



Kingsmen Creatives Ltd

AmFraser

Good Start to 2012

BUY

(Maintain)

LAST CLOSE: S\$0.650

FAIR VALUE: S\$0.78

(Previous : \$0.78)

(Bloomberg: KMEN SP)

Friday, 11 May 2012

Rationale for report: Results Update

Financials

YE Dec (S\$m)	2011	2012F	2013F	2014F
Revenue	261.0	292.3	318.6	350.5
Gross Profit	66.7	75.1	82.6	90.3
Pre-Tax Profit	19.8	21.9	23.9	25.5
PATMI	16.3	17.4	18.9	20.2
EPS (S cents)	8.60	9.16	9.97	10.64
DPS (S cents)	4.00	4.12	4.49	4.79
PER (x)	7.56	7.10	6.52	6.11
Div Yield (%)	6.2	6.3	6.9	7.4

Key Operating Statistics

	2011	2012F	2013F	2014F
Gross Margin (%)	25.5	25.7	25.9	25.8
Net Margin (%)	6.3	6.0	5.9	5.8
ROE (%)	24.4	22.6	21.4	20.1
ROA (%)	11.5	10.8	10.5	10.2
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash
EV/EBITDA (x)	4.51	3.22	2.64	2.11

Stock Data

Issued Shares (m)	191.60
Market Cap (S\$m)	124.50
Major Shareholders	Benedict Soh (19.98%) Simon Ong (19.98%)
Free Float	39.00%
52 week lo / hi	\$0.50 / \$0.685

12-Month KMEN SP vs. FSSTI



Source: Bloomberg

- 1Q revenue and PATMI up 29.9% and 50.1% y-o-y respectively.** 1Q is usually a slow quarter for Kingsmen, but we see a strong improvement y-o-y on both revenues and PATMI this quarter. It is worth noting that 1QFY11 accounted for 8.5% of FY11's earnings, but 1QFY12 makes up 11.9% of our FY12F earnings estimates, suggesting there could be room for revision upwards ahead. PATMI margins are also up y-o-y at 4.4% compared to 3.8% in 1QFY11.
- Revenue growth mainly from Exhibitions & Museums segment.** Revenue growth from this segment registered 73.7% y-o-y or an increase of S\$22.0mil. Key exhibitions that contributed to revenue are Art Stage 2012, the biennial Singapore Airshow 2012 and the Asia Pacific Maritime 2012. Thematic projects (Museums) are also progressing well at the Gardens by the Bay in Singapore, Hong Kong Disneyland and Sotheby's Visitor Centre in Hong Kong. These 3 projects are worth S\$17mil in total, and have yet to be fully recognized. Upcoming projects for FY12F include Food and Hotel Asia, Tax Free Asia Pacific and BMW event launches.
- Alternative marketing segment showed good growth.** The revenues grew 56.3% y-o-y from a small base of S\$1.88mil to S\$2.94mil in 1Q.
- Interiors' revenues stabilized.** Revenues from interiors stabilized at S\$20 odd mil, comparable to 1QFY11's. Key generators of revenues are roll-out projects from customers of global brand names including Aldo, Swarovski, Coach, Uniqlo and Polo Ralph Lauren.
- Orderbook for recognition in FY12F up 21% y-o-y.** As at 9 May 2012, Kingsmen has been awarded contracts of approximately S\$167mil for completion in FY12F, compared with S\$138mil a year ago. We note that the lead time for exhibitions and events projects could be as short as 20 days to 2 months, hence S\$167mil is by no means indicative of the total revenues secured for the rest of the year.
- Maintain BUY, FV of S\$0.78.** Our fair value of S\$0.78 based on 8.5x FY12 EPS of S\$0.0916 and a 6.3% dividend yield represents a total upside of 26.3%. Kingsmen is currently trading at only 7.1x forward PER. **BUY.**

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YE 31 Dec

INCOME STATEMENTS S\$mil	2010	2011	2012F	2013F	2014F
Revenue	235.2	261.0	292.3	318.6	350.5
Cost of Sales	-169.8	-194.3	-217.2	-236.0	-260.2
Gross Profit	65.4	66.7	75.1	82.6	90.3
Staff salaries & related expenses	-35.4	-37.9	-41.8	-46.2	-51.2
Other expenses	-11.6	-12.0	-12.1	-13.4	-14.4
Other income	2.7	3.9	2.7	2.7	2.7
Depreciation	-1.6	-1.5	-2.1	-2.0	-2.1
Profit from Operations	19.5	19.2	21.8	23.7	25.3
Interest income	0.2	0.2	0.2	0.2	0.2
Interest expense	-0.1	-0.2	-0.2	-0.2	-0.2
Profit before Tax	19.7	19.8	21.9	23.9	25.5
Income Tax	-3.5	-3.1	-3.9	-4.3	-4.6
Non-controlling interests	1.1	0.4	0.6	0.6	0.7
PATMI	15.1	16.3	17.4	18.9	20.2
EBITDA	21.2	20.7	23.9	25.7	27.4
Free Cash Flow	14.3	10.8	24.8	17.5	19.3
Earnings per Share (S cents)	7.93	8.60	9.16	9.97	10.64
Dividends per Share (S cents)	4.00	4.00	4.12	4.49	4.79
Book Value per Share (S cents)	31.28	36.59	41.88	47.88	54.22
BALANCE SHEETS S\$'000	2010	2011	2012F	2013F	2014F
Cash and Cash Equivalents	29.9	33.2	49.7	58.5	68.5
Trade and Other Rec	75.3	95.3	93.6	102.0	112.2
Inventory	0.14	0.06	0.18	0.19	0.21
Property, Plant, Equipment	11.9	11.2	9.6	10.1	10.5
Other Current Assets	15.1	12.8	18.6	20.2	21.9
Other Long-term Assets	13.2	14.5	14.3	14.3	14.3
Total Assets	145.6	167.1	186.1	205.4	227.7
Trade Payables	37.7	40.8	48.2	52.4	57.7
Borrowings: Non-Current	1.9	2.1	2.0	1.9	1.8
Other Current Liabilities	45.3	53.8	55.4	59.3	64.3
Other Long-term Liabilities	1.3	0.9	0.9	0.9	0.9
Total Common Equity	57.1	66.9	76.9	88.3	100.4
Total Liabilities and Equity	145.6	167.1	186.1	205.4	227.7

CASHFLOW STATEMENTS \$'000	2010	2011	2012F	2013F	2014F
Profit before Tax	19.7	19.8	21.9	23.9	25.5
Depreciation	3.6	3.4	4.1	2.0	2.1
Change in Working Capital	-0.6	-6.4	4.9	-1.8	-1.4
Income Tax Paid	-3.3	-3.1	-3.9	-4.3	-4.6
Net Cash from Operations	20.3	13.6	27.1	19.8	21.6
(Purchase)/Disposal of PPE	-6.2	-2.8	-2.5	-2.5	-2.5
Other Cash from Investing	-3.6	0.0	0.0	0.0	0.0
(Repayment of debt/finance lease)	-1.8	0.0	-0.3	-0.3	-0.3
(Dividends Paid)	-7.0	0.0	-7.9	-8.2	-8.9
Other Cash from Financing	6.8	0.0	0.0	0.0	0.0
Beginning Cash	20.3	28.0	24.3	40.8	49.6
Foreign Exchange Effect	-0.92	0.51	0.00	0.00	0.00
End Cash	28.0	31.6	40.8	49.6	59.6

*Ending cash differs from balance sheet cash due to fixed deposits, overdrafts, restricted balances and other items

KEY RATIOS	2010	2011	2012F	2013F	2014F
Profitability					
Gross Margin (%)	27.8	25.5	25.7	25.9	25.8
EBITDA Margin (%)	9.0	7.9	8.2	8.1	7.8
Net Margin (%)	6.4	6.3	6.0	5.9	5.8
ROE (%)	26.4	24.4	22.6	21.4	20.1
ROA (%)	11.7	11.5	10.8	10.5	10.2
Growth (Y-o-Y)					
Revenue (%)	-2.8	11.0	12.0	9.0	10.0
EBITDA (%)	4.0	-2.1	15.3	7.7	6.7
Pre-Tax Income (%)	4.3	0.4	10.7	8.8	6.8
Net Income (%)	3.0	3.5	7.3	8.8	6.8
Financial Structure					
Debt/Equity	0.09	0.07	0.06	0.05	0.04
Net Gearing (%)	-41.5	-40.3	-56.2	-59.3	-62.3
Operational Efficiency					
Days Sales in Receivables	106.9	124.0	107.0	107.0	107.0
Days in Inventory	0.30	0.12	0.30	0.30	0.30
Days in Payables	80.98	76.56	81.00	81.00	81.00
Cash Conversion Cycle	26.2	47.5	26.3	26.3	26.3
Asset Turnover (x)	1.62	1.56	1.57	1.55	1.54
Market Valuation					
Price / Earnings	8.20	7.56	7.10	6.52	6.11
Price / Book	2.08	1.78	1.55	1.36	1.20
Price / Sales	0.52	0.47	0.42	0.39	0.35
Price / Free Cash Flow	0.05	0.06	0.03	0.04	0.03
EV / EBITDA	4.56	4.51	3.22	2.64	2.11

AmFraser Research recommendations are based on a Total Return rating system, defined as follows:

BUY: >15% total return over the next 12 months

HOLD: -15% to +15% total return over the next 12 months

SELL: <-15% total return over the next 12 months

Total Return includes share price appreciation (depreciation) + dividends

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