



SINGAPORE EQUITY Investment Research

DMG & Partners Research INDUSTRIES

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Stock Profile/Statistics

Bloomberg Ticker	KMEN SP
STI	2753.51
Issued Share Capital (m)	194.18
Market Capitalisation (\$m)	105.83
52 week H L Price (\$)	0.74 0.39
Average Volume ('000)	123.87
YTD Returns (%)	-2.68
Net gearing (%)	Net cash
Altman Z-Score	3.65
ROCE/WACC	3.83
Beta (x)	0.46
Book Value/share (S¢)	28.61

Major Shareholders (%)

Benedict Soh	23.55
Simon Ong	23.55

Share Performance (%)

Month	Absolute	Relative
1m	-12.1	-4.5
3m	-7.6	-7.5
6m	2.8	3.1
12m	22.5	1.1

6-month Share Price Performance



Corporate Update

Private Circulation Only

KINGSMEN CREATIVES

BUY	Maintain
Price	S\$0.545
Target	S\$0.77

Good start in FY10

Results in-line, expect next few quarters to pick up. Kingsmen's 1Q10 net profit came in at S\$2.3m, which was in line with expectations. This was achieved on the back of better performance from its Exhibitions & Museums and Interiors divisions. Traditionally, 2H is stronger than 1H as most projects are completed and most major events take place during 2H. Retail brands also tend to refurbish their outlets during 2H. Kingsmen will be involved in fitting out retail outlets at the Marina Bay Sands Shoppes® (from initial 10 outlets to more than 20). It has completed its projects at the Shanghai World Expo and is in the process of bidding for new projects. Its success with Phase 1 of the USS project puts it in good stead as it bids for thematic and scenic construction projects around the region. The increase in MICE-related activities would also benefit Kingsmen as that means more business opportunities. We are maintaining our BUY recommendation and TP of S\$0.77.

Consumer confidence up, retailers continue to refurbish outlets. Contributions from key customers such as The Hour Glass, Swarovski and Tiffany & Co., as well as good demand for its export fixtures, enabled the Interiors division to achieve better revenue in 1Q10. With consumer spending and confidence on an uptrend, retailers are taking the chance to refurbish their outlets, if not, open new outlets. Kingsmen will be involved in the fit out of several outlets (existing and new customers) at the MBS Shoppes®.

Order book still healthy. Kingsmen has an order book of S\$133m as at May 10. This is 20% lower than the order book secured as at May 09, as May 09 order book included the contract for Phase 1 of USS. Excluding that USS contract, management indicated that the current order book is marginally better. More contracts are expected in 2H as it continues to secure new customers at the MBS Shoppes.

Maintain BUY. We are maintaining our earnings estimate of S\$16.3m in FY10. Based on 9x FY10 earnings, we arrive at a TP of S\$0.77.

FYE 31 Dec (\$m)	FY07	FY08	FY09	FY10F	FY11F
Turnover	145.9	190.6	242.0	263.3	276.5
Net profit	9.4	14.2	14.9	16.3	18.9
% chg YoY	89.7%	51.4%	5.1%	9.3%	16.0%
EPS (S¢)	5.2	7.5	7.9	8.6	10.0
DPS (S¢)	2.0	3.0	3.5	3.0	3.0
Div Yield	3.5%	5.3%	6.2%	5.3%	5.3%
ROE	34.5%	36.1%	31.5%	30.4%	30.8%
ROA	11.9%	13.6%	12.0%	11.5%	12.3%
P/E (x)	10.8	7.6	7.2	6.6	5.7
P/B (x)	2.9	2.4	2.0	1.8	1.5

Source: Company and DMG Estimates

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FINANCIAL SUMMARY

Year End 31 Dec (\$m)				
Income Statement				
	2008	2009	2010F	2011F
Revenue	190.6	242.0	263.3	276.5
Cost of sales	(132.0)	(182.5)	(192.2)	(196.3)
Other Operating Income	2.7	3.5	3.9	4.1
Depreciation	(2.1)	(1.8)	(1.8)	(2.2)
Salaries and related costs	(29.9)	(32.8)	(38.2)	(42.9)
Other operating expenses	(10.5)	(10.0)	(14.5)	(15.5)
Financial income, net	(0.0)	0.0	(0.0)	0.0
Share of Associates	0.3	0.3	0.3	0.4
Profit Before Taxes	19.0	18.9	20.9	24.1
Income Tax Expense	(3.5)	(3.2)	(3.8)	(4.3)
Minority Interest	(1.3)	(0.8)	(0.9)	(0.9)
Net Income	14.2	14.9	16.3	18.9
Balance Sheet				
	2008	2009	2010F	2011F
Fixed Assets	12.2	9.8	12.1	14.9
Intangibles	6.8	6.4	6.6	6.3
Interests in Associates	6.2	6.6	6.6	6.6
Others	1.9	0.8	0.8	0.8
Non-Current Assets	27.1	23.6	26.0	28.6
Inventories	0.0	0.1	0.1	0.1
Contracts Work-in Progress	7.6	10.1	11.8	12.4
Receivables	46.3	81.6	86.0	97.1
Cash and Cash Equivalents	28.2	22.8	21.9	24.4
Current Assets	82.2	114.6	119.8	134.1
Total Assets	109.3	138.2	145.9	162.7
Share Capital	23.3	23.3	23.3	23.3
Treasury Shares	(1.9)	(1.9)	(1.9)	(1.9)
Reserves	21.3	30.5	33.9	46.0
Shareholders Fund	42.7	51.9	55.3	67.4
Minority Interest	2.7	3.0	3.1	3.1
Shareholders Equity	45.4	54.9	58.3	70.5
Loan and Borrowings	0.6	0.3	0.2	0.2
Others	0.1	0.1	-	-
Deferred Tax Liabilities	0.9	0.9	0.9	0.9
Non-Current Liabilities	1.6	1.3	1.1	1.1
Payables	50.4	69.7	72.6	75.4
Interest-bearing Borrowings	0.8	1.0	1.0	0.9
Contracts Work-in Progress	2.9	2.6	5.3	5.5
Income Taxes Payable	4.9	5.3	3.8	4.3
Deferred income	3.2	3.3	3.8	4.8
Current Liabilities	62.3	82.0	86.4	91.0
Total Liabilities	63.8	83.3	87.6	92.1
Total Equity and Liabilities	109.3	138.2	145.9	162.6

Cash Flow				
	2008	2009	2010F	2011F
Profit Before Taxation	19.0	18.9	20.9	24.1
Non-cash items	5.2	3.7	1.7	2.1
Changes in Working Capital	3.8	(18.5)	(6.0)	(9.1)
Income Tax Paid	(2.2)	(2.7)	(5.3)	(3.8)
Interest Paid	(0.2)	(0.1)	(0.1)	(0.1)
Interest Received	0.1	0.1	0.1	0.1
Net cash from operations	25.7	1.4	11.3	13.4
Purchase of Fixed Assets	(11.2)	(1.4)	(4.0)	(5.0)
Proceeds from Sale of Assets	0.7	0.1	-	-
Others	(0.7)	1.0	-	-
Dividends Received	0.1	0.1	-	-
Net cash from investments	(11.1)	(0.3)	(4.0)	(5.0)
Dividends Paid	(6.9)	(6.0)	(5.7)	(5.7)
Proceeds from Issue of Shares	1.6	-	-	-
Proceeds from/(Repayment of) Loan	(0.7)	(0.5)	(0.1)	(0.1)
Others	(1.9)	(1.9)	-	-
Net cash from financing	(7.9)	(8.5)	(5.8)	(5.8)
Net increase / (decrease) in cash	6.7	(7.5)	1.5	2.6
Cash (beginning)	21.1	27.9	20.3	21.9
Cash (end)	27.9	20.3	21.9	24.4

Ratios				
	2008	2009	2010F	2011F
Growth & Margin (%)				
Revenue Growth	30.6	27.0	8.8	5.0
EBIT Growth	54.2	(0.8)	10.7	15.5
EBIT Margin	9.8	7.7	7.8	8.6
Pretax Profit Growth	51.3	(0.2)	10.5	15.4
Pretax Profit Margin	10.0	7.8	7.9	8.7
Tax rate	18.6	(17.0)	(18.0)	(18.0)
Net Income Growth	51.4	5.1	9.3	16.0

Revenue Breakdown				
	2008	2009	2010F	2011F
Exhibitions and Museums	90.2	133.9	147.2	154.6
Interiors	88.7	93.7	100.7	105.7
Research and Design	5.9	5.8	6.2	6.5
Integrated Marketing				
Communications	5.8	8.8	9.2	9.7
Total	190.6	242.0	263.3	276.5

Source: Company and DMG estimates

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