

Asiasoft Corporation – AS

Step forward into mobile-platform game and aggressive expansion into overseas markets

Bloomberg | Reuters
AS TB | AS.BK



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Report type: Company Update

Company Overview

AS provides online game services in Thailand, Malaysia, Singapore, Indonesia and the Philippines. It also grants sublicense to its partner in Vietnam.

- AS has pursued its aggressive strategy in 2013 with a plan to launch 33 online games and to partner with the world's two biggest online game provider to serve gamers in the region.
- AS has stepped forward into Indochina and Myanmar markets after a success in acquisition of Trilight.
- In 2HCY13, AS plans to launch some online games on mobile platform.
- For 1QCY13, we believe AS will reap benefits from the launches of games in the quarter and sales of games from Blizzard as well as games earlier launched in 2HCY12.
- We rate AS a 'BUY' with a CY13 target price of Bt20.20 based on P/E of 16x.

What is the news?

AS faced the subdued earnings in CY12 with a tepid net profit growth of 2.55% given a write-off of previously launched online games and substantial marketing expenses from opening 23 games. AS announced to pay a dividend of Bt0.31/share for 4QCY12 performance and the stock will go ex-dividend on May 7.

In CY13, AS plans to have launched 33 games (versus 23 games in 2012) which will include online games to be served in many countries across the globe and online games on mobile platform.

How do we view this?

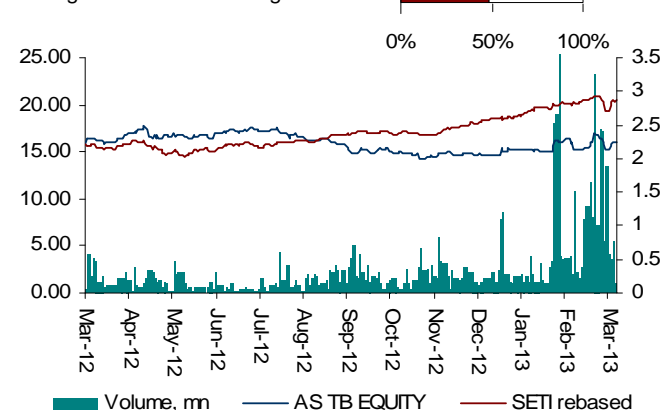
AS will expand its online game services into Myanmar and Indochina markets after the company penetrated successfully in Indonesia and the Philippines a year ago. For mobile-platform game, we believe AS will reap the benefits given rising sales of smartphones.

Investment Actions?

We rate AS a 'BUY' with a CY13 target price of Bt20.20, based on P/E of 16x (earlier 14x).

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	20.20	
- Previous Target Price (Bt)	16.80	
Closing Price (Bt)	16.00	
Expected Capital Gains (%)	26.3%	
Expected Dividend Yield (%)	7.9%	
Expected Total Return (%)	34.1%	
Raw Beta (Past 2yrs weekly data)	0.50	
Market Cap. (USD mm)	168	
Enterprise Value (USD mm)	150	
Market Cap. (Bt mm)	4,919	
Enterprise Value (Bt mm)	4,359	
3M Average Daily T/O (mm)	0.7	
52 week range	14.1 - 18	



Major Shareholders

	(%)
1. Mr. Pramoth Sudjitporn	42.7
2. Mr. Tan Tgow Lim	9.8
3. Asia Investment Partners Ltd.	9.8

CG Report - 2012



(Good)

Key Financial Summary

FYE Dec	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	1,638	1,972	2,390	2,592
Net Profit (Btmn)	296	304	388	453
EPS (Bt)	0.94	0.99	1.26	1.47
Net Profit, adj. (Btmn)	296	304	388	453
EPS, adj. (Bt)	0.94	0.99	1.26	1.47
P/E (X), adj.	17.0	16.2	12.7	10.9
BVPS (Bt)	4.17	4.48	4.64	5.02
P/B (X)	3.8	3.6	3.4	3.2
DPS (Bt)	0.76	1.00	1.26	1.47
Div. Yield (%)	4.8	6.3	7.9	9.2

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (16x)

CY12 net profit up 2.55% and 3.23% shy of forecast

AS achieved CY12 net profit of Bt303.96mn with a tepid growth of 2.55%. The whole-year net profit was a 3.23% shy of forecast as revenue was short of expectation in 4QCY12.

Total revenue grew 22.86% y-y to Bt1,971.94mn largely driven by sales of games from Blizzard Entertainment, rising by 202.17% y-y to Bt278mn (vs Bt92mn in 2011). Revenue from online game segment grew 9.63% y-y though AS launched up to 23 online games during the year as there turned out only Dragon Nest to get a bang. A major drag to the tepid net profit grow was notably rising expenses, in terms of marketing expenses for newly launched games, copyright, HR, amortization and network maintenance. Furthermore, AS wrote off its previously launched online games worth Bt40mn, considered an unusual high when compared to regular write-off of Bt20mn. Note that AS consolidated CIB financial statement in CY12. AS announced to pay 4QCY12 dividend of Bt0.31/share, adding to Bt1/share CY12 dividend which translated to 101% payout. The stocks will go ex-dividend on May 7 and payment on May 23.

Aggressive strategy pursued in 2013 and a partner with the world's large online game provider

In a pursuit of continued growth, AS plans to have launched 33 games in CY13, compared to a total of 23 games it launched in 2012. Including games served by CIB, there was a total of 64 online games served to gamers at end-2012.

In 2013, AS plans to have launched three games with large-coverage network in the region. Of which AS launched English-version Ragnarok II in Jan in Thailand, Malaysia and Singapore which gained quite a warm response while the Thai-version Ragnarok is expected to serve Thai gamers in 3QCY13. For 4QCY13, AS plans to launch Ragnarok II in Vietnam and Cabal II and Audition II in six countries. Furthermore, the company has partnered with the world's two largest online game providers which will allow the company to offer gamers popular online games from Japan and the US in the region. AS will launch Phantasy Star Online II from the leading Japanese game provider SEGA and undisclosed games from the US game operators which owns more than 100 superhero characters in 2HCY13 in seven countries. The company will centralize its marketing strategy in an effort to increase negotiation power on copyright cost and cut operation expense.

Stepping forward into Indochina and Myanmar markets

AS plans to penetrate aggressively the market in Indochina after it acquired a 60% stake in Trilight Cove Enterprises which has provided services in Vietnam, Myanmar and Cambodia. Among them the company has foreseen high potential in Vietnam considering the biggest market size but Myanmar and Cambodia are also attractive given less competitors. The company will keep the sublicense to Vietnamese operators on hold. Trilight plans to launch five games in 2013.

Besides Indochina market, AS plans to launch five games in the Philippines (2 games at end-2012) and three games in Indonesia (3 games at end-2012). CIB will launch nine games this year while another Malaysia-based subsidiary will launch six games, totaling 15 games in Malaysia. Singapore will launch six games (8 games at end-2012) and Thailand will launch a total 14 games from both AS and Funbox.

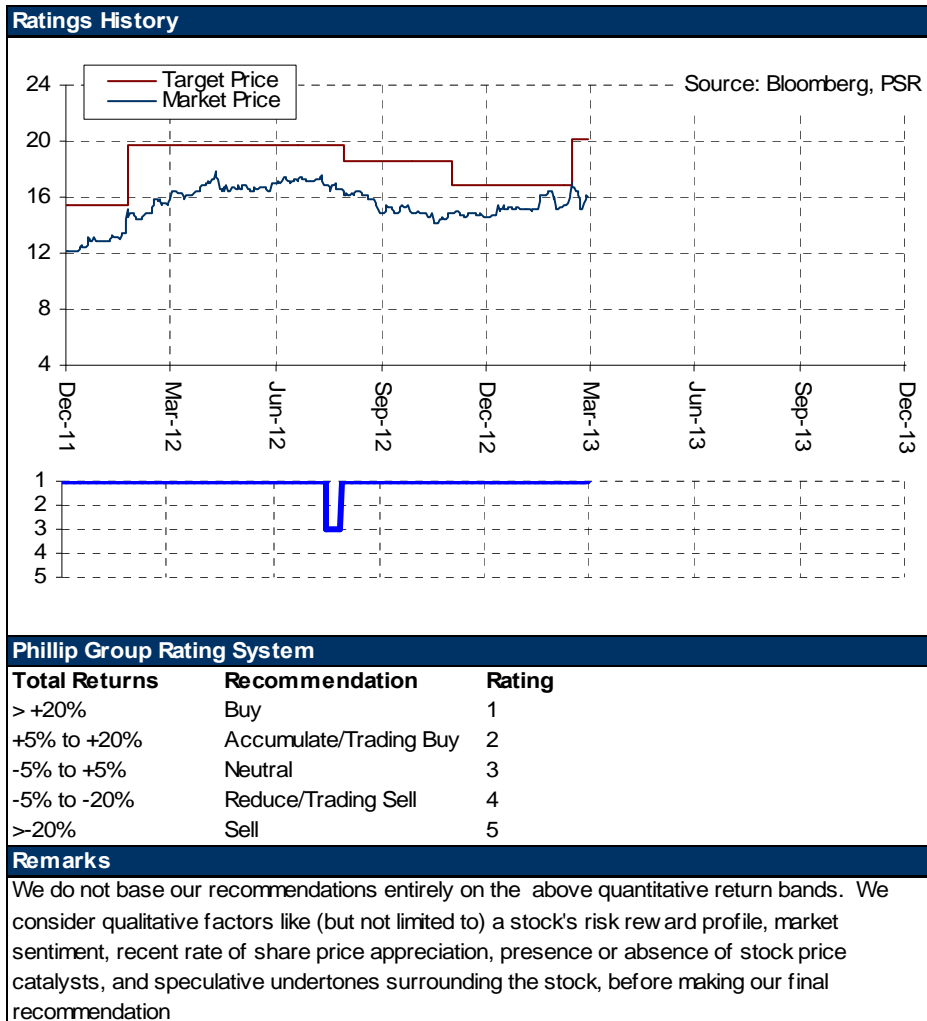
Given such aggressive move in regional markets, we expect revenue derived from overseas would increase impressively.

Online game on mobile-platform in 2HCY13

Gamers appear to increasingly switch to play online games on mobile phones while it is forecast revenue from mobile-platform game would increase to about 50% of total online game revenue in 2015 (higher compared to 9% of the total in 2011). AS' report showed about 600mn people in the Southeast Asia have their own mobile phones. In effort to share the cake, AS will launch mobile-platform game in 2HCY13 and the company was forecast revenue from the mobile platform segment would increase to 30% of its total revenue.

CY13 earnings outlook upgraded

For 1QCY13, we are optimistic AS will see continued earnings growth following the launch of Ragnarok II, sales of "Starcraft II: Heart of the Swarm" for Blizzard, starting from Mar 12, and expanded business in its subsidiaries. However, AS is expected to see a big leap growth in 2HCY13 considering the plan to launches the world's popular online games and mobile-platform games. For this reason, we adjust out CY13 revenue and net profit forecast to Bt2,390mn and Bt388.26mn (earlier Bt367.41mn), respectively. We rate AS a 'BUY' with a CY13 target price of Bt20.20/share, based on P/E of 16x.



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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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