

4th March 2016

TMT

## Gameloft

Price EUR7.49

Everything remains possible

Fair Value EUR6.7 (-11%)

BUY

|                            |           |
|----------------------------|-----------|
| Bloomberg                  | GFT FP    |
| Reuters                    | GLFT.PA   |
| 12-month High / Low (EUR)  | 7.5 / 3.2 |
| Market Cap (EURm)          | 640       |
| Avg. 6m daily volume (000) | 377.9     |

### ANALYSIS

- At yesterday's closing price, **the stock is trading 3.9% above Vivendi's last offer of EUR7.2**. Gameloft's Board of Directors should give its decision soon. **As the approach is considered as hostile, the company is also likely to reject this bid.**
- As a reminder, our Fair Value of EUR6.7 was a minimum price in the case of a takeover offer. **The first bid (EUR6) was too low, while the new bid is attractive (EUR7.2)**. However, as Vivendi is seeking to acquire Ubisoft, which has to be a friendly move, it must be generous with Gameloft (the Guillemot family runs both companies). **As a result, we believe everything remains possible.**
- **An offer of EUR7.2 represents a discount of 16% to the latest transaction multiples seen in the mobile gaming segment**, Activision Blizzard's purchase of King Digital. This is quite logical as King is 3x more profitable than our expectation for Gameloft in 2016e. **Note that if Vivendi pays 2.5x sales for Gameloft** (i.e. same multiple Activision paid for King), **this would result in an offer price of EU8.4**. We see this latter as an **absolute maximum level that Gameloft does not really deserve** (given its profitability level). As such, **the true price is probably somewhere in the middle** (i.e. between EU7.2 and EU8.4). As a reminder, EUR8.32 was the peak share price reached by Gameloft in early 2014 (22nd January 2014).
- A notice from the French financial market authority (AMF) stated that **the Guillemot family now owns 18,241,890 shares i.e. 21.23% of the capital and 29.26% of voting rights** (vs. 17,494,935 shares before: 20.47% and 28.57% respectively). This followed the acquisition of Gameloft shares on the market on 1st and 2nd March, i.e. one and two days after the 2nd bid from **Vivendi (25,649,006 shares: 30.01% of the capital and 26.72% of the voting rights)**.

### NEXT CATALYSTS

- **The party is not over** (a fresh increase in the offer price from Vivendi?). Everything remains possible.

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## Stock rating

|         |   |
|---------|---|
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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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|    |   |  |     |
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