

Ubisoft

Price EUR26.55

Tom Clancy's The Division is an overwhelming success for its day one

Fair Value EUR34 (+28%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.1 / 14.9
Market Cap (EURm)	2,952
Ev (BG Estimates) (EURm)	3,007
Avg. 6m daily volume (000)	403.3
3y EPS CAGR	22.7%

The Division sold through more copies in its first 24 hours than any previous title in the company's history. We are betting on around 6m sell-through units in its first week vs. more than 4m units for *Watch_Dogs* mid-2014. We reiterate what we wrote in our previous note, namely that the game could sell at 15m units at end-March 2017e and that the group could even meet its previous FY15/16 guidance (before the profit warning). We maintain our Buy rating and FV of EUR34 (our FV reflects a minimum price for a potential public offer).

ANALYSIS

- **Overwhelming success for *The Division*.** Tom Clancy's *The Division* was launched worldwide on 8th March for PS4, Xbox One and PC. As a reminder, Ubisoft announced two weeks ago that 6.4m players participated in the beta for this game, making it the biggest beta ever for a new IP on current generation platforms. Now management has stated that the game has sold through more copies in its first 24 hours than any previous title in the company's history (i.e. better than *Watch_Dogs*, *Assassin's Creed*...).
- **What are we expecting?** We expect the company to announce in a couple of days that *The Division* has reached a new industry sales record for the launch of a new IP. We are betting on ~6m copies in its first week (sell-through units) vs. more than 4m units for *Watch_Dogs* mid-2014. We reiterate what we wrote in our previous note, namely that the game could sell at 15m units at end-March 2017e (including 10-12m sell-in units in its first month vs. over 8m for *Watch_Dogs*).
- **We confirm our scenario: 1/ *The Division* will certainly be the most successful game ever for Ubisoft in terms of units sold (it could sell 15m units, which span over two fiscal years). Its last historical record was *Assassin's Creed III* with over 12.5m units sold in FY12/13. 2/ Ubisoft could have maintained its previous FY15/16 guidance (before the recent profit warning reducing sales from EUR1,465m to ~1,360m and non-IFRS EBIT from >=EUR200m to ~EUR150m) simply by putting more units at retailers in March (its revenue is based on sell-in sales) as gamers would have bought them anyway. Indeed, we were particularly surprised by the FY15/16 profit warning issued at the Q3 release whereas *Far Cry Primal* (23/02) and *The Division* (08/03) were maintained in its line-up.**
- **What could be the impact over Q4 and FY15/16e?** In Q4, we see a minimum of 14m sell-in units of *Far Cry Primal* and *The Division* cumulated units (4m and 10m respectively) and a maximum of 17m units (5m units and 12m units respectively). As a result, on average Ubisoft should exceed its last Q4 and FY guidance (+7% minimum and +3% minimum respectively) it could even meet its previous FY15/16 guidance on average (between our minimum and maximum scenarios), namely ~EUR1,465m in sales and >=EUR200m in non-IFRS EBIT.

Simulation for *Far Cry Primal* and *The Division* on Q4 and FY15/16 (vs. last guid. and previous guid.)

2015/16	Q4		FY	
	Minimum	Maximum	Minimum	Maximum
Cumulated sell-in units for <i>Far Cry Primal</i> and <i>The Division</i> (m)	14	17	14	17
Revenue outperformance vs. last guidance	+7%	+30%	+3%	+13%
Average outperformance vs. previous guidance (before the PW)	+0.7%		+0.2%	

Sources: Bryan, Garnier & Co ests.

VALUATION

- **We maintain our Buy rating and FV of EUR34** (we value the entire cycle). As a reminder, our FV reflects a minimum price for a potential public offer.
- **Ubisoft boasts positive momentum for coming months:** the next set of figures should probably beat guidance while speculation is increased (Vivendi's interest in GFT and UBI).

NEXT CATALYSTS

- **FY15/16 earnings:** the week of the 9th May.

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