

# Asiasoft Corporation - AS

## Robust earnings growth during the rest of CY12



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Thailand Equities Research  
21 May 2012

### 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.

- AS posted 1QCY12 net profit of Bt73.12mn, up 4.48% y-y. Revenue ticked up 1.73% y-y as a result of lower revenue derived from domestic business but overseas business contributing favorable amount. Revenue from other business helped boost profit growth.
- We foresee high growth prospects over the remaining course of the year from (i) a launch of new online games; (ii) consolidation of CIB; and (iii) an introduction of new offline game Blizzard in Thailand, Singapore and Malaysia which we expect to generate income significantly higher than that in previous year. Moreover, overseas business ventures are expected to see more concrete development in Myanmar and Vietnam.
- AS changed its dividend payment policy to four times a year. In 1QCY12, AS paid Bt0.12/share with 'XD' sign to be posted on May 24 and payment on Jun 8.
- We reiterate 'BUY' rating on AS with a target price of Bt19.70/share, which we have not yet priced in a Bt70mn reversal of provision for asset impairment and doubtful debts.

#### What is the news?

Revenue grew a mere 1.73% as a result of lower revenue in domestic business but higher amount in overseas units. Costs and expenses increased, dragging normalized profit lower. Revenue from other business helped boost net profit growth of 4.48% y-y.

#### How do we view this?

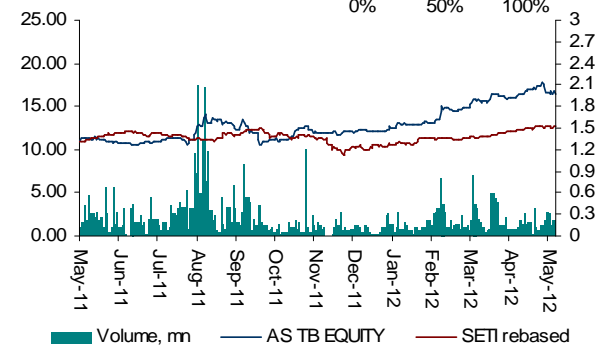
We foresee robust earnings growth over the remaining course of the year.

#### Investment Actions?

We reiterate 'BUY' rating with a target price of Bt19.70/share. We expect an annual dividend for CY12 at Bt1.41/share.

#### Asiasoft Corporation

<b>Rating</b>	<b>1.00</b>	<b>Buy</b>
- Previous Rating	1.00	Buy
<b>Target Price (Bt)</b>	<b>19.70</b>	
- Previous Target Price (Bt)	19.70	
Closing Price (Bt)	16.40	
Expected Capital Gains (%)	20.1%	
Expected Dividend Yield (%)	8.6%	
<b>Expected Total Return (%)</b>	<b>28.7%</b>	
Raw Beta (Past 2yrs weekly data)	0.40	
Market Cap. (USD mn)	165	
Enterprise Value (USD mn)	134	
Market Cap. (Bt mn)	5,181	
Enterprise Value (Bt mn)	4,204	
3M Average Daily T/O (mn)	0.2	
52 week range	10.4 - 18	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Mr. Pramoth 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	12/11	12/12F	12/13F
Revenue (Btrmn)	1,512	1,638	2,287	2,569
Net Profit (Btrmn)	264	296	432	519
EPS (Bt)	0.84	0.94	1.41	1.69
Net Profit, adj. (Btrmn)	264	296	432	519
EPS, adj. (Bt)	0.84	0.94	1.41	1.69
P/E (X), adj.	19.5	17.4	11.6	9.7
BVPS (Bt)	4.06	4.17	4.52	4.96
P/B (X)	4.0	3.9	3.6	3.3
DPS (Bt)	0.84	0.76	1.41	1.69
Div. Yield (%)	5.1	4.6	8.6	10.3

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E12 (14x)

#### Analyst

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### **1QCY12 net profit grew 4.48% y-y**

AS posted 1QCY12 net profit of Bt73.12mn, up 4.48% y-y, thanks to higher revenue derived from other business.

Service revenue ticked up 1.73% y-y to Bt402.23mn owing to (i) a 5.67% decrease in domestic revenue as existing online games generated income at slower pace, coupled with a shutdown of some games while recently launched games obtained poor response; and (ii) a 19.04% increase in overseas operation due to more online games and more services provided in Indonesia and the Philippines. Revenue contribution from local amounted to 65% with the remaining 35% from overseas. Costs and SG&A charges increased by 3.67% y-y and 8.47% y-y in line with three new online games launched in Thailand and one new game overseas, and a 70 staff increase in Indonesia. Other revenues jumped 197.65% from an unrealized gain on its investment managed by a fund manager.

### **Bright earnings outlook over the remaining course of the year**

For 2QCY12, we see brighter growth prospect on high seasonal effect. On y-y terms, (i) the online game Dragon Nest launched in Mar 27 obtained well success with the highest players over the past five years that AS will fully realize revenue in this quarter; (ii) consolidation of CIB from May 8 onwards—CIB is Malaysia's largest online game provider in which AS holds 61.68% stake. In 1QCY12, CIB delivered net profit of as much as Bt21mn. (iii) sales of the offline game Diablo III for Blizzard in Thailand, Singapore and Malaysia since May 15 obtained well response and its demand continues to grow until AS had to order more. We expect the full-year generated by this offline game to outnumber the previous year amount of Bt18.85mn. (iv) AS plans to launch five games both in Thailand, Malaysia (via CIB) and Indonesia. For Indonesia, we project 2QCY12 operation performance to turn to profit compared with a small loss in 1QCY12. In Malaysia, CIB is expected to contribute more profits as the company has a plan to launch more games.

For 2HCY12, AS group plans to launch 17 games in 3Q and six games in 4Q. With regards to overseas business ventures, we expect AS to see more concrete investment development in Myanmar after the country has taken steps to liberalize the state-controlled economy. In Vietnam, AS would adopt the Philippines investment model by providing services from overseas as law and regulations in Vietnam are not without constraints.

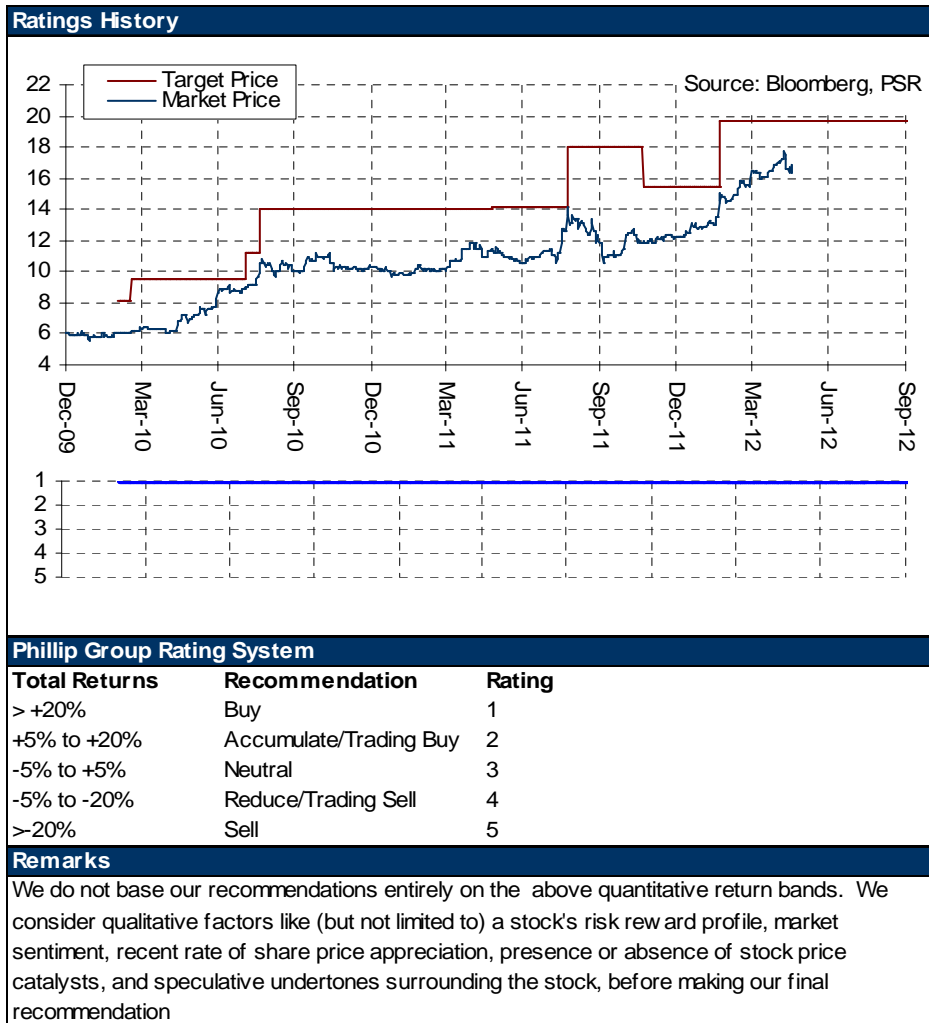
### **Dividend payment policy changed to on quarterly basis**

AS recently changed its dividend payment policy from twice a year to be on quarterly basis. An interim dividend will be paid during the first 3 quarters of the year and the annual dividend will be made in the final quarter of the year. The dividend payout ratio remains unchanged at 100% based upon AS' unconsolidated financial statement

over the next 2-3 years. Recently, AS announced to pay an interim dividend of Bt0.12/share for 1QCY12 and XD sign will be posted on May 24 and payment on Jun 8.

### **CY12 earnings forecast unchanged**

We project CY12 revenue of as high as Bt2,287mn, contributing to a net profit of Bt432.25mn. Such amount has not yet factored in reversals of doubtful debt for Vietnam business worth Bt30mn and asset impairment in Malaysia subsidiary valued Bt40mn after operation performance of these two units have improved. Based on P/E of 14x, our target price is at Bt19.70/share and we expect full-year dividend of Bt1.41/share. We reiterate 'BUY' rating on AS.



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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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