

Sector View

Video Games

	1 M	3 M	6 M	31/12/15
Softw.& Comp.	-9.6%	-12.2%	-6.5%	-13.5%
DJ Stoxx 600	-10.8%	-19.8%	-22.9%	-17.0%

*Stoxx Sector Indices

Companies covered

GAMELOFT	BUY	EUR6.7
Last Price	EUR4.78	Market Cap. EUR409m
UBISOFT	BUY	EUR34 vs.37
Last Price	EUR20.895	Market Cap. EUR2,324m



US packaged software sales in January

The NPD Group has released data for January's packaged video games sales in the US. Hardware sales were down 15% Y/Y (the PS4 was again the top-selling console). Packaged software was down 10% (vs. BG ests: -4%), mainly due to declines in handheld and last generation consoles and the strong trend towards digital. Activision Blizzard's *Call of Duty: Black Ops III* was the best-selling game. We are making no change to ratings for our sector coverage: Buy UBISOFT with a FV of EUR34 (vs. EUR 37: see our dedicated paper this morning) and GAMELOFT with a FV of EUR6.7. Our FVs reflect minimum prices for potential public offers.

ANALYSIS

- **On Thursday night, the NPD Group released its monthly sales report for January's packaged video games in the US** (4-week period ending on 30th January, 2016). Bear in mind that these numbers only represent a fraction of the industry (i.e. around 50% of spending). NPD only tracks new games sold at US retailers. This does not include second-hand software, mobile, and digital. As such, it simply gives an insightful glimpse of a much more dynamic industry. **Revenue in the sector was down 4% over one year at USD605.2m: 1/ Hardware -15% Y/Y at USD157.0m.** The PS4 was again this month the best-selling platform in the US. **2/ Software -9.7% Y/Y at USD212.7m**, i.e. below our -3.8%e (no consensus). Activision Blizzard's *Call of Duty: Black Ops III* was the top-selling game. **3/ Accessories +15% Y/Y at USD235.5m**, mainly thanks to peripherals, interactive toys, points, subscription cards sales.
- **Worth noting on the software side: 1/** a fairly unfavourable base effect (+6% in Jan. 2015); **2/** the continuing sales of strong November's game release slate (Activision Blizzard's *Call of Duty: Black Ops III* was the top-selling game of the month for the third time in a row); **3/** part of the 10% decline stemmed from a dearth of new launches this month compared to last year; **4/** the softness from the performance of Q4 launches in January, which were down 19% from last year's Q4 launches; **5/** the growing transition towards digital (gamers are more and more comfortable with downloading games, all the more so with the highly connected home consoles).
- **Bear in mind that the NPD Group doesn't track: 1/** digital game sales; and **2/** games packed-in with consoles.

VALUATION

- **UBISOFT: We maintain our Buy rating and cut our FV from EUR37 to EUR34** (we value the entire cycle). See our dedicated paper on Ubisoft.
- **GAMELOFT: We maintain our Buy rating and FV of EUR6.7** (we value the entire cycle).
- Our FVs reflect **minimum prices for potential public offers.**

NEXT CATALYSTS

- **UBISOFT: Investor day:** 18th February (in London).
- **GAMELOFT: FY15 earnings results:** 21st March, 2016 (after trading).

Top ten selling games in January 2016 by platform in the US

Rank	Games	Consoles	Publisher
1	Call of Duty: Black Ops III	Xbox One, PS4, 360, PS3, PC	Activision Blizzard
2	Grand Theft Auto V	PS4, Xbox One, 360, PS3, PC	Take-Two Interactive
3	NBA 2K16	PS4, Xbox One, 360, PS3	Take-Two Interactive
4	Star Wars: Battlefront	Xbox One, PS4, PC	Electronic Arts
5	Fallout 4	PS4, Xbox One, PC	Bethesda Softworks
6	Minecraft	360, Xbox One, PS4, PS3	Microsoft
7	Tom Clancy's Rainbow Six: Siege	Xbox One, PS4, PC	Ubisoft
8	Madden NFL 16	PS4, Xbox One, 360, PS3	Electronic Arts
9	Lego: Marvel Avengers	PS4, Xbox One, 360, Wii U, PS3, 3DS, Vita	Warner Bros. Interactive
10	FIFA 16	PS4, Xbox One, 360, PS3	Electronic Arts

N.B.: games bundled with hardware are not tracked by the NPD Group

Sources: NPD Group; Bryan, Garnier & Co.

- Call of Duty: Black Ops III (Activision Blizzard) was the top-selling game.
- Electronic Arts was the publisher of the month, with 3 titles in the TOP 10 (#4, 8 and 10).
- Ubisoft ranked 1 game in January (Rainbow Six: Siege #7).

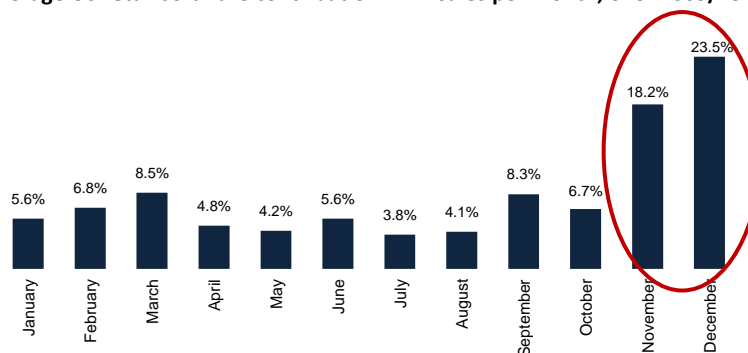
Y/Y % change in retail software sales in the US from 2000 to 2016 (in value, at constant scope)

%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	2	16	4	0	18	0	-5	53	12	10	-12	-5	-38	1	-25	6	-10
February	5	-11	45	-5	5	13	-12	32	48	9	-15	-5	-23	-36	-9	7	
March	20	-15	33	8	-6	31	-8	16	64	-17	10	-16	-25	-1	-27	-3	
April	27	-13	11	39	-3	9	16	-1	69	-22	-22	26	-42	-17	-10	13	
May	4	10	31	20	-17	30	-10	33	42	-17	4	-19	-32	-31	57	-25	
June	4	23	27	-9	12	2	15	22	61	-29	-15	-12	-29	-10	-3	21	
July	-1	26	11	4	27	-10	19	11	41	-26	-8	-17	-23	-19	-15	0	
August	-12	18	43	4	1	0	18	23	13	-15	-14	-34	-9	23	-21	-10	
September	-26	-8	50	-10	44	-24	29	47	-6	5	-6	3	-18	52	-36	-3	
October	13	-20	74	-15	35	-24	1	40	36	-18	6	3	-25	12	-27	-3	
November	1	28	7	7	11	-17	14	63	11	-3	3	11	-11	-24	-1	-7	
December	-9	24	7	13	-1	-3	6	37	15	-7	-8	-14	-26	-17	-2	-3	
Total	-1	10	21	5	8	-3	7	34	27	-10	-6	-6	-23	-9	-12	-2	

Sources: NPD Group; Bryan, Garnier & Co.

- Packaged software sales were down 10% in January (vs. BG est.: -3.8%e).
- Physical sales account for 50%e of the US consumer spend on the industry (35-40%e in Europe).

Average US retail software contribution in FY sales per month, over 2009/15



Sources: NPD Group; Bryan, Garnier & Co.

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