


DMG & Partners Research
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Industries

A regional communications design and production group. Builds displays for exhibitions and provides interior fit-out services.

Stock Profile/Statistics

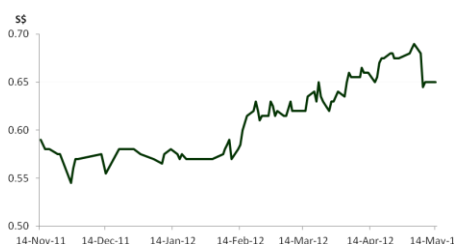
Bloomberg Ticker	KMEN SP
STI	2894.4
Issued Share Capital (m)	191.6
Market Capitalisation (S\$m)	124.6
52 week H L Price (S\$)	0.695 0.50
Average Volume ('000)	117.4
YTD Returns (%)	13.0
Net gearing (%)	Net cash
Altman Z-Score	3.41
ROCE/WACC	3.1
Beta (x)	0.6
Book Value/share (S¢)	35.8

Major Shareholders (%)

O-Vest Pte Ltd	19.6
Islanda Pte Ltd	19.6

Share Performance (%)

Month	Absolute	Relative
1m	(1.5)	1.6
3m	11.1	14.2
6m	10.2	7.9
12m	18.2	26.7

6-month Share Price Performance

1Q12 Results Review

Private Circulation Only

KINGSMEN CREATIVES

BUY	↔
Price	S\$0.65
Previous Target	S\$0.76
Target	↔ S\$0.76

A good start for FY12

Kingsmen recorded an impressive 50.1% YoY growth in 1Q12 PATMI, to S\$2.1m, on the back of a 29.9% YoY growth in revenue to S\$46.9m. The results were in line with our estimates. The revenue boost was mainly attributed to events such as the biennial Singapore Airshow and Asia Pacific Maritime, as well as Art Stage 2012. With higher other income and better share of associates, PATMI margins improved (1Q12: 4.4% vs 1Q11: 3.8%). As retailers continue to open new stores in Asia, its Interiors division is expected to grow, supported by its capabilities in interior fit-out. Order book is currently at S\$167m, of which all is expected to be recorded in FY12. We continue to like Kingsmen for its strong pipeline of contracts and we think that the relatively-strong consumerism in Asia is a positive for this stock. Maintain BUY and TP of S\$0.76 (8.5x FY12F P/E).

Exhibition and Museums division was the main growth driver, boosted by the biennial events that were held in 1Q. This is seasonal of Kingsmen's business – every alternate year (which sees major events being held in Singapore) would have stronger revenue growth.

Strong cash flow recorded in 1Q12. As a result of the larger number of projects booked in 1Q12, as compared with 1Q11, Kingsmen recorded strong cash flows during the quarter. The main driver for the strong operating cash flow of S\$11.4m was the amount due to customers for WIP, which indicates an increase in the number of projects it was involved in.

Outlook is positive, despite global economic uncertainties. Although the economic slowdown could have some impact on the MICE industry in general, Kingsmen is expected to continue doing well in FY12. Given its capabilities, Kingsmen has secured projects, enough to keep it busy for the rest of the year. As international retailers come to Asia to set up stores, Kingsmen is in a good position to secure new international customers, having done the interior fit-outs for a number of well-known labels.

FYE 31 Dec (S\$m)	FY09	FY10	FY11	FY12F	FY13F
Turnover	242.0	235.2	261.0	282.9	296.6
Net profit	14.9	15.1	16.3	17.3	18.3
% chg YoY	5.1	1.1	8.4%	5.9%	6.2%
Consensus				17.4	18.8
EPS (S¢)	7.9	8.0	8.6	8.9	9.4
DPS (S¢)	3.5	4.0	4.0	4.0	4.0
Div Yield (%)	5.7%	6.5%	6.5%	6.5%	6.5%
ROE (%)	31.5	29.1	26.3%	25.1%	24.3%
ROA (%)	12.0	10.6	10.4%	10.1%	10.1%
P/E (x)	8.0	7.8	7.2	6.9	6.5
P/B (x)	2.2	2.0	1.7	1.6	1.4

Source: Company data and DMG Estimates

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Figure 1: Quarterly financials

YE 31 Dec (\$m)	1Q12	1Q11	YoY%	4Q11	QoQ%	Remarks
Revenue	46.9	36.1	29.9%	81.5	-42.4%	In line with estimates. 4Q is usually stronger than 1Q.
Cost of sales	(34.1)	(25.6)	33.5%	(61.1)	-44.1%	
Gross profit	12.8	10.6	21.1%	20.4	-37.4%	
Other Operating Income	1.1	1.0	10.2%	1.6	-33.0%	
Depreciation	(0.4)	(0.3)	17.0%	(0.5)	-18.9%	
Salaries and related costs	(8.3)	(7.1)	17.0%	(11.5)	-27.3%	
Other operating expenses	(3.1)	(2.6)	18.7%	(3.3)	-6.1%	
Operating profit	2.1	1.5	38.3%	6.8	-69.5%	
Financial income, net	(0.0)	0.1	-136.3%	(0.0)	141.7%	
Share of Associates	0.2	(0.0)	n.a.	0.2	5.7%	
Profit Before Taxes	2.3	1.6	42.4%	7.0	-67.9%	
Income Tax Expense	(0.3)	(0.3)	1.1%	(0.8)	-64.6%	
Minority Interest	0.1	0.1	37.7%	(0.3)	-132.3%	
Net Income	2.1	1.4	50.1%	6.0	-65.5%	In line with expectations.
Margins (%)						
Gross profit	27.2%	29.2%	-2.0 ppt	25.0%	2.2 ppt	
EBIT	4.4%	4.2%	0.3 ppt	8.4%	-3.9 ppt	
PBT	4.8%	4.4%	0.4 ppt	8.6%	-3.8 ppt	
PATMI	4.4%	3.8%	0.6 ppt	7.4%	-3.0 ppt	

Source: Company

FINANCIAL SUMMARY

Year End 31 Dec (\$m)				
Income Statement				
	2010	2011	2012F	2013F
Revenue	233.6	261.0	282.9	296.6
Cost of sales	(169.8)	(194.3)	(205.7)	(215.6)
Other Operating Income	4.3	3.9	4.2	4.4
Depreciation	(1.6)	(1.5)	(3.3)	(3.2)
Salaries and related costs	(35.4)	(37.9)	(43.8)	(46.0)
Other operating expenses	(11.6)	(12.0)	(13.3)	(13.9)
Financial income, net	0.1	0.1	0.0	0.1
Share of Associates	0.1	0.6	0.6	0.6
Profit Before Taxes	19.7	19.8	21.6	22.9
Income Tax Expense	(3.5)	(3.1)	(3.9)	(4.1)
Minority Interest	(1.1)	(0.4)	(0.4)	(0.4)
Net Income	15.1	16.3	17.3	18.3
Balance Sheet				
	2010	2011	2012F	2013F
Fixed Assets	11.9	11.2	10.9	10.6
Intangibles	5.5	5.3	5.0	4.7
Interests in Associates	7.1	7.7	7.7	7.7
Others	0.6	1.5	0.5	0.5
Non-Current Assets	25.1	25.7	24.2	23.7
Inventories	0.1	0.1	0.1	0.1
Contracts Work-in Progress	14.0	11.3	12.2	13.0
Receivables	76.4	96.7	108.7	121.7
Cash and Cash Equivalents	29.9	33.2	29.2	31.1
Current Assets	120.4	141.4	150.2	165.9
Total Assets	145.6	167.1	174.3	189.6
Share Capital	23.3	23.3	23.3	23.3
Treasury Shares	(1.6)	(1.2)	(1.2)	(1.2)
Reserves	35.4	44.8	49.0	58.0
Shareholders Fund	57.1	66.9	71.0	80.1
Minority Interest	2.3	2.6	2.6	2.7
Shareholders Equity	59.4	69.5	73.6	82.8
Loan and Borrowings	2.0	2.1	1.9	1.7
Others	0.1	0.1	0.1	0.1
Deferred Tax Liabilities	1.2	0.8	0.8	0.8
Non-Current Liabilities	3.2	3.0	2.8	2.6
Payables	68.0	78.0	81.6	86.4
Interest-bearing Borrowings	3.3	3.1	2.9	2.8
Contracts Work-in Progress	2.8	2.4	3.1	3.0
Income Taxes Payable	5.3	6.0	3.9	4.1
Deferred income	3.6	5.1	6.3	7.9
Current Liabilities	82.9	94.6	97.9	104.2
Total Liabilities	86.2	97.6	100.7	106.8
Total Equity and Liabilities	145.6	167.1	174.3	189.6

Cash Flow				
	2010	2011	2012F	2013F
Profit Before Taxation	19.7	19.8	21.6	22.9
Non-cash items	4.4	3.2	3.0	2.9
Changes in Working Capital	(0.6)	(7.5)	(9.9)	(9.0)
Income Tax Paid	(3.3)	(2.7)	(6.0)	(3.9)
Interest Paid	(0.1)	(0.2)	(0.2)	(0.1)
Interest Received	0.2	0.2	0.2	0.2
Net cash from operations	20.3	12.9	8.8	13.0
Purchase of Fixed Assets	(6.2)	(2.8)	(3.0)	(3.0)
Proceeds from Sale of Assets	0.1	0.1	-	-
Others	(3.7)	-	-	-
Dividends Received	0.0	0.1	-	-
Net cash from investments	(9.7)	(2.6)	(3.0)	(3.0)
Dividends Paid	(7.0)	(7.8)	(7.8)	(7.8)
Proceeds from Issue of Shares	0.5	0.5	-	-
Proceeds from/(Repayment of) Loan	4.1	(0.0)	(0.4)	(0.3)
Others	0.5	0.2	-	-
Net cash from financing	(1.9)	(7.2)	(8.1)	(8.1)
Net increase / (decrease) in cash	8.6	3.1	(2.4)	1.9
Cash (beginning)	20.3	28.0	31.6	29.2
Cash (end)	28.0	31.6	29.2	31.1

Ratios

	2010	2011	2012F	2013F
Growth & Margin (%)				
Revenue Growth	(3.5)	11.7	8.4	4.8
EBIT Growth	5.0	(1.7)	9.3	5.9
EBIT Margin	8.4	7.4	7.4	7.5
Pretax Profit Growth	4.1	0.5	9.1	6.0
Pretax Profit Margin	8.4	7.6	7.6	7.7
Tax rate	(18.0)	(15.4)	(18.0)	(18.0)
Net Income Growth	1.1	8.4	5.9	6.2

Revenue Breakdown

	2010	2011	2012F	2013F
Exhibitions and Museums	104.8	99.4	109.3	114.8
Interiors	115.4	144.1	155.6	163.4
Research and Design	6.4	8.6	9.0	9.5
Integrated Marketing Communications	7.0	8.9	8.9	8.9
Total	233.6	261.0	282.9	296.6

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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