

Kingsmen Creatives (KMEN SP)

Consumer Non-cyclical - Commercial Services

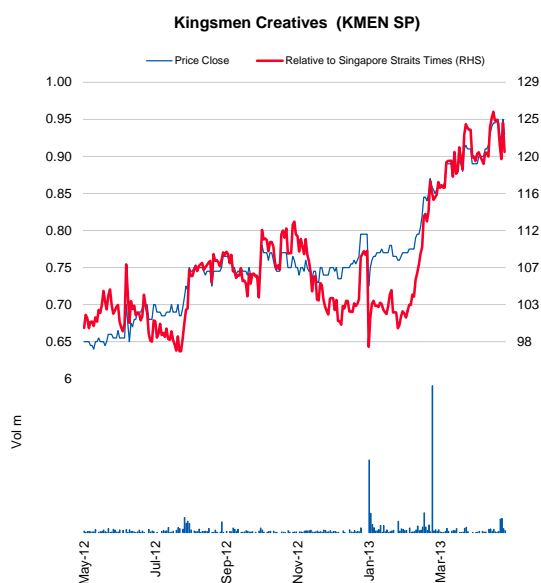
Market Cap: USD143m

Buy

 Target Price: **SGD1.08**

 Price: **SGD0.93**

Outlook Remains Bright

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (SGD/USD)	0.16m/0.13m
Cons. Upside (%)	-6.5
Upside (%)	16.3
52-wk Price low/high (SGD)	0.64 - 0.95
Free float (%)	33
Shareholders (%)	
O-Vest Pte Ltd	19.6
Islanda Pte Ltd	19.6

1Q13 dipped 9.3% y-o-y to SGD42.6m as major biennial events (e.g. Singapore Airshow) take place in even years and K Men completed a number of projects in 1Q12. The regional MICE industry's healthy prospects and development of Asia's thematic & scenic industry in Asia bode well for the company. Its strong balance sheet can support dividends but Management prefers to be prepared for opportunities.

- ◆ **Maintain BUY; dividends still decent.** 1Q is typically a slower quarter for Kingsmen (K Men). Despite the lower revenue, the company still recorded a 7.3% y-o-y increase in PATMI to SGD2.2m for 1Q13. Its outlook remains positive, bolstered by healthy regional MICE prospects and continued growth of the thematic & scenic industry in Asia. Even at the current share price, K Ken's dividend yield is a decent 4.3%. the stock is currently trading at a 6.8x FY13 P/E (ex-cash) versus its peers' average 9.9x ex-cash P/E. We raise our P/E multiple in view of the company's pipeline of potential orders and arrive at a TP of SGD1.08, based on 8x P/E (ex-cash).
- ◆ **Strong project pipeline.** K Men's order book totals SGD166m, of which SGD137m is expected to be fulfilled in FY13 (vs SGD167m a year ago). This total includes the contract from Disneyland Shanghai, which puts K Men a good position to pitch for other regional theme park projects. Management indicated that it is currently in final negotiations with several potential clients on a number of projects, and expects the company's order book to surge over the next few quarters. Margins are also likely to improve as the company sets its focus on improving efficiency and productivity.
- ◆ **Balance sheet still in good shape.** K Men is sitting on a net cash balance of SGD49.3m (or SGD0.26 per share), which we think will enable it to sustain its currently good dividend payout. Management intends to continue to return good value to the company's shareholders while at the same time growing its bottomline.

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

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

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (SGDm)	234	261	290	313	334
Reported net profit (SGDm)	15.1	16.3	17.1	18.9	20.3
Recurring net profit (SGDm)	15.1	16.3	17.1	18.9	20.3
Recurring net profit growth (%)	1.1	8.4	4.9	10.4	7.4
Core EPS (SGD)	0.08	0.09	0.09	0.10	0.11
DPS (SGD)	0.04	0.04	0.04	0.04	0.04
Dividend Yield (%)	4.3	4.2	4.3	4.3	4.3
Core P/E (x)	12.0	10.9	10.4	9.4	8.8
Return on average equity (%)	27.7	26.7	24.6	24.8	24.4
P/B (x)	3.17	2.76	2.41	2.27	2.02
P/CF (x)	10.2	8.7	6.4	9.7	9.6
EV/EBITDA (x)	7.26	7.09	5.85	5.40	4.91
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Our vs consensus EPS (%)				0.6	(3.8)

Source: Company data, OSK-DMG Estimates

1Q13 Results Summary

Figure 1: Quarterly results

YE 31 Dec (\$m)	1Q13	1Q12	YoY %	4Q12	QoQ %	Remarks
Revenue	42.6	46.9	-9.3%	102.1	-58.3%	Lower revenue as major biennial events take place in even years and it completed a number of projects in 1Q12. 1Q is also the seasonally weaker quarter.
Cost of sales	(29.5)	(34.1)	-13.6%	(78.1)	-62.2%	
Gross profit	13.1	12.8	2.3%	23.9	-45.4%	
Other Operating Income	1.2	1.1	5.6%	1.4	-18.3%	
Depreciation	(0.4)	(0.4)	3.4%	(0.4)	-5.8%	
Salaries and related costs	(8.8)	(8.3)	5.6%	(12.4)	-28.9%	
Other operating expenses	(3.0)	(3.1)	-3.6%	(4.2)	-29.6%	
Operating profit	2.1	2.1	-0.6%	8.3	-75.1%	
Financial income, net	(0.0)	(0.0)	48.3%	0.0	-279.2%	
Share of Associates	0.4	0.2	118.1%	0.3	47.4%	
Profit Before Taxes	2.5	2.3	9.5%	8.7	-71.4%	
Income Tax Expense	(0.5)	(0.3)	75.4%	(1.9)	-74.8%	
Minority Interest	0.2	0.1	166.7%	(0.4)	-155.2%	
Net Income	2.2	2.1	7.3%	6.4	-65.1%	1Q is seasonally weaker quarter.
Margins (%)						
Gross profit	30.7%	27.2%	3.5 ppt	23.4%	7.3 ppt	Improvement was due to higher Research and Design revenue and better margins from Exhibitions
EBIT	4.9%	4.4%	0.4 ppt	8.2%	-3.3 ppt	
PBT	5.8%	4.8%	1.0 ppt	8.5%	-2.7 ppt	
PATMI	5.2%	4.4%	0.8 ppt	6.3%	-1.0 ppt	

Source: Company data

Financial Exhibits

Profit & Loss (SGDm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	234	261	290	313	334
Cost of sales	(170)	(194)	(218)	(235)	(250)
Gross profit	64	67	73	78	83
Gen & admin expenses	(2)	(2)	(2)	(1)	(1)
Selling expenses	(35)	(38)	(41)	(44)	(47)
Other operating costs	(12)	(12)	(14)	(15)	(16)
Operating profit	15	15	16	18	19
Operating EBITDA	19	19	20	21	22
Depreciation of fixed assets	(4)	(3)	(4)	(3)	(3)
Amortisation of intangible assets	(0)	(0)	(0)	(0)	(0)
Operating EBIT	15	15	16	18	19
Other recurring income	4	4	6	6	7
Interest income	0	0	0	0	0
Interest expense	(0)	(0)	(0)	(0)	(0)
Pre-tax profit	20	20	22	24	26
Taxation	(4)	(3)	(4)	(5)	(5)
Minority interests	(1)	(0)	(1)	(1)	(1)
Profit after tax & minorities	15	16	17	19	20
Reported net profit	15	16	17	19	20
Recurring net profit	15	16	17	19	20

Source: Company data, OSK-DMG Estimates

Cash flow (SGDm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	15	15	16	18	19
Depreciation & amortisation	4	4	4	3	3
Change in working capital	(3)	(1)	6	(0)	(4)
Other operating cash flow	5	5	6	5	5
Operating cash flow	21	23	32	26	23
Interest received	0	0	0	0	0
Interest paid	(0)	(0)	(0)	(0)	(0)
Tax paid	(3)	(3)	(4)	(7)	(5)
Cash flow from operations	18	20	28	18	18
Capex	(6)	(3)	(2)	(3)	(3)
Other new investments	(4)	-	-	-	-
Other investing cash flow	1	0	0	-	-
Cash flow from investing activities	(9)	(2)	(2)	(3)	(3)
Dividends paid	(7)	(8)	(8)	(8)	(8)
Proceeds from issue of shares	0	-	-	-	-
Increase in debt	8	(0)	(1)	(0)	(0)
Other financing cash flow	(0)	(0)	(0)	-	-
Cash flow from financing activities	2	(8)	(9)	(8)	(8)
Cash at beginning of period	23	30	33	53	56
Total cash generated	10	10	18	7	8
Forex effects	(1)	1	-	-	-
Implied cash at end of period	32	40	51	61	63

Source: Company data, OSK-DMG Estimates

Financial Exhibits

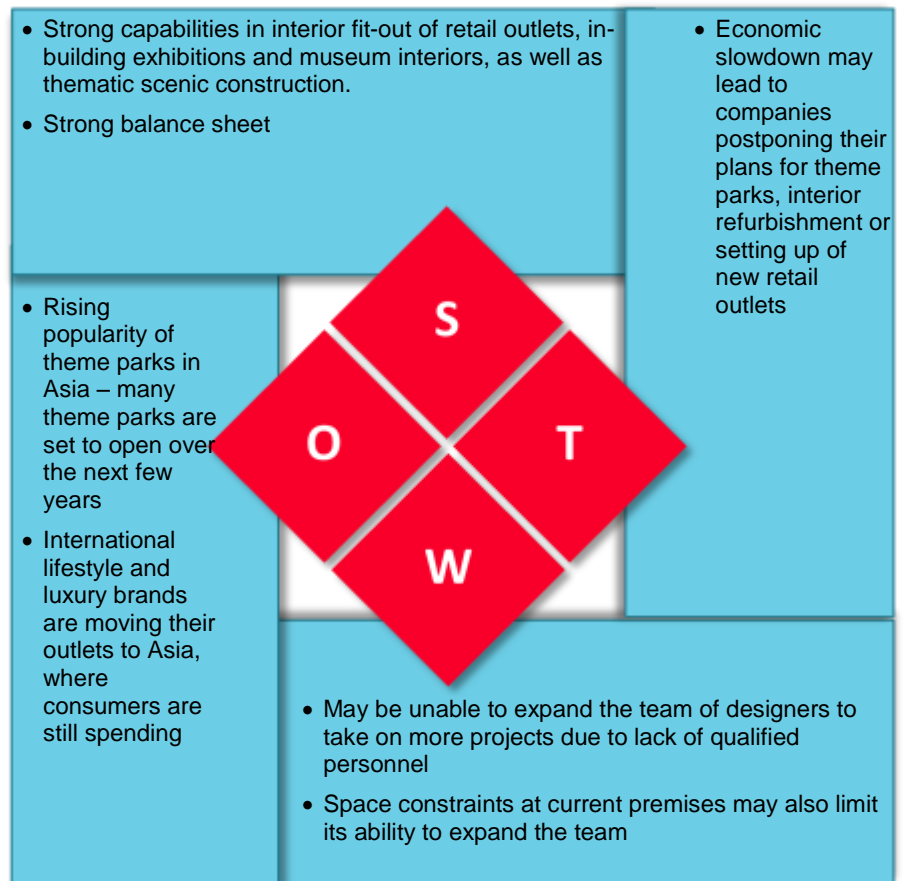
Balance Sheet (SGDm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	30	33	53	56	62
Inventories	14	11	18	16	17
Accounts receivable	70	88	74	83	93
Other current assets	7	8	12	11	12
Total current assets	120	141	156	166	183
Total investments	8	8	9	9	9
Tangible fixed assets	12	11	9	9	9
Intangible assets	6	5	5	5	4
Total other assets	0	0	0	0	0
Total non-current assets	25	25	23	23	22
Total assets	146	166	180	188	206
Short-term debt	3	3	3	3	2
Accounts payable	38	41	45	49	54
Other current liabilities	42	51	53	53	57
Total current liabilities	83	95	101	105	113
Total long-term debt	2	2	2	2	2
Other liabilities	1	1	0	0	0
Total non-current liabilities	3	3	2	2	2
Total liabilities	86	98	103	107	115
Share capital	23	23	23	23	23
Retained earnings reserve	35	43	52	56	66
Other reserves	(2)	(1)	(1)	(1)	(1)
Shareholders' equity	57	65	74	78	88
Minority interests	2	3	3	3	3
Other equity	-	(0)	0	(0)	-
Total equity	59	68	77	82	91
Total liabilities & equity	146	166	180	188	206

Source: Company data, OSK-DMG Estimates

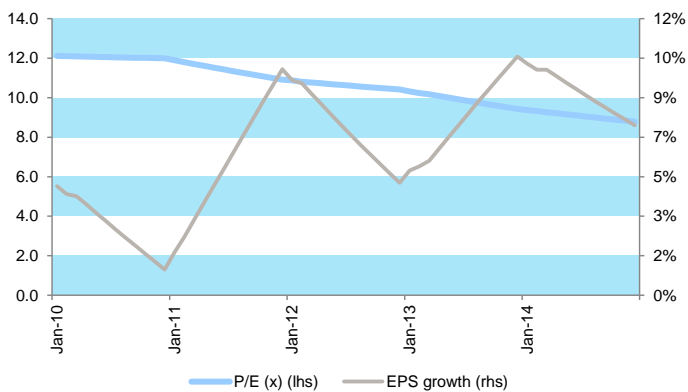
Key Ratios (SGD)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	(3.5)	11.7	11.2	7.9	6.6
Operating profit growth (%)	1.0	0.6	5.0	9.5	7.3
Net profit growth (%)	1.1	8.4	4.9	10.4	7.4
EPS growth (%)	1.1	9.8	4.9	10.4	7.4
Bv per share growth (%)	10.0	14.7	14.7	6.0	12.3
Operating margin (%)	6.5	5.9	5.5	5.6	5.7
Net profit margin (%)	6.4	6.3	5.9	6.0	6.1
Return on average assets (%)	10.6	10.5	9.9	10.3	10.3
Return on average equity (%)	27.7	26.7	24.6	24.8	24.4
Net debt to equity (%)	(41.4)	(41.2)	(62.9)	(63.4)	(63.1)
DPS	0.04	0.04	0.04	0.04	0.04
Recurrent cash flow per share	0.09	0.11	0.15	0.10	0.10

Source: Company data, OSK-DMG Estimates

SWOT Analysis

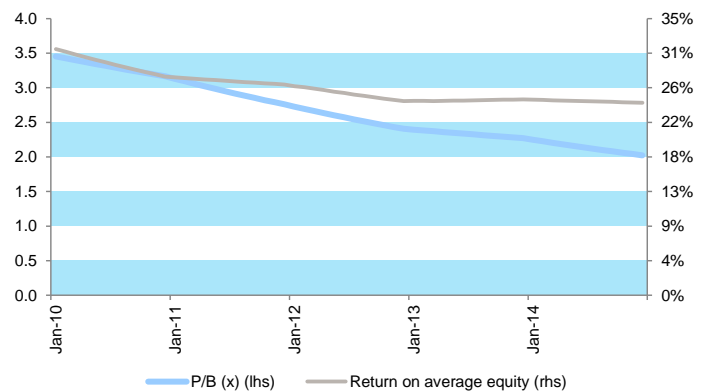


P/E (x) vs EPS growth



Source: Company data, OSK-DMG Estimates

P/BV (x) vs ROAE



Source: Company data, OSK-DMG Estimates

Company Profile

Kingsmen, a regional communications design and production group, builds displays for exhibitions and provides interior fit-out services. Its interiors division's clients are high-end brands such as Tiffany, Dior, Swarovski Guess, Abercrombie & Fitch, Gucci, Robinsons and BMW. Its exhibitions & museum division is involved in thematic and scenic construction (theme parks). Among Kingsmen's projects are construction of some attractions at Universal Studios Singapore and extension works at Hong Kong Disneyland.

Recommendation Chart



Source: OSK-DMG Estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-03-05	Buy	0.93	0.81
2013-03-01	Buy	0.93	0.80
2013-03-01	Buy	0.93	0.80
2013-01-18	Buy	0.83	0.73
2012-11-06	Buy	0.83	0.77
2012-08-14	Buy	0.83	0.73
2012-05-14	Buy	0.76	0.65
2012-03-05	Buy	0.76	0.62
2011-11-10	Buy	0.76	0.58
2011-10-14	Buy	0.76	0.57

Source : OSK-DMG Estimates, Bloomberg

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

DISCLAIMERS

This research is issued by DMG & Partners Research Pte Ltd and it is for general distribution only. It does not have any regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this research report. You should independently evaluate particular investments and consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities or investment instruments mentioned in this report.

The information contained herein has been obtained from sources we believed to be reliable but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions and views expressed in this report are subject to change without notice.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities.

DMG & Partners Research Pte Ltd is a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB" which in turn is a wholly-owned subsidiary of RHB Capital Berhad) and Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited.

DMG & Partners Securities Pte Ltd and their associates, directors, and/or employees may have positions in, and may effect transactions in the securities covered in the report, and may also perform or seek to perform broking and other corporate finance related services for the corporations whose securities are covered in the report. This report is therefore classified as a non-independent report.

As of 16 May 2013, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd, **do not** have proprietary positions in the subject companies, except for:

a) -

As of 16 May 2013, none of the analysts who covered the stock in this report has an interest in the subject companies covered in this report, except for:

a) -

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

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as 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</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>PT RHB OSK Securities Indonesia (formerly known as 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</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel : +(855) 23 969 161 Fax : +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel : +(66) 862 9999 Fax : +(66) 108 0999</p>		