

Asiasoft Corporation - AS

Market Stock Exchange of Thailand
Sector Media and Publishing
Reuters AS.BK
Bloomberg AS TB

BUY

Closing Price

Bt10.30

12-month target price

Bt14.00 (+35.9%)

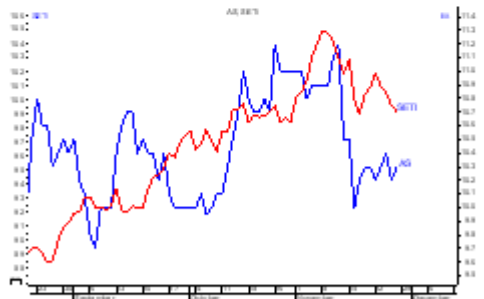
(Unchanged)

Price

Last Price 10.30
52wk High (26/10/2010) 11.20
52wk Low (28/01/2010) 5.55
Shares Outstanding (mil) 313.64
Market Cap (Btm) 3,230.46
Avg. Daily Turnover (Btm) 2.98
Free float (%) 18.05
PE (X) 11.57
PB (X) 2.54

Price performance %

	1M	3M	6M
Absolute	-8.0%	0.0%	52.6%
Relative	-7.6%	-11.9%	16.5%



Major Shareholders (31/08/10)

	%
1 Mr.Pramote Sutjitporn	41.81
2 Asia Investment Partners Ltd.,	9.57
3 Mr. Tan Tgow Lim	9.41

CG Report - 2009

NA

3Q10 profit up 47.01% YoY but short of forecast on provision charges

- Online game maker AS made a 3Q10 net profit of Bt58.54m, up 47.01% YoY on shrinking costs but the quarterly profit fell short of our forecast of Bt78.37m as a result of the Bt22m provision charges booked in this period. Adjusted for ex-items, the quarterly net profit came in at Bt75.30m.
- We expect 4Q10 to be the best quarter of the year for AS because 4Q is traditionally the peak season for game publishers and AS also plans to launch three new games in 4Q10. Overseas expansion plans in Vietnam and Indonesia are likely to be concluded in 2011, a potential catalyst for further growth.
- We slightly cut our 2010 net profit outlook for AS to Bt271.80m but we leave our 2011 net profit forecast for AS unchanged at Bt313.87m. At current prices, we maintain a 'BUY' stance on AS with a 2011 price target of Bt14/share, based on a P/E multiple of 14x.

3Q10 profit up 47.01% YoY but short of forecast on provision charges

AS generated marginal revenue growth of 0.73% YoY to Bt359.21m in 3Q10 on the back of a 2.69% rise in online game revenue. In this period, revenue from domestic operations rose 5.36% YoY boosted by revenue contribution from four new game titles, of which three games were released this year. Revenue from overseas operations slipped 3.32% YoY. Offline game revenue plunged 36.88% YoY, mostly from overseas operations following the expiry of the World of Warcraft license. Costs edged down 10.86% YoY due to the absence of license fees for existing games and a fall in license fees for new games. SG&A expenses rose 1.55% YoY and up to 17.81% QoQ on marketing expenses for new game launches and events. In this period AS also booked Bt22m in provision charges. Net profit for the quarter jumped 47.01% YoY to Bt58.54m thanks to shrinking costs. The quarterly profit however fell short of our forecast of Bt78.37m as a result of the above provision and impairment charges. Adjusted for ex-items, the quarterly net profit came in at Bt75.30m. In this period profits from domestic and overseas operations came in at Bt55.79m and Bt2.75m respectively.

Outlook bright for 4Q10 on seasonal factors and lower provision charges

Typically the fourth quarter is the traditional busiest sales season of the year for AS during mid-term school break in Thailand, Singapore and Malaysia. Management notes that the launch plan for new games in 4Q10 remains unchanged. AS plans to launch (i) a new game 'Monsters Master Online' published by its subsidiary Funbox in Thailand, (ii) a new game 'Priston Tale 2' in Singapore, and (iii) a new game 'Battle of Immortal' in Malaysia. AS should also continue to reap the

Conso' Ending	Profits (Btm)	EPS (Bt)	DPS (Bt)	BV (Bt)	ROE (%)	P/E (x)	Yield (%)	P/BV (x)
12/07 A	254	1.13	0.78	1.77	70.15	9.12	8.25	5.82
12/08 A	185	0.69	0.63	4.20	22.32	14.93	6.12	2.45
12/09 A	178	0.60	0.58	4.03	14.27	17.17	5.63	2.56
12/10 E	272	0.89	0.85	4.06	21.63	11.57	8.25	2.54
12/11 E	314	1.00	0.95	4.16	24.36	10.30	9.22	2.48

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Asiasoft Corporation - AS

benefit of two new games 'Twelve Sky 2' and 'Rohan' released in 3Q10. Marketing expenses are poised to edge lower and provisions are also expected to fall in 4Q10. AS is expected to take about Bt6m provision for doubtful debt of the company in Vietnam that AS is currently in talks for joint venture. If negotiations become successful, the above doubtful debt provision will be reversed. In our view, we expect 4Q10 revenue and net profit to be a high point for the year.

Slight earnings downgrade for 2010, 2011 view unchanged

Overseas expansion plans in Vietnam and Indonesia are likely to be concluded in 2011. AS has new games to be launched in Indonesia. Note that Indonesia is one of the most promising markets given its huge population and strong IT growth. The number of new game launches in 2011 is unlikely to be lower than 2010 when AS has launched four new games each in Thailand and overseas markets, taking the total number of game titles currently available in four countries including Vietnam to 29. We cut our 2010 revenue outlook for AS to Bt1,504.40m. We also revise downwards our expense projection and we raise our forecast for provision for doubtful debt to Bt6m. The above revisions prompt us to slightly trim our 2010 net profit outlook for AS to Bt271.80 from a previous view of Bt279.91m. Looking ahead into 2011 we leave our net profit outlook for AS unchanged at Bt313.87m. The forecast assumes 2011 revenue of Bt1,632.31m. The investment plans in Vietnam and Indonesia have not yet been built into the forecast. We maintain a 'BUY' stance on AS with a 2011 price target of Bt14/share, based on a P/E multiple of 14x.

AS (Btm)	3Q10	2Q10	3Q09	YoY+/-	QoQ+/-	9M10	9M09	YoY+/-
Sales and service	359.21	354.26	356.62	0.73%	1.40%	1,073.67	1,069.23	0.42%
Cost of sales and service	188.15	180.71	210.06	-10.43%	4.12%	560.96	629.31	-10.86%
Gross profit	171.07	173.55	146.57	16.72%	-1.43%	512.71	439.92	16.55%
SG&A	94.23	79.98	92.79	1.55%	17.81%	264.70	282.93	-6.44%
Operating profit	76.84	93.57	53.78	42.89%	-17.88%	248.01	156.99	57.98%
Other incomes	4.28	4.34	5.17	-17.21%	-1.38%	14.90	22.88	-34.88%
EBIT	81.12	97.90	58.94	37.62%	-17.15%	262.91	179.87	46.17%
Interest exp	0.14	0.14	0.65	-78.48%	-0.71%	0.44	2.07	-78.58%
EBT	80.98	97.76	58.30	38.91%	-17.17%	262.47	177.80	47.62%
Financial cost	22.44	23.89	18.48	21.43%	-6.08%	67.21	63.38	6.1%
EAT	58.54	73.88	39.82	47.01%	-20.75%	195.25	114.42	70.64%
Minority interest	0.00	0.00	0.00	0.00%	0.00%	0.00	0.00	0.00%
Net profit	58.54	73.88	39.82	47.01%	-20.75%	195.25	114.42	70.64%
EPS (Bt)	0.19	0.24	0.14	38.16%	-20.75%	0.62	0.39	60.36%
Cost of sales/sales	52.38%	51.01%	58.90%	-11.08%	2.68%	52.25%	58.86%	-11.23%
SG&A/sales	26.23%	22.58%	26.02%	0.81%	16.18%	24.65%	26.46%	-6.83%
Gross margin	47.62%	48.99%	41.10%	15.87%	-2.79%	47.75%	41.14%	16.06%
Operating profit margin	21.39%	26.41%	15.08%	41.86%	-19.01%	23.10%	14.68%	57.32%
Net profit margin	16.30%	20.85%	11.17%	45.95%	-21.85%	18.19%	10.70%	69.94%
Balance Sheet								
Total assets	1,705.67	1,705.67	1,596.60	6.83%	0.00%	1,705.67	1,596.60	6.83%
Total liabilities	429.52	429.52	429.36	0.04%	0.00%	429.52	429.36	0.04%
Paid-up (m shrs) - Par Bt1*	313.64	313.64	294.74	6.41%	0.00%	313.64	294.74	6.41%
Total equities	1,276.14	1,276.14	1,167.24	9.33%	0.00%	1,276.14	1,167.24	9.33%
D/E (x)	0.34	0.34	0.37	-8.50%	0.00%	0.34	0.37	-8.50%
BV (Bt)	4.07	4.07	3.96	2.74%	0.00%	4.07	3.96	2.74%

* exclude treasury share

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Action & Recommendation

TRADING BUY	: Share price may exceed 10% on the upside over the next 3 months, however longer-term outlook remains uncertain
BUY	: >15% upside from the current price
HOLD	: -10% to 15% from the current price
SELL	: >10% downside from the current price
TRADING SELL	: Share price may exceed 10% on the downside over the next 3 months, however longer-term outlook remains uncertain
Unchanged	: Ratings maintained
Upgrade	: A positive change in ratings
Downgrade	: A negative change in ratings

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 disclosed 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.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that data. Phillip Securities (Thailand) of securities company does not confirm nor certify the accuracy of such survey result.