

## Sector View

## Video Games

	1 M	3 M	6 M	31/12/15
Softw.& Comp.	4.3%	-5.4%	10.5%	-6.4%
DJ Stoxx 600	5.8%	-8.2%	-7.2%	-8.8%

\*Stoxx Sector Indices

## Companies covered

<b>GAMELOFT</b>	<b>BUY</b>	<b>EUR6.7</b>
Last Price	EUR7.35	Market Cap. EUR628m
<b>UBISOFT</b>	<b>BUY</b>	<b>EUR34</b>
Last Price	EUR26.555	Market Cap. EUR2,953m

## US packaged software sales in February, Ubisoft leading the charts

The NPD Group has released data for February's packaged video games sales in the US. Hardware sales were down 23% Y/Y (the PS4 was again the top-selling console). Packaged software was down 10% (vs. BG ests: -11%e), mainly due to declines in handheld and last generation consoles and the strong trend towards digital. Ubisoft's *Far Cry Primal* was the best-selling game and we expect another of its titles to top the charts in March (Tom Clancy's *The Division*). We are making no change to ratings for our sector coverage: Buy ratings on UBISOFT with a FV of EUR34 and on GAMELOFT with a FV of EUR6.7. As a reminder, our FVs reflect minimum prices for potential public offers.

## ANALYSIS

- **On Thursday night, the NPD Group released its monthly sales report for February's packaged video games in the US** (four-week period ending 27th February). 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 12.3% over one year at USD842.5m: 1/ Hardware -22.7% Y/Y at USD292.2m** (mainly because of a decrease of 58% in handheld consoles). The PS4 was again the best-selling platform in the US over the month. **2/ Software -10.3% Y/Y at USD303.9m** (-10.8% incl. PC), i.e. slightly higher than our -10.8%e (no consensus). Ubisoft's *Far Cry Primal* (23rd Feb.) was the top-selling game (greater sales than *Far Cry 4*). **3/ Accessories +1.3% Y/Y at USD246.4m**, mainly thanks to peripherals, interactive toys, points, subscription cards sales.
- **Worth noting on the software side: 1/** a fairly unfavourable base effect (+7% in Feb. 2015); **2/** further sales of November's strong game release slate (Activision Blizzard's *Call of Duty: Black Ops III* was again in the monthly Top 10 for the fourth time in a row); **3/** softness in February performances of Q4 launches, which were down from the Q4 launches (-12% in volumes and -4% in value), **4/** a sharp decline of 52% in 7th generation consoles despite the 14% in 8th generation software, and handheld software also dropped 30% due to a difficult comparison base; **5/** the growing transition towards digital (gamers are increasingly comfortable with downloading games, all the more so with the highly connected home consoles).
- **Bear in mind that the NPD Group does not track: 1/** digital game sales; and **2/** games packed-in with consoles.
- **For NPD data in March:** we expect a **return to Y/Y growth in packaged game sales**, thanks to **Ubisoft's game Tom Clancy's The Division** (8th March) which should top the US charts.

## VALUATION

- **UBISOFT:** We maintain our **Buy rating** and **FV of EUR34** (we value the entire cycle).
- **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: FY15/16 earnings** – the week of the 9th May.
- **GAMELOFT: FY15 earnings** – 21st March (after trading), **investor day in London** on 22nd March.



### Top ten selling games in February 2016 by platform in the US

Rank	Games	Consoles	Publisher
1	<i>Fra Cry Primal</i>	PS4, Xbox One	Ubisoft
2	<i>Call of Duty: Black Ops III</i>	Xbox One, PS4, Xbox 360, PS3, PC	Activision Blizzard
3	<i>Grand Theft Auto V</i>	PS4, Xbox One, Xbox 360, PS3, PC	Take-Two Interactive
4	<i>Naruto Shippuden: Ultimate Ninja Storm 4</i>	PS4, Xbox One	Bandai Namco Games
5	<i>NBA 2K16</i>	PS4, Xbox One, Xbox 360, PS3	Take-Two Interactive
6	<i>Lego Marvel Avengers</i>	PS4, Xbox 360, Xbox One, Wii U, PS3, 3DS, PSV	Warner Bros. Interactive
7	<i>Street Fighter V</i>	PS4	Capcom
8	<i>Minecraft</i>	Xbox 360, Xbox One, PS4, PS3	Microsoft
9	<i>Fire Emblem Fates: Birthright</i>	3DS	Nintendo
10	<i>Fallout 4</i>	PS4, Xbox One, PC	Bethesda Softworks

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

Sources: NPD Group; Bryan, Garnier & Co.

- **Ubisoft's *Far Cry Primal*** was the top-selling game and it registered greater sales than *Far Cry 4*.
- **Take-Two Interactive** was the publisher of the month, with 2 titles in the TOP 10 (#3 and 5).

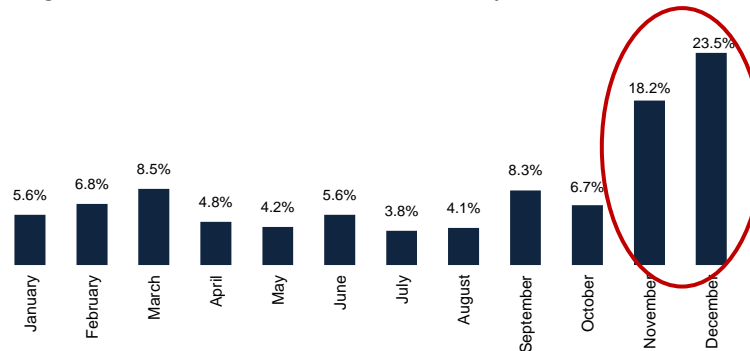
### Y/Y % change in retail software sales in the US from 2000 to 2016 (in value, at constant scope)

%	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	-10
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 10.3% in February** (vs. BG est.: -10.8%).
- **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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