

## THEMATIC REPORT

### A little-known acorn

There are many positives for Kingsmen Creatives (Kingsmen) as Singapore rejuvenates itself. Being one of a handful of specialists in the design and production of exhibits for conventions and trade shows, Kingsmen stands to gain with the opening of the two integrated resorts.

#### To benefit from the remaking of Singapore

Being a one-stop provider of high quality design and production services to the exhibition, retail and office interior sectors, Kingsmen stands to benefit from the opening of the two integrated resorts, rejuvenation of the Orchard road, and various events/activities in the pipeline. Given its established brand name and specialization in the design and production of exhibits, coupled with its impressive track record, more contracts could be on the way.

#### Milestones and accolades

In 2008, Kingsmen achieved two commendable milestones: 1) A five-year contact to fabricate seating and Corporate Suites for Singapore 2008 F1 Grand Prix; and 2) Universal Studios Singapore contracts worth SGD59.5m. Some of the more prestigious awards received in 2008 were: 1) "Service Partner Excellence Award" – Singapore Business Events Awards 2008; and 2) "Gold Award (Retail/Showroom Category)" for Robinsons Department Store at The Gardens, Mid Valley City, Malaysia – 8th Design Excellence Awards 2008, Singapore.

#### Strong balance sheet and strong clientele base

As of March, the Group had a net cash hoard of SGD26.1m or SGD0.13 per share. In the absence of sizeable capex in the foreseeable future, dividend payout of 40-50% appears achievable. We gather that 70% of its revenue comes from repeat customers. Some of Kingsmen's long-standing clients are Robinson & Co, DFS Venture, the Dickson Group, FJ Benjamin, Burberry Asia, Asian Aerospace, and Reed Exhibitions.

#### More local fun fares

We expect Las Vegas Sands (LVS) to work closely with the Singapore Tourism Board (STB) to attract more international exhibitions and/or conventions to be hosted by Marina Bay Sands (MBS). It is in the interest of LVS to do so to recoup its bloated USD5b investments in MBS. Various large events planned for 2010 such as the first Youth Olympics Games in Singapore and Singapore Grand Prix 2010 also augur well for Kingsmen.

#### Extending its wings beyond Singapore

Over the years, Kingsmen has enjoyed rising overseas contributions. Singapore contributed as much as 72% to the Group's revenue in 2003, but that has since then declined to 40%, as contribution from Greater China has increased substantially following the acquisition of Kingsmen (North Asia). We believe that contributions from Greater China will remain robust in 2010, especially in view of the 2010 World Expo in Shanghai.

#### Ng Wee Siang, CFA

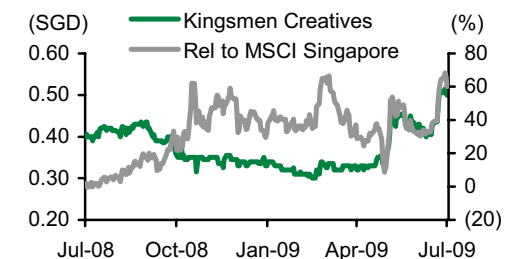
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#### Earnings Estimates And Valuation Ratios

YE Dec (SGD m)	2005	2006	2007	2008
Revenue	76.7	108.9	145.9	190.6
Reported net profit	2.2	4.9	9.4	14.2
Reported EPS (SGD)	1.45	3.26	4.94	7.30
Net profit margin (%)	2.9	4.5	6.4	7.4
EPS growth (%)	73.8	125.2	51.6	47.9
P/E (x)	35.3	15.7	10.3	7.0
Dividend yield (%)	2.0	3.9	5.9	5.9
Price/book (x)	5.3	4.2	2.7	2.3
ROE (%)	14.9	26.7	26.2	33.2
Interest cover (x)	42.3	72.1	127.9	111.5
Net debt/equity (%)	(40.5)	(61.8)	(55.4)	(62.6)

Sources: Kingsmen Creatives; BNP Paribas

#### Share Price Daily vs MSCI



Next results/event	August 2009
Market cap (USD m)	66.9
12m avg daily turnover (USD '000)	74.1
Free float (%)	49
Major shareholders	Islanda Pte Ltd (20%) & O-Vest Pte Ltd (20%)
12m high/low (SGD)	0.515/0.290
ADR (USD)	Nil
Avg daily turnover (USD m)	Nil
Discount/premium (%)	Nil
Disc/premium vs 52-wk avg (%)	Nil

Sources: Bloomberg, BNP Paribas

# Key company information

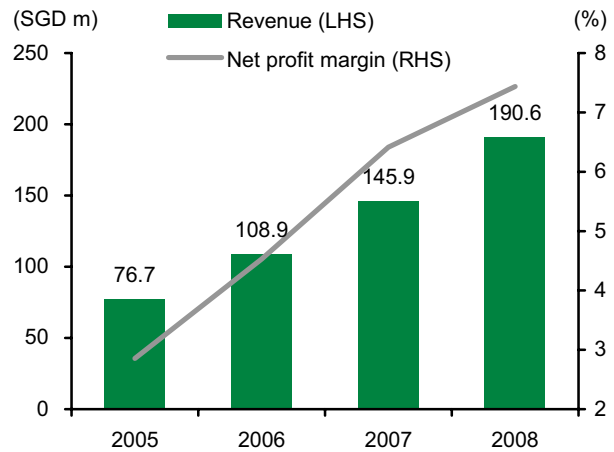
## Exhibit 1: Company Background

Kingsmen, established in 1976, specializes in the design and production of exhibits for exhibitions, museums, events, environmental graphics and tradeshows, as well as the design and production of interiors for retail stores, eateries, and corporate offices.

With 16 offices in the Asia Pacific and the Middle East and more than 1,000 employees, Kingsmen has built its name as a provider of quality interior design works and carved a niche in the mid- to- up-market retail sector. It is a one-stop-shop solutions provider, from design to production and marketing promotions. Some of its long-standing clients are Robinson & Co, DFS Venture, the Dickson Group, FJ Benjamin, Burberry Asia, Asian Aerospace, and Reed Exhibitions.

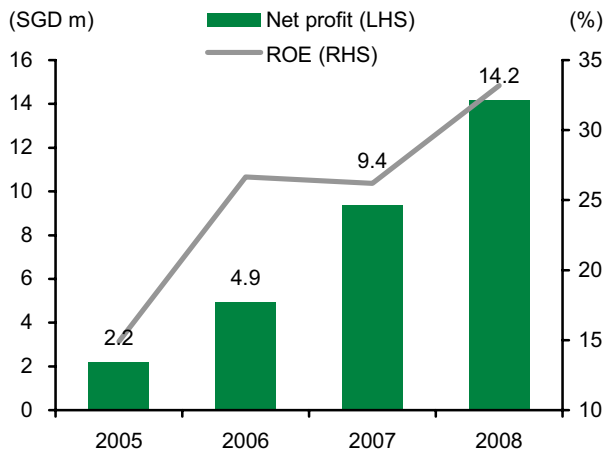
Sources: Kingsmen Creatives; BNP Paribas

## Exhibit 2: Revenue Trend



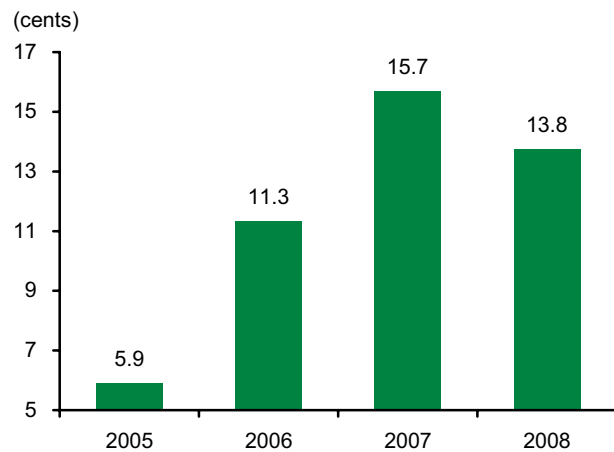
Sources: Kingsmen Creatives; BNP Paribas

## Exhibit 3: Net Profit And ROE Trend



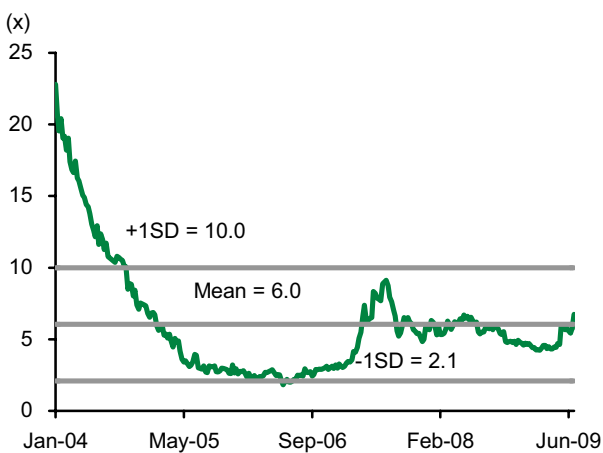
Sources: Kingsmen Creatives; BNP Paribas

## Exhibit 4: Net Cash Per Share



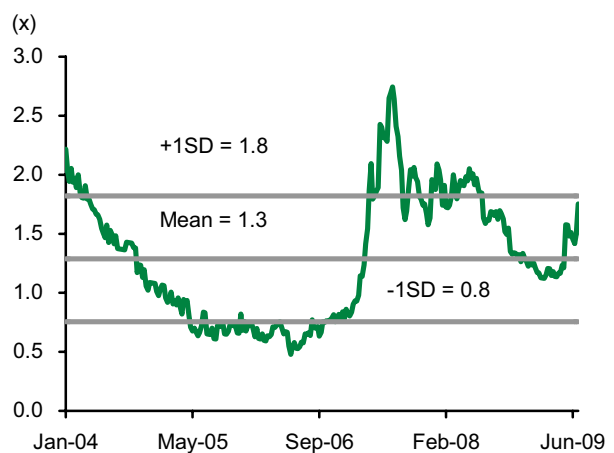
Sources: Kingsmen Creatives; BNP Paribas

## Exhibit 5: Kingsmen Rolling P/E Band Chart



Sources: Kingsmen Creatives; BNP Paribas

## Exhibit 6: Kingsmen Trailing P/BV Band Chart



Sources: Kingsmen Creatives; BNP Paribas

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All share prices are as at market close on 9 July 2009 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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