

Buy (unchanged)

Share price: SGD0.90
 Target price: SGD1.02 (from 0.96)

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Stock Information

Description: Kingsmen Creatives specializes in the research and design of corporate interiors, exhibitions & events, and thematic & museum.

Ticker:	KMEN SP
Shares Issued (m):	193.3
Market Cap (USD m):	136.8
3-mth Avg Daily Turnover (USD m):	0.1
ST Index:	3,248.66
Free float (%):	59.6

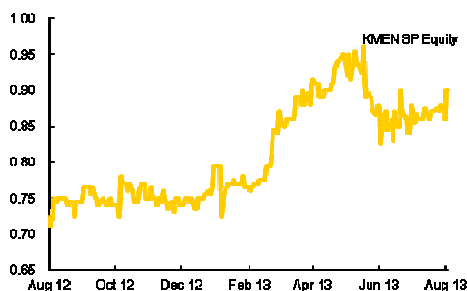
Major Shareholders:

	%
Simon Ong	20.2
Benedict Soh	20.2

Key Indicators

ROE – annualised (%)	19.7
Net cash (SGD m):	54.4
NAV/shr (SGD):	0.41
Interest cover (x):	n.m

Historical Chart



Performance:

52-week High/Low SGD0.96/SGD0.695

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	2.3	-2.2	18.4	24.1	20.0
Relative (%)	1.9	3.4	19.9	18.0	17.0

Kingsmen Creatives

Good Pipeline Of Work

Slightly below expectations. 1H13 results are slightly below expectations with revenue of SGD122.4m (+ 3.9% YoY), and net profit of SGD7.6m (+5.1% YoY), attributed mainly to corporate and retail interiors and the alternative marketing division. Alternative Marketing division grew by 55% in 1H13 driven by major works such as Chanel Event at Loewen Cluster. In 2H13, major catalysts depend on further contract wins from exhibitions and Shanghai Disneyland. We adjust our forecasts minimally and maintain Buy with TP raised to SGD1.02, as we roll over to FY14F P/E of 10.5x.

Indirect proxy to retail malls. Kingsmen is a proxy play to the asset enhancement initiatives and construction of new malls in Singapore, as demonstrated in its interior fit-out earnings. Singapore accounts for over 90% of interior fit-out sales (53% of total sales). With >2m sq ft of retail malls expected to be completed or refurbished in both 2013 and 2014, we expect the interior fit-out segment to continue to outperform this year. Since 2004, interior sales have risen by five fold, and pre-tax margins have expanded from 2.6% to 9.4% in FY12.

Take a slice out of Disneyland's budget. According to online media sources, foundation works for Shanghai Disneyland have started this year. Kingsmen's peer Pico Far East has announced a contract win of HK\$360m (SGD59m), which has commenced in 1H13. Kingsmen is close behind having secured over SGD40m worth of contracts from Disneyland Shanghai. Kingsmen expects more parcels will be up for grabs in 2H13, which they will continue to bid on. Kingsmen has also renewed a 5-year contract for F1 until 2017 to create corporate suites, hospitality and team suites. Current orderbook stands at a record of SGD294m, of which SGD232m will be recognised in 2013. (Up from SGD235m in 1H12.)

Good for the long haul, BUY. An interim dividend of 1.5cts has been declared. While Kingsmen is trading above its historical mean, the consistent earnings and orderbook buildup is a clear indication of a well-deserved rerating. BUY.

Kingsmen Creatives – Summary Earnings Table

Source: Maybank KE

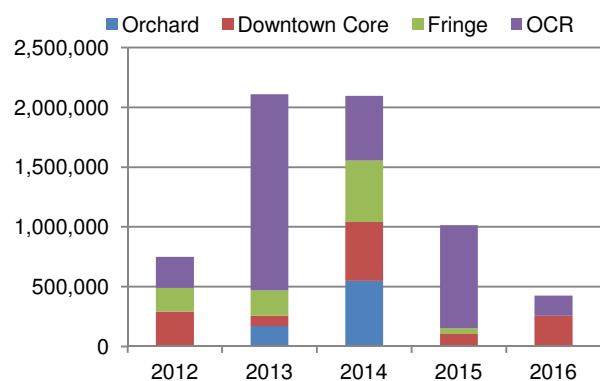
FYE Dec SGD m)	2011	2012	2013E	2014E	2015E
Revenue	261.0	290.3	308.5	340.1	370.3
EBITDA	19.8	21.8	23.7	25.7	28.0
Recurring Net Profit	16.3	17.1	18.9	20.6	22.4
Recurring Basic EPS (cents)	8.5	9.0	9.9	10.8	11.7
EPS growth (%)	8.4	4.9	10.7	8.6	8.9
DPS (cents)	4.0	4.0	4.5	4.5	4.8
PER	10.5	10.0	9.1	8.3	7.7
EV/EBITDA (x)	7.2	6.2	6.7	6.1	5.7
Div Yield (%)	4.4	4.4	5.0	5.0	5.3
P/BV(x)	2.5	2.2	2.0	1.7	1.5
Net Cash (SGDm)	38.8	62.9	68.7	72.7	76.0
ROE (%)	24.0	22.2	21.8	20.8	20.0
ROA (%)	9.9	9.5	8.7	8.5	8.4
Consensus Net Profit (SGD m)			19.2	20.9	22.5

Figure 1: Results Summary

FYE Dec (SGD'm)	2Q13	1Q13	2Q12	% QoQ	% YoY	MBKE FY2013F	YTD as % of FY forecast	Remarks
Turnover	79.9	42.6	70.9	88%	13%	316.0	39%	
Exhibitions & Museums	22.6	20.6	30.5	9%	-26%			
Interiors	46.8	18.5	32.0	152%	46%			
R&D + IMC	10.5	3.4	3.8	206%	176%			
Cost of sales	-59.3	-29.5	-51.4	101%	15%	-235.7	38%	
Gross profit	20.5	13.1	19.5	57%	5%	80.3	42%	
Other income	1.3	1.2	0.9	11%	46%			
Depreciation of PPE	-0.4	-0.4	-0.4	7%	5%			
Staff salaries and related expenses	-11.7	-8.8	-10.6	33%	10%			Higher staff salaries and headcount, offset by lower other expenses
Other expense	-2.8	-3.0	-3.3	-5%	-15%			
Interest expense	-0.1	-0.1	-0.1	20%	-11%			
Associates income	0.3	0.4	0.4	-27%	-19%			Higher contribution from Kingsmen Korea Limited and Enterprise Sports Group Pte.
PBT	7.2	2.5	6.4	190%	12%	24.1	40%	
Tax	-1.4	-0.5	-1.3	204%	10%	-4.3	44%	
Minority	-0.3	-0.2	0.1	55%	-447%	0.5	114%	
NPAT	5.4	2.2	5.2	142%	4%	19.2	40%	
Gross margin	25.72%	30.71%	27.50%	-5%	-2%	25.40%		
EBIT margin	9.08%	5.98%	9.17%	3%	0%	7.64%		
Net margin	6.74%	5.23%	7.33%	2%	-1%	6.14%		

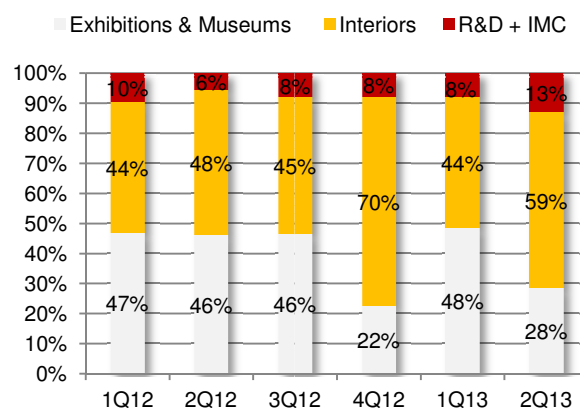
Source: Company, Maybank KE

Figure 2: Robust mall completion in the pipeline as of 1Q13



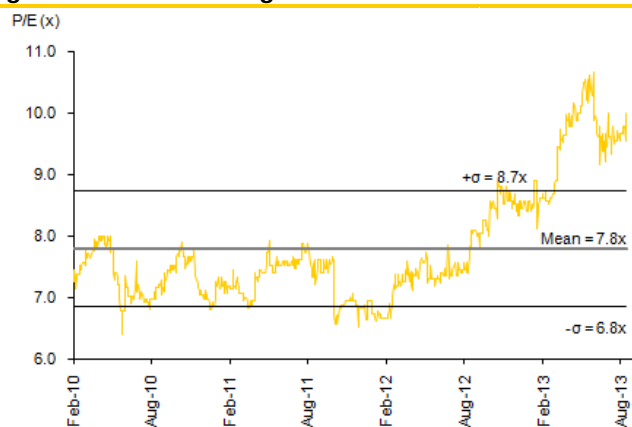
Source: CBRE

Figure 3: Quarterly revenue breakdown



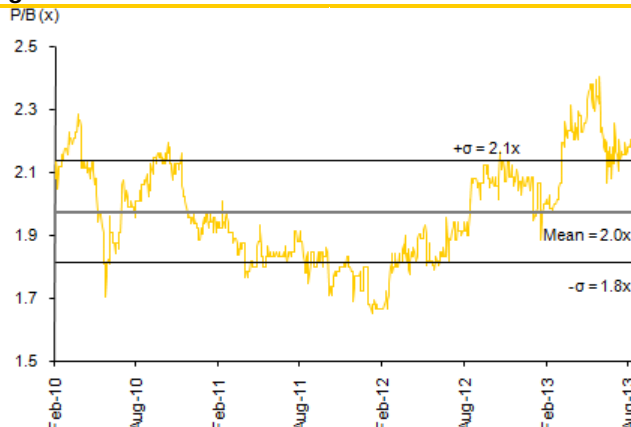
Source: Company data, Maybank KE

Figure 4: Price to earnings band



Source: Bloomberg

Figure 5: Price to book band



Source: Bloomberg

PROFIT AND LOSS (SGD m)

FY Dec	2011	2012	2013E	2014E	2015E
Sales	261.0	290.3	308.5	340.1	370.3
Cost of goods sold	-194.3	-217.7	-230.2	-254.0	-276.6
Gross profit	66.7	72.6	78.4	86.0	93.7
Operating expenses	47.5	52.1	57.2	63.2	68.9
Operating Profit	19.2	20.5	21.2	22.9	24.8
Net interest	0.1	0.0	0.2	0.2	0.2
Interest income	0.2	0.2	0.3	0.3	0.4
interest expense	-0.2	-0.3	-0.2	-0.2	-0.2
Net other income. JV + Assoc	0.6	1.3	2.4	2.7	2.9
Pretax income	19.8	21.8	23.7	25.7	28.0
Income taxes	3.1	4.2	4.3	4.6	5.0
Minority Interest	0.43	0.509	0.5	0.5	0.5
Net profit	16.3	17.1	18.9	20.6	22.4
EBITDA	20.7	24.0	22.4	24.3	26.3
EPS (\$ cts)	8.55	8.97	9.92	10.78	11.74

BALANCE SHEET (SGD m)

FY Dec	2011	2012	2013E	2014E	2015E
Total assets	165.5	179.7	217.7	242.5	268.0
Current assets	139.8	156.5	191.1	216.0	241.5
Cash & ST investment	31.6	53.1	64.4	76.5	89.8
Inventories	11.4	17.8	14.0	15.4	16.8
Accounts receivable	95.3	83.6	111.2	122.5	133.4
Others	1.4	2.0	1.5	1.5	1.5
Other assets	25.7	23.3	26.6	26.6	26.6
LT investments	8.3	8.8	8.8	8.8	8.8
Net fixed assets	11.2	9.2	11.2	11.2	11.2
Others	6.2	5.2	6.6	6.6	6.6
Total liabilities	97.6	102.6	130.7	143.7	156.0
Current liabilities	94.6	100.6	127.5	140.3	152.5
Accounts payable	78.0	84.0	109.9	121.2	132.0
ST borrowings	3.1	2.8	2.8	2.8	2.8
Others	13.5	13.9	14.8	16.3	17.8
Long-term liabilities	3.0	2.0	3.2	3.4	3.5
Long-term debts	2.1	1.9	1.9	1.9	1.9
Others	0.9	0.1	1.3	1.5	1.6
Shareholder's equity	68.0	77.0	87.0	98.9	112.0
Paid-in capital	23.3	23.3	23.3	23.3	23.3
Reserve	44.7	53.8	63.7	75.6	88.8

CASH FLOW (SGD m)

FY Dec	2011	2012	2013E	2014E	2015E
Operating cash flow	12.9	30.4	25.4	23.0	24.7
Operating profit	19.8	21.8	23.7	25.7	28.0
Depreciation & amortisation	1.5	3.5	1.2	1.5	1.5
Change in working capital	-7.5	8.2	4.3	0.2	0.1
Others	-1.0	-3.1	-3.9	-4.3	-4.8
Investment cash flow	-2.6	-1.6	-3.0	-3.0	-3.0
Net capex	-2.8	-1.6	-3.0	-3.0	-3.0
Change in LT investment	-0.6	-0.5	0.0	0.0	0.0
Change in other assets	0.8	0.5	0.0	0.0	0.0
Cash flow after invt.	10.3	28.8	22.4	20.0	21.7
Financing cash flow	-7.2	-8.2	-9.3	-9.2	-9.8
Change in share capital	0.0	0.0	0.0	0.0	0.0
Net change in debt	0.0	-0.2	0.0	0.0	0.0
Dividend	-7.8	-8.0	-8.8	-8.8	-9.4
Change in other LT liab.	0.7	0.0	-0.5	-0.4	-0.4
Net cash flow	3.1	20.7	13.0	10.8	12.0

KEY RATIOS

FY Dec	2011	2012	2013E	2014E	2015E
Growth (% YoY)					
Sales	11.7	11.2	6.3	10.2	8.9
Operating profit	-1.7	6.8	3.4	8.0	8.6
EBITDA	-2.1	15.8	-6.8	8.7	8.1
Net profit	8.4	4.9	10.7	8.6	8.9
EPS	8.4	4.9	10.7	8.6	8.9
Profitability (%)					
Gross margin	25.5	25.0	25.4	25.3	25.3
Operating margin	7.4	7.1	6.9	6.7	6.7
EBITDA margin	7.9	8.3	7.3	7.2	7.1
Net margin	6.3	5.9	6.1	6.1	6.1
ROA	9.9	9.5	8.7	8.5	8.4
ROE	24.0	22.2	21.8	20.8	20.0
Stability					
Gross debt/equity (%)	7.7	6.0	5.3	4.7	4.1
Net debt/equity (%)	-38.8	-62.9	-68.7	-72.7	-76.0
Int. coverage (X)	110.9	81.3	137.2	134.4	134.1
Int. & ST debt coverage (X)	6.6	8.2	8.1	8.8	9.6
Cash flow int. coverage (X)	74.3	120.7	164.4	135.5	133.6
Cash flow int. & ST debt (X)	4.4	12.1	9.7	8.9	9.6
Current ratio (X)	1.5	1.6	1.5	1.5	1.6
Quick ratio (X)	1.4	1.4	1.4	1.4	1.5
Net cash/(debt) (SGD m)	-26.4	-48.4	-59.8	-71.9	-85.1
Per share data (SGD)					
EPS	8.5	9.0	9.9	10.8	11.7
CFPS	6.7	15.9	13.3	12.1	13.0
BVPS	35.6	40.3	45.5	51.8	58.7
SPS	136.7	152.0	161.6	178.1	193.9
EBITDA/share	10.8	12.6	11.7	12.7	13.8
DPS	4.0	4.0	4.5	4.5	4.8

Source: Company, Maybank KE

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