

Thailand Company Focus

Asiasoft Corporation

Bloomberg: AS.TB | Reuters: AS.BK

DBS Group Research . Equity

23 Feb 2012

BUY Bt14.60 SET : 1137.82

Price Target : 12-month Bt 18.00 (Prev Bt 15.50)

Reason for Report: Company update & analyst meeting

Potential Catalyst: Strong APA and ARPU growth

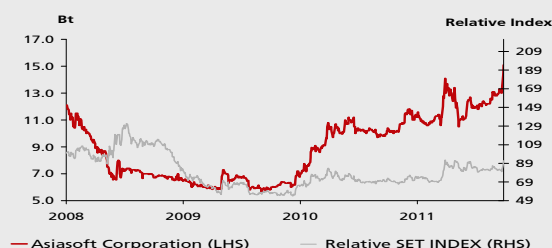
DBSV vs Consensus: Above consensus

Analyst

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Price Relative



Forecasts and Valuation

| FY Dec (Bt m) | 2010A | 2011F | 2012F | 2013F |
|---------------------|-------|-------|-------|-------|
| Revenue | 1,512 | 1,633 | 2,028 | 2,095 |
| EBITDA | 468 | 462 | 566 | 592 |
| Pre-tax Profit | 367 | 358 | 446 | 462 |
| Net Profit | 264 | 282 | 343 | 369 |
| Net Pft (Pre Ex.) | 264 | 282 | 343 | 369 |
| EPS (Bt) | 0.8 | 0.9 | 1.1 | 1.2 |
| EPS Pre Ex. (Bt) | 0.8 | 0.9 | 1.1 | 1.2 |
| EPS Gth (%) | 45 | 6 | 22 | 8 |
| EPS Gth Pre Ex (%) | 45 | 6 | 22 | 8 |
| Diluted EPS (Bt) | 0.8 | 0.9 | 1.1 | 1.2 |
| Net DPS (Bt) | 0.8 | 0.8 | 1.0 | 1.1 |
| BV Per Share (Bt) | 4.0 | 4.1 | 4.2 | 4.3 |
| PE (X) | 17.4 | 16.4 | 13.4 | 12.5 |
| PE Pre Ex. (X) | 17.4 | 16.4 | 13.4 | 12.5 |
| P/Cash Flow (X) | 11.1 | 12.1 | 11.8 | 9.1 |
| EV/EBITDA (X) | 7.9 | 8.2 | 6.8 | 6.4 |
| Net Div Yield (%) | 5.8 | 5.8 | 7.1 | 7.6 |
| P/Book Value (X) | 3.6 | 3.6 | 3.4 | 3.4 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH |
| ROAE (%) | 21.1 | 22.0 | 26.1 | 27.3 |

Earnings Rev (%) : 8.9 9.6
Consensus EPS (Bt): 0.9 1.1
Other Broker Recs: B: 2 S: 0 H: 0

ICB Industry : Consumer Goods

ICB Sector: Leisure Goods

Principal Business: Asiasoft is the largest provider of online game services in Southeast Asia. It had present in Thailand, Singapore, Malaysia and Indonesia).

Corporate Governance

CG Rating (2010)



Source of all data: Company, DBS Vickers, Bloomberg

CIB deal value-enhancing

- CIB acquisition will turn Asiasoft into Malaysia's largest online game service provider
- Acquisition price fair at 8x FY11A PE and 3x P/BV; CIB will enhance Asiasoft's net profit by c.7%
- Reiterate BUY for strong earnings recovery and attractive 7.1% FY12F dividend yield; TP revised to Bt18.00, pegged to 16.5x FY12F PE

Acquiring CIB. CIB is the largest online game service provider in Malaysia with 26% market share. After the deal, Asiasoft will be the largest in the country with a combined 43% market share (CIB: 26%, ASM: 17%).

Value-enhancing. CIB generates MYR3.8-4.0m core profit annually (Bt41-43m), and acquiring 61.7% stake in the company would contribute c.Bt26m profit to Asiasoft. Given the acquisition cost of MYR26m (Bt281m) and return for Asiasoft deposit at 1% pa., its interest income should be shaved by only c.Bt3m a year. All in, the deal will enhance Asiasoft's bottom line by Bt23m (EPS: Bt0.07) or c.7%.

Raised earnings and TP; reiterate BUY. We upgraded earnings by 8.9% for FY12F and 9.6% for FY13F, and TP to Bt18.00, after including CIB contribution and fine-tuning some assumptions.

At A Glance

| | |
|--------------------------------------|-------------|
| Issued Capital (m shrs) | 316 |
| Mkt. Cap (Btm/US\$m) | 4,612 / 150 |
| Major Shareholders | |
| Pramoth Sudjitporn (%) | 41.8 |
| Asia Investment Partners Limited (%) | 10.5 |
| Mr.Tan Tgow Lim (%) | 9.4 |
| Free Float (%) | 16.5 |
| Avg. Daily Vol.('000) | 129 |

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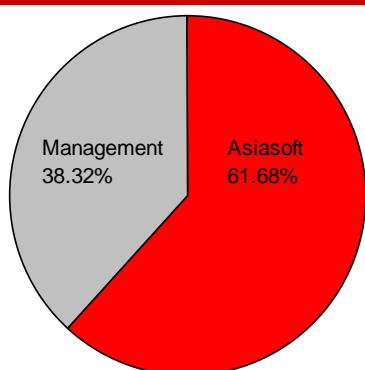
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Asiasoft Corporation

Acquiring CIB: Value-enhancing deal

Acquiring 61.7% stake in CIB. Asiasoft is acquiring a 61.68% stake in CIB Development Sdn Bhd (CIB) from external shareholders. Meanwhile, the management (Alan Ku and Chua Wee Yee), who still has 38.32% stake in CIB, will continue to run the company.

Post-acquisition: Shareholding structure of CIM



Source: Company and DBS Vickers

CIB at a glance. CIB was incorporated in 2003. The company was awarded Multimedia Super Corridor Status (MSC status) in Apr 2009, and is eligible for tax exemption for five plus five years.

CIB's products. Currently, CIB has a total of 15 online games in operation: 10 MMORPG, 2 FPS, 2 web games, and one casual game. CIB is larger than Asiasoft's subsidiary, Asiasoft Malaysia (ASM), which has only three games in the market.

Benefits & synergies

1) Ranking moves to No.1 overnight. CIB is the largest online game service provider in Malaysia with 26% market share, while ASM is the third largest with 17% share. After the acquisition, the group will be the largest online game service provider in the country with a combined 43% market share (CIB: 26%, ASM: 17%).

2) Strong in both Chinese and Korean content. While CIB is strong in Chinese game content, ASM leads in Korean content. Hence, the acquisition would help Asiasoft to extend its reach to Chinese-content players.

CIB vs. ASM

| | CIB | ASM |
|---------------|-----------------|----------------|
| Market rank | No. 1 | No. 3 |
| Market share | 26% | 17% |
| Active gamers | 190,000 | 140,000 |
| Paying users | 40,000 | 18,000 |
| ARPU (3Q11) | MYR62 | MYR35 |
| Strength | Chinese content | Korean content |
| Headcount | 103 | 60 |

Source: Company and DBS Vickers

3) Cost savings. Asiasoft does not plan to integrate ASM operations with CIB's. Rather, Asiasoft plans to create synergies by coordinating the entities' distribution channels, expertise sharing, advertising, etc.

4) Deal is EPS accretive. CIB generates MYR3.8-4.0m core profit annually (Bt41-43m), and acquiring 61.7% stake in the company would contribute c.Bt26m profit to Asiasoft. Given acquisition cost of MYR26m (Bt281m) and Asiasoft's return from deposit at only 1%, its interest income should be shaved by only c.Bt3m a year. All in, the deal will enhance Asiasoft's bottom line by Bt23m (EPS: Bt0.07) or c.7%.

CIB acquisition: EPS accretive deal

| Description | Details |
|---|---------------------|
| Annual CIB core profit | Bt42m (MYR3.9m) |
| AS acquiring stake | 61.68% |
| Earnings contribution | Bt26m |
| Acquisition price | Bt281m (MYR 26.21m) |
| AS's return from deposit | 1.0% |
| Reduction in interest income | Bt2.8m |
| Not profit accretive | Bt23m |
| Not profit accretive / share | Bt0.07 |
| FY12F NP est. (before factoring in CIB) | Bt315m |
| AS's NP to be enhanced by | 7.3% |

Source: Company and DBS Vickers

Plans for 2012

New game launches in 2012F. Asiasoft plans to launch up to 27 new games in 2012, but the management believes 15-20 may be more realistic this year.

Expanding into the Philippines. Asiasoft will set up a new branch office in the Philippines and launch three new games there this year. To minimise costs and risks, it will use its server in Singapore for online games played in the Philippines market.

Expanding into Indonesia. Asiasoft expanded into Indonesia in 2011 and will launch four more games there this year. The management expects its Indonesian operation to breakeven in the next two years. Indonesia has a 242m population and 30m internet users, implying strong growth potential.

Vietnam plans shelved for now. Asiasoft management has several times mentioned going into Vietnam directly. But they told us recently that it will not be so soon, given the messy regulations and weak profitability of current operators in the market. This decision supports our view that the management has quality and integrity - they focus on profitability, rather than growing top line or market share.

2012 New games launch plan (maximum)

| | Company | 1Q12 | 2Q12 | 3Q12 | 4Q12 | Total New Games in 2012 | Existing Games in 2011 | Total Games in 2012 |
|----------------------|------------------|---|---|-------------------------------|--------------------------|-------------------------|------------------------|---------------------|
| Thailand | ASC | 1. Camon Hero (MMORPG) 2. R2Beat (Casual) 3. ARGO (MMORPG) 4. Dragon Nest (MMORPG) | 1. Audition 2 (Casual) 2. Football Club Manager (Casual) 3. Football City Star (Casual) 4. CSO (FPS) | Project K (Casual) | Fancy PFS (FPS) | 10 | 19 | 29 |
| | Funbox | Free Jack (Casual) | QT Online (MMORPG) | HY2 (MMORPG) | | 3 | 7 | 10 |
| | Thailand | 5 | 5 | 2 | 1 | 13 | 26 | 39 |
| Overseas | Singapore (ASO)* | Audition 2 (Casual) | | Bounty Hounds Online (MMORPG) | | 2 | 6 | 8 |
| | Malaysia (ASM)* | | ARGO (MMORPG) | | Ragnarok 2 (MMORPG) | 2 | 3 | 5 |
| | Malaysia (CIB) | 1. Wang Dao online (MMORPG) 2. Legend of Ming (Web) | 1. Joumey to the west (MMORPG) 2. Warrior King online (MMORPG) 3. Dao jian xial (MMORPG) 4. Qtie online (MMORPG) | | Xi you tian xia (MMORPG) | 7 | 15 | 22 |
| | Indonesia | AVA (FPS) | ARGO (MMORPG) | Brawl Buster (Casual) | Rusty Heart (MMORPG) | 4 | 1 | 5 |
| | Philippines | Maple Story (MMORPG) | | Sudden Attack (FPS) | AVA (FPS) | 3 | 0 | 3 |
| | Vletnam | Yulgang (relaunch) (MMORPG) | Bubble Ninja (Web) | 3 Kingdoms 2 (MMORPG) | | 3 | 6 | 9 |
| | Overseas | 6 | 6 | 4 | 4 | 16 | 14 | 30 |
| Grand Total** | 11 | 11 | 6 | 5 | 27 | 33 | 60 | |

* Based on a server location but gamers could log in from both countries

** Non-repeat game title counting

Source: Company, DBS Vickers

4Q11F result preview

Expect softer earnings in 4Q11F. Normally, 4Q is high season for online game usage due to school breaks in Thailand (Oct) and Singapore (Nov-Dec). However, the floods would have had a negative impact last quarter by reducing patronage at Internet cafés in flood-hit areas. Approximately 30% of Asiasoft's total Internet café members are flooded. However, the impact on revenue has not been severe.

Also, we expect its SG&A expenses to rise both y-o-y and q-o-q, following (i) higher marketing activities (three new game launches in Thailand and one game launch in Indonesia) in 4Q11, (ii) flood allowance to staff, and (iii) year-end cost adjustments. All in, we expect net profit to soften 14% y-o-y and 13% q-o-q to Bt60m in 4Q11F.

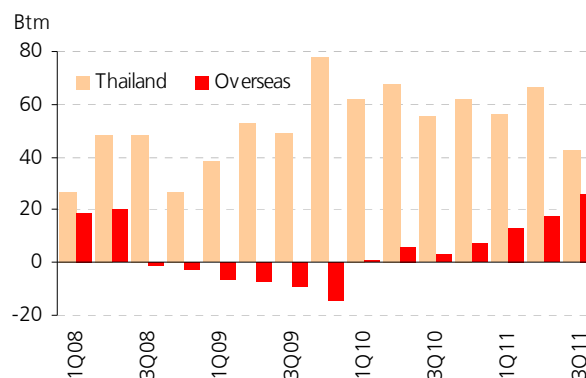
Asiasoft: 4Q11F result preview

| YE Dec (Btm) | 4Q10 | 3Q11 | 4Q11F | Chg y-o-y | Chg q-o-q |
|--------------------------|------------|------------|------------|--------------|--------------|
| Profit & Loss | | | | | |
| Turnover | 438 | 394 | 439 | 0.2% | 11.6% |
| COGS | -204 | -188 | -210 | 3.3% | 11.7% |
| Deprec. & amor. | -29 | -31 | -32 | 11% | 2.9% |
| Gross profit | 206 | 174 | 197 | -4.4% | 13.0% |
| SG&A | -114 | -105 | -127 | 11% | 21% |
| Op. profit | 91 | 69 | 70 | -24% | 1.2% |
| Oth. inc. | 10 | 4 | 5 | -47% | 27% |
| Net int. inc./(exp.) | 3 | 4 | 4 | 35% | -5.2% |
| EBT | 104 | 77 | 79 | -25% | 2.2% |
| Inc. tax | -35 | -8 | -19 | -46% | 125% |
| Net profit | 69 | 69 | 60 | -14% | -13% |
| EPS. | 0.22 | 0.22 | 0.19 | -14% | -13% |
| | | | | | |
| Gross margin | 47% | 44% | 45% | | |
| EBITDA (Btm) | 130 | 104 | 107 | | |
| EBITDA margin | 30% | 26% | 24% | | |
| Tax rate | 34% | 11% | 24% | | |

Source: Company and DBS Vickers

Estimate 7% earnings growth in FY11F. Growth will be driven by the strong recovery of overseas operations. Earnings contribution from its overseas unit had been improving in recent quarters, due to (i) renewed popularity of Maple Story and Audition in Singapore, and (ii) successful cost cut measures.

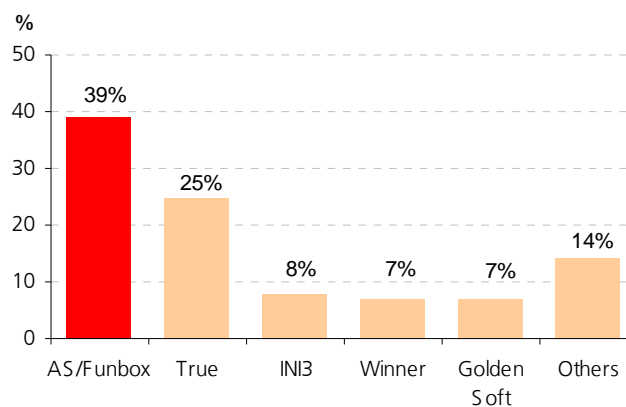
Asiasoft: Earnings by geographical segments



Source: Company and DBS Vickers

Strong foothold in Thai market. Asiasoft remains the largest online game service provider in Thailand with 39% market share. And it will continue to dominate, supported by its diversified game portfolio and savvy management.

Thailand: Online gaming market share in 4Q11



Source: Company and DBS Vickers

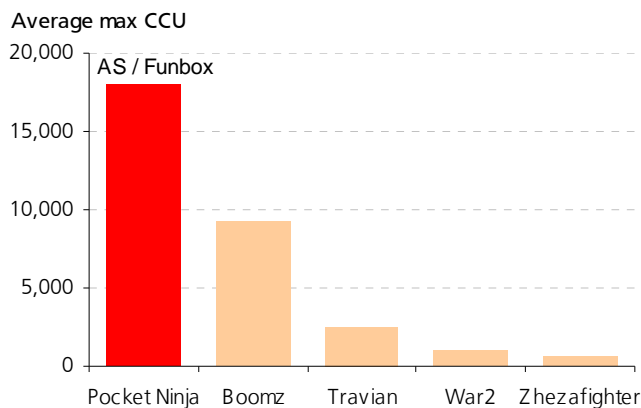
Note: Market share is based on Average Max CCU

Earnings outlook

Expect strong earnings in 1Q12F. Response to its new game Pocket Ninja, and usage in existing game YulGang, have been encouraging. Pocket Ninja is the most successful web game launched by the company, and is the most popular web game in the market currently.

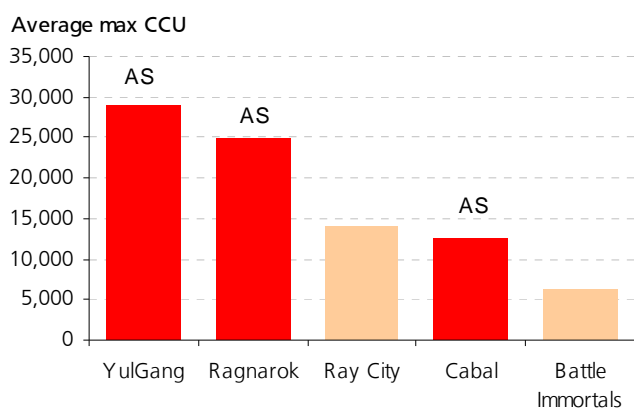
Dragon Nest, which is expected to be successful, will be launched in Mar 2012. According to a poll, Dragon Nest is the game that online gamers are looking forward to currently.

Thailand: Top five Web games in 4Q11 (total 19)



Source: Company and DBS Vickers

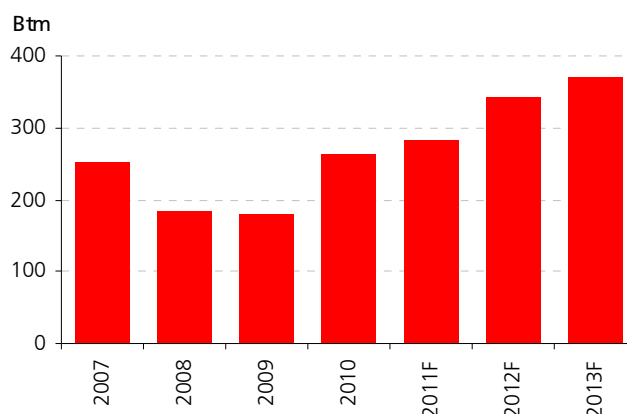
Thailand: Top five MMORPG in 4Q11 (total 73)



Source: Company and DBS Vickers

Expect 22% net profit growth in FY12F. This would be premised on (i) 15-27 new game launches, (ii) recovery of overseas operations, (iii) earnings contribution from CIB for three quarters, and (iv) tax rate cut.

Asiasoft: Annual net profit



Source: Company and DBS Vickers

Looking for more M&As. Asiasoft will continue to expand its operations organically and via M&A. The management has reaffirmed that they are seeking more attractive M&A deals, like the CIB deal.

Upside risk from possible c.Bt60m provision reversal. There is a fair chance that Asiasoft would reverse a c.Bt60m provision and book that as extra gain in FY12F. It had earlier booked c.Bt40m provision for investment in Malaysia (ASM) and c.Bt20m for overdue receivables from its sub-licensed operator in Vietnam.

However, ASM has since turned around, and its Vietnam sub- licensee has since repaid most of the overdue receivables made in 2011. The sub- licensee may soon start to pay off its overdue debts taken before 2011.

Note that we have not factored in these possible gains into our profit model.

Recommendation

Raised earnings and TP. We believe the CIB deal will go through. Coupled with the increasing popularity of its games and after fine-tuning our assumptions, we upgraded earnings by 8.9% for FY12F and 9.6% for FY13F. As a result, our target price is revised up from Bt15.50 to Bt18.00, pegged to 16.50x FY12F PE.

Reiterate BUY for Asiasoft. The stock offers strong earnings momentum and attractive dividend yield of 7.1% for FY12F.

Asiasoft Corporation

Comparison: Online Games Companies

| BB Ticker | Name | Market Cap (US\$m) | PE (x) | | P/BV (x) | | EV/EBITDA (x) | | Div Yield (%) | ROE (%) |
|-------------------------|------------------------------|-----------------------|-------------|-------------|-------------|------------|------------------|-------------|------------------|-------------|
| | | | 11F | 12F | 11F | 12F | 11F | 12F | | |
| 035420 KS | NHN CORP | 9,870 | 19.0 | 16.0 | 5.1 | 4.0 | 12.5 | 10.8 | 0.2 | 29.6 |
| 036570 KS | NCISOFT CORPORATION | 5,413 | 27.1 | 14.2 | 5.7 | 4.2 | 20.5 | 11.0 | 0.3 | 22.0 |
| 095660 KS | NEOWIZ GAMES CORP | 823 | 8.9 | 8.0 | 2.4 | 1.9 | 5.9 | 5.0 | - | 30.3 |
| 5478 TT | SOFT-WORLD INTL CORP | 344 | 14.4 | 13.8 | nm | nm | nm | nm | 6.2 | nm |
| 6180 TT | GAMANIA DIGITAL ENTERTAINMEN | 164 | 23.2 | 17.2 | 1.9 | 1.7 | nm | nm | 3.2 | 8.9 |
| 3888 HK | KINGSOFT CORP LTD | 529 | 10.3 | 9.6 | 2.0 | 1.8 | 5.3 | 5.0 | 2.9 | 16.5 |
| 700 HK | TENCENT HOLDINGS LTD | 46,798 | 28.1 | 22.6 | 11.7 | 8.4 | 21.2 | 16.5 | 0.3 | 38.7 |
| GIGM US | GIGAMEDIA LTD | 71 | nm | nm | nm | nm | nm | nm | nm | nm |
| NCTY US | THE9 LTD-ADR | 193 | nm | nm | nm | nm | 0.3 | (0.5) | nm | (32.9) |
| NTES US | NETEASE.COM INC-ADR | 6,278 | 10.7 | 9.4 | 2.4 | 2.0 | 6.1 | 5.4 | - | 25.6 |
| SINA US | SINA CORP | 4,221 | 69.5 | 46.9 | 3.8 | 3.5 | 93.9 | 43.1 | - | (10.8) |
| SNDA US | SHANDA INTERACTIVE-SPON ADR | 2,333 | 34.9 | 24.4 | 1.7 | 1.6 | 11.5 | 8.9 | - | 3.8 |
| SOHU US | SOHU.COM INC | 1,863 | 12.9 | 9.6 | 1.6 | 1.4 | 4.2 | 3.3 | - | 14.9 |
| AS TB | ASIASOFT CORP PCL | 150 | 16.4 | 13.4 | 3.6 | 3.4 | 8.2 | 6.8 | 5.8 | 22.0 |
| Average (simple) | | | 22.9 | 17.1 | 3.8 | 3.1 | 17.2 | 10.5 | 1.6 | 14.1 |

Source: Bloomberg and DBS Vickers

Key Assumptions

| FY Dec | 2009A | 2010A | 2011F | 2012F | 2013F |
|---------------------------|---------|---------|---------|---------|---------|
| Domestic APAs | 195,553 | 183,200 | 147,476 | 150,425 | 153,434 |
| ARPU (Bt) | 320 | 421 | 540 | 562 | 567 |
| Overseas APAs | 46,423 | 51,169 | 49,634 | 91,625 | 93,457 |
| ARPU (Bt) | 644 | 709 | 948 | 742 | 757 |
| SG&A/Sales (%) | 26 | 25 | 26 | 25 | 25 |
| Effective tax rate (%) | 35 | 28 | 21 | 23 | 20 |
| Capex (Btm) | 164 | 112 | 190 | 140 | 140 |
| Dividend payout ratio (%) | 98 | 100 | 95 | 95 | 95 |

Sensitivity Analysis

| | 2011 |
|-------------|---------------------|
| APA +/- 1% | Net Profit +/- 0.8% |
| ARPU +/- 1% | Net Profit +/- 0.8% |

Segmental Breakdown

| FY Dec | 2009A | 2010A | 2011F | 2012F | 2013F |
|--------------------------|--------------|--------------|--------------|----------------|----------------|
| Revenues (Bt m) | | | | | |
| -Item Sale (Thai) | 751 | 925 | 956 | 1,014 | 1,044 |
| -Item Sale (Sing-Malay) | 359 | 435 | 564 | 816 | 849 |
| -Distribution | 372 | 124 | 85 | 169 | 173 |
| -Others | 47 | 28 | 29 | 29 | 30 |
| Total | 1,529 | 1,512 | 1,633 | 2,028 | 2,095 |
| Cost (Bt m) | | | | | |
| Cost of Online Services | (672) | (733) | (847) | (1,032) | (1,065) |
| Cost of Distribution | (173) | (50) | (36) | (69) | (71) |
| Cost of Others | (17) | (10) | (11) | (11) | (11) |
| Total | (862) | (793) | (893) | (1,112) | (1,147) |
| Gross Margins (%) | | | | | |
| Online Services | 38 | 46 | 44 | 44 | 44 |
| Distribution | 54 | 60 | 58 | 59 | 59 |
| Others | 64 | 64 | 62 | 63 | 63 |
| Total | 42 | 48 | 45 | 45 | 45 |

Bt9m tax refund in Singapore

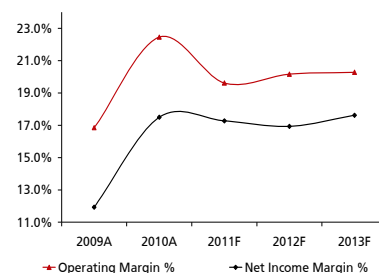
Boosted by CIB contribution

Income Statement (Bt m)

| FY Dec | 2009A | 2010A | 2011F | 2012F | 2013F |
|----------------------------|------------|------------|------------|------------|------------|
| Revenue | 1,496 | 1,512 | 1,633 | 2,028 | 2,095 |
| Cost of Goods Sold | (862) | (793) | (893) | (1,112) | (1,147) |
| Gross Profit | 634 | 718 | 740 | 916 | 949 |
| Other Opng (Exp)/Inc | (382) | (379) | (420) | (507) | (524) |
| Operating Profit | 252 | 339 | 320 | 409 | 425 |
| Other Non Opg (Exp)/Inc | 11 | 17 | 23 | 28 | 29 |
| Associates & JV Inc | 0 | 0 | 0 | 0 | 0 |
| Net Interest (Exp)/Inc | 10 | 11 | 15 | 9 | 7 |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 274 | 367 | 358 | 446 | 462 |
| Tax | (95) | (102) | (76) | (103) | (92) |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Preference Dividend | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 178 | 264 | 282 | 343 | 369 |
| Net Profit before Except. | 178 | 264 | 282 | 343 | 369 |
| EBITDA | 389 | 468 | 462 | 566 | 592 |
| Growth | | | | | |
| Revenue Gth (%) | (5.8) | 1.1 | 8.0 | 24.2 | 3.3 |
| EBITDA Gth (%) | (4.4) | 20.5 | (1.3) | 22.6 | 4.5 |
| Opg Profit Gth (%) | 5.1 | 34.7 | (5.6) | 27.6 | 3.9 |
| Net Profit Gth (%) | (3.6) | 48.2 | 6.7 | 21.7 | 7.5 |
| Margins & Ratio | | | | | |
| Gross Margins (%) | 42.4 | 47.5 | 45.3 | 45.2 | 45.3 |
| Opg Profit Margin (%) | 16.8 | 22.5 | 19.6 | 20.2 | 20.3 |
| Net Profit Margin (%) | 11.9 | 17.5 | 17.3 | 16.9 | 17.6 |
| ROAE (%) | 14.3 | 21.1 | 22.0 | 26.1 | 27.3 |
| ROA (%) | 10.5 | 15.2 | 15.7 | 18.5 | 19.2 |
| ROCE (%) | 12.8 | 19.3 | 19.5 | 23.7 | 24.8 |
| Div Payout Ratio (%) | 98.3 | 100.0 | 95.0 | 95.0 | 95.0 |
| Net Interest Cover (x) | NM | NM | NM | NM | NM |

Source: Company, DBS Vickers

Margins Trend



Tax reversal from SG

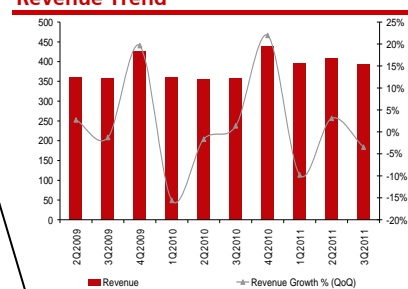
Asiasoft Corporation

Quarterly / Interim Income Statement (Bt m)

| FY Dec | 3Q2010 | 4Q2010 | 1Q2011 | 2Q2011 | 3Q2011 |
|-------------------------|------------|------------|------------|------------|------------|
| Revenue | 359 | 438 | 395 | 408 | 394 |
| Cost of Goods Sold | (188) | (233) | (213) | (220) | (220) |
| Gross Profit | 171 | 206 | 183 | 188 | 174 |
| Other Oper. (Exp)/Inc | (94) | (114) | (97) | (91) | (105) |
| Operating Profit | 77 | 91 | 86 | 97 | 69 |
| Other Non Opg (Exp)/Inc | 1 | 10 | 3 | 10 | 4 |
| Associates & JV Inc | 0 | 0 | 0 | 0 | 0 |
| Net Interest (Exp)/Inc | 3 | 3 | 3 | 4 | 4 |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 81 | 104 | 92 | 111 | 77 |
| Tax | (22) | (35) | (22) | (27) | (8) |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 59 | 69 | 70 | 84 | 69 |
| Net profit bef Except. | 59 | 69 | 70 | 84 | 69 |
| EBITDA | 103 | 130 | 117 | 134 | 104 |
| Growth | | | | | |
| Revenue Gth (%) | 1.4 | 22.0 | (9.8) | 3.1 | (3.5) |
| EBITDA Gth (%) | (16.4) | 25.8 | (9.9) | 13.9 | (22.2) |
| Opg Profit Gth (%) | (17.9) | 19.0 | (6.5) | 13.4 | (29.1) |
| Net Profit Gth (%) | (20.8) | 18.2 | 1.1 | 19.7 | (18.2) |
| Margins | | | | | |
| Gross Margins (%) | 47.6 | 46.9 | 46.2 | 46.0 | 44.2 |
| Opg Profit Margins (%) | 21.4 | 20.9 | 21.6 | 23.8 | 17.5 |
| Net Profit Margins (%) | 16.3 | 15.8 | 17.7 | 20.5 | 17.4 |

Source: Company, DBS Vickers

Revenue Trend

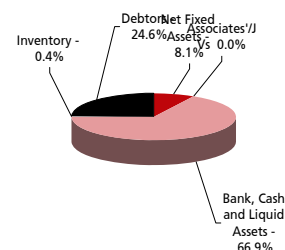


Weak domestic online revenue

Balance Sheet (Bt m)

| FY Dec | 2009A | 2010A | 2011F | 2012F | 2013F |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets | 128 | 107 | 100 | 68 | 31 |
| Invt in Associates & JVs | 0 | 0 | 0 | 0 | 0 |
| Other LT Assets | 339 | 366 | 449 | 497 | 541 |
| Cash & ST Invt | 812 | 887 | 826 | 784 | 816 |
| Inventory | 11 | 5 | 5 | 7 | 7 |
| Debtors | 291 | 281 | 303 | 377 | 389 |
| Other Current Assets | 120 | 124 | 134 | 166 | 171 |
| Total Assets | 1,700 | 1,770 | 1,818 | 1,898 | 1,956 |
| ST Debt | 5 | 4 | 0 | 0 | 0 |
| Other Current Liab | 446 | 483 | 510 | 544 | 570 |
| LT Debt | 6 | 2 | 6 | 6 | 6 |
| Other LT Liabilities | 3 | 8 | 9 | 9 | 9 |
| Shareholder's Equity | 1,240 | 1,273 | 1,293 | 1,339 | 1,370 |
| Minority Interests | 0 | 0 | 0 | 0 | 0 |
| Total Cap. & Liab. | 1,700 | 1,770 | 1,818 | 1,898 | 1,956 |
| Non-Cash Wkg. Capital | (24) | (74) | (68) | 5 | (3) |
| Net Cash/(Debt) | 801 | 881 | 820 | 778 | 810 |
| Debtors Turn (avg days) | 64.2 | 69.0 | 65.3 | 61.2 | 66.7 |
| Creditors Turn (avg days) | 22.0 | 20.5 | 18.9 | 17.7 | 19.5 |
| Inventory Turn (avg days) | 6.7 | 4.3 | 2.4 | 2.2 | 2.4 |
| Asset Turnover (x) | 0.9 | 0.9 | 0.9 | 1.1 | 1.1 |
| Current Ratio (x) | 2.7 | 2.7 | 2.5 | 2.5 | 2.4 |
| Quick Ratio (x) | 2.4 | 2.4 | 2.2 | 2.1 | 2.1 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH | CASH |
| Net Debt/Equity ex MI (X) | (0.6) | (0.7) | (0.1) | (0.6) | (0.6) |
| Capex to Debt (%) | 1,062.0 | 1,589.5 | 1,870.6 | 1,612.0 | 1,675.6 |
| Z-Score (X) | NA | 6.5 | 7.0 | 6.9 | 6.7 |

Asset Breakdown (2011)

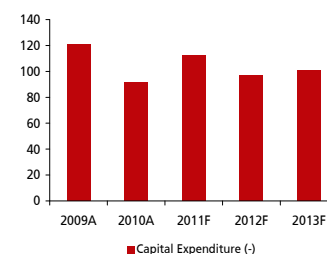


Strong B/S with net cash position

Cash Flow Statement (Bt m)

| FY Dec | 2009A | 2010A | 2011F | 2012F | 2013F |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Pre-Tax Profit | 274 | 367 | 358 | 446 | 462 |
| Dep. & Amort. | 125 | 112 | 119 | 129 | 138 |
| Tax Paid | (95) | (102) | (76) | (103) | (92) |
| Assoc. & JV Inc/(loss) | 0 | 0 | 0 | 0 | 0 |
| Chg in Wkg.Cap. | (40) | 0 | (4) | (26) | 1 |
| Other Operating CF | (18) | 37 | (16) | (55) | 0 |
| Net Operating CF | 246 | 413 | 380 | 391 | 508 |
| Capital Exp.(net) | (121) | (91) | (112) | (97) | (101) |
| Other Invt.(net) | 39 | (9) | 0 | (1) | (1) |
| Invt in Assoc. & JV | 0 | 0 | 0 | 0 | 0 |
| Div from Assoc & JV | 0 | 0 | 0 | 0 | 0 |
| Other Investing CF | (25) | (13) | (82) | (47) | (44) |
| Net Investing CF | (107) | (114) | (194) | (144) | (145) |
| Div Paid | (161) | (243) | (263) | (297) | (338) |
| Chg in Gross Debt | (47) | (6) | 0 | 0 | 0 |
| Capital Issues | (39) | 6 | 2 | 0 | 0 |
| Other Financing CF | 10 | 17 | 15 | 9 | 7 |
| Net Financing CF | (237) | (225) | (247) | (288) | (331) |
| Currency Adjustments | 0 | 0 | 0 | 0 | 0 |
| Chg in Cash | (98) | 75 | (61) | (42) | 32 |
| Opg CFPS (Bt) | 0.9 | 1.3 | 1.2 | 1.3 | 1.6 |
| Free CFPS (Bt) | 0.4 | 1.0 | 0.8 | 0.9 | 1.3 |

Capital Expenditure



Strong cash flows

Source: Company, DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10 to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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| Score Range | Number of Logo | Description | Disclaimer & Disclosure |
|-------------|---|--------------|--|
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| 70-79 |  | Good | |
| 60-69 |  | Satisfactory | |
| 50-59 |  | Pass | |
| >50 | N/A | N/A | |