

**INDUSTRIES**

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**Stock Profile/Statistics**

Bloomberg Ticker	KMEN SP
STI	2749.15
Issued Share Capital (m)	194.18
Market Capitalisation (S\$m)	115.54
52 week H   L Price (S\$)	0.74   0.31
Average Volume (3m) '000	197.39
YTD Returns (%)	6.25
Net gearing (x)	Net cash
Altman Z-Score	3.52
ROCE/WACC	4.21
Beta (x)	0.48
Book Value/share (S\$)	27.39

**Major Shareholders**

Islanda Pte Ltd	19.57
O-vest Pte Ltd	19.57

**Share Performance (%)**

Month	Absolute	Relative
1m	5.3	7.5
3m	4.4	6.0
6m	-13.8	-18.7
12m	98.3	28.3

**6-month Share Price Performance**

**4Q09 Results Review**

Private Circulation Only

**KINGSMEN CREATIVES**

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>S\$0.595</b>
<b>Target</b>	<b>S\$0.77</b>

**Special events to drive growth**

Kingsmen's 4Q09 net profit of S\$5.9m (+11.4% YoY) was in line with expectations. 4Q09 gross margin was lower (21.6% vs 4Q08: 33.3%) as Kingsmen completed its works on Phase 1 of the USS project. Going forward, other major events in the region (Shanghai World Expo, Youth Olympic Games 2010), Phase 2 of the USS project and the continual revamp of Orchard Road are expected to contribute to growth. Its foray into the thematic and scenic construction segment has also opened up opportunities for Kingsmen to work on upcoming theme parks in the region. Management declared a final dividend of 2.0 S¢ per share in 4Q09. Including its 1.5 S¢ per share interim dividend, FY09 dividend is 3.5 S¢ per share, which translates to a yield of 5.9%. We have upgraded our TP to S\$0.77 (previously S\$0.71). Maintain BUY.

**Prospects are looking good.** With several global events taking place in FY10, management is optimistic of its prospects. It has already secured over S\$20m worth of contracts at the Shanghai World Expo, and expects more to come. The upcoming Youth Olympic Games 2010 is also another platform where management expects to secure contracts from. Given Kingsmen's expertise and track record, we believe Kingsmen has strong potential to secure more contracts from these events.

**Margins likely to improve.** Having completed Phase 1 of the USS project, Kingsmen expects to be involved in Phase 2, which comprise of smaller parcels. Margins tend to be better with smaller parcels. Margins are also likely to improve as the economy picks up, given that there would be increased exhibitions and more activity in the shop refurbishment space. Management guided to maintain net profit margin of between 6% and 8%.

**Raise TP to S\$0.77; Maintain BUY.** We are estimating earnings to grow 9.3% to S\$16.3m in FY10. Based on 9x FY10 earnings (previously blended FY09/10 earnings), we derive a TP of S\$0.77. Maintain BUY.

FYE 31 Dec (S\$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	3.1%	4.7%	5.9%	5.0%	5.0%
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)	12.3	8.6	7.6	6.9	6.0
P/B (x)	3.3	2.8	2.1	1.9	1.6

Source: Company and DMG Estimates

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
<b>Profit Before Taxes</b>	<b>19.0</b>	<b>18.9</b>	<b>20.9</b>	<b>24.1</b>
Income Tax Expense	(3.5)	(3.2)	(3.8)	(4.3)
Minority Interest	(1.3)	(0.8)	(0.9)	(0.9)
<b>Net Income</b>	<b>14.2</b>	<b>14.9</b>	<b>16.3</b>	<b>18.9</b>
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
<b>Non-Current Assets</b>	<b>27.1</b>	<b>23.6</b>	<b>26.0</b>	<b>28.6</b>
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
<b>Current Assets</b>	<b>82.2</b>	<b>114.6</b>	<b>119.8</b>	<b>134.1</b>
<b>Total Assets</b>	<b>109.3</b>	<b>138.2</b>	<b>145.9</b>	<b>162.7</b>
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
<b>Shareholders Fund</b>	<b>42.7</b>	<b>51.9</b>	<b>55.3</b>	<b>67.4</b>
Minority Interest	2.7	3.0	3.1	3.1
<b>Shareholders Equity</b>	<b>45.4</b>	<b>54.9</b>	<b>58.3</b>	<b>70.5</b>
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
<b>Non-Current Liabilities</b>	<b>1.6</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>
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
<b>Current Liabilities</b>	<b>62.3</b>	<b>82.0</b>	<b>86.4</b>	<b>91.0</b>
<b>Total Liabilities</b>	<b>63.8</b>	<b>83.3</b>	<b>87.6</b>	<b>92.1</b>
<b>Total Equity and Liabilities</b>	<b>109.3</b>	<b>138.2</b>	<b>145.9</b>	<b>162.6</b>

Cash Flow				
	2008	2009	2010F	2011F
<b>Profit Before Taxation</b>	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
<b>Net cash from operations</b>	<b>25.7</b>	<b>1.4</b>	<b>11.3</b>	<b>13.4</b>
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	-	-
<b>Net cash from investments</b>	<b>(11.1)</b>	<b>(0.3)</b>	<b>(4.0)</b>	<b>(5.0)</b>
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)	-	-
<b>Net cash from financing</b>	<b>(7.9)</b>	<b>(8.5)</b>	<b>(5.8)</b>	<b>(5.8)</b>
Net increase / (decrease) in cash	6.7	(7.5)	1.5	2.6
Cash (beginning)	21.1	27.9	20.3	21.9
<b>Cash (end)</b>	<b>27.9</b>	<b>20.3</b>	<b>21.9</b>	<b>24.4</b>

Ratios				
	2008	2009	2010F	2011F
<b>Growth &amp; Margin (%)</b>				
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
<b>Total</b>	<b>190.6</b>	<b>242.0</b>	<b>263.3</b>	<b>276.5</b>

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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