

Asiasoft Corporation - AS

Acquisition in Malaysia & expansion into the Philippines

Bloomberg | Reuters
AS.TH | AS9



Thailand Equities Research
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Report type: Company Update

Company Overview

AS provides online game services in Thailand, Singapore, Indonesia and the Philippines. It also grants sub-license to its partner in Vietnam.

- A 61.7% investment in CIB Development, which is the largest online game operator in Malaysia, when combined with its subsidiary that ranked in the third place, would increase share of the market to 43%.
- At end-CY2011, the company launched online game services in Indonesia. During 1QCY12, it will open services in the Philippines. For the future, more overseas expansions are anticipated.
- For CY2012, there are plans to launch as much as 27 games thereby increasing the total number of games offered to 60. AS will also generate revenue from sales of offline games for Blizzard, as well as other potential suppliers.
- We have revised up CY2012 profit to Bt432.25mn. With our price target at Bt19.70/share, we rate 'BUY' on the shares.

What is the news?

AS acquired a 61.7% stake in the largest online game operator in Malaysia. Including its existing subsidiary also in Malaysia, total market share would rise to 43%.

How do we view this?

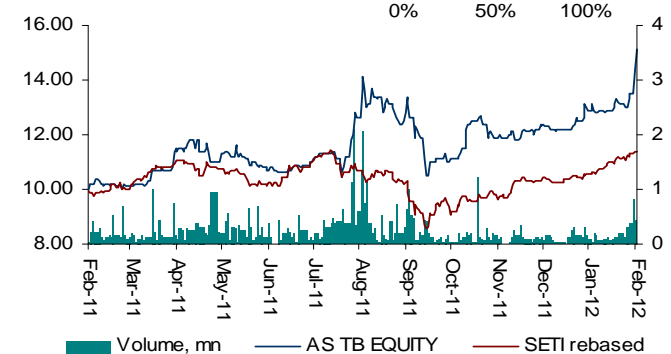
CY2012 earnings are set to leap sharply driven by acquisition of the Malaysian entity, new games in the pipeline, overseas market expansion and sales of offline games.

Investment Actions?

Our price target for CY2012 is at Bt19.70/share. There will also be dividend payment for CY2012 amounting to Bt1.34/share. We rate 'BUY' on the shares.

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	19.7	
- Previous Target Price (Bt)	15.5	
Closing Price (Bt)	15.10	
Expected Capital Gains (%)	30.5%	
Expected Dividend Yield (%)	8.9%	
Expected Total Return (%)	39.3%	
Raw Beta (Past 2yrs weekly data)	0.32	
Market Cap. (USD mn)	155	
Enterprise Value (USD mn)	127	
Market Cap. (Bt mn)	4,770	
Enterprise Value (Bt mn)	3,900	
3M Average Daily T/O (mn)	0.1	
52 week range	9.8 - 15.3	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Mr. Promoth Sudjitporn	41.5
2. Mr. Tan Tgow Lim	9.5
3. Asia Investment Partners Ltd.	9.5

CG Report - 2011



Key Financial Summary

FYE Dec	12/10	12/11F	12/12F	12/13F
Revenue (Btmn)	1,512	1,655	2,287	2,569
Net Profit (Btmn)	264	282	432	519
EPS (Bt)	0.84	0.89	1.41	1.69
Net Profit, adj. (Btmn)	264	282	432	519
EPS, adj. (Bt)	0.84	0.89	1.41	1.69
P/E (X),adj.	18.0	17.0	10.7	8.9
BVPS (Bt)	4.05	4.10	4.39	4.78
P/B (X)	3.7	3.7	3.4	3.2
DPS (Bt)	0.84	0.89	1.34	1.61
Div. Yield (%)	5.6	5.9	8.9	10.7

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E12 (14x)

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Acquisition of the largest online game operator in Malaysia

On Feb 16, CY2012, AS informed the SET that it had acquired a 61.7% stake in CIB Development Sdn. Bhd. (CIB) for Bt281mn. The remaining 38.3% shares are in the hands of CIB management. CIB is the largest online game operator in Malaysia, accounting for 26% of the market. It has 15 online games in its portfolio. The company specializes in Chinese games. In CY2010, revenue and profit amounted to Bt265.95mn and Bt39.99mn, respectively.

AS currently has a subsidiary in Malaysia called AS Online Sdn. Bhd. (ASM). This company is ranked in the third place with a 17% share. Following the acquisition, AS's combined market share will increase to 43%. The acquisition will also help cover up each company's weakness whereby ASM specializes in Korean games and CIB will develop games in Malaysian language, which should help to enhance market expansion.

More overseas expansion in the pipeline

At end-CY2011, AS launched online game services in Indonesia. A subsidiary called PT Asiasoft was established and the game 'AIKA' was launched. There are plans for 4 new games in Indonesia this year. For the Philippines, services will begin in 1QCY12 with 3 online games to be launched. The Philippines operation will be set up as a branch and use the server in Singapore as the service base. Both Indonesia and the Philippines are considered new markets, which would support future growth.

Other overseas expansions are also expected such Vietnam where legal details are currently pending. AS has also started feasibility study in Myanmar, while other countries of interests include Cambodia, Australia and New Zealand.

More new games to be launched this year, with revenue from sales also to Blizzard

In addition to its overseas ventures, AS will be launching as much as 27 new online games this year from 33 games at end-CY2011. The bulk of games would be launched in 1HCY12. We expect several games would be popular among players, while launches in various countries simultaneously should help stimulate interests and reduce marketing expenses. As the online games have been extended to cover web games and First Person Shooting (FPS), which AS has relatively low market share, we foresee further boost to AS in the segment.

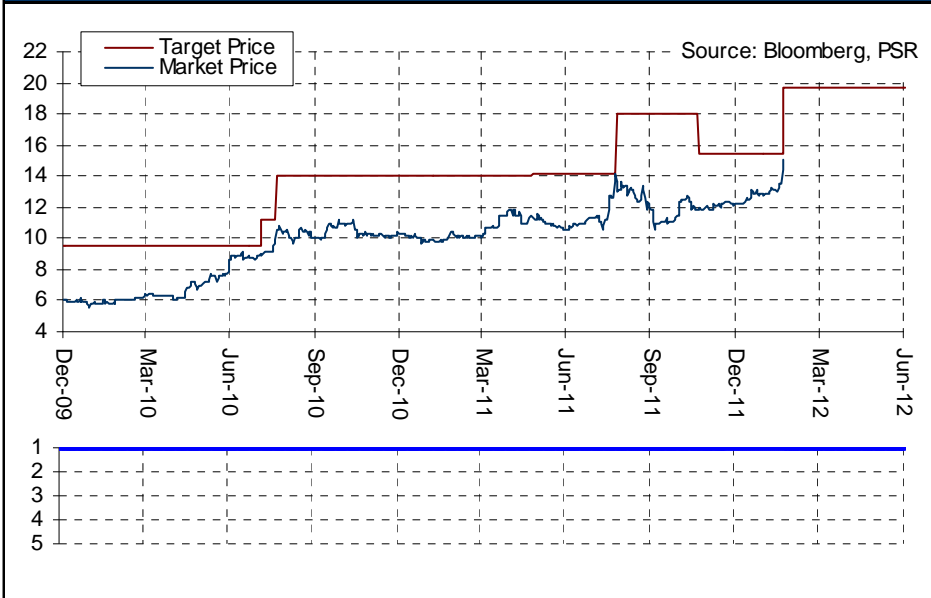
AS had signed contract to sell offline games for Blizzard. The contract has 2-3 years life and should help add to revenue. There are other suppliers wanting AS to sell their games in view of AS presence in various countries. We thus expect more deals to be finalized in the near future.

'BUY' rating with target price of Bt19.70/share

We continue to maintain our forecasted net profit for CY2011 at Bt282.33mn. For 4QCY11, we foresee weaker performance as a result of the flooding. Total revenue is projected at Bt1,655mn.

For CY2012, we have upgraded our revenue forecasts to Bt2,287mn due to acquisition of CIB and sales offline games for Blizzard, as well as new venture into the Philippines. Earnings are projected to increase to Bt432.25mn from previously Bt377.22mn. We also expect the company to reduce capital in the amount of 8.50mn treasury shares. We have upgraded As's P/E rating from 13x to 14x, which was the level before the floods. Out price target is adjusted to Bt19.70/share and we maintain our 'BUY' rating on the stock.

Ratings History



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
>-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Results Presentation

Score Range	Number of Logo
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

The disclosure of the survey result of the Thai Institute of Directors Association (IOD) regarding corporate governance is made pursuant to the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative disclosed to the public and able to be accessed by a general public investor. The results, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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