

## Ubisoft

Price EUR27.07

Play again or end of the independent game?

Fair Value EUR34 (+26%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.1 / 14.9
Market Cap (EURm)	3,010
Ev (BG Estimates) (EURm)	3,065
Avg. 6m daily volume (000)	406.9
3y EPS CAGR	22.7%

During meetings with Ubisoft's management (CFO and IR) at our TMT conference, half of the time was spent discussing the company on a stand-alone basis, and the other half on Vivendi's entry into the share capital with the direct and indirect implications. Ubisoft again stated that its FY 2018/19 financial targets are based on cautious assumptions and that it intends to remain independent in the interests of all of its shareholders. We maintain our Buy rating and FV of EUR34 (our FV is a minimum price in the case of takeover bid). Full FOCUS TMT Conference out today.

	1 M	3 M	6 M	31/12/15
Absolute perf.	38.5%	0.8%	66.6%	1.5%
Softw. & Comp.	7.4%	-2.1%	14.1%	-3.5%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

## ANALYSIS

- Ubisoft is currently one of the main video game publishers worldwide.** It boasts three of the Top 4 biggest-ever new IPs in this demanding industry (in our view, thanks to its in-house development strategy in particular). The group is benefiting from the disappearance of some of its competitors and from its improvement towards digital. Following its latest successful release, *Tom Clancy's The Division*, **the group is demonstrating that it is one of the few players able to operate big online games** (high-quality games, with strong online infrastructure and services). This is a **major point to prepare for the group's future and make its FY 2018/19 targets credible** (digital is its main operating leverage, and notably digital contents).
- Our meetings with Ubisoft have strengthened our view on the current fiscal year**, namely that thanks to *Far Cry Primal* and above all *The Division*, **the group could even meet its previous FY15/16 guidance** (the recent profit warning reducing sales from EUR1,465m to ~1,360m and non-IFRS EBIT from >=EUR200m to ~EUR150m). In addition, **we predict that *The Division* could be the first Ubisoft game in history to reach the 15m unit threshold on a 12-month basis.**
- Regarding Vivendi**, management said that it did not need Vivendi to continue to grow, and that managing talents in the video game industry is quite different from managing pure creative people in the media world. **We reiterate that a public offer on Ubisoft has to be friendly and that it is essential that the CEO remains at the head of the gaming division** (for Vivendi not to take any risk of acquiring an empty shell).

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	1,464	1,365	1,706	1,877
% change		-6.7%	25.0%	10.0%
EBITDA	650	585	730	853
EBIT	161.1	138.0	218.0	289.9
% change		-14.4%	58.0%	32.9%
Net income	103.1	83.1	141.0	190.5
% change		-19.4%	69.7%	35.1%

	03/15	03/16e	03/17e	03/18e
Operating margin	11.0	10.1	12.8	15.4
Net margin	5.9	5.9	8.3	10.2
ROE	8.9	7.6	11.7	13.7
ROCE	12.7	8.0	13.8	18.5
Gearing	-20.2	5.2	-13.5	-25.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	0.91	0.73	1.25	1.68
% change		-19.4%	69.7%	35.1%
P/E	29.7x	36.9x	21.7x	16.1x
FCF yield (%)	6.5%	NM	7.1%	6.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.9x	2.2x	1.7x	1.4x
EV/EBITDA	4.3x	5.2x	3.9x	3.1x
EV/EBIT	17.5x	22.2x	13.1x	9.2x

## 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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