


DMG & Partners Research
INDUSTRIES

Melissa Yeap
 +65 6232 3897
 melissa.yeap@dmgaps.com.sg

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

Industries

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

Stock Profile/Statistics

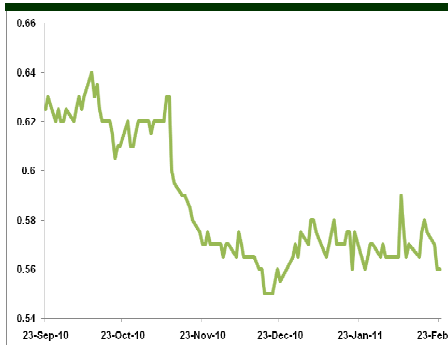
Bloomberg Ticker	KMEN SP
STI	2,997
Issued Share Capital (m)	194
Market Capitalisation (S\$m)	109
52 week H L Price (S\$)	0.64 0.50
Average Volume ('000)	72
YTD Returns (%)	-2.6
Net gearing (%)	Net cash
Altman Z-Score	3.8
ROCE/WACC	3.0
Beta (x)	0.4
Book Value/share (S\$)	31.3

Major Shareholders (%)

O-Vest Pte Ltd	19.6
Islanda Pte Ltd	19.6

Share Performance (%)

Month	Absolute	Relative
1m	(2.6)	3.3
3m	(1.8)	2.4
6m	(7.4)	(9.8)
12m	(5.9)	(13.6)

6-month Share Price Performance

FY10 Results Review

Private Circulation Only

KINGSMEN CREATIVES

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

Slow but steady growth

Kingsmen reported FY10 PATMI of S\$15.1m (+1.1% YoY) in-line with our expectations of S\$15.0m. Revenue of S\$235.2m (-2.8% YoY) was 13% below our estimates but margins came in better than expected. Its orderbook currently stands at S\$84m, out of which S\$70m will be recognised in FY11. Going forward, it expects new malls in Malaysia to further drive earnings in its interiors division and will pursue opportunities in the region for its exhibitions side. A final dividend of 2.0 S¢ and a special dividend of 0.5 S¢ has been declared. Combined with the interim 1.5 S¢, total payout of 4.0 S¢ translates into 7% yield. We reiterate our BUY call with a TP of S\$0.76, pegged to 9x FY11F earnings.

Interiors shone in FY10. The Group's interiors division performed well registering a 25% YoY growth in revenue to S\$116.6m. This is largely attributed to the interior fit out works completed for more than 30 shops at Marina Bay Sands. Its Exhibitions and Museums division posted a 23% YoY decline in revenue from S\$137.4m in FY09 to S\$105.2m in FY10. This is due to a high base in FY09, where S\$78m worth of contracts were completed for Universal Studios Singapore.

Expanding client base. As at 21Feb11, the Group has already secured S\$84m worth of contracts of which S\$70m will be recognised in FY11. The Group's thematic business has taken off strongly having secured several big projects including Gardens by the Bay (over S\$10m) and expansion works for Hong Kong Disneyland (S\$8m). Management expects its interiors division to register healthy growth in FY11, driven by new mall openings in Malaysia.

Earnings growth unimpressive, but stock remains cheap. We estimate earnings to grow at less than 5% pa for the next two years. At the current price, it is trading at 6.7x FY11 P/E, which is attractive compared to its peers. Maintain BUY with TP of S\$0.76, based on 9x FY11F earnings.

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	16.5
% chg YoY	51.4%	5.1%	1.1%	4.6%	4.8%
Consensus				16.0	16.8
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%	5.4%	5.4%
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	7.1	7.0	6.7	6.4
P/B (x)	2.4	1.9	1.8	1.7	1.6

Source: Company and DMG Estimates

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Figure 1: FY10 Results

FYE 31Dec	2009	2010	Chg %
Revenue	242.0	235.2	-3%
Cost of Sales	(182.5)	(169.8)	-7%
Gross Profit	59.5	65.4	10%
Other operating income	3.5	2.7	-22%
Depreciation of property, plant and equipment	(1.8)	(1.6)	-7%
Salaries and related expenses	(32.8)	(35.4)	8%
Other operating expenses	(10.0)	(11.6)	17%
Profit from operations	18.6	19.5	5%
Financial expenses	(0.1)	(0.1)	-35%
Financial income	0.1	0.2	35%
Profit before share of results of associates	18.6	19.6	6%
Share of results of associates	0.3	0.1	-74%
Profit before taxation	18.9	19.7	4%
Taxation	(3.2)	(3.5)	10%
Profit after taxation	15.7	16.2	3%
Minority interests	(0.8)	(1.1)	35%
PATMI	14.9	15.1	1%

Source: Company data

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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|---------|---------|
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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 12 th 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. 20 Raffles Place #22-01 Ocean Towers Singapore 048620 Tel : + (65) 6533 1818 Fax : + (65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4598	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