



Kingsmen Creatives Ltd

AmFraser

(Bloomberg: KMEN SP)

Raise FV on strong earnings & project pipeline

BUY

(Maintain)

LAST CLOSE: S\$0.725

FAIR VALUE: S\$0.86

(Previous : \$0.78)

Wednesday, 15 August 2012

Rationale for report: Results Update

Financials

YE Dec (S\$m)	2011	2012F	2013F	2014F
Revenue	261.0	326.2	355.6	391.2
Gross Profit	66.7	83.8	91.9	100.6
Pre-Tax Profit	19.8	24.4	26.3	28.1
PATMI	16.3	19.3	20.8	22.2
EPS (S cents)	8.52	10.09	10.87	11.61
DPS (S cents)	4.00	4.54	4.89	5.22
PER (x)	8.51	7.19	6.67	6.25
Div Yield (%)	5.5	6.3	6.7	7.2

Key Operating Statistics

	2011	2012F	2013F	2014F
Gross Margin (%)	25.5	25.7	25.9	25.7
Net Margin (%)	6.3	5.9	5.9	5.7
ROE (%)	24.4	24.5	22.8	21.2
ROA (%)	11.5	12.0	10.8	10.4
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash
EV/EBITDA (x)	5.21	3.46	2.89	2.33

Stock Data

Issued Shares (m)	191.60
Market Cap (S\$m)	138.90
Major Shareholders	Benedict Soh (19.98%) Simon Ong (19.98%)
Free Float	39.00%
52 week lo / hi	\$0.53 / \$0.725

12-Month KMEN SP vs. FSSTI



Source: Bloomberg

- 2Q was a strong quarter, where revenue and PATMI rose 25.0% and 15.3% y-o-y** to S\$70.9mil and S\$5.2mil respectively. 2Q alone met circa 30% of our full year estimates, being driven by a strong 43.5% YoY growth in the Exhibitions & Museums segment. Key projects that were delivered during the quarter were Gardens by the Bay (early phase), Earth Science Museum and Yeosu Expo 2012. 1H met circa 41% of our full year earnings estimates, compared with 2011 where 1H accounted for circa 36% of full year earnings.
- Decent growth across all business segments.** Apart from Exhibitions & Museums being the key growth driver of sales and earnings, other segments performed well too. Research & Design and Alternative Marketing registered 29.8% and 61.5% YoY growth from a small base. Interiors business grew 10.4% YoY, delivering on store roll-outs of brands such as Fendi, Uniqlo and LVMH Watch across Asia.
- Orderbook for recognition in 2H 2012 stands at S\$238mil, an increase of 21% YoY.** The project pipeline proves to be much stronger than we had initially projected, which leads us to raise earnings estimates (below). The orderbook consists of projects including HK Disneyland expansion, Sotheby's Visitor Centre and Office, MBS and USS expansion, along with roll-out stores of brands including Abercrombie & Fitch, Hollister, Fendi, Burberry, Forever 21. Management expressed that they will continue to tender for thematic projects, including Shanghai Disney (which they have expressed strong confidence in attaining). Management remains optimistic on its business outlook till 2013, which is justified considering its orderbook levels and a host of projects up for tendering.
- Maintain BUY, raise FV to S\$0.86.** Kingsmen's strong pipeline of projects for the rest of 2012 is the main catalyst for the raising of our earnings estimates. We raise sales and PATMI estimates to S\$326.2mil/S\$19.3mil, up approximately 12%/11% from previous estimates. With that, we base our latest FV on 8.5x FY12 EPS of S\$0.101, raising FV from S\$0.78 to S\$0.86. We also raise full year DPS to 4.5c, representing 6% yield. The recessionary outlook in the market has not changed why we favoured Kingsmen in the first place, which is its exposure to 3 consumer trends in Asia—rising retail sales, a theme park boom and a bright MICE industry. This is a company that can prove to outperform in the longer run, and has already beaten the FSSTI benchmark by 12% YTD. **BUY.**

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YE 31 Dec

INCOME STATEMENTS S\$mil	2010	2011	2012F	2013F	2014F
Revenue	235.2	261.0	326.2	355.6	391.2
Cost of Sales	-169.8	-194.3	-242.4	-263.6	-290.6
Gross Profit	65.4	66.7	83.8	91.9	100.6
Staff salaries & related expenses	-35.4	-37.9	-46.7	-51.6	-57.1
Other expenses	-11.6	-12.0	-13.6	-15.0	-16.1
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	24.2	26.1	27.9
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	24.4	26.3	28.1
Income Tax	-3.5	-3.1	-4.4	-4.7	-5.1
Non-controlling interests	1.1	0.4	0.7	0.7	0.8
PATMI	15.1	16.3	19.3	20.8	22.2
EBITDA	21.2	20.7	26.3	28.1	30.0
Free Cash Flow	14.3	10.8	24.9	19.4	21.2
Earnings per Share (S cents)	7.93	8.52	10.09	10.87	11.61
Dividends per Share (S cents)	4.00	4.00	4.54	4.89	5.22
Book Value per Share (S cents)	31.28	36.59	42.93	49.56	56.62
BALANCE SHEETS S\$'000	2010	2011	2012F	2013F	2014F
Cash and Cash Equivalents	29.9	33.2	49.7	59.7	70.9
Trade and Other Rec	75.3	95.3	104.5	113.9	125.3
Inventory	0.14	0.06	0.20	0.22	0.24
Property, Plant, Equipment	11.9	11.2	9.6	10.1	10.5
Other Current Assets	15.1	12.8	20.7	22.4	24.4
Other Long-term Assets	13.2	14.5	14.3	14.3	14.3
Total Assets	145.6	167.1	199.1	220.7	245.6
Trade Payables	37.7	40.8	53.8	58.5	64.5
Borrowings: Non-Current	1.9	2.1	2.0	1.9	1.8
Other Current Liabilities	45.3	53.8	60.9	65.3	70.9
Other Long-term Liabilities	1.3	0.9	0.9	0.9	0.9
Total Common Equity	57.1	66.9	78.9	91.5	104.9
Total Liabilities and Equity	145.6	167.1	199.1	220.7	245.6

CASHFLOW STATEMENTS \$'000	2010	2011	2012F	2013F	2014F
Profit before Tax	19.7	19.8	24.4	26.3	28.1
Depreciation	3.6	3.4	4.1	2.0	2.1
Change in Working Capital	-0.6	-6.4	3.0	-1.9	-1.6
Income Tax Paid	-3.3	-3.1	-4.4	-4.7	-5.1
Net Cash from Operations	20.3	13.6	27.2	21.7	23.6
(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	-9.0	-9.6
Other Cash from Financing	6.8	0.0	0.0	0.0	0.0
Beginning Cash	20.3	28.0	24.3	40.8	50.8
Foreign Exchange Effect	-0.92	0.51	0.00	0.00	0.00
End Cash	28.0	31.6	40.8	50.8	62.0

*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	25.7
EBITDA Margin (%)	9.0	7.9	8.1	7.9	7.7
Net Margin (%)	6.4	6.3	5.9	5.9	5.7
ROE (%)	26.4	24.4	24.5	22.8	21.2
ROA (%)	11.7	11.5	12.0	10.8	10.4
Growth (Y-o-Y)					
Revenue (%)	-2.8	11.0	25.0	9.0	10.0
EBITDA (%)	4.0	-2.1	27.1	6.8	6.8
Pre-Tax Income (%)	4.3	0.4	23.0	7.8	6.9
Net Income (%)	3.0	3.5	19.2	7.8	6.9
Financial Structure					
Debt/Equity	0.09	0.07	0.06	0.05	0.04
Net Gearing (%)	-41.5	-40.3	-55.0	-58.5	-61.8
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	1.64	1.61	1.59
Market Valuation					
Price / Earnings	9.14	8.51	7.19	6.67	6.25
Price / Book	2.32	1.98	1.69	1.46	1.28
Price / Sales	0.59	0.53	0.43	0.39	0.36
Price / Free Cash Flow	0.05	0.07	0.03	0.04	0.03
EV / EBITDA	5.25	5.21	3.46	2.89	2.33

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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