

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 reported 3QCY12 net profit drop of 3.16% y-y weighed down by huge marketing expenses for the launch of nine new games and higher effective tax rate though quarterly revenue jumped 22.42% y-y.
- In 3QCY12, AS acquired stakes in two more companies and it also remains on the prowl for new M&A or joint venture opportunities.
- Earnings are poised for recovery in 4QCY12 due to the fourth quarter high season, revenue contribution from new games released in 3QCY12, lower write-off charges and the absence of flood impacts as witnessed in 4QCY11.
- We revise downwards our CY12-13 profit forecasts for AS to reflect weak 3QCY12 results and huge marketing expenses.
- Despite earnings cuts, we reiterate a 'BUY' call on AS shares as our CY13 target price of Bt16.80/share based on a P/E of 14x offers more than 20% upside from current trading levels.

What is the news?

AS reported 3QCY12 net profit drop of 3.16% y-y to Bt66.39mn, weighed down by huge marketing expenses for the launch nine new games and a rise in effective tax rate to 15.15% from 10.90% a year ago though quarterly revenue jumped 22.42% y-y.

In 3QCY12, AS acquired stakes in two more companies. The acquisition of Trilight Cove Enterprises, one of two online game service providers in Indochina and Myanmar would give AS more access to these markets especially in Vietnam that it has earlier sublicensed to local partner. AS also remains on the prowl for new M&A or joint venture opportunities.

How do we view this?

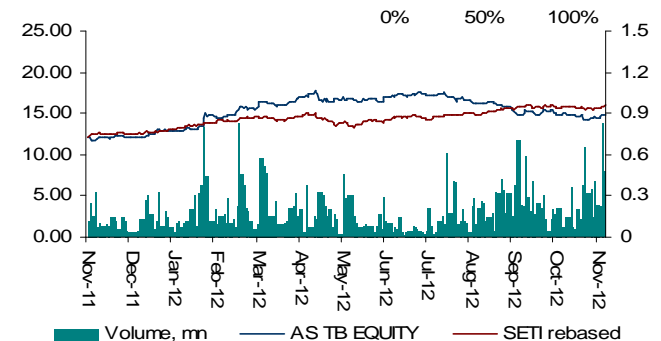
Earnings are poised for recovery in 4QCY12 due to the fourth quarter high season, revenue contribution from new games released in 3QCY12, lower write-off charges and the absence of flood impacts as witnessed in 4QCY11. AS also plans to launch six new games in 4QCY12. However, weak 3QCY12 results and huge marketing expenses prompt us to revise downwards our CY12-13 profit forecasts for AS.

Investment Actions?

Despite earnings cuts, we reiterate a 'BUY' call on AS shares as our CY13 target price of Bt16.80/share based on a P/E of 14x offers more than 20% upside from current trading levels.

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	16.80	
- Previous Target Price (Bt)	18.60	
Closing Price (Bt)	14.80	
Expected Capital Gains (%)	13.5%	
Expected Dividend Yield (%)	8.1%	
Expected Total Return (%)	21.6%	
Raw Beta (Past 2yrs weekly data)	0.36	
Market Cap. (USD mn)	148	
Enterprise Value (USD mn)	117	
Market Cap. (Bt mn)	4,550	
Enterprise Value (Bt mn)	3,581	
3M Average Daily T/O (mn)	0.2	
52 week range	11.7 - 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 (Btmn)	1,512	1,638	2,012	2,215
Net Profit (Btmn)	264	296	314	367
EPS (Bt)	0.84	0.94	1.02	1.20
Net Profit, adj. (Btmn)	264	296	314	367
EPS, adj. (Bt)	0.84	0.94	1.02	1.20
P/E (X),adj.	17.6	15.7	14.5	12.3
BVPS (Bt)	4.06	4.17	4.25	4.35
P/B (X)	3.6	3.5	3.5	3.4
DPS (Bt)	0.84	0.76	1.02	1.20
Div. Yield (%)	5.7	5.1	6.9	8.1

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (14x)

Analyst
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3QCY12 net profit down 3.16% on high marketing expense

AS reported a 3.16% y-y lower net profit in 3QCY12 to Bt66.39mn due largely to rising marketing expense and higher tax expense.

Revenue from sale and service segment rose 22.42% y-y to Bt482mn, as a result of (i) a 15.26% y-y increase in online games revenue, most of which was derived from overseas markets as the company launched a total of nine games in the quarter—6 games in Thailand, 1 game in Indonesia & Singapore, 2 games in Malaysia (via CIB that AS acquired in an early 2012) and 1 sublicensed game in Vietnam; (ii) a 138.10% jump in offline game revenue, thanks to much popularity of the World of Warcraft: Mist of Pandaria, released on Sep 25, 2012; and (iii) a 50% rise in revenue from other activities. Cost also increased by 24.75% y-y across all segments and rising cost for the offline games. SG&A expense advanced 25.89% y-y largely due to higher marketing expense from introducing new games. Other revenue turned out lower while tax expense shot up owing to a rise in effective tax rate to 15.15% from 10.90% a year earlier.

M&A deals still on the table

In 3QCY12, AS had expanded its businesses in two online game providers (1) Play Cyber Games in which AS has held 60% stake—the company is in process to raise capital to Bt20mn; (2) Trilight cove Enterprise in which AS's wholly-owned subsidiary has held 60% shares, serving customers in Indochina and Myanmar. Earlier, AS acquired CIB in early 2012 and the company bought three companies in the prior year. The company continues to seek for more M&A deals, particularly in mobile platform-linked companies which have developed both online games and mobile platform, company which engages in media digital agency.

4QCY12 earnings benefiting from seasonal factors and lower marketing expense

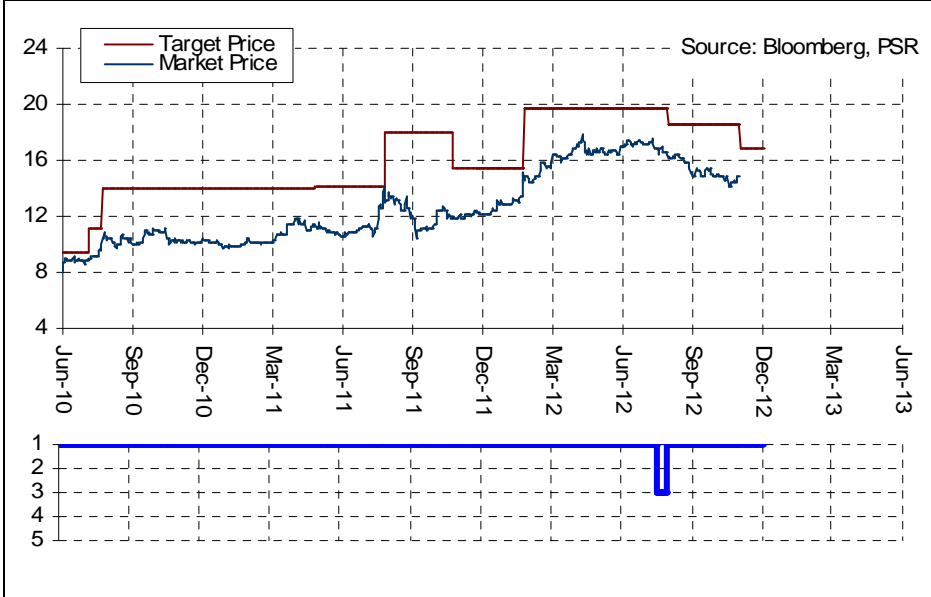
The fourth-quarter of year is normally a high season for the business and AS has planned to release six online games—3 games in Thailand, 1 game each in Singapore and Indonesia, including 1 game in Malaysia via CIB. Adding to recovery in 4QCY12 earnings are the fact that some several online games, released in late 3QCY12, have started to contribute to 4QCY12 revenue growth and marketing expense is expected to decline q-q in the quarter as some games opened in this quarter could spend a portion of marketing budget from the previous quarter. Furthermore, a write-off charge which was generally high in the fourth quarter is expected to lower in 4QCY12 as the company earlier booked the games write-off in 2QCY12.

CY12-CY13 net profit outlook downgraded

Even though we expect 4QCY12 earnings to improve, the weaker-than-expected 3QCY12 net profit (new online games generated unexpected lower income) prompted us to cut down our forecast. For CY12, we revise downwardly our revenue target to Bt2,012mn and net profit projection to Bt314.12 from earlier Bt347.58mn.

For CY13, we expect revenue to continue to grow from online games released in 2012. The acquisition of Trilight Cove Enterprises, the online game service providers in Indochina and Myanmar would give AS more access to these markets especially in Vietnam that it has earlier sublicensed to local partner. However, we raise concerns about higher marketing expense in line with an opening of new online games and revenue from distribution of offline games is forecast to lower y-y. This scenario convinces us to trim slightly our revenue estimate to Bt2,215mn as well as net profit project to Bt367.41mn from previously Bt407.88mn. An annual dividend is expected at Bt1.20 and we reiterate a 'BUY' call on AS shares as our CY13 target price of Bt16.80/share based on a P/E of 14x offers more than 20% upside from current trading levels.

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 disclosure 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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