

26th May 2016

TMT

## Ubisoft

Price EUR31.64

The only way is up

Fair Value EUR34 (+7%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	31.6 / 14.9
Market Cap (EURm)	3,519
Avg. 6m daily volume (000)	315.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	19.0%	25.0%	19.0%	18.6%
Softw.& Comp.				
SVS	1.4%	7.7%	-0.3%	-1.7%
DJ Stoxx 600	-1.2%	7.5%	-8.4%	-5.9%
	03/16	03/17e	03/18e	03/19e
P/E	31.1x	24.5x	16.4x	12.1x
Div yield (%)	NM	NM	NM	NM

### ANALYSIS

- According to people familiar with the matter, relayed by Bloomberg, Ubisoft is working with financial advisers to find a white knight (considering private-equity funds or teaming up with a strategic partner already in video games) that will help it fend off the unwanted embrace of Vivendi and its chairman, Vincent Bollore. The family is preparing for a fight that could last until Ubisoft's shareholder meeting scheduled for September. As a reminder, Vivendi owns 17.73% of the capital and 15.66% of voting rights vs. the Guillemot family's 8.71% and 15.71% respectively.
- We see no breaking news here. **All scenarios are in favour of an increase in the share price: 1/** Vivendi at least keeps its stakes or increases its stakes giving sense to the speculation; **2/** Vivendi comes to a takeover bid (but to succeed and limit the risk of buying an empty shell, it will have to be a friendly move); **3/** the Guillemot family increases its stake to try to defend itself (notably by investing the ~EUR150m that it will obtain from its current stake in Gameloft) or find a white knight (with similar values); **4/** the best way currently for UBI to protect itself from a raider is to communicate more and deliver strong fundamentals (no game delays...) in order to show that it can remain independent. Whichever is the case, this justifies an increase in the share price in coming months (good momentum and speculation). Lastly, **we totally exclude creeping control from Vivendi without paying a premium to shareholders. In our view, if Vivendi intends to acquire Ubisoft it will be through a proper public offer. And if it wants to really succeed in the video game business beyond a possible operation (that cannot happen before the end of October), it could only be through a friendly deal (to avoid losing key star developers/creators).**

### VALUATION

- **We maintain our Buy rating.** We expect good news flow in the coming weeks and months. Our **FV of EUR34** is derived from UBI's 12m fwd average multiples over the past two console cycles applied to our FY16/17e estimates (unreliability of a longer horizon guidance in this industry), to which we have added a 15% premium (digital sales and other entertainment revenues). **Our valuation does not include any speculative premium.**

### NEXT CATALYSTS

- **UBI's E3 press conference:** on 13th June at 1:00pm in Los Angeles (local time)
- **UBI's investor meeting:** on 14th June at 8:00am in LA (local time).

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Richard-Maxime Beaudoux, [rmbeaudoux@bryangarnier.com](mailto:rmbeaudoux@bryangarnier.com)



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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Munich</b>	<b>New Delhi</b>
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 <b>Geneva</b> rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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