

Gameloft

Price EUR7.37

The closing date for the offer is now 27th May

Fair Value EUR7.2 (-2%)

BUY

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EUR)	642
Ev (BG Estimates) (EUR)	587
Avg. 6m daily volume (000)	315.6
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	53.5%	38.0%	21.6%
Softw. & Comp.	-2.6%	0.0%	-4.1%	-6.1%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	256.2	269.0	290.5	322.5
% change		5.0%	8.0%	11.0%
EBITDA	8.0	47.4	59.6	79.3
EBIT	-1.2	28.0	37.6	54.8
% change		NS	34.2%	45.8%
Net income	-19.6	19.2	26.6	38.1
% change		NS	38.7%	43.3%

	2015	2016e	2017e	2018e
Operating margin	-0.5	10.4	12.9	17.0
Net margin	-9.4	6.9	9.2	11.8
ROE	-21.2	14.0	16.7	19.3
ROCE	-1.1	25.7	30.9	39.4
Gearing	-32.4	-41.2	-45.4	-49.7

(EUR)	2015	2016e	2017e	2018e
EPS	-0.22	0.22	0.30	0.43
% change	-	NS	38.7%	43.3%
P/E	NS	34.0x	24.5x	17.1x
FCF yield (%)	NM	3.8%	3.9%	5.4%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.4x	2.2x	2.0x	1.7x
EV/EBITDA	75.7x	12.4x	9.5x	6.9x
EV/EBIT	NS	21.0x	15.2x	9.9x

Gameloft's request for a stay was rejected yesterday by the Court of Appeal of Paris. The closing date for the offer is now 27th May. This decision is not surprising in view of the commitments made by Vivendi. So, the last day for an increase in the offer price or a counter-offer is 20th May. The Court of Appeal will later decide on the substance, i.e. if the offer is compliant or not (probably in June). We confirm our view that Gameloft's mid-term outlook deserves more than EUR7.2 per share and that Vivendi must be generous with Gameloft if it wants a friendly deal with Ubisoft. As a result, we cannot exclude a fresh increase in the offer price. We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range EUR7.6-8.6 (vs. EUR7.2 offered by Vivendi).

ANALYSIS

- Note Gameloft had asked the Court of Appeal of Paris to over-rule the AMF (French stock market regulator) which had cleared the hostile bid for Gameloft. In its complaint, Gameloft said that Vivendi hadn't been transparent and hadn't duly informed the market of its intention to make an offer. **Its request for a stay was rejected yesterday by the court** (i.e. no postponement for the results of the offer). **So, the closing date for the offer is set for 27th May.** As a result, **the last day for a fresh increase in the offer price or a counter-offer is 20th May.**
- The court's decision is not surprising in view of the commitments made by Vivendi.** Indeed, it entered into a strong commitment to unwind the operation and to ensure the return of securities in case of a negative decision on the compliance of the offer in June. **This clearly shows Vivendi's strong motivation, so it was very likely that the request filed by Gameloft would not have a suspensive effect.**
- The Court of Appeal will later decide on the substance, i.e. if the offer is compliant or not.** This decision should logically be known in June.
- We maintain our view: 1/** Gameloft's mid-term outlook deserves more than EUR7.2 per share; **2/** 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.**

VALUATION

- Investors have nothing to gain by tendering their GFT shares** now at EUR7.2 to Vivendi.
- We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range EUR7.6-8.6** to convince shareholders to tender their shares (mid-range price is 11% above yesterday's price).

NEXT CATALYSTS

- 20th May:** last day for an increase in the offer price or a counter-offer.
- 27th May:** closing date for the offer.

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