	1.47	1.71	1.76
Recurring EPS (SGD)	0.01	0.02	0.02	0.02
Previous EPS (SGD)	0.01	0.02	0.02	0.02
Rec EPS growth (%)	(21.3)	18.2	5.5	25.5
Recurring P/E (x)	8.2	6.9	6.6	5.2
Dividend yield (%)	6.5	6.5	6.5	6.5
EV/EBITDA (x)	3.4	2.7	2.6	2.6
Price/book (x)	0.9	0.8	0.8	0.7
ROE (%)	11.1	12.3	12.1	14.2
Net debt/equity (%)	(22.6)	(37.1)	(18.2)	(22.6)

Sources: Kingsmen Creative; BNP Paribas Peregrine estimates

Share Price Daily vs MSCI



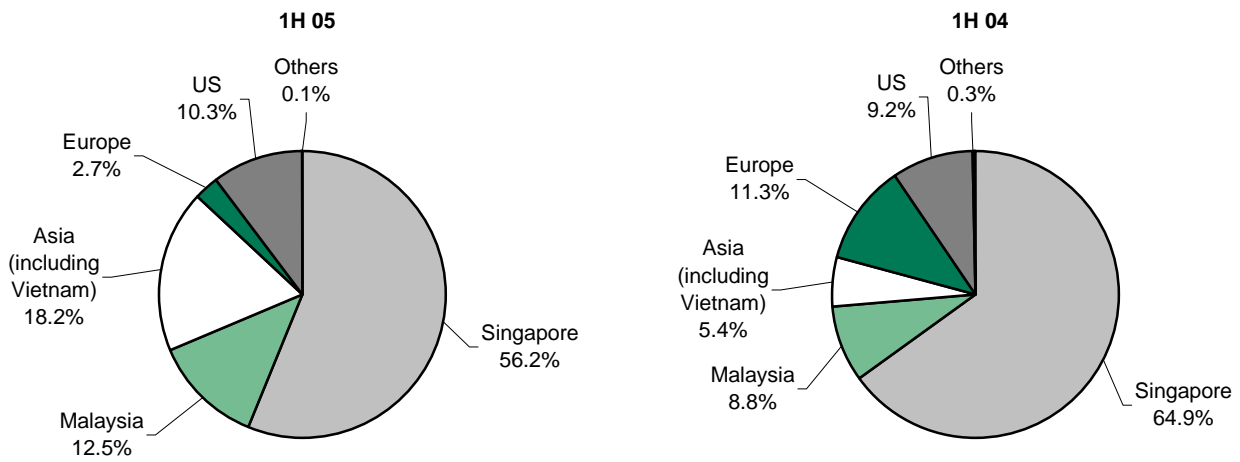
Next results/event:	Final (Feb 2006)
Market cap:	SGD11.6m/USD7.0m
12M Avg daily turnover:	USD2,726
Free float:	20%
Major shareholder:	Islanda Pte Ltd (25%) O-Vest Pte Ltd (25%)
12M High/Low:	SGD0.205–0.100

Source: Bloomberg

Please see the important notice on the back page.

Overseas affiliates doing well
 Malaysia and Vietnam expect to maintain their good performance in 2H05.

Turnover By Countries



Source: Kingsmen Creative

Maintain target price of SGD0.11/share, Upgrade to HOLD
 We upgrade our recommendation to HOLD as share price has since corrected 18% from our last downgrade from SGD0.14/share. While its net cash position is substantially reduced to net cash per share of SGD0.01 from SGD0.03 (see our last write-up dated 3 March 2005), we maintain our target price in view of its improved earnings.

Fairly valued

Financial statements

Profit and Loss (SGD m)					
Year Ending December	2003A	2004A	2005E	2006E	2007E
Revenue	53	63	65	72	73
Cost of sales ex depreciation	(39)	(47)	(47)	(52)	(53)
Gross profit ex depreciation	15	17	18	19	20
Other operating income	1	1	1	1	1
Operating costs	(13)	(15)	(16)	(17)	(18)
Operating EBITDA	3	2	3	3	3
Depreciation	(0)	(1)	(1)	(1)	(1)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	2	2	2	2	3
Net financing costs	0	(0)	(0)	(0)	0
Associates	-	0	0	0	0
Recurring non operating income	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	2	2	2	3	3
Tax	(1)	(0)	(0)	(1)	(1)
Profit after tax	2	2	2	2	2
Minority interests	(0)	(0)	(0)	(0)	(0)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2	1	2	2	2
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	2	1	2	2	2
Per share (SGD)					
Recurring EPS *	0.02	0.01	0.02	0.02	0.02
Reported EPS	0.02	0.01	0.02	0.02	0.02
DPS	0.01	0.01	0.01	0.01	0.01
Growth					
Revenue (%)	(12.1)	18.1	2.8	10.5	1.1
Operating EBITDA (%)	(42.6)	(9.5)	11.9	5.4	13.6
Operating EBIT (%)	(48.7)	(16.2)	15.0	6.9	17.0
Recurring EPS (%)	(56.8)	(21.3)	18.2	5.5	25.5
Reported EPS (%)	(56.8)	(21.3)	18.2	5.5	25.5
Operating performance					
Gross margin inc depreciation (%)	27.0	25.3	26.7	26.2	26.7
Operating EBITDA margin (%)	4.7	3.6	4.0	3.8	4.2
Operating EBIT margin (%)	3.9	2.8	3.1	3.0	3.5
Net margin (%)	2.9	2.2	2.6	2.5	3.1
Effective tax rate (%)	25.7	20.0	20.0	20.0	17.3
Dividend payout (%)	35.7	53.5	45.2	42.9	34.2
Interest cover (x)	na	42.2	34.6	32.6	na
Inventory days	0.1	0.0	0.1	0.1	0.1
Debtor days	134.7	122.4	113.9	105.7	109.4
Creditor days	107.6	88.9	92.3	88.6	96.0
Operating ROIC (%)	29.2	14.8	17.1	17.4	17.6
Operating ROIC - WACC (%)	22.4	8.0	10.3	10.6	10.8
ROIC (%)	27.1	16.4	19.1	18.6	17.9
ROIC - WACC (%)	20.3	9.6	12.3	11.8	11.1
ROE (%)	16.7	11.1	12.3	12.1	14.2
ROA (%)	4.9	4.9	5.5	5.3	6.1

* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (SGD m)	2003A	2004A	2005E	2006E	2007E
Exhibition & museums	21	29	25	31	30
Interiors	29	29	33	34	35
Research & design	2	2	2	2	2
Integrated marketing communication	1	4	4	5	5

Sources: Kingsmen Creative; BNP Paribas Peregrine estimates

Cash Flow (SGD m)					
Year Ending December	2003A	2004A	2005E	2006E	2007E
Recurring net profit	2	1	2	2	2
Depreciation	0	1	1	1	1
Associates & minorities	0	(0)	(0)	(0)	(0)
Other non-cash items	-	-	-	-	-
Recurring cash flow	2	2	2	2	3
Change in working capital	(6)	2	4	(0)	(3)
Capex - maintenance	(1)	(1)	(1)	(1)	(1)
Capex - new investment	-	-	-	-	-
Free cash flow to equity	(4)	3	6	1	(0)
Net acquisitions & disposals	-	-	-	-	-
Dividends paid	(1)	(1)	-	-	-
Non recurring cash flows	4	(3)	-	-	-
Net cash flow	(2)	(1)	6	1	(0)
Equity finance	6	-	-	-	-
Debt finance	(0)	0	0	0	0
Movement in cash	4	(1)	6	1	(0)
Per share (SGD)					
Recurring cash flow per share	0.02	0.02	0.02	0.02	0.03
FCF to equity per share	(0.05)	0.03	0.06	0.01	(0.00)
Balance Sheet (SGD m)					
Year Ending December	2003A	2004A	2005E	2006E	2007E
Working capital assets	25	24	23	25	26
Working capital liabilities	(19)	(19)	(23)	(24)	(22)
Net working capital	6	5	1	1	4
Tangible fixed assets	2	6	8	10	8
Operating invested capital	9	10	8	11	12
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Investments	0	0	1	2	2
Other assets	-	-	-	-	-
Invested capital	9	11	9	13	13
Cash & equivalents	(5)	(3)	(6)	(3)	(4)
Short term debt	1	0	0	0	0
Long term debt *	0	0	0	0	0
Net debt	(4)	(3)	(5)	(3)	(4)
Deferred tax	0	0	0	0	0
Other liabilities	-	-	-	-	-
Total equity	12	13	14	15	16
Minority interests	0	0	0	0	0
Invested capital	9	11	9	13	13
<i>* Includes convertibles and preferred stock which is being treated as debt</i>					
Per share (SGD)					
Book value per share	0.12	0.13	0.14	0.15	0.16
Tangible book value per share	0.12	0.13	0.14	0.15	0.16
Financial strength					
Net debt/equity (%)	(32.1)	(22.6)	(37.1)	(18.2)	(22.6)
Net debt/total assets (%)	(11.9)	(9.0)	(13.8)	(6.8)	(9.2)
Current ratio (x)	1.5	1.4	1.3	1.2	1.3
CF interest cover (x)	na	59.3	81.4	16.7	na
Valuation					
	2003A	2004A	2005E	2006E	2007E
Recurring P/E (x) *	6.5	8.2	6.9	6.6	5.2
Recurring P/E @ target price (x) *	6.2	7.8	6.6	6.3	5.0
Reported P/E (x)	6.5	8.2	6.9	6.6	5.2
Dividend yield (%)	5.5	6.5	6.5	6.5	6.5
P/CF (x)	4.9	6.3	5.7	5.5	4.4
P/FCF (x)	neg	4.1	2.1	9.2	neg
Price/book (x)	0.9	0.9	0.8	0.8	0.7
Price/tangible book (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x) **	2.9	3.4	2.7	2.6	2.6
EV/EBITDA @ target price (x) **	2.7	3.2	2.5	2.4	2.4
EV/invested capital (x)	0.8	0.8	0.8	0.6	0.7
<i>* Pre exceptional, pre-goodwill and fully diluted</i>					
<i>** EBITDA includes associate income and recurring non-operating income</i>					

Sources: Kingsmen Creative; BNP Paribas Peregrine estimates

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All share prices are as at market close on 15 August 2005 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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