

Gameloft

Price EUR7.48

Gameloft files complaint against the hostile takeover bid by Vivendi

Fair Value EUR6.7 (-10%)

BUY

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.5 / 3.2
Market Cap (EURm)	643
Ev (BG Estimates) (EURm)	606
Avg. 6m daily volume (000)	377.7
3y EPS CAGR	

Gameloft filed a complaint yesterday against the declaration of compliance related to the hostile takeover bid by Vivendi. Note also that the Guillemot family has again purchased GFT shares recently at EUR7.33, although we do not believe the members of this concert can reach the 30% threshold. Gameloft's top two shareholders are Vivendi (29.86% of the capital and 26.63% of the voting rights) and the Guillemot family (21.71% and 29.32% respectively). We reiterate our Buy rating and FV of EUR6.7. We still see a fair offer in the range of EUR7.2-8.4 (a fresh increase in the offer price from Vivendi?).

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.2%	20.6%	127.4%	23.4%
Softw. & Comp.	3.9%	-2.0%	16.4%	-1.8%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	227.3	256.2	269.0	290.5
% change		12.7%	5.0%	8.0%
EBITDA	13.7	8.0	47.4	59.6
EBIT	-4.2	-1.2	28.0	37.6
% change		71.4%	NS	34.2%
Net income	-5.9	-19.6	19.2	26.6
% change		NS	NS	38.7%

	2014	2015e	2016e	2017e
Operating margin	-1.8	-0.5	10.4	12.9
Net margin	-2.8	-9.4	6.9	9.2
ROE	-4.6	-21.2	14.0	16.7
ROCE	-3.5	-1.1	25.7	30.9
Gearing	-38.6	-32.4	-41.2	-45.4

(EUR)	2014	2015e	2016e	2017e
EPS	-0.07	-0.22	0.22	0.30
% change	-	NS	NS	38.7%
P/E	NS	NS	34.5x	24.9x
FCF yield (%)	NM	NM	3.8%	3.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.6x	2.4x	2.2x	2.0x
EV/EBITDA	42.9x	75.8x	12.4x	9.6x
EV/EBIT	NS	NS	21.0x	15.2x

ANALYSIS

- **Gameloft filed a complaint yesterday before the Court of Appeal of Paris** against the clearance decision relating to the takeover bid filed by Vivendi. It has also brought before the First President of the Court of Appeal of Paris a request for a stay of execution of this clearance decision until the Court has rendered its judgment on the merits. As part of this complaint, Gameloft cites Vivendi's non-compliance with the governing principles of takeover bids, as well as with the legal and regulatory obligations aiming to ensure transparency and to duly inform the market.
- **The Guillemot family has continued to buy back shares**, even since the opening of the takeover offer from Vivendi at EUR7.2. The Guillemot family now owns 18,645,994 Gameloft shares, i.e. 21.71% of the share capital and 29.32% of the voting rights. This was a result of an acquisition of 100,000 Gameloft shares on the market at EUR7.33 by Guillemot Brothers SE that took place on 29th March. As a reminder, Vivendi owns 25,649,006 Gameloft shares, i.e. 29.86% of the capital and 26.63% of the voting rights.

The Guillemot family and Vivendi stakes in Ubisoft and Gameloft

In %	UBISOFT		GAMELOFT	
Main Shareholders	Capital	Voting rights	Capital	Voting rights
Guillemot Family	9.40	16.20	21.71	29.32
Vivendi	15.66	13.90 ¹	29.86	26.63

Sources: AMF; Bryan Garnier & Co. ests¹.

- **Our scenario is totally unchanged: 1/** the members of the concert (Guillemot Brothers SE, Guillemot Corp SA, Mrs. Yvette Guillemot, Mr. Claude Guillemot, Mr. Michel Guillemot, Mr. Yves Guillemot, Mr. Gérard Guillemot, Mr. Christian Guillemot and Mrs. Tiphaine Guillemot) plan to continue their purchases depending on market conditions. However, we do not believe they will reach the 30% threshold because they do not have the financial means to launch a mandatory bid on the whole company. **2/** we maintain that Gameloft's mid-term outlook deserves more than EUR7.2 per share. 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 cannot exclude a fresh increase in the offer price. We estimate a fair offer in the range of EUR7.2-8.4 to really convince shareholders to tender their shares.

VALUATION

- We reiterate our **Buy rating** and **FV of EUR6.7**.
- We estimate a **fair offer in the range of EUR7.2-8.4**.

NEXT CATALYSTS

- **Q1 sales:** 28th April (after trading).

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BUY ratings 72%

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