

Ubisoft

Price EUR34.36

Success of convertible bond issue for c.EUR400m

Fair Value EUR34 (-1%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 18.0
Market Cap (EURm)	3,861
Ev (BG Estimates) (EURm)	3,655
Avg. 6m daily volume (000)	248.3
3y EPS CAGR	35.7%

Ubisoft has announced the success of convertible bond issue (OCEANes) for c.EUR400m maturing in 2021. Conditions were extremely favourable with a high premium of 60% (strong investor appetite) and with no interest. The issue should enable the group to benefit from the very attractive current market conditions, to diversify its funding sources, extend its debt maturity, repurchase some stocks, and finance its possible future acquisitions. We maintain our Buy recommendation and FV of EUR34.

ANALYSIS

- As expected, the final terms of the bonds were determined yesterday after market. Ubisoft has announced the success of its issue of 7,307,270 convertible bonds (OCEANes will be issued at par on 27th September 2016) for c.EUR400m due in 2021 (with a maximum dilution of 6.5% if Ubisoft decides to only deliver new shares upon conversion to maturity). Conditions were extremely favourable with the bond's nominal value set at EUR54.74, i.e. a high premium of 60% compared to the reference share price (vs. 50-60% initially expected) and with no interest. The ratio is one share for one bond. The company noted a 90-day lock-up period.
- The issue at a 60% premium shows strong investor appetite for the stock and confidence in the company's future (long-term value creation for shareholders).
- Ubisoft does not need it in the short term, so this was an opportunistic operation. The net proceeds will enable the group to benefit from very attractive current market conditions, to diversify its funding sources, extend its debt maturity, repurchase some stocks, and finance its growth (possible future M&A operations, such as unlisted mobile game companies).
- The maturity date, namely 2021, clearly shows that the potential new shares will not be available for voting at the AGM next week (29th September). So, there is no direct link between this issue of convertible bonds and Ubisoft's attempt to remain independent. However, these new dilutive instruments would increase UBI's EV in the case of a takeover bid (from Vivendi, for example).

VALUATION

- We maintain our Buy recommendation and FV of EUR34 (only based on its fundamentals). The share price fully values the group's earnings over the current fiscal year (at end-March 2017). As a reminder, in our recent report "[Same player shoot again?](#)", we estimated a valuation between EUR40 (the very minimum, and EUR45 if Vivendi wants to avoid counterbids as far as possible) and EUR51 (maximum) in the event of a takeover bid.

NEXT CATALYSTS

- Ubisoft's AGM: on Thursday 29th September.

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BUY ratings 55.8%

NEUTRAL ratings 33.1%

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