

Gameloft

Price EUR7.18

Fresh increase in the offer price to EUR8 per share; you can now tender your shares

Fair Value EUR7.2 (0%)

TENDER TO THE OFFER vs. BUY

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EURm)	625
Ev (BG Estimates) (EURm)	570
Avg. 6m daily volume (000)	290.0
3y EPS CAGR	

Vivendi announced that its public tender offer price for the shares of Gameloft automatically increased from EUR7.2 to EUR8.0 per share. As a reminder, we estimated a fair hostile offer in the range EUR7.6-8.6 (vs. our FV of EUR7.2). This 2nd increase in the offer price is in the middle of our estimated range, and values GFT at an estimated EV/sales of 2.3x over 12 rolling months. We consider it should now be attractive enough to seduce investors. We therefore change our recommendation from "Buy" to "Tender to the offer".

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	12.2%	32.7%	18.5%
Softw. & Comp.	-3.0%	1.9%	-5.2%	-5.1%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

FACTS

- Yesterday afternoon, Vivendi informed the French market regulator AMF that it has raised its bid for Gameloft from EUR7.2 to EUR8.0 per share (+46.0% vs. the share price prior to the announcement of the takeover bid on 18th February, +100.5% vs. the share price prior to Vivendi being a shareholder on 14th October 2015, +11.4% vs. yesterday's closing price, and +5.7% vs. its two-year high). **This is the second increase in the offer price** (having already been raised from EUR6.0 to EUR7.2 per share on 29th February) and has automatically resulted from an acquisition of a block of 148,743 shares at EUR8. So, **Vivendi now owns 25,572,749 Gameloft shares (29.37% of the share capital and 26.47% of the voting rights)**.

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%

ANALYSIS

- Vivendi's first bid was too low (EUR6), while the EUR7.2 was reasonable. However, **Gameloft's mid-term outlook deserved more than EUR7.2 per share, and as Vivendi is seeking to acquire Ubisoft, which has to be a friendly move, it had to be generous with Gameloft** (the Guillemot family runs both companies). As a result, we were betting on an increase in the offer price.
- We estimated a fair offer in the range EUR7.6-8.6** (vs. our FV of EUR7.2). So, **this new offer price of EUR8.0 is in the middle of our estimated range, and values GFT at an estimated EV/sales of 2.3x over 12 rolling months** (6 months of 2016e and 6 months of 2017e). As a result, we consider it should now be attractive enough to seduce investors.

	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

VALUATION

- We now advise investors to tender their shares at this new offer price of EUR8.0.** We therefore change our recommendation from "Buy" to "Tender to the offer".

(EUR)	2015	2016e	2017e	2018e
EPS	-0.22	0.22	0.30	0.43
% change	-	NS	38.7%	43.3%
P/E	NS	33.1x	23.9x	16.7x
FCF yield (%)	NM	3.9%	4.0%	5.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.3x	2.1x	1.9x	1.6x
EV/EBITDA	73.6x	12.0x	9.3x	6.6x
EV/EBIT	NS	20.4x	14.7x	9.6x

NEXT CATALYSTS

- Gameloft should hold a board meeting in the coming days** to evaluate the Vivendi offer. **Whatever, it is now in the hands of shareholders and, in our view, the offer is now really fair.**
- Unless the AMF decides to make a change to the calendar, **the offer will expire on 27th May.**



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