

## Ubisoft

Price EUR31.66

The latest news on *Watch Dogs 2* and *Steep* is reassuring

Fair Value EUR35 (+11%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 19.0
Market Cap (EUR)	3,594
Avg. 6m daily volume (000)	266.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.0%	-11.4%	-3.8%	18.7%
Softw.& Comp.				
SVS	3.9%	-2.8%	7.5%	3.0%
DJ Stoxx 600	4.8%	3.4%	6.3%	-3.3%
	03/16	03/17e	03/18e	03/19e
P/E	31.2x	28.5x	17.4x	12.7x
Div yield (%)	NM	NM	NM	NM

## ANALYSIS

- VG Chartz has issued its estimates for the first week of *Watch Dogs 2* in the US** (only retail sell-through sales): 264,296 units on PS4 (#2) and 116,980 units on Xbox One (#5). We believe **381,276 retail units cumulated on these two consoles in the US validate our estimate of ~1m units worldwide during the first week (retail + digital)**, namely ~-60% compared to *Watch Dogs 1* a year and a half ago. Note that the game was launched on 15th November worldwide for PS4 and Xbox One and on 29th November for PC. **We still expect a good resilience sequentially in week 2 vs. week 1 i.e. around -50/-60%** (vs. -80/-70% for a standard AAA game in week 2). **The rankings of the game remain stable at large and specialised retailers.** As a reminder, **we expect 9m copies (incl. digital) to be sold over the FY 2016-17** (at end-March 2017), i.e. 19.2% of FY revenue.
- Regarding *Steep*** (Ubisoft's new open-world extreme winter sports game), the key media outlets gave **normal ratings for this kind of games with an aggregate score of 74/100 on average** (PS4 72/100, Xbox One 74/100 and PC 75/100). Note that the game was launched on 2nd December worldwide. **We expect a pretty good start**, knowing that **the audience is extremely targeted** (only core gamers) but there is **very few competition on this niche segment**. We believe the game has first class live services with **great potential for digital content sales**, as *The Crew* last year. We have reasonable expectations for this game. **We expect 2.5m copies (incl. digital) to be sold over the FY 2016/17** (at end-March 2017), i.e. 5.3% of FY revenue.
- Given this reassuring recent news, we believe **Q3 sales guidance of ~EUR560m (stable Y/Y) is not at risk. It could even be better than that, above all thanks to the back catalogue.**

## Ubisoft's line-up on fiscal year 2016-17

Games	Launch date	Target audience	Our impression at E3
<i>Watch Dogs 2</i>	15/11/16	Core gamers	✓✓✓
<i>Steep</i>	02/12/16	Mostly core gamers	✓
<i>For Honor</i>	14/02/17	Mostly core gamers	✓✓
<i>Ghost Recon: Wildlands</i>	07/03/17	Core gamers	✓✓✓
<i>South Park : The Fractured But Whole</i>	Calendar Q1 17, i.e. fiscal Q4	Core/casual gamers	✓✓

Source: Bryan, Garnier & Co (✓Weak; ✓✓Good; ✓✓✓Excellent).

## VALUATION

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

## NEXT CATALYSTS

- 14/02/17: *For Honor*. February 2017: Q3 sales.**

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