

Asiasoft Corporation Public Company Limited

Growth engine

Our Investment Plan

Regarding the business and investment policy for the next three years, the executives have decided to push expansion of the games business in the future, due to a belief that this change in the company's strategy will generate increased revenue as well as sustained profitability. The executives also expect 2013's operating income to increase around 30% (more than 10-15% which was estimated by general analysts). Some important strategies are as follows:

Adjusting a significant aspect of the company and becoming a regional game provider. Despite the previous investment valuation approach on a country by country basis, this new strategy corresponds to our vision. That is to say, to invest in a variety of new games will raise the company's revenue, provide us more alternatives, and result in a more accurately estimated dividend yield. As for the marketing plan, effectively growing market such as the Indo-China countries is being targeted. The company, furthermore, might publish some essential documents in English or other native languages.

Importing and launching new games with high standards (global content) in order to answer the users' need for better experience. These games, in addition, come simultaneously with the technology that makes them easy to be played as well as quickly to be downloaded. In spite of purchasing most games from other distributors in the region, we may as well sign contracts with the world's top gaming firms like SEGA and etc. The advantage of releasing such games has to do with the lower risk of loss since they all have been successfully debuted and warmly reviewed in the US and Europe already.

Entering the gaming market on mobile devices, especially smartphones seeing that the number of smartphone users has surged exponentially in the US, Europe, and Japan. We find this strategy a way our company can adapt itself to changes in technology and customers' lifestyle. Additionally, in case the company manages to achieve all targets, the reward to risk ratio is extremely high. With its good cash flow, no long term loans, cheap value at an EV/EBITDA multiple of 5.3 times, and quarterly dividend payments, the investment is recommended. As for AsiaSoft's stocks, the target price is estimated at Baht 21 per share. The fundamental price might be increase if this strategy successfully resulted in a more obvious rise in the company's revenue and profit.

Sector: Services/Media (SET)

Rating: BUY
Target Price: 21 Baht/Share
Price (14/03/13) : 17.10 Baht
Market Cap: 5,257 Million Baht

Financial Summary

	2011	2012	2013E	2014E
Total revenues	1,638	1,972	2,268	2,608
Net Profit	291	309	389	521
Reported EPS (THB)	0.92	1.01	1.27	1.69
BLS/consensus			1.06	na.
EPS growth (%)	9.6	8.4	26.0	33.8
Core net profit	293	309	389	521
Core EPS (THB)	0.93	1.01	1.27	1.69
P/E (x)	13.2	14.3	13.5	10.1
Core P/E (x)	13.2	14.3	13.5	10.1
P/BV (x)	2.9	3.2	3.8	3.7
EV/EBITDA (x)	5.4	6.5	5.3	4.0
Basic dividend (Bt)	0.76	1.01	1.27	1.69
Dividend yield (%)	6.20	6.98	7.41	9.91
ROCE (%)	16.8	17.2	20.5	26.0
Gearing (x)	(0.7)	(0.4)	(0.4)	(0.6)

CG Rating - 2011



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AS : Financial Tables – Year

Profit & Loss	2011	2012	2013E	2014E	2015E
Total revenues	1,638	1,972	2,268	2,608	2,999
Cost of services	901	1,124	1,247	1,434	1,650
Gross Margin	737	848	1,021	1,174	1,350
SG&A	419	500	578	574	660
EBIT	318	348	442	600	690
Interest Exp	1	1	1	1	1
Other inc. and exp.	47	44	45	52	60
EBT	362	391	487	651	749
Corp.tax	71	82	97	130	150
Extra items	(2)	-	-	-	-
Net Profit	291	309	389	521	599
Reported EPS (THB)	0.92	1.01	1.27	1.69	1.95
Fully diluted EPS	0.92	1.01	1.27	1.69	1.95
Core net profit	293	309	389	521	599
Core EPS (THB)	0.93	1.01	1.27	1.69	1.95

Key ratios	2011	2012	2013E	2014E	2015E
Revenue growth (%)	8.3	20.4	15.0	15.0	15.0
Gross margin (%)	45.0	43.0	45.0	45.0	45.0
Net margin (%)	17.8	15.7	17.2	20.0	20.0
ROA (%)	0.2	0.2	0.2	0.2	0.2
ROCE (%)	16.8	17.2	20.5	26.0	28.4
Asset turnover (x)	0.9	1.0	1.0	1.0	1.0
Current ratio (x)	2.4	1.8	1.7	1.9	1.8
Gearing ratio (x)	(0.7)	(0.4)	(0.4)	(0.6)	(0.7)
Interest coverage (x)	365.0	392.0	487.6	652.0	749.8

BALANCE SHEET	2011	2012E	2013E	2014E	2015E
Cash & Equivalents	983	609	628	864	1,006
A/R	191	263	300	345	380
Other non-current assets	425	760	1,066	1,174	1,500
Total assets	1,884	1,990	2,400	2,858	3,437
Bank O/D	-	-	-	-	-
Long term debts	-	-	-	-	-
Total liabilities	550	613	1,003	1,428	1,987
Paid-up capital	316	307	307	307	307
Share premium	797	797	797	797	797
Retained earnings	221	273	293	326	346
Shareholders equity	1,334	1,377	1,398	1,430	1,450
Total lia.&Shareholders	1,884	1,990	2,401	2,858	3,437

Marketing Plan 2013

AsiaSoft Corporation Co. Ltd. is planning to release more online games in many countries. This is in response to diversifying demands of the customers. The company aims to publish, by 2013, a total of 94 titles, compared to the recent list of 61 games, and to sign contracts with the world's top distributors. As its clients are looking for more games with high standards and various functions, AsiaSoft is paying licenses for the rights to provide services in their 7 countries of ASEAN. It is calculated that regardless of the great amount of money to be spent on purchasing licenses of these world-class games, the risk of loss will never rise. That is because their high ratings can bring about the service's higher successful rate as well.

New Services on Mobile Devices

The firm is also planning to provide more mobile gaming services for the number of mobile gamers in many developed countries e.g. the US, the EU members, and Japan, are on the rise. These gamers, however, are not the serious ones who pay much attention to the functions of the games.

As for the budget, an approximate 12-15 million Baht, which is in fact not a great amount, is initially estimated. Therefore, even if the project fails to meet its milestones, the effect on the company's financial status are small. On the other hand, provided the customers' response toward our service becomes great; the revenue and profit keeps growing in the next three years, from the third quarter of 2013 the company, then, can target a new business. According to a Japanese survey, mobile gaming operators' income growth is growing at about 40% within these three years.

Figure 1 : Plan to launch new game in future

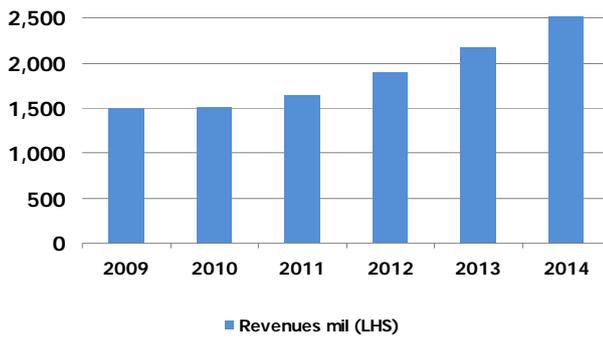
Company		1Q13 (On plan)	2Q13 (On plan)	3Q13 (On plan)	4Q13 (On plan)	Total New Games in 2013	Existing Games in 2012	Game Closed in 2013	Total Games in 2013**
Thailand	ASC	1	1	4	3	9	27		36
	Funbox	2	2	1	-	5	8		13
	Thailand	3	3	5	3	14	35	0	49
Overseas	Singapore (ASO)*	1	2	2	1	6	8		14
	Malaysia (ASM)*	1	2	2	1	6	1		7
	Malaysia (CIB)	1	4	3	1	9	19		28
	Indonesia (ASID)	1	2	-	-	3	3		6
	Philippines (ASPH)	-	2	2	1	5	2		7
	Indochina (TLC)	2	2	1	1	5	6	0	11
	Overseas	6	14	10	5	34	39	0	73
	Total**	6	12	10	5	33	61		94

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

** Non-repeat game title counting

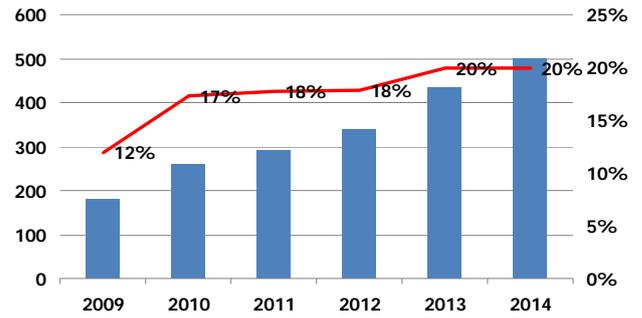
Sources: Company

Figure 1 : Sales outlook (est.CAGR of 15% for 2012-2014)



Sources: Company, BLS research

Figure 2 : Net margin, net profit outlook (est.CAGR 20% for 2012-2014)

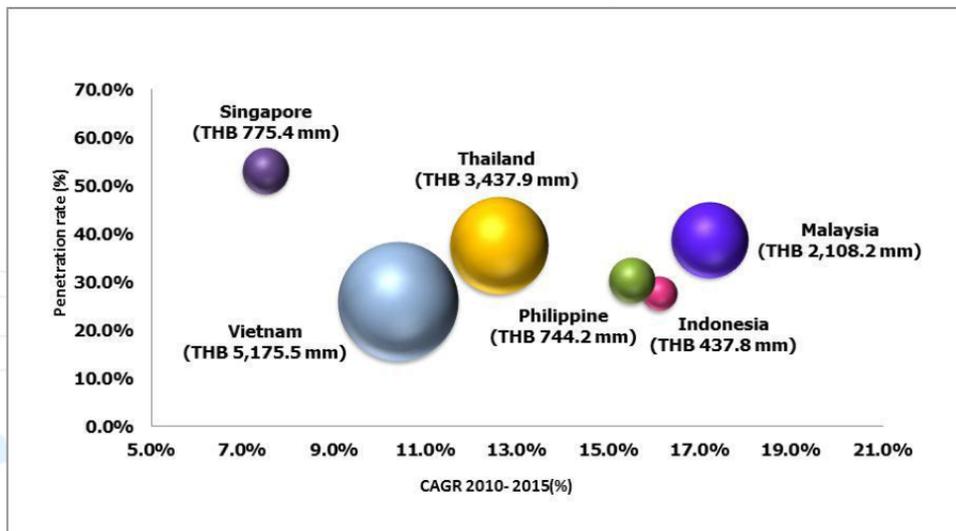


Sources: Company, BLS research

Fundamental Value of Our Stocks

With the stocks' intrinsic value, the project is expected to post 389 million Baht in profit, which means around 26% expansion. The target price is estimated at Baht 21 per share but might be increase if this strategy successfully resulted in a more obvious rise in the operating results. We find the risk of investing on the project very low and the expected dividend yield of 7.4% which is quite high. Thus, the investment is still recommended.

Figure 3 : South-east Asia game online industry view



Sources: Company, South-East Asia Online gaming forecasted by IDC

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Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.