

Buy (unchanged)

Share price: SGD0.79
 Target price: SGD0.96 (unchanged)

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Stock Information

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

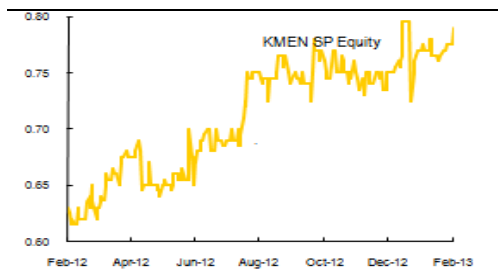
Ticker:	KMEN SP
Shares Issued (m):	191.6
Market Cap (USD m):	122.5
3-mth Avg Daily Turnover (USD m):	0.1
ST Index:	3,269.95
Free float (%):	59.6

Major Shareholders:	%
Simon Ong	20.2
Benedict Soh	20.2

Key Indicators

ROE (%)	22.2
Net cash (SGD m):	62.9
NTA/shr (SGD):	0.56
Interest cover (x):	Net cash

Historical Chart



Performance:

52-week High/Low SGD0.80/SGD0.615

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	2.6	7.5	6.0	26.4	5.3
Relative (%)	3.0	0.9	-1.9	15.7	2.0

Kingsmen Creative

A Shift in Centrestage

Strong finish to the year. FY12 results came in fully in-line with our expectations. The Group has achieved record revenue of SGD290m, up 11.2% YoY and net profit of SGD17.2m, up 4.9% YoY. Final dividend of 2.5cts has been declared, totaling 4cts a share, implying 5.1% yield. Our TP is highest on the street, as we continue to view positive on the Company base advantage on Asia's growing popularity on tourism and global thematic exhibitions. We maintain a BUY with TP of SGD0.96.

Shift in centre stage to Asia. Kingsmen is in a sweet spot to take full advantage of a shifting centre-stage from West to Asia. Since Shanghai World Expo in 2010, Kingsmen has seen contracts rolling in regionally for exhibition fit-outs for exhibitions for Yeosu World Expo in Korea, and Asia Art Stage in Singapore. So far, the Group has secured approximately SGD81m contracts to be recognised this year.

Interior design rides on launches of Asia's megamalls. Kingsmen's interior division continues to be the largest revenue contributor, accounting for 55% of sales. This division largely entails the conduct of design and refurbishment of existing malls and fit-out for new stores in Asia. With several upcoming malls in the region and continual penetration from international brands in Asia, Kingsmen is receiving repeated orders for Abercrombie & Fitch, Aldo, Hollister, Tiffany & Co, Uniqlo, Victoria's Secret and more for shop fit-out, and fixture roll-out.

Why Kingsmen warrants a rerating. Kingsmen is trading close to 1 sd above its mean P/E of 8x. Provided the favourable market conditions and opportunities for exhibitions and amusement parks are all in Asia at the moment, we think Kingsmen has a home-base advantage to take this to the next level.

Reiterate BUY call with TP of SGD0.96. We maintain a BUY with a TP of SGD0.96, pegged to a blended 9.7x FY13F P/E, coupled with a healthy dividend yield of 5.7%.

Kingsmen Creatives– Summary Earnings Table

FYE Dec (SGD m)	2011	2012	2013F	2014F	2015F
Revenue	261.0	290.3	316.0	348.2	379.2
EBITDA	19.8	21.8	24.1	26.1	28.3
Recurring Net Profit	16.3	17.1	19.2	20.9	22.7
Recurring Basic EPS (cents)	8.5	9.0	10.1	10.9	11.9
EPS growth (%)	8.4	4.9	12.4	8.4	8.9
DPS (cents)	4.0	4.0	4.5	4.5	4.8
PER	9.2	8.8	7.8	7.2	6.6
EV/EBITDA (x)	6.2	5.4	5.2	4.8	4.5
Div Yield (%)	5.1	5.1	5.7	5.7	6.1
P/BV(x)	2.2	2.0	1.7	1.5	1.3
Net Cash (SGD m)	38.8	62.9	46.8	51.5	54.7
ROE (%)	24.0	22.2	22.1	21.0	20.1
ROA (%)	9.9	9.5	9.5	9.3	9.2
Consensus Net Profit (SGD m)			18.8	21.1	

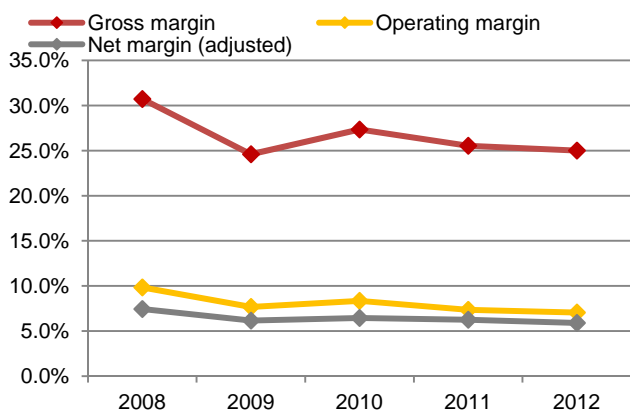
Source: Maybank KE

Figure 1: FY 12 results summary

YE Dec (SGD m)	FY12	FY11	YoY(%)
Sales	290.3	261.0	11.2%
Cost of goods sold	-217.7	-194.3	12.0%
Gross profit	72.6	66.7	8.9%
Other income	4.6	4.0	16.1%
Depreciation of PPE	-1.6	-1.5	5.8%
Staff salaries and related expenses	-41.2	-37.9	8.9%
Other expense	-13.7	-12.0	14.4%
Interest expense	-0.3	-0.2	45.7%
Associates income	1.3	0.6	134.4%
Profit before tax	21.8	19.8	10.1%
Tax	-4.2	-3.1	36.8%
Minority	0.5	0.4	18.4%
Net profit after tax	17.1	16.3	4.9%
Segment			
Exhibition & Museums	109.0	99.4	9.7%
Interiors	158.5	144.1	10.0%
Research & Design	10.2	8.6	19.1%
Alternative marketing	12.6	8.9	41.5%
<i>bps</i>			
Gross margin	25.0%	25.5%	-2
Net profit margin	5.8%	6.2%	-0.1

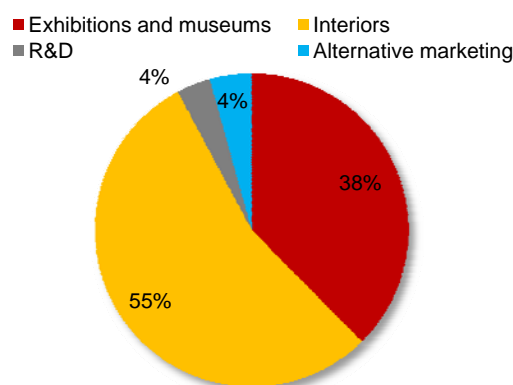
Source: Company data

Figure 2: Margin trend



Source: Bloomberg

Figure 3: Breakdown of segment



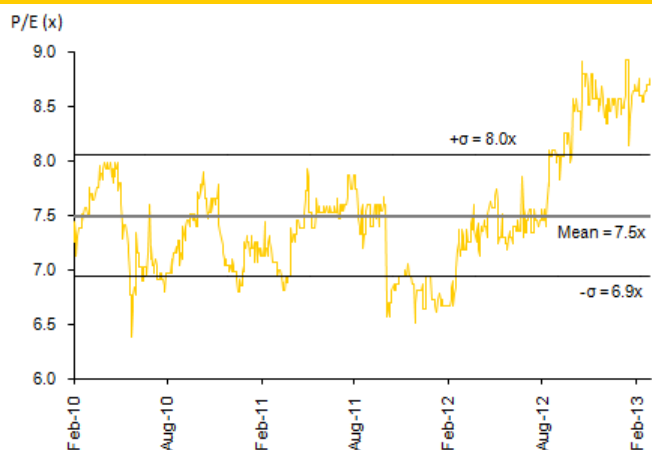
Source: Company data

Figure 4: Peer Comparison

Company	Listed	Mkt cap (SGD m)	Last price (SGD)	EPS 1 Yr G (%)	P/E		P/B (x)	ROE (%)	Div yield (%)
					Current (x)	Next Yr (x)			
Kingsmen Creative	SG	378.7	1.976	4.0	8.8	7.2	2.2	25.8	5.1
Pico Far East Holdings.	HK	1,186.6	0.977	-3.9	12.4	9.1	2.1	17.6	3.9
Design Studio Furniture	SG	260.4	1.001	-24.7	8.9	Nm	1.0	14.4	0.0
Cityneon Holdings	SG	50.9	0.575	-86.0	0.0	Nm	0.8	1.8	0.0
Redwood Group Ltd	TW	183.2	4.362	2.3	10.0	7.3	2.5	29.8	6.8
Average				-21.7	8.0	7.8	1.7	17.9	3.2

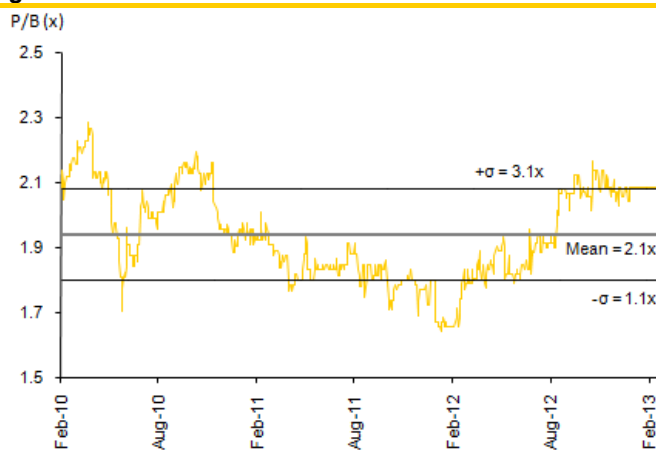
Source: Bloomberg, Maybank KE

Figure 5: Price to earnings band



Source: Bloomberg

Figure 6: Price to book band



Source: Bloomberg

PROFIT AND LOSS (SGD m)

FY Dec	2011	2012	2013F	2014F	2015F
Sales	261.0	290.3	316.0	348.2	379.2
Cost of goods sold	-194.3	-217.7	-235.7	-260.1	-283.3
Gross profit	66.7	72.6	80.3	88.1	95.9
Operating expenses	47.5	52.1	57.0	62.9	68.6
Operating profit	19.2	20.5	23.3	25.2	27.4
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 investment income/(loss)	0.0	0.0	0.0	0.0	0.0
Net other non-op. JV+Assoc.	0.6	1.3	0.6	0.7	0.8
Net extraordinaries	0.0	0.0	0.0	0.0	0.0
Pretax profit	19.8	21.8	24.1	26.1	28.3
Income taxes	3.1	4.2	4.3	4.7	5.1
Minority interests	0.43	0.509	0.5	0.5	0.5
Net profit	16.3	17.1	19.2	20.9	22.7
EBITDA	20.7	22.1	24.5	26.6	28.8
EPS (SGD)	8.55	8.97	10.08	10.92	11.90

BALANCE SHEET (SGD m)

FY Dec	2011	2012	2013F	2014F	2015F
Total assets	165.5	179.7	201.7	225.2	248.3
Current assets	139.8	156.5	175.2	198.6	221.7
Cash & ST investment	31.6	53.1	45.5	55.9	66.4
Inventories	11.4	17.8	14.3	15.8	17.2
Accounts receivable	95.3	83.6	113.9	125.5	136.7
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	114.5	125.7	135.4
Current liabilities	94.6	100.6	111.2	122.3	131.9
Accounts payable	78.0	84.0	93.3	102.9	110.9
ST borrowings	3.1	2.8	2.8	2.8	2.8
Others	13.5	13.9	15.2	16.7	18.2
Long-term liabilities	3.0	2.0	3.3	3.4	3.5
Long-term debts	2.1	1.9	1.9	1.9	1.9
Others	0.9	0.1	1.4	1.5	1.6
Shareholder's equity	68.0	77.0	87.3	99.4	112.9
Paid-in capital	23.3	23.3	23.3	23.3	23.3
Reserve	44.7	53.8	64.0	76.2	89.6
NTA	56.7	67.9	76.1	88.2	101.7

CASH FLOW (SGD m)

FY Dec	2011	2012	2013F	2014F	2015F
Operating cash flow	12.9	30.4	6.4	21.3	22.0
Operating profit	19.8	21.8	24.1	26.1	28.3
Depreciation & amortisation	1.5	3.5	1.2	1.5	1.5
Change in working capital	-7.5	8.2	-14.9	-1.8	-3.0
Others	-1.0	-3.1	-4.0	-4.4	-4.9
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	3.4	18.3	19.0
Financing cash flow	-7.2	-8.2	-9.4	-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
Change in other LT liab.	-7.8	-8.0	-8.8	-8.8	-9.4
Paid Dividend	0.7	0.0	-0.6	-0.4	-0.4
Net cash flow	3.1	20.7	-6.0	9.1	9.2

KEY RATIOS

FY Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	11.7	11.2	8.8	10.2	8.9
Operating profit	-1.7	6.8	13.7	8.1	8.7
EBITDA	-2.1	15.8	2.1	8.8	8.2
Net profit	8.4	4.9	12.4	8.4	8.9
EPS	8.4	4.9	12.4	8.4	8.9
Profitability (%)					
Gross margin	25.5	25.0	25.4	25.3	25.3
Operating margin	7.4	7.1	7.4	7.2	7.2
EBITDA margin	7.9	8.3	7.8	7.7	7.6
Net margin	6.3	5.9	6.1	6.0	6.0
ROA	9.9	9.5	9.5	9.3	9.2
ROE	24.0	22.2	22.1	21.0	20.1
Stability					
Gross debt/equity (%)	7.7	6.0	5.3	4.7	4.1
Net debt/equity (%)	-38.8	-62.9	-46.8	-51.5	-54.7
Int. coverage (X)	110.9	81.3	147.4	144.6	144.3
Int. & ST debt coverage (X)	6.6	8.2	8.9	9.7	10.6
Cash flow int. coverage (X)	74.3	120.7	40.6	122.5	115.8
Cash flow int. & ST debt (X)	4.4	12.1	2.5	8.2	8.5
Current ratio (X)	1.5	1.6	1.6	1.6	1.7
Quick ratio (X)	1.4	1.4	1.4	1.5	1.6
Net cash/(debt) (SGD m)	-26.4	-48.4	-40.8	-51.2	-61.7
Per share data (SGD)					
EPS	8.5	9.0	10.1	10.9	11.9
CFPS	6.7	15.9	3.4	11.2	11.5
BVPS	35.6	40.3	45.7	52.1	59.1
SPS	136.7	152.0	165.5	182.3	198.6
EBITDA/share	10.8	12.6	12.8	13.9	15.1
DPS	4.0	4.0	4.5	4.5	4.8

Source: Company, Maybank KE

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Ong Seng Yeow | Executive Director, Maybank Kim Eng Research

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CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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