

Asiasoft Corporation – AS

Strategy reshaped—fewer games launched in 2HCY12



Bloomberg | Reuters
AS.TB | AS.BK

Phillip Securities Research
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Report type: Company Update

Company Overview

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

- AS cut down a number of games to be launched to 16 games in 2HCY12, bringing the total of game launched in the year lower to 23 games. Number of games to have been launched in 3QCY12 is likely to be the highest level.
- Indonesia-based company appears to fall behind its schedule to meet break-even point as recently launched game has not yet gained as much feedback as expected and the company is studying to reshape its strategy. AS is also studying feasibility to expand its mark in Myanmar and Cambodia, but infrastructures-electricity and internet appear to become major challenges. In Vietnam, there appears a lack of law to accommodate gaming entertainment but AS expects to reach conclusive decision by end-CY12.
- We revise downwardly earnings forecast for CY12, but we are optimistic about growth potential in CY13 as Indonesia-based segment will no more suffer from loss and AS will consolidate CIB earnings at full-year basis. Our CY13 target price of Bt18.60 is based on P/E of 14x; we therefore upgrade recommendation to 'BUY' rating on AS shares.

What is the news?

AS reformulated its strategy to better suit the situation in 2HCY12. A number of game launched in the second half will lower to 16, raising a total game of 23 launched in CY12, from earlier expected 27 games. Games are likely to have been launched the most in 3QCY12. Indonesia-based segment is falling behind schedule to meet its break-even point. Myanmar and Cambodia are under feasibility study, but Vietnam is lack of law to support gaming entertainment business where AS expect to reach conclusive decision by end-CY12.

How do we view this?

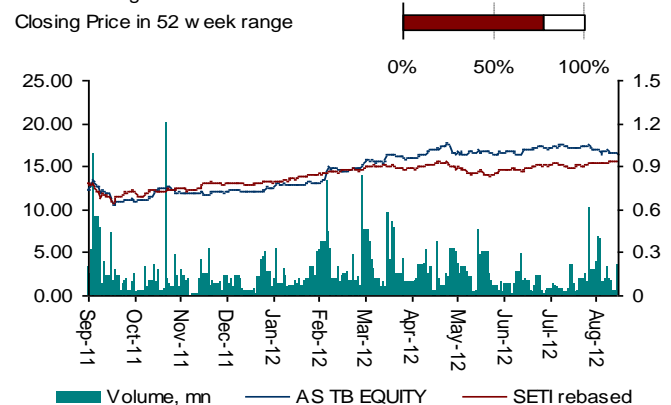
We trim CY12 net profit forecast as 2QCY12 earnings saw tepid growth, dragged by amortization charge and tax expense, including later-than-expected break-even point reached from Indonesia-based segment—instead of 2QCY12 the break even is falling behind schedule to 4QCY12. Looking ahead, we are optimistic that CY13 earnings are likely to keep growing, contributed to games launched in 2012, an absence of loss at Indonesia-based segment, and a full-year consolidation of CIB's earnings.

Investment Actions?

Our CY13 target price of Bt18.60 is based on P/E of 14x, including expected dividend of Bt1.33/share, we upgrade recommendation to 'BUY' rating on AS shares.

Asiasoft Corporation

Rating	1.00	Buy
- Previous Rating	3.00	Neutral
Target Price (Bt)	18.60	
- Previous Target Price (Bt)	19.70	
Closing Price (Bt)	16.30	
Expected Capital Gains (%)	14.1%	
Expected Dividend Yield (%)	8.2%	
Expected Total Return (%)	22.3%	
Raw Beta (Past 2yrs weekly data)	0.29	
Market Cap. (USD mn)	160	
Enterprise Value (USD mn)	129	
Market Cap. (Bt mn)	5,011	
Enterprise Value (Bt mn)	4,042	
3M Average Daily T/O (mn)	0.1	
52 week range	10.4 - 18	



Major Shareholders

	(%)
1. Mr. Pramoth Sudjitporn	41.5
2. Mr. Tan Tgow Lim	9.5
3. Asia Investment Partners Ltd.	9.5

Key Financial Summary

FYE Dec	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	1,512	1,638	2,050	2,266
Net Profit (Btmn)	264	296	348	408
EPS (Bt)	0.84	0.94	1.13	1.33
Net Profit, adj. (Btmn)	264	296	348	408
EPS, adj. (Bt)	0.84	0.94	1.13	1.33
P/E (X),adj.	19.4	17.3	14.4	12.3
BVPS (Bt)	4.06	4.17	4.24	4.32
P/B (X)	4.0	3.9	3.8	3.8
DPS (Bt)	0.84	0.76	1.13	1.33
Div. Yield (%)	5.2	4.7	6.9	8.2

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (14x)

Analyst

Phillip Research Team

+65 65311240

+65 63367607

research@phillip.com.sg

Strategy reshaped, fewer games launched in 2HCY12

AS reshaped its strategy for 2HCY12 as a number of games launched has been lowered to 16, totaling 23 games for CY12 (earlier expected 27 games). A number of games launched in 3QCY12 is expected to be the highest in the year, while a reduction of new game launched is likely to be made for Thai market. Nevertheless, increasing number of games, to be launched in 2HCY12, will likely help drive revenue higher. Also, AS will consolidate a full half-year of CIB's earnings, while CIB plans to introduce three games in 2HCY12. In sum, the group of company will have launched total games of 70 in CY12, if there is no any further change. Note that the total 70 games already included 17 games that CIB launched before a merger.

Late break-even reached; feasibility study of gaming entertainment business in neighboring countries

Indonesia is considered a large country with compelling demand where AS expected Indonesia-based segment to become a major growth driver. Reality bites—the business in Indonesia has fallen behind schedule to meet the break-even point as its online game AVA didn't gain as much feedback as expected, prompting AS to reshape its strategy to drive revenue higher. The break-even point has been put off to 4QCY12 from earlier 2QCY12.

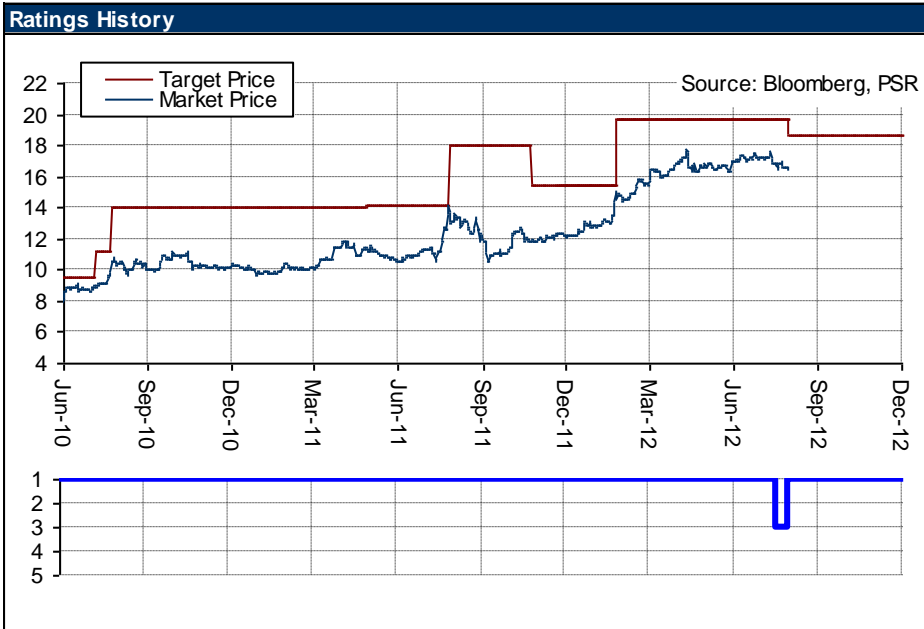
Besides Indonesia, AS plans to mark its footprints in Myanmar and Cambodia—study feasibilities have been in progress. So far, infrastructure problem, in terms of electricity and internet, appear to become key challenges. In Vietnam, the only but major challenge is an absence of law to accommodate gaming entertainment business where AS expects to reach conclusive decision by end-CY12.

CY12 earnings forecast cut; CY13 outlook still optimistic

In 2QCY12, the accounting items on impairment charges and higher tax provision brought down quarterly earnings growth, while performance in its Indonesia-based turned out not bullish as expected. For 3CY12, sales of offline games are forecast to lower, though the company plans to put Blizzard's offline games, including 'World of Warcraft: Mist of Pandaria' in late Sep but revenue is unlikely to measure up with that from 'Diablo III'. For these reasons, we trim our CY12 net profit forecast to Bt347.58mn from Bt432.25mn.

For CY13, we expect earnings to grow nicely as (i) AS will consolidate CIB's earnings at full-year basis, (ii) the online games, launched in 2012, are expected to key contributor to earnings growth, and (iii) Indonesia-based segment will no more suffer from loss as it is likely to reach its break-even in 4QCY12 and more new games are expected to help driver revenue growth. Sales of offline games appear unappealing as it is lack of absolute information which games would be put into the market and even the market's feedback is still questioned. Under this circumstance, we expect CY13 revenue to reach Bt2,265.76mn, generating net profit to Bt407.88mn.

Given expected dividend of Bt1.33/share, we upgrade recommendation to 'BUY' rating on AS shares with a CY13 target price of Bt18.60/share, based on P/E of 14x.



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

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Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

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Chan Wai Chee
CEO, Research
Special Opportunities
+65 6531 1231
yebo@phillip.com.sg

Magdalene Choong, CFA
Investment Analyst
US, Gaming
+65 6531 1791
magdalenechoongss@phillip.com.sg

Ken Ang
Investment Analyst
Financials
+65 6531 1793
kenangwy@phillip.com.sg

Roy Chen
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1535
roychencz@phillip.com.sg

Lee Kok Joo, CFA
Head of Research
S-Chips, Strategy
+65 6531 1685
leekj@phillip.com.sg

Go Choon Koay, Bryan
Investment Analyst
Property
+65 6531 1792
gock@phillip.com.sg

Travis Seah
Investment Analyst
REITS
+65 6531 1229
travissehkhk@phillip.com.sg

Nicholas Ong
Investment Analyst
Commodities
+65 6531 5440
nicholasonghg@phillip.com.sg

Joshua Tan
Macro Strategist
Global Macro, Asset Strategy
+65 6531 1249
joshuatan@phillip.com.sg

Derrick Heng
Investment Analyst
Transportation, Telecom.
+65 6531 1221
derrickhengch@phillip.com.sg

Ng Weiwen
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1735
ngww@phillip.com.sg

Research Assistant
General Enquiries
+65 6531 1240 (Phone)
+65 6336 7607 (Fax)
research@phillip.com.sg

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

Octa Phillip Securities Ltd
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel (03) 9629 8288
Fax (03) 9629 8882
Website: www.octaphillip.com

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel: (81-3) 3666-2101
Fax: (81-3) 3666-6090
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel (86-21) 51699200
Fax (86-21) 63512940
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005