

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 reported 2QCY13 net profit decline of 58.3% y-y due to losses in its two subsidiaries and lower revenue from offline games.
- AS delayed the launches of big online games to some time in the second half of year and will also launch mobile-platform games during late 2013.
- We trim our CY13 earnings outlook to reflect the delay of new online games. At current share price, we rate AS a 'BUY' with a revised CY13 target price of Bt12.30/share.

What is the news?

AS net profit dropped 58.3% y-y to Bt37.17mn in 2QCY13. Total revenue dropped 29.3% y-y as revenue from offline games plunged 79.3% y-y as well as that of online games falling 11.1%. Meanwhile, the losses in Indonesia-based subsidiaries, Fun Box and PT Asiasoft were a drag on the quarterly results.

How do we view this?

AS plans to launch big online games in 2HCY13 which will bear fruits in CY14, implying brighter revenue outlook. In the meantime, the cost-cutting strategy, i.e. a merger between Fun Box and PT Asiasoft and a change of Malaysia-based AS Online (ASM) to be under control of CIB, is expected to help improve performance.

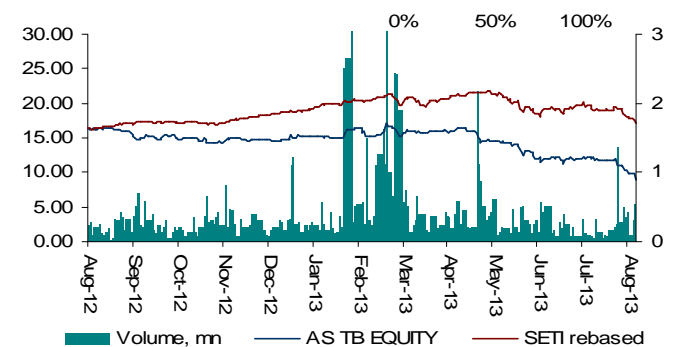
Even though earnings performance looks brighter in the second half of year, it's still challenging to meet our previous forecast based on weak performance in the first half. Thus, we cut our CY13 net profit forecast to Bt271mn, representing a 11% y-y decline. Despite this, AS is considered a dividend stock that we expect the company to pay DPS of Bt1 for CY13 performance. AS already paid Bt0.35/share for 1HCY13 performance.

Investment Actions?

We reiterate a 'BUY' rating on AS with a CY13 target price of Bt12.30/share, based on (de-rated) P/E of 14x.

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	12.30	
- Previous Target Price (Bt)	20.20	
Closing Price (Bt)	8.95	
Expected Capital Gains (%)	37.4%	
Expected Dividend Yield (%)	11.2%	
Expected Total Return (%)	48.6%	
Raw Beta (Past 2yrs weekly data)	0.64	
Market Cap. (USD mn)	86	
Enterprise Value (USD mn)	66	
Market Cap. (Bt mn)	2,751	
Enterprise Value (Bt mn)	2,192	
3M Average Daily T/O (mn)	0.2	
52 week range	8.95 - 17.2	
Closing Price in 52 week range		



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	1,990	2,472
Net Profit (Btmn)	296	304	271	360
EPS (Bt)	0.94	0.99	0.88	1.17
Net Profit, adj. (Btmn)	296	304	271	360
EPS, adj. (Bt)	0.94	0.99	0.88	1.17
P/E (X), adj.	9.5	9.0	10.2	7.6
BVPS (Bt)	4.17	4.48	4.26	4.33
P/B (X)	2.1	2.0	2.1	2.1
DPS (Bt)	0.76	1.00	1.00	1.17
Div. Yield (%)	8.5	11.2	11.2	13.1

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (14x)

Analyst
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2QCY13 net profit down 58.3% y-y

AS reported a 58.3% y-y decline in 2QCY13 net profit to Bt37.17mn due to lower revenue from offline games and the losses in two subsidiaries.

Total revenue fell 29.3% y-y to Bt420.75mn as revenue from offline and online games plunged 79.3% and 11.1%, respectively. Much of the reduction in the offline game revenue was primarily due to the unexceptionally high base a year earlier when AS gained ample sales from the offline game Diablo III, receiving well response from both domestic and overseas markets. In the online game segment, the rising popularity in the FPS and MOBA game platforms while AS has just fewer kinds of these platform games resulted to the reduction in the revenue in the business.

Cost and SG&A expense rose 25.6% and 7% respectively, reflecting higher amortization charges as AS launched more online games and rising staff. Although the company cut its marketing expense, the reduction was considered not enough to offset the rising expense. Additionally, two Indonesia-based subsidiaries Fun Box and PT Asiasoft suffered from losses due to lower revenue from online games, becoming the major drag on overall earnings.

New game launches delay to 2HCY13

The company put off the launch of several online games from 2QCY13 to the rest of the year. In August, AS will kick off FC manager; and The Exorcist, Ragnarok II in Thai version (delayed from 3QCY13) and as Audition II will be deployed in next month. Later in November, AS has joined hand with Sony to launch DC Universe and later in December the company will introduce the first mobile-platform game “Rangnarok Valkyrine Uprising”. Note that AS decide to the put down Cabal II.

For CY14, AS plans to launch Yulgang II -- Yulgang I ranking in the top ten generating highest revenue – and Phantasy Star Online 2, another big game from Sega to be launched in March (a delay from earlier plan in 2HCY13).

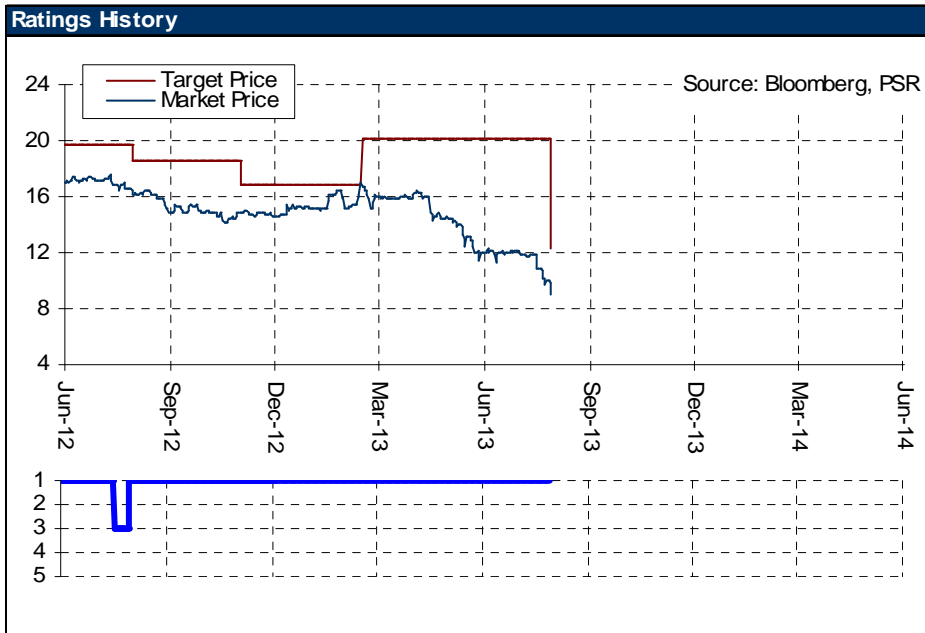
Many of the aforementioned games have been set for the big launch in the regional markets. More new games to be opened have been rated AAA for the least in an effort to generate more revenue. For mobile-platform games, the company plans to increase more choices in portfolio.

Cost cutting move with a merger

In an effort to cut the cost and expense, AS plans to merge the overseas subsidiaries together. In Indonesia, AS will merge Fun Box into PT Asiasoft. In Malaysia, the AS Online (ASM) will be transfer to be under CIB as to increase management effectiveness and improve HR resource management, which will enable CIB to downsize the ASM.

CY13 outlook downgrade

The delay of big online games to late 2013 appears to dent its CY13 profitability but the company would reap the most benefits in CY14 instead. This, together with weak earnings in the first half, falling 45.1% y-y to Bt89.01mn, convinces us to trim our CY13 revenue and net profit forecast to Bt1,990mn and Bt271mn (down 11% y-y), respectively. To reflect earnings downgrade, our prospective P/E de-rates to 14x arriving at Bt12.35 target price. AS announced to pay 1HCY13 dividend of Bt0.35/share, representing a 120.8% payout ratio. We believe the payout ratio will exceed 100% as the company gradually booked dividend from its subsidiaries. Hence, we expect AS to pay CY13 dividend of Bt1/share and have a ‘BUY’ call.



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

Fundamental:

Name	Analyst Reg No.	Tel	Sector
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Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700#484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700#491	Automotive, Energy, Packaging
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700#497	Banking, Securities & Finance, Insurance
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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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