

Asiasoft Corporation

(AS.BK/AS TB)

Alert		Thailand				
March 14, 2013		Valuation metric (price per share)				
		PER (x)	12	13	14	15
		13EPS				
Mkt.price (13 Mar 2013)	Bt16.1	1.25	15.0	16.3	17.5	18.8
KGI's estimates target price	Bt20.0	1.30	15.6	16.9	18.2	19.5
SAA Consensus target price	-	1.36	16.3	17.7	19.0	20.4
Sector		1.40	16.8	18.2	19.6	21.0
Media & Publishing		1.45	17.4	18.9	20.3	21.8

According to a meeting of the analysts yesterday, the positive tendency of AS' future operating results are expected due to the followings:1) partnering up with international gaming companies namely SEGA, which is releasing a new online game "Phantasy Star Online" (PSO) during the third quarter of the year, and another world's top game operator (to be announced soon), to help us provide services in the 7 countries of ASEAN.2) expanding customer base, especially in Indo-China nations with high potential for growth (Vietnam, Myanmar, and Cambodia).3) getting ready to enter, in the second half of 2013, the mobile game market whose potential is growing rapidly thanks to the coming of a smartphone era. The executives predict a 30% income increase this year and foresee that, compared to the last year, our profit margin will improve because of the decreasing estimated impairment charge and the strong baht. The target price of Baht 20, based on an average P/E of 15 times, is recommended while an approximate dividend yield per year is 8-9%.

Target This Year's Income to Grow 30%

The executives estimate the annual revenue of 2013 to be increased by 30% due to the followings: 1) planning to launch AS Group's 33 new games in 7 ASEAN countries. 2) focusing more on games' standards. That is to say, we are releasing various internationally popular games this year (see next paragraph) including sequels to the top legendary games such as Ragnarok 2, Audition 2, Cabal 2 and etc. 3) creating a new business unit for mobile gaming services by the year's end. For the market is expected to grow exponentially in the future owing to the coming of a smartphone era as well as changes in consumer behavior, our executives expect revenue from mobile games sales to rise 30% in the company's annual income for the year of 2015. As for the sales of year 2014-2015, however, an average 15% growth per year is conservatively estimated.

Establish Partnership with Major International Game Distributors

In the third quarter of this year, AS, following its global content strategy, is launching one of the world's popular online games, SEGA's Phantasy Star Online (PSO). Being developed for all platforms whether PSP, iOS, Android, or other mobile devices in order to fulfill every user's preference, the game has been ranked the highest in Japan. Additionally, in the year's final quarter, AS in alliance with another major gaming company plans to continue releasing one more international hit, the US' number one online game. To import the games with high standards and successful releases and sales in many countries around the world can guarantee better opportunity for penetrating the domestic market of ASEAN.

Prepare to Expand Business into Mobile Gaming

The upward trend of changes in consumer behavior, from mobiles to smartphones enlarges the mobile games market. AS is planning its debut mobile game in the second half of this year. The executives target, in the company's annual income for the year of 2015, a 30% increase in mobile games sales. Still, it is conservatively calculated that this mobile gaming revenue will result in only an average 10% of the 2015 total sales of year 2015.

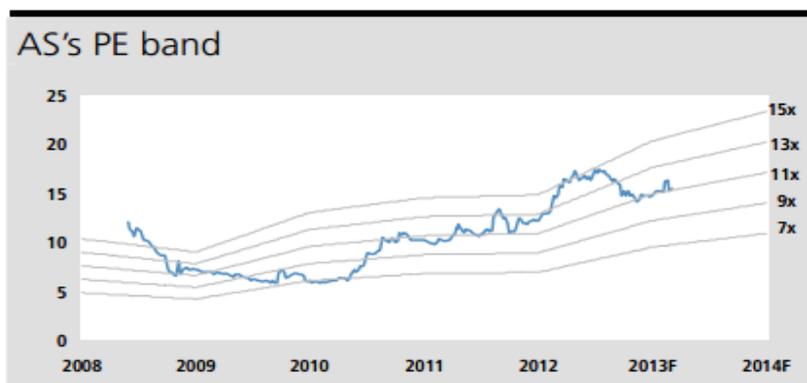
The Target Price of Baht 20

We calculated that the target price is at Baht 20 which implies a P/E ratio of 15x (the higher end of the P/E band seen in the past. A 24% upside and a 8-9% dividend yield per year is predicted as well. This valuation, nevertheless, is based on assumption that new online games to be imported will be successful to some extent. A detailed fundamental analysis of AS stocks has not been released yet.

Year-end 31 Dec	2011	2012	2013F	2014F	2015F
Sales (Bt m)	1,638	1,972	2,564	2,948	3,390
Gross Profit (Bt m)	737	848	1,102	1,268	1,458
Normalized Profit (Bt m)	296	304	417	479	550
Net Profit (Bt m)	296	304	417	479	550
EPS (Bt) – fully dilute	0.97	0.99	1.36	1.56	1.79
EPS (%chg)	11.0	2.4	37.3	14.8	14.8
DPS (Bt)	1.17	1.00	1.36	1.56	1.79
Dividend Yield (%)	7.3	6.2	8.4	9.7	11.1
P/E (x)	16.7	16.3	11.9	10.3	9.0

Source : Company data and KGI estimates

AS's PE band



Source: SET; KGI estimates

Translation by: Asisoft internal

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