

**Ubisoft**

Price EUR30.49

**Good first ratings for the new opus of the *Watch Dogs* franchise**

Fair Value EUR35 (+15%)

BUY

**ANALYSIS**

- **The first reviews of *Watch Dogs 2* came out yesterday in the afternoon** (i.e. a day before its release on consoles). The key media outlets gave **good ratings for this new opus, with an aggregate score of 85/100 on the PS4** (journalists have given preference to the PS4 console for their test: based on 36 ratings collected by metacritic). Whereas ratings do not determine sales for a mass market game, they are key for a core-gamer title with important co-op and online parts such as *Watch Dogs 2*. At this point in the cycle, note that a game is considered as an AAA with a score of over 80/100. **The recent good games we have tracked received average ratings of 82-83/100**. As a result, **the 85/100 for *Watch Dogs 2* is very satisfactory and reassuring**.
- **This score for *Watch Dogs 2* compares with 79/100 for *Assassin's Creed Syndicate* (80/100 on Xbox One and 78/100 on PS4) and 82/100 for *The Division* (83/100 on PS4 and 81/100 on Xbox One) both released last year, and 79.5/100 for *Watch Dogs 1* launched two years ago (82/100 on PS4 and 77/100 on Xbox One)**. Note also that **the direct competitor of *Watch Dogs 2* is *Mafia III* from Take-Two Interactive** (released on 7th October) **which had a very bad score of 68/100** (69/100 on PS4 and 67/100 on Xbox one).
- **UBI is releasing *Watch Dogs 2* today on PS4 and Xbox One** (and on 29th Nov. on PC). **We expect 9m units over FY 2016/17 as we preferred to be cautious given low preorders**. Gamers are in "wait and see" mode, so the quality of the game will be key for a potential positive word of mouth (cf. what we already saw with *Rainbow Six* and *Far Cry 3*). When we look at the pre-tests of *Watch Dogs 2*, **the quality seems to be really good and is now officially translated in its score**. So, we believe **these positive reviews could help the gradual ramp-up of sales** (the sequential weekly sales performances will be interesting to follow) **and lead to a positive surprise vs. the recent lowered sales guidance**. The quality is usually a better indicator than preorders for final sales. The first episode sold at an estimated 10.5m units over FY 2014-15 as it was the first truly next-gen game and also benefited from a release window with almost no competition.

**VALUATION**

- We maintain our **Buy recommendation** and **FV of EUR35** (only based on fundamentals).

**NEXT CATALYSTS**

- **Q3 sales:** February 2017. Click here to download document

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Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 19.0
Market Cap (EUR)	3,461
Avg. 6m daily volume (000)	273.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.0%	-16.9%	1.6%	14.3%
Softw.& Comp.				
SVS	-6.6%	-5.9%	3.8%	-1.5%
DJ Stoxx 600	-0.5%	-2.3%	1.1%	-7.5%
	03/16	03/17e	03/18e	03/19e
P/E	30.0x	27.5x	16.8x	12.2x
Div yield (%)	NM	NM	NM	NM



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### Distribution of stock ratings

BUY ratings 56.1%

NEUTRAL ratings 32.5%

SELL ratings 11.5%

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