

# SINGAPORE EQUITY

## Investment Research

**DMG & Partners**  
SECURITIES



### INDUSTRIES

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#### Stock Profile/Statistics

Bloomberg Ticker	KMEN SP
STI	2727.23
Issued Share Capital (m)	194.18
Market Capitalisation (S\$m)	109.71
52 week H   L Price (S\$)	0.74   0.30
Average Volume (3m) '000	335.50
YTD Returns (%)	68.66
Net gearing (x)	Net cash
Altman Z-Score	3.56
ROCE/WACC	3.83
Beta (x)	0.54
Book Value/share (S¢)	24.24

#### Major Shareholders

Islanda Pte Ltd	19.57
O-vest Pte Ltd	19.57

#### Share Performance (%)

Month	Absolute	Relative
1m	-13.1	-15.3
3m	-13.1	-17.4
6m	24.2	-0.6
12m	61.4	6.1

#### 6-month Share Price Performance



## 3Q09 Results Review

Private Circulation Only

# KINGSMEN CREATIVES

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>S\$0.565</b>
<b>Target</b>	<b>S\$0.71</b>

## Expecting a stronger 4Q

Kingsmen Creative's 3Q09 net profit declined 9.6% YoY to S\$3.1m, despite revenue rising 24.2% to S\$62.9m. The decline in net profit was largely due to forex loss (vs forex gain in 3Q08) and losses from associates, which had recorded a small profit in 3Q08. 4Q09 is expected to be stronger, driven by the completion of its works for Phase 1 of the Universal Studios Singapore (USS) theme park on Sentosa, and increased activity for its interior fit-outs division before the festive season. We are maintaining our FY09 earnings and target price of S\$0.71, based on 9X FY09/10 earnings. Maintain BUY.

**Balance sheet remains strong.** Kingsmen achieved gross margins of 23.2% in 3Q09, compared with 26.9% in 3Q08. This was attributed to the larger scale projects at USS. Revenue contribution from USS projects is good, but these projects yield lower margins. Its balance sheet remains strong, with a net cash position of S\$17.9m (9.2 S¢ per share).

**Strong growth from Exhibition and Museums division.** Revenue from this division surged 77.7% YoY to S\$37.5m, driven by major events in the region during the quarter (such as HK Asian Aerospace, Seoul Airshow and sibos2009), and works completed for USS. We expect the Exhibition and Museums division to continue doing well, supported by upcoming events such as Shanghai World Expo, Phase 2 of USS theme park) in FY10. Its foray into thematic and scenic construction has allowed Kingsmen to secure more thematic and scenic construction contracts. It will be involved in several parcels of works for the Ferrari Theme Park in Abu Dhabi in FY10.

**Prospects look exciting.** Apart from the major events that would be held in FY10 that Kingsmen expects to be involved in, it is also actively working with its clients on outlets that would be opened in 313 Somerset and the Mandarin Gallery. With the Integrated Resorts slated to open in early 2010, Kingsmen expects to be involved in the fit-out of retail outlets at the Marina Bay Sands Shoppes®.

FYE 31 Dec (S\$m)	FY06	FY07	FY08	FY09F	FY10F
Turnover	108.9	145.9	190.6	222.5	247.7
Net Profit	4.9	9.4	14.2	14.7	16.9
% chg YoY	125.2%	89.7%	51.4%	3.5%	15.1%
EPS (S¢)	3.3	5.2	7.5	7.5	8.7
DPS (S¢)	1.3	2.0	3.0	3.0	3.0
Div Yield	2.1%	3.1%	4.7%	4.7%	4.7%
ROE	29.7%	34.5%	36.1%	31.1%	29.6%
ROA	9.7%	11.9%	13.6%	12.4%	12.4%
P/E (x)	19.8	12.3	8.6	8.6	7.4
P/B (x)	5.1	3.3	2.8	2.3	1.9

Source: Company and DMG Estimates

Year End 31 Dec (\$m)				
Income Statement				
	2007	2008	2009F	2010F
Revenue	145.9	190.6	222.5	247.7
Cost of sales	(106.2)	(132.0)	(156.5)	(173.6)
Other Operating Income	2.5	2.7	3.3	3.7
Depreciation	(1.7)	(2.1)	(2.4)	(2.7)
Salaries and related costs	(20.5)	(29.9)	(35.6)	(39.6)
Other operating expenses	(7.8)	(10.5)	(12.2)	(13.6)
Financial income, net	0.2	(0.0)	0.0	0.1
Share of Associates	0.2	0.3	0.3	0.3
<b>Profit Before Taxes</b>	<b>12.5</b>	<b>19.0</b>	<b>19.5</b>	<b>22.2</b>
Income Tax Expense	(2.3)	(3.5)	(3.5)	(4.0)
Minority Interest	(0.9)	(1.3)	(1.3)	(1.3)
<b>Net Income</b>	<b>9.4</b>	<b>14.2</b>	<b>14.7</b>	<b>16.9</b>
Balance Sheet				
	2007	2008	2009F	2010F
Fixed Assets	4.6	12.2	10.6	11.0
Intangibles	8.4	6.8	6.9	6.7
Interests in Associates	6.0	6.2	6.2	6.2
Others	1.4	1.9	0.8	0.8
<b>Non-Current Assets</b>	<b>20.3</b>	<b>27.1</b>	<b>24.5</b>	<b>24.6</b>
Inventories	0.1	0.0	0.0	0.1
Contracts Work-in Progress	2.9	7.6	11.1	14.9
Receivables	54.3	46.3	60.0	63.4
Cash and Cash Equivalents	21.5	28.2	31.1	41.7
<b>Current Assets</b>	<b>78.8</b>	<b>82.2</b>	<b>102.2</b>	<b>120.0</b>
<b>Total Assets</b>	<b>99.1</b>	<b>109.3</b>	<b>126.7</b>	<b>144.6</b>
Share Capital	21.6	23.3	23.3	23.4
Treasury Shares	-	(1.9)	(1.9)	(1.9)
Reserves	14.2	21.3	30.1	41.2
<b>Shareholders Fund</b>	<b>35.8</b>	<b>42.7</b>	<b>51.6</b>	<b>62.7</b>
Minority Interest	1.6	2.7	2.8	2.8
<b>Shareholders Equity</b>	<b>37.4</b>	<b>45.4</b>	<b>54.4</b>	<b>65.5</b>
Loan and Borrowings	0.8	0.6	0.5	0.5
Others	-	0.1	-	-
Deferred Tax Liabilities	0.8	0.9	0.7	0.9
<b>Non-Current Liabilities</b>	<b>1.6</b>	<b>1.6</b>	<b>1.2</b>	<b>1.4</b>
Payables	46.7	50.4	60.4	65.7
Interest-bearing Borrowings	0.9	0.8	0.8	0.8
Contracts Work-in Progress	6.0	2.9	4.5	5.0
Income Taxes Payable	3.7	4.9	3.5	4.0
Deferred income	2.9	3.2	2.0	2.3
<b>Current Liabilities</b>	<b>60.1</b>	<b>62.3</b>	<b>71.1</b>	<b>77.7</b>
<b>Total Liabilities</b>	<b>61.7</b>	<b>63.8</b>	<b>72.4</b>	<b>79.1</b>
<b>Total Equity and Liabilities</b>	<b>99.1</b>	<b>109.3</b>	<b>126.7</b>	<b>144.6</b>

Cash Flow				
	2007	2008	2009F	2010F
<b>Profit Before Taxation</b>	<b>12.5</b>	<b>19.0</b>	<b>19.5</b>	<b>22.2</b>
Non-cash items	1.5	5.2	4.1	4.1
Changes in Working Capital	0.4	3.8	(8.7)	(2.4)
Income Tax Paid	(1.9)	(2.2)	(4.9)	(3.5)
Interest Paid	(0.1)	(0.2)	(0.1)	(0.1)
Interest Received	0.3	0.1	0.2	0.2
<b>Net cash from operations</b>	<b>12.7</b>	<b>25.7</b>	<b>10.0</b>	<b>20.5</b>
Purchase of Fixed Assets	(0.8)	(11.2)	(2.0)	(4.0)
Proceeds from Sale of Assets	0.0	0.7	-	-
Others	(8.0)	(0.7)	1.1	-
Dividends Received	-	0.1	-	-
<b>Net cash from investments</b>	<b>(8.7)</b>	<b>(11.1)</b>	<b>(0.9)</b>	<b>(4.0)</b>
Dividends Paid	(2.5)	(6.9)	(5.8)	(5.8)
Proceeds from Issue of Shares	8.8	1.6	-	-
Proceeds from/(Repayment of) Loan	(2.3)	(0.7)	(0.1)	(0.1)
Others	0.3	(1.9)	0.0	0.0
<b>Net cash from financing</b>	<b>4.2</b>	<b>(7.9)</b>	<b>(5.9)</b>	<b>(5.9)</b>
Net increase / (decrease) in cash	8.3	6.7	3.2	10.6
Cash (beginning)	12.9	21.1	27.9	31.1
<b>Cash (end)</b>	<b>21.1</b>	<b>27.9</b>	<b>31.1</b>	<b>41.7</b>

Ratios				
	2007	2008	2009F	2010F
<b>Growth &amp; Margin (%)</b>				
Revenue Growth	33.9	30.6	16.8	11.3
EBIT Growth	108.0	54.2	2.2	13.9
EBIT Margin	8.3	9.8	8.6	8.8
Pretax Profit Growth	105.3	51.3	2.6	14.0
Pretax Profit Margin	8.6	10.0	8.7	9.0
Tax rate	18.3	18.6	18.0	18.0
Net Income Growth	89.7	51.4	3.5	15.1

\*Including exceptional items

Revenue Breakdown				
	2007	2008	2009F	2010F
Exhibitions and Museums	50.3	90.2	112.7	129.6
Interiors	87.9	88.7	97.6	104.9
Research and Design	4.3	5.9	6.2	6.6
Integrated Marketing				
Communications	3.4	5.8	6.1	6.6
<b>Total</b>	<b>145.9</b>	<b>190.6</b>	<b>222.5</b>	<b>247.7</b>

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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