

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.

- 4QCY11 net profit came out stronger than expected largely attributed to local business recovery. However, the Indonesia operation, which was just opened, registered a net loss. Following earnings announcement, AS declared 2HCY11 dividend of Bt0.343/share. XD sign will be posted on May 3.
- An expansion of the customer base by entering into Indonesia and the Philippines where population density is high will likely benefit AS's earnings performance. Furthermore, AS plans to mark its footprints into other countries.
- New service is geared up to provide to a new partnership "Trion Worlds" and anticipated success in the newly launched online game will be the catalysts to earnings growth. AS is also expected to reverse 2 investment impairment transactions worth Bt70mn this year.
- Our 'BUY' recommendation remained unchanged with a target price of Bt19.70/share. This still has not yet factored in the investment impairment reversals.

What is the news?

The expansion of customer base in overseas markets coupled with more services provided will become catalysts to maintain earnings growth momentum for CY12.

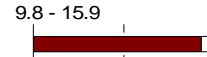
How do we view this?

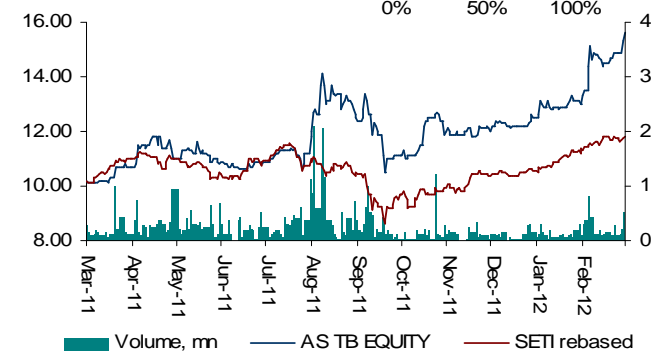
Earnings are expected to be shining stronger than expected given the impairment reversals of two items, a possibility of more acquisitions, and new overseas business ventures.

Investment Actions?

We maintain our 'BUY' recommendation with a target price of Bt19.70/share for CY2012 and dividend payment valued Bt1.41/share.

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	19.7	
- Previous Target Price (Bt)	19.7	
Closing Price (Bt)	15.50	
Expected Capital Gains (%)	27.1%	
Expected Dividend Yield (%)	9.1%	
Expected Total Return (%)	36.2%	
Raw Beta (Past 2yrs weekly data)	0.33	
Market Cap. (USD mm)	159	
Enterprise Value (USD mm)	128	
Market Cap. (Bt mm)	4,897	
Enterprise Value (Bt mm)	3,919	
3MAverage Daily T/O (mm)	0.2	
52 week range	9.8 - 15.9	
Closing Price in 52 week range		



Major Shareholders

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

CG Report - 2011



Key Financial Summary

FYE Dec	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	1,512	1,638	2,287	2,569
Net Profit (Btmn)	264	296	432	519
EPS (Bt)	0.84	0.94	1.41	1.69
Net Profit, adj. (Btmn)	264	296	432	519
EPS, adj. (Bt)	0.84	0.94	1.41	1.69
P/E (X),adj.	18.5	16.5	11.0	9.2
BVPS (Bt)	4.05	4.17	4.52	4.96
P/B (X)	3.8	3.7	3.4	3.1
DPS (Bt)	0.84	0.76	1.41	1.69
Div. Yield (%)	5.4	4.9	9.1	10.9

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E12 (14x)

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4QCY11 came out healthier than expected

AS reported a slight increase in 4QCY11 net profit by 7.07% y-y to Bt74.11mn, versus our projected figure at Bt60.03mn. Despite the recent inundation had slightly dragged down local revenue, profit turned in better. Overseas businesses posted higher revenue, but lower profit due to a recognition of losses in the Indonesia business, which was recently opened.

Revenue from services inched up 0.66% y-y to Bt441.03mn. Local revenue slid 2.14%, but overseas revenue rose 6.28%. Revenue contribution from local amounted to 65% with the remaining 35% from overseas. Costs and SG&A charges increased by 6.76% y-y and 14.88% y-y in line with new online games launched thereby increasing royalty fees and marketing charges. Investment in new servers and new recruits to cope with business expansion also added to the expense items. Meanwhile, other revenues surged 82.75%. On the profit side, local operation saw a growth of 10.47%, while overseas' posted gloomy performance with a drop of 62.77% y-y. Stripping out the Bt15mn losses in Indonesia, the overseas units recorded a fantastic earnings growth of 140% y-y.

For the entire CY11, overall revenue increased 8.32% to Bt1,637.57mn. Its net profit grew by 12.08% y-y to Bt296.42mn. Local businesses recorded a 5.66% drop in profit versus a 252.76% skyrocketed growth in overseas businesses. AS declared an interim dividend of Bt0.343/share for 2HCY11. XD sign will be posted on May 3 and payment on May 21. The whole-year dividend for CY2011 is Bt0.756/share with a payout ratio at 80.60%, lower versus the earlier expectation of 100% as AS's subsidiary "Asiasoft International" was at a loss and unable to pay dividend to AS.

Customer base expansion in overseas markets remain positive to earnings performance

AS's overseas business ventures included (i) an acquisition of a 61.68% stake in the top Malaysian online game firm "CIB Development" and (ii) an opening of a new company in Indonesia; and (iii) an expansion of new branches in the Philippines.

(i) The partial acquisition in CIB Development, coupled with AS's subsidiary in Malaysia, helped increased AS's market share to 43%. CIB plans to offer Malaysian language online game which will obviously capture more market share. (ii, iii) Indonesia and the Philippines has combined population of approx 350mn people, 4x larger than 191mn people in its current customer base. We therefore foresee high success opportunity in these markets. Although the business in Indonesia recorded Bt15mn losses in CY2011, we are optimistic of a brighter earnings prospect supported by more new online games to be launched and a full-year operation. In spite of a moderate response of the first released online game in Indonesia, an ARPU/month (average revenue per user) turned in surprisingly stronger than those in Singapore and Thailand.

An investment in Vietnam marched slowly due to the government's stringent regulations are still unfavorable to the online game service business. Only thing it can do is to seek for a sub-license. If there would be an opportunity, Vietnam will become a very attractive market as its online game market is considered the largest in South East Asia.

Moreover, AS has a plan to venture into other countries, such as Myanmar, Cambodia, Australia and New Zealand.

Collaboration with Trion World and providing more services

As mentioned earlier, AS was an authorized distributor of offline game for Blizzard Entertainment. Recently, the company joined hand with another large online game Trion Worlds by providing the @Cash to top up the value for the online game "RIFT". The @Cash is put on the market in six countries--Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In addition to the @Cash via Facebook, AS also provided 1-2-call top up card which definitely help increase its revenue.

Anticipating more success in online games

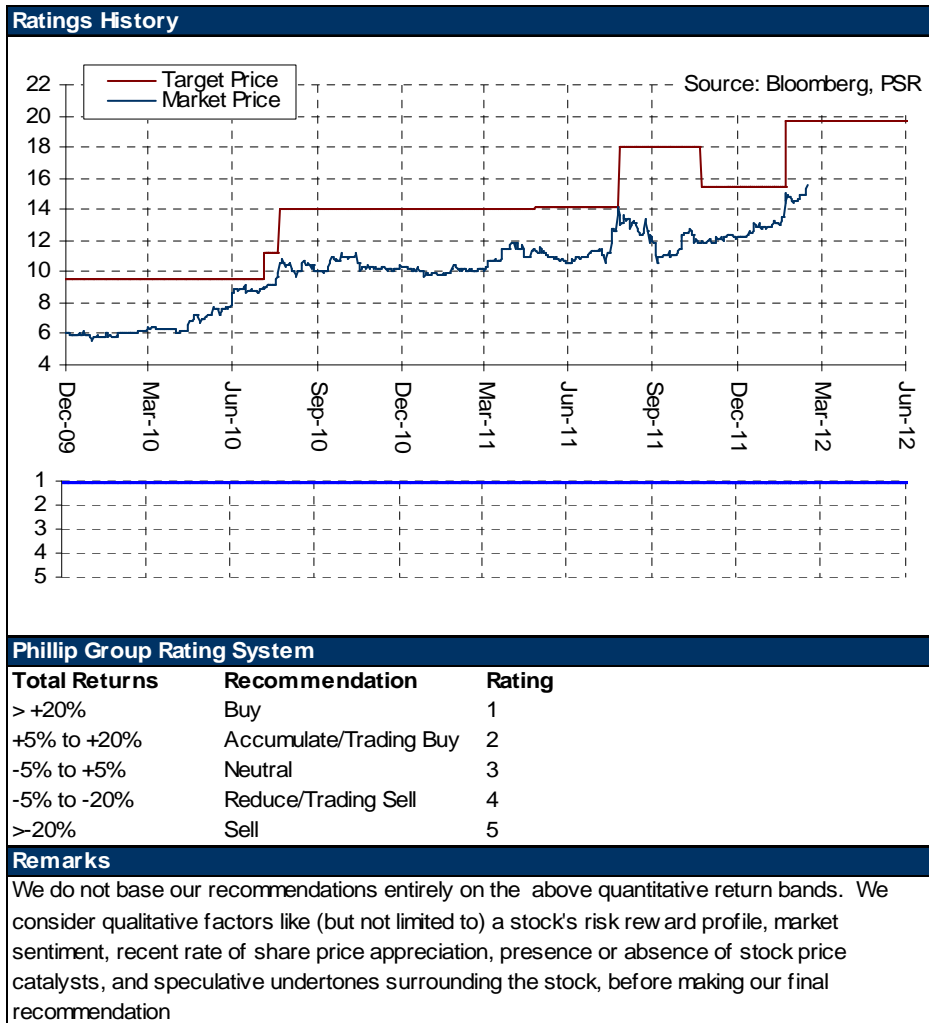
In CY2011, AS launched a total of 11 online games. Of this there was only one web game "Packet Ninja" which obtained an impressive success with a 9% market share. Note that AS has never captured market share in the web game segment. For CY2012, it plans to release 27 games with an anticipated success rate of 30-40%. The soon-to-be-released games are categorized in MMORPG (Massively multiplayer online role-playing game) and Casual. AS has dominated the largest market shares in these segments and thus expected to increase market shares in FPS and web game.

Possibly to book impairment reversals this year

Over the past two years, AS set aside a Bt40mn provision for the investment impairments in Malaysia due to loss performance, and about Bt30mn doubtful debt of Vietnamese partner. Since earnings performance of both companies has been stronger, AS's management expected to book reversals of these two impairments transactions. The provision for investment impairment in Malaysia affected Asiasoft International to be unable to pay dividend to AS. Hence, these reversals will enable AS to pay dividend at 100% ratio in CY2012.

'BUY' stance maintained at Bt19.70 target price

We maintain our revenue projections for CY2012 at Bt2,287mn. Net profit would stand at Bt432.25mn. the figure still has not yet factored in the booking of investment reversals and unforeseen acquisitions. Based on a 14xP/E, our target price is at Bt19.70/share and we expect full-year dividend of Bt1.41/share on a 100% payout ratio. Our 'BUY' recommendation is maintained.



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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	

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that data. Phillip Securities (Thailand) of securities company does not confirm nor certify the accuracy of such survey result.

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