


DMG & Partners Research
INDUSTRIES/RETAIL

Lynette Tan
 +65 6232 3895
 lynette.tan@sg.oskgroup.com

Terence Wong, CFA
 +65 6232 3896
 terence.wong@sg.oskgroup.com

Industries

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

Stock Profile/Statistics

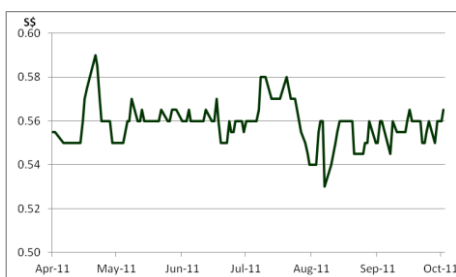
Bloomberg Ticker	KMEN SP
STI	2734.0
Issued Share Capital (m)	194.2
Market Capitalisation (S\$m)	108.7
52 week H L Price (S\$)	0.63 0.50
Average Volume ('000)	171.6
YTD Returns (%)	(0.9)
Net gearing (%)	Net cash
Altman Z-Score	3.9
ROCE/WACC	2.8
Beta (x)	0.6
Book Value/share (S¢)	30.4

Major Shareholders (%)

O-Vest Pte Ltd	19.6
Islanda Pte Ltd	19.6

Share Performance (%)

Month	Absolute	Relative
1m	1.8	1.6
3m	0.0	11.5
6m	0.9	14.7
12m	(11.8)	2.8

6-month Share Price Performance

Corporate Update

Private Circulation Only

KINGSMEN CREATIVES

BUY	↔
Price	S\$0.56
Previous Target	S\$0.76
Target	S\$0.76

Raising its brand profile

The 15th Asia-Pacific Retailers Convention & Exhibition (APRCE) 2011 was recently held in Singapore, bringing together retailers from around the world and local service providers for the retail industry. Kingsmen built the exhibition booths and participated in the event as well, presenting its capabilities in the interiors and exhibitions segment. As this is a small exhibition, revenue contribution from this event is not significant, but the ability to raise its profile amongst its peers can be significant. Participating in such events is just one of the initiatives undertaken by Kingsmen to lift its regional profile to drive more business. Maintain BUY with TP of S\$0.76.

Good opportunity to raise brand awareness. The biennial APRCE exhibition travels around the region and this was its second time in Singapore after 20 years. It showcased state-of-the-art technologies and initiatives, covering info-tech, design, shop fit and security offerings that could be useful in the retail industry. It also introduced new retail concepts that retailers could adopt to gain a competitive edge. Visitors to the exhibition include principals of brands, retailers, shopping mall management and supermarket chains. This was a chance for Kingsmen to showcase its experiential retail solutions.

Singapore's retail scene is still bustling. With sluggish home markets (due to the slowdown in the US and EU), international brands are looking to expand in Asia, and fast. These brands not only set up one store, but roll out multiple stores across the region at the same time. Kingsmen recently designed and fabricated 40 stores in the Marina Bay Sands Shoppes®, H&M (opened recently) and is completing fabrication works for Abercrombie & Fitch. This is a reflection that international brands are still expanding in Asia. With its regional network, there is a possibility that these customers will engage Kingsmen to fabricate their regional outlets as well. As the expansion trend continues, Kingsmen is in a good position to continue to secure orders for its Interiors division, which makes up ~40% of its business.

FYE 31 Dec (S\$m)	FY08	FY09	FY10	FY11F	FY12F
Turnover	190.6	242.0	235.2	257.7	270.2
Net profit	14.2	14.9	15.1	15.9	16.4
% chg YoY	51.4	5.1	1.1	5.4	3.6
Consensus				15.2	16.4
EPS (S¢)	7.5	7.9	8.0	8.4	8.7
DPS (S¢)	3.0	3.5	4.0	3.0	3.0
Div Yield (%)	5.4	6.3	7.1	6.3	6.3
ROE (%)	36.1	31.5	29.1	25.6	25.0
ROA (%)	13.6	12.0	10.6	10.6	10.5
P/E (x)	7.5	7.3	7.2	6.8	6.6
P/B (x)	2.4	2.0	1.8	1.7	1.5

Source: Company data and DMG Estimates

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FINANCIAL SUMMARY

Year End 31 Dec (\$m)				
Income Statement				
	2009	2010	2011F	2012F
Revenue	242.0	235.2	257.7	270.2
Cost of sales	(182.5)	(169.8)	(187.3)	(196.5)
Other Operating Income	3.5	2.7	3.6	3.8
Depreciation	(1.8)	(1.6)	(2.2)	(2.5)
Salaries and related costs	(32.8)	(35.4)	(38.7)	(40.8)
Other operating expenses	(10.0)	(11.6)	(12.1)	(12.7)
Financial income, net	0.0	0.1	(0.3)	(0.3)
Share of Associates	0.3	0.1	0.1	0.1
Profit Before Taxes	18.9	19.7	20.7	21.4
Income Tax Expense	(3.2)	(3.5)	(3.7)	(3.9)
Minority Interest	(0.8)	(1.1)	(1.1)	(1.1)
Net Income	14.9	15.1	15.9	16.4
Balance Sheet				
	2009	2010	2011F	2012F
Fixed Assets	9.8	11.9	14.9	16.4
Intangibles	6.4	5.5	6.3	6.1
Interests in Associates	6.6	7.1	7.1	7.1
Others	0.8	0.6	0.5	0.5
Non-Current Assets	23.6	25.1	28.8	30.1
Inventories	0.1	0.1	0.2	0.2
Contracts Work-in Progress	10.1	14.0	11.6	12.2
Receivables	81.6	76.4	85.5	95.7
Cash and Cash Equivalents	22.8	29.9	28.9	33.9
Current Assets	114.6	120.4	126.2	141.9
Total Assets	138.2	145.6	155.0	172.0
Share Capital	23.3	23.3	23.3	23.3
Treasury Shares	(1.9)	(1.6)	(1.6)	(1.6)
Reserves	30.5	35.4	40.5	50.7
Shareholders Fund	51.9	57.1	62.2	72.4
Minority Interest	3.0	2.3	2.4	2.4
Shareholders Equity	54.9	59.4	64.6	74.9
Loan and Borrowings	0.3	2.0	1.8	1.6
Others	0.1	0.1	0.1	0.1
Deferred Tax Liabilities	0.9	1.2	0.9	0.9
Non-Current Liabilities	1.3	3.2	2.8	2.6
Payables	69.7	68.0	71.1	76.6
Interest-bearing Borrowings	1.0	3.3	3.2	3.0
Contracts Work-in Progress	2.6	2.8	5.2	5.4
Income Taxes Payable	5.3	5.3	3.7	3.9
Deferred income	3.3	3.6	4.5	5.6
Current Liabilities	82.0	82.9	87.6	94.5
Total Liabilities	83.3	86.2	90.4	97.1
Total Equity and Liabilities	138.2	145.6	155.0	172.0

Cash Flow				
	2009	2010	2011F	2012F
Profit Before Taxation	18.9	19.7	20.7	21.4
Non-cash items	3.7	4.4	3.0	3.2
Changes in Working Capital	(18.5)	(0.6)	(6.0)	(5.4)
Income Tax Paid	(2.7)	(3.3)	(5.3)	(3.7)
Interest Paid	(0.1)	(0.1)	(0.5)	(0.5)
Interest Received	0.1	0.2	0.1	0.2
Net cash from operations	1.4	20.3	12.1	15.1
Purchase of Fixed Assets	(1.4)	(6.2)	(5.0)	(4.0)
Proceeds from Sale of Assets	0.1	0.1	-	-
Others	1.0	(3.7)	-	-
Dividends Received	0.1	0.0	-	-
Net cash from investments	(0.3)	(9.7)	(5.0)	(4.0)
Dividends Paid	(6.0)	(7.0)	(5.8)	(5.8)
Proceeds from Issue of Shares	-	0.5	-	-
Proceeds from/(Repayment of) Loan	(0.5)	4.1	(0.4)	(0.3)
Others	(1.9)	0.5	-	-
Net cash from financing	(8.5)	(1.9)	(6.2)	(6.2)
Net increase / (decrease) in cash	(7.5)	8.6	0.9	5.0
Cash (beginning)	27.9	20.3	28.0	28.9
Cash (end)	20.3	28.0	28.9	33.9

Ratios				
	2009	2010	2011F	2012F
Growth & Margin (%)				
Revenue Growth	27.0	(2.8)	9.6	4.9
EBIT Growth	(0.8)	5.0	7.5	3.0
EBIT Margin	7.7	8.3	8.1	8.1
Pretax Profit Growth	(0.2)	4.1	5.1	3.3
Pretax Profit Margin	7.8	8.4	8.0	8.0
Tax rate	(17.0)	(18.0)	(18.0)	(18.0)
Net Income Growth	5.1	1.1	5.4	3.6

Revenue Breakdown				
	2009	2010	2011F	2012F
Exhibitions and Museums	133.9	105.2	115.7	121.5
Interiors	93.7	116.6	128.2	134.6
Research and Design	5.8	6.4	6.6	7.0
Integrated Marketing				
Communications	8.8	7.0	7.1	7.1
Total	242.0	235.2	257.7	270.2

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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- | Analyst | Company |
|---------|---------|
| a) Nil | |
| b) Nil | |

DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Headquarters OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 9207 7688 Fax : + (60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 12th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2810 0908	Singapore Office DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza CIMB Niaga, 14th Floor, Jl. Jend. Sudirman Kav.25, Jakarta Selatan 12920, Indonesia Tel : + (6221) 2598 6888 Fax : + (6221) 2598 6777	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66, No. 1266, West Nanjing Road Shanghai 200040 China Tel: +(8621) 6288 9611 Fax: +(8621) 6288 9633