


DMG & Partners Research
INDUSTRIES/RETAIL

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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	2987.0
Issued Share Capital (m)	194.2
Market Capitalisation (S\$m)	119.4
52 week H L Price (S\$)	0.64 0.50
Average Volume ('000)	57.8
YTD Returns (%)	8.7
Net gearing (%)	Net cash
Altman Z-Score	3.3
ROCE/WACC	2.8
Beta (x)	0.6
Book Value/share (S\$)	35.0

Major Shareholders (%)

O-Vest Pte Ltd	19.6
Islanda Pte Ltd	19.6

Share Performance (%)

Month	Absolute	Relative
1m	7.9	5.5
3m	7.9	(0.1)
6m	12.8	5.1
12m	11.8	14.2

6-month Share Price Performance

4Q11 Results Review

Private Circulation Only

KINGSMEN CREATIVES

BUY	↔
Price	S\$0.615
Previous Target	S\$0.76
Target	↔ S\$0.76

Banking on regional growth

Kingsmen's 4Q12 PATMI grew 6.7% YoY to S\$6.0m, on the back of a 48.4% YoY surge in revenue to S\$81.1m. The results were in line with our estimates. Revenue growth was largely driven by its Interiors business. Its order book stands at S\$106m, vs S\$84m a year ago. This reflects the confidence its customers have in its capabilities in spite of the ongoing global economic uncertainty. We remain positive on Kingsmen's prospects, supported by the trend of (1) more retailers turning towards Asia for growth and (2) more theme parks sprouting up in Asia. Kingsmen declared a final dividend of 2.5 S¢ / share. Including the interim dividend of 1.5 S¢ / share, total dividend for FY11 was 4.0 S¢, translating into an attractive yield of 6.5%. Maintain BUY for a company with stable dividends, and TP of S\$0.76 (pegged to 8.5x FY12F P/E).

Dividend payout is likely to be sustainable. Given Kingsmen's stable cash flows and strong balance sheet (net cash of S\$28.0m or 14.4 S¢ / share), we think it would be able to continue paying good dividends over the next few years.

Order book continues to grow – strong pipeline for the year. Kingsmen's order book currently stands at S\$106m (+26% YoY), of which the full amount is expected to be completed in FY12. This is helped by the fact that some major exhibitions are held during the even-numbered years (e.g. Singapore Airshow) and that Kingsmen continues to establish itself in the theme park scene. As its fixtures exports business (generally lower-margin business) grows, margins may come under pressure.

Maintain BUY, TP of S\$0.76. As Kingsmen continues to secure more contracts (particularly in the thematic and scenic construction segment), outlook for FY12 is positive. At current levels, Kingsmen is trading at 6.9x (peer average current P/E: 7x) FY12F earnings. With its consistent earnings record and stable dividends, we believe Kingsmen should command a higher P/E. Hence, we are keeping our TP of S\$0.76 unchanged, pegged to 8.5x FY12F P/E.

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				17.1	19.1
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)	4Q11	4Q10	YoY%	3Q11	QoQ%	FY11	FY10	YoY%	Remarks
Revenue	81.1	54.6	48.4%	86.3	-6.0%	261.0	233.6	11.7%	In line with expectations
Cost of sales	(61.1)	(35.6)	71.3%	(67.4)	-9.4%	(194.3)	(169.8)	14.5%	
Gross profit	20.1	19.0	5.5%	18.8	6.5%	66.7	63.9	4.4%	
Other Operating Income	2.0	2.0	-1.6%	0.7	164.8%	3.9	4.3	-10.2%	
Depreciation	(0.5)	(0.4)	17.4%	(0.4)	20.7%	(1.5)	(1.6)	-6.1%	
Salaries and related costs	(11.5)	(10.8)	6.3%	(10.5)	9.1%	(37.9)	(35.4)	6.9%	
Other operating expenses	(3.3)	(3.0)	8.3%	(3.5)	-5.5%	(12.0)	(11.6)	2.9%	
Operating profit	6.8	6.8	0.3%	5.2	30.8%	19.2	19.5	-1.7%	
Financial income, net	0.0	0.0	-95.7%	(0.0)	-105.1%	0.1	0.1	-49.1%	
Share of Associates	0.2	0.2	N.M.	0.3	-33.9%	0.6	0.1	554.0%	
Profit Before Taxes	7.0	7.1	-1.1%	5.5	28.3%	19.8	19.7	0.5%	
Income Tax Expense	(0.8)	(1.1)	-30.1%	(1.0)	-24.0%	(3.1)	(3.5)	-13.9%	
Minority Interest	(0.3)	(0.4)	N.M.	(0.0)	N.M.	(0.4)	(1.1)	-61.0%	
Net Income	6.0	5.6	6.7%	4.5	35.1%	16.3	15.1	8.4%	In line with expectations
Margins (%)									
Gross profit	24.7%	34.8%	-10.1 ppt	21.8%	2.9 ppt	25.5%	27.3%	-1.8 ppt	
EBIT	8.4%	12.5%	-4.0 ppt	6.1%	2.4 ppt	7.4%	8.4%	-1.0 ppt	
PBT	8.7%	13.0%	-4.3 ppt	6.4%	2.3 ppt	7.6%	8.4%	-0.8 ppt	
PATMI	7.4%	10.3%	-2.9 ppt	5.2%	2.3 ppt	6.3%	6.4%	-0.2 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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