



# UBISOFT

## FY18 EARNINGS

May 17, 2018

# DISCLAIMER

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**Alain Martinez, Chief Financial Officer**



## DISCLAIMER

This statement may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data have been presented and approved by the Board of Directors on 05/17/18 and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on July 21, 2017 with the French Financial Markets Authority (l'Autorité des marchés financiers)).

# AGENDA

STRONG EXECUTION & OPPORTUNITIES

FY18 PERFORMANCE

FY19 TARGETS

# OUR INDUSTRY IS THRIVING

## MORE PEOPLE ON MORE PLATFORMS THROUGH EVEN MORE BUSINESS MODELS

**Forbes** 03/05/2018

"God of War is PS4's fastest-selling exclusive by a mile"

**FORTUNE** 08/11/2017

"New Call of Duty game sales double last year's version"

**IGN** 07/11/2017

"Assassin's Creed Origins sells twice as fast as Syndicate"

**PCGamesN** 04/04/2018

"Far Cry 5 is Ubisoft's second biggest launch ever"

**DIGITAL TRENDS** 21/04/2018

"The history of Battle Royale : from mod to worldwide phenomenon"

**Forbes** 09/02/2018

"Monster Hunter World is the the fastest-selling Capcom game in history"

## MORE PLAYERS SPENDING MORE TIME PLAYING AND ENJOYING MORE & MORE OUR HIGHLY POLISHED EXPERIENCES



# STRONG FOCUS ON EXECUTION & SHAREHOLDERS VALUE CREATION

## TOTAL SHAREHOLDER RETURN

	Since IPO*	5-year	2-year	1-year
<b>UBISOFT</b>	<b>+4 421%</b>	<b>+897%</b>	<b>+221%</b>	<b>+86%</b>
Activision Blizzard	+6 719%	+399%	+95%	+29%
Take-Two	+2 864%**	+606%	+225%	+69%
Electronic Arts	+1 789%	+491%	+81%	+22%
NASDAQ	+518%	+129%	+59%	+22%
CAC40 Net Return	+340%	+57%	+34%	+6%
Euro Stoxx Media Supersector Return	+108%	+55%	+10%	+2%

Source: FactSet as of May 11, 2018

\*Ubisoft IPO as of July 1, 1996

\*\* Since IPO on April 15, 1997

# KEY STRENGTHS OF LONG TERM STRATEGY



# TOPLINE GROWTH & PROFITABILITY PROGRESSION OPPORTUNITIES

## SHORT & MEDIUM TERM OPPORTUNITIES



Digital



Mobile & PC markets



China



Esports

## LONG TERM OPPORTUNITIES

New forms of gaming (streaming...) → significant expansion of TAM

Investment in Ubisoft Club, AI & machine learning → tailor players experiences

**UBISOFT IS JUST STARTING  
TO REAP THE BENEFITS OF THE DIGITAL TRANSFORMATION**

# AGENDA



STRONG EXECUTION & OPPORTUNITIES

FY18 PERFORMANCE

FY19 TARGETS



# FY18 : STRONG EXECUTION ACROSS THE BOARD

FY18

SALES: **1 732 M€**, + 19 % yoy, vs target of 1 640 M€



Record launch

Stronger than expected Season Pass

Strong dynamic expected for FY19



Record revenue for an AC game in Q4

# FY18: STRONG EXECUTION ACROSS THE BOARD



> 30 million players

Esports viewership\*  
+ 300% yoy



> 10 million players

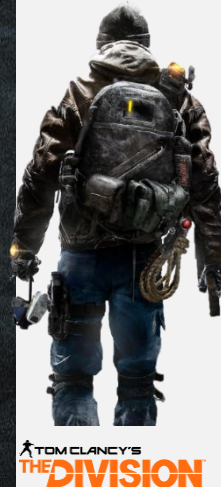
**Very solid engagement**  
(Splinter Cell mission)



New dedicated  
servers & services

=

**Community  
sentiment**



> 20 million players

TOM CLANCY'S  
**THE DIVISION 2**  
FY19

\* Viewership Six Invitational 2018 vs 2017



# FY18: STRONG EXECUTION ACROSS THE BOARD

New PCU

& MAUs (up **22%** yoy)

Records



**88 M** unique active players\*

New friends relations + **40%**

Record Uplay PC MAU & PCU



Mobile DAUs  
up **130 %**

**Ketchapp**



SOUTH PARK  
**PHONE  
DESTROYER**



\* On PC & consoles in FY18

# FY18: STRONG EXECUTION ACROSS THE BOARD

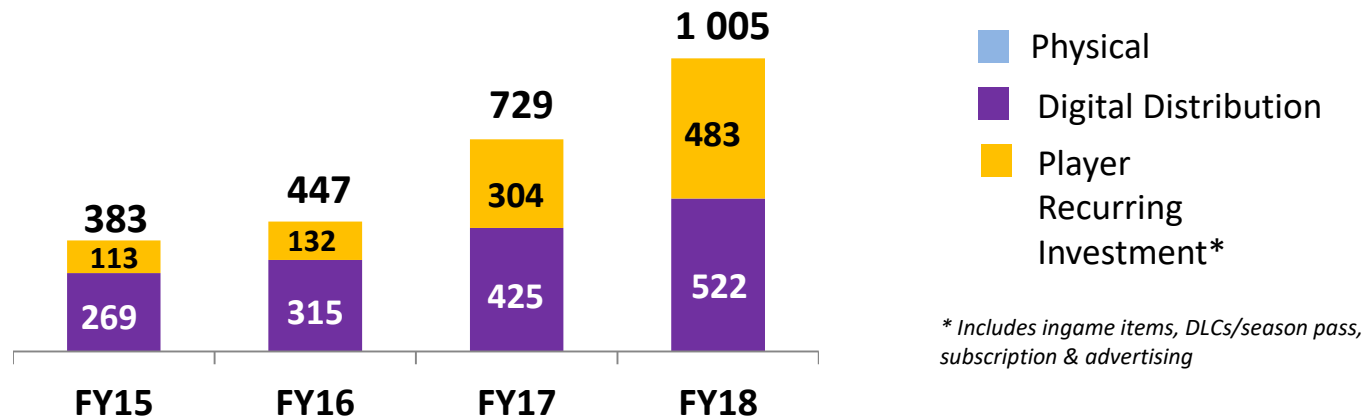
	12-MONTH
SALES	<b>1 732 M€</b> + 19% yoy, vs target of 1 640 M€
DIGITAL REVENUES	<b>1 005 M€</b> , + 38% yoy, <b>58%</b> of total rev (vs 50% last year)
PLAYER RECURRING INVESTMENT	<b>483 M€</b> , + 59% yoy, <b>28%</b> of total rev (vs 21% last year)
BACK-CATALOG	<b>826 M€</b> , + 27% yoy, <b>48%</b> of total rev (vs 45% last year)



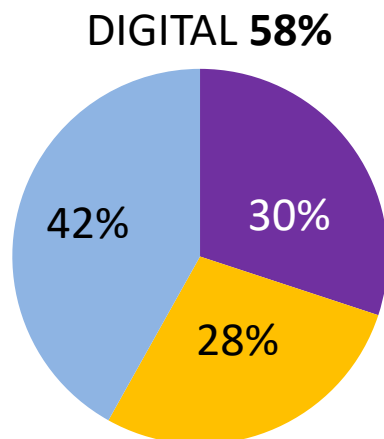
# FY18: STRONG EXECUTION ACROSS THE BOARD

## DIGITAL SPLIT

(in M€)



## TOTAL REVENUE SPLIT



MOBILE : + 66%, 5% of total revenues

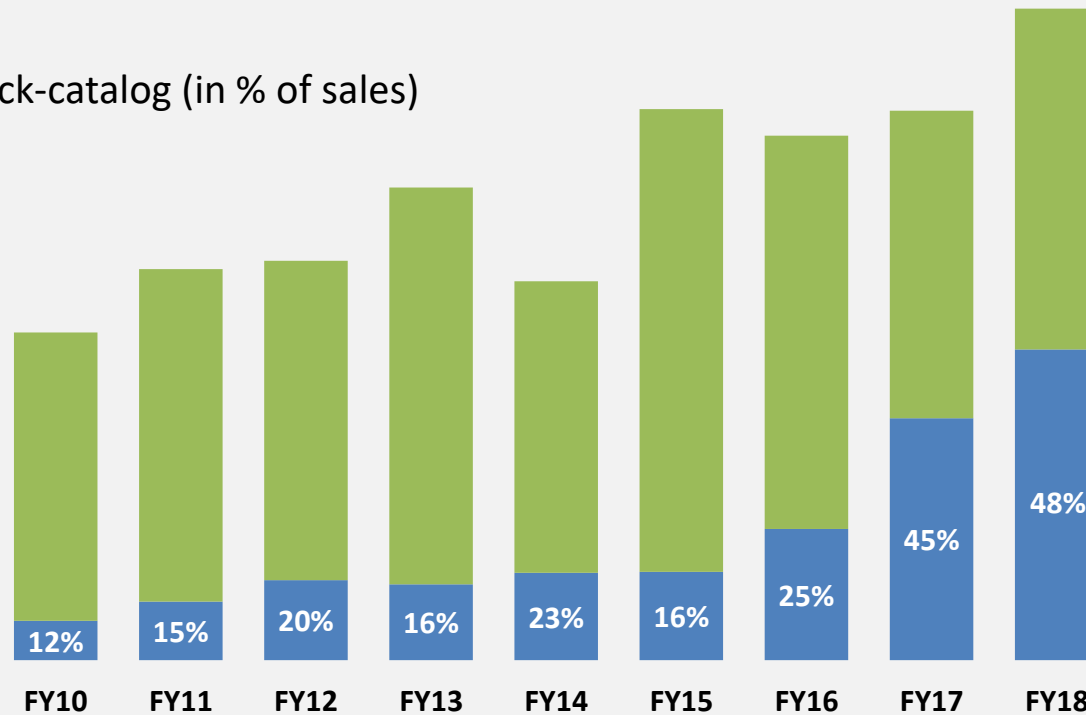
# FY18: STRONG EXECUTION ACROSS THE BOARD

FY18

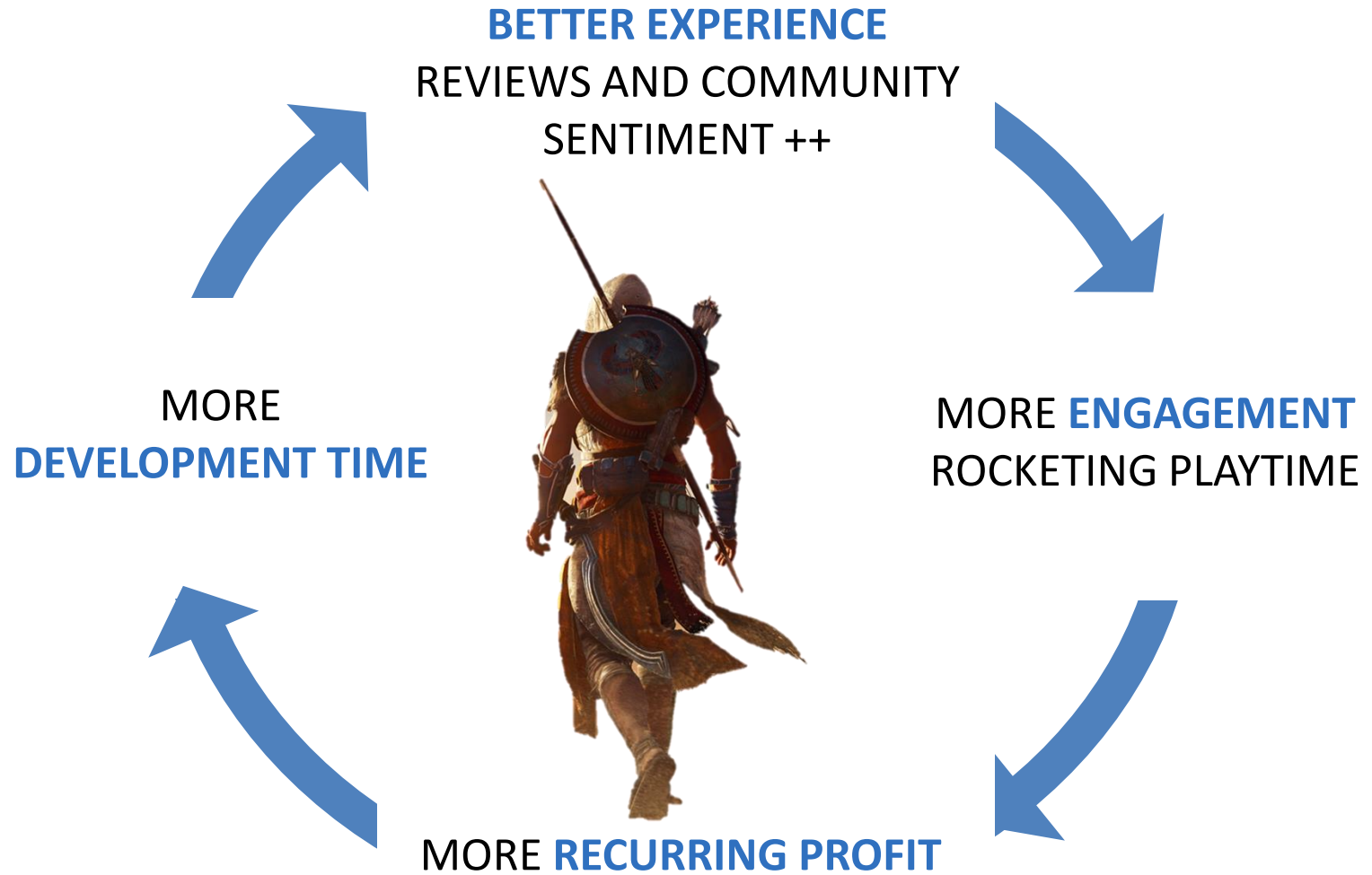
VERY SOLID BACK-CATALOG: **826 M€**

INCREASINGLY **RECURRING** NATURE OF OUR BUSINESS






Back-catalog (in % of sales)



# OUR GAMES BENEFIT FROM THE MORE RECURRING PROFILE...



# FY18: STRONG EXECUTION ACROSS THE BOARD

	FY18	Average  (PS4, XBO, PC, Switch)	
	AC Origins South Park FBW Mario + Rabbids Far Cry 5	83 81 85 81	83
	COD WWII Destiny 2	77 85	81
	Star Wars BFI FIFA 18 NFS Payback Madden 18	67 82 60 82	73
	NBA 2K18 WWE 2K18	82 66	74



# FY18 :STRONG EXECUTION ACROSS THE BOARD

FY18

RECORD OPERATING INCOME: **300 M€**, vs target of 270 M€

CASH FLOW FROM OPERATION: **215 M€**

# FY17-18 : NON-IFRS P&L

€ million, except for per share data	2017-18		2016-17	
		%		%
<b>Sales</b>	<b>1 731,9</b>		<b>1 459,9</b>	
<b>Gross profit</b>	<b>1 435,1</b>	<b>82,9</b>	<b>1 189,0</b>	<b>81,4</b>
Non-IFRS R&D expenses	(661,1)	(38,2)	(521,7)	(35,7)
Non-IFRS Selling expenses	(335,9)	(19,4)	(313,1)	(21,4)
Non-IFRS G & A expenses	(138,0)	(8,0)	(116,4)	(8,0)
Non-IFRS SG & A expenses	(473,9)	(27,4)	(429,5)	(29,4)
<b>Non IFRS operating income</b>	<b>300,1</b>	<b>17,3</b>	<b>237,7</b>	<b>16,3</b>
Net Financial Income	(5,7)		(9,0)	
Share in profit of associates	(0,2)		(0,3)	
Income Tax	(73,6)		(54,0)	
<b>Non IFRS Net Income</b>	<b>220,6</b>		<b>174,3</b>	
<b>Non IFRS Diluted earnings per share</b>	<b>1,80</b>		<b>1,46</b>	
Non IFRS nbr of shares fully diluted	<b>122 444</b>		<b>119 677</b>	

- **Gross margin up 246 M€ & 1,5 points**
- **R&D up 139 M€ & up 2,5 points**
- **SG&A up 44 M€ & down 2 points** : topline growth leverage + marketing efficiency from digital and back-catalog impact
  - variable marketing expenses : 233 M€ or 13,5% of total sales (219 M€ & 15.0% in FY17)
  - fixed structure costs : 241 M€ or 13.9% of total sales (211 M€ & 14.5% in FY17)
  - 7 M€ one-off costs related to Vivendi exit

# FY17-18: R&D

€ million	2017-18	2016-17
Depreciation of in-house software-related production	438,2	388,1
Depreciation of external software-related production and licenses	24,1	19,7
Royalties	15,5	12,3
Non Capitalized R&D & others*	183,4	101,6
<b>Total R&amp;D P&amp;L</b>	<b>661,1</b>	<b>521,7</b>
Capitalized in-house software-related production	498,5	476,2
Capitalized external software-related production and licenses (excluding future commitments)	22,7	20,5
Royalties	15,5	12,3
Non Capitalized R&D & others*	183,4	101,6
<b>Total R&amp;D Cash</b>	<b>720,2</b>	<b>610,5</b>

\*mostly Post-Launch content

- **139 M€ increase in total R&D P&L** : stronger line-up and post launch plans + additional depreciation costs on to be released titles, ahead of a very competitive year
- **5% increase in Capitalized R&D**

# FY17-18 : IFRS / NON-IFRS RECONCILIATION

€ million, except for per share data	2017-18			2016-17		
	IFRS	Adjustment	Non IFRS	IFRS	Adjustment	Non IFRS
<b>Sales</b>	<b>1 731,9</b>		<b>1 731,9</b>	<b>1 459,9</b>		<b>1 459,9</b>
<b>Total Operating expenses</b>	<b>(1 509,6)</b>	<b>77,8</b>	<b>(1 431,8)</b>	<b>(1 284,1)</b>	<b>61,9</b>	<b>(1 222,2)</b>
Stock-based compensation	(39,6)	39,6	0	(36,8)	36,8	0
Non-current operating income and expenses	(38,2)	38,2	0	(25,1)	25,1	0
<b>Operating Income</b>	<b>222,3</b>	<b>77,8</b>	<b>300,1</b>	<b>175,8</b>	<b>61,9</b>	<b>237,6</b>
Net Financial income	(13,4)	7,7	(5,7)	(16,2)	7,2	(9,0)
Share in profit of associates	(0,2)		(0,2)	(0,3)	-	(0,3)
Income tax	(69,2)	(4,4)	(73,6)	(51,4)	(2,6)	(54,0)
<b>Net Income</b>	<b>139,5</b>	<b>81,1</b>	<b>220,6</b>	<b>107,8</b>	<b>66,5</b>	<b>174,3</b>
<b>Diluted earnings per share</b>	<b>1,18</b>	<b>0,62</b>	<b>1,80</b>	<b>0,92</b>	<b>0,54</b>	<b>1,46</b>

- **Non-current operating expenses** : 40 M€ related to brand and goodwill depreciation
- **Net Financial charge adjustment** : 8 M€ related to the implicit convertible bond option costs
- **Tax rate** : 25%



# FY17-18 : CASH FLOWS & CLOSING CASH POSITION

€ million	2017-18	2016-17
Opening cash position	(80,4)	(41,7)
Cash flows from operations	214,9	110,3
Change in WCR	(45,0)	38,8
Cash flows from operating activities	169,9	149,1
Net investment in capital assets	(59,3)	(63,4)
Net free cash flow	110,5	85,7
Net acquisitions/disposals	(179,3)	(105,6)
Proceeds from issue of capital and other financial flows	49,0	9,5
Net acquisitions/disposals of own shares	(411,5)	(67,8)
Effect of exchange rate fluctuations	(27,9)	(0,1)
Equity component	(8,4)	39,6
Decrease/(increase) in net debt	(467,6)	(38,7)
Closing cash position	(548,1)	(80,4)

- **105 M€ increase in CF from operations** : EBIT growth + narrowing of R&D P&L/Cash gap
- **45 M€ increase in WCR** : 63 M€ impact from absence of factoring
- **179 M€ Net acquisitions/disposals** : 100 M€ from the SWAP agreement related to Vivendi exit (deposit treated guarantee, should return to liquidities by Sept. 2018)
- **412 M€ in Net acquisition of own shares** :
  - Including 300 M€ from the pre-paid forward agreement (Vivendi exit)

# SOLID FINANCIAL POSITION

FY18

**NET DEBT : 548 M€**

FY19

**FREE CASH FLOW : ~ 300 M€**

**EMPLOYEE SHARE BASED PLAN : > 100 M€ inflow** (before end of Sept 2018)

**SWAP AGREEMENT: 100 M€**

will move from garanted deposit, ie debt, to cash equivalent  
(before end of Sept 2018)

**TOTAL COMMITTED AVAILABLE FUNDING : 1 250 M€**

(including 400 M€ convertible bond at 54,74€,  
with forced conversion clause applicable at 71,16€ as of Oct. 2019)

# AGENDA



STRONG EXECUTION & NEW OPPORTUNITIES

FY18 PERFORMANCE

FY19 TARGETS

# FY19: FURTHER EARNINGS GROWTH

FY19

**FY19 NET BOOKINGS: ~ 2 050 M€** (vs 2 100 M€ prev.) / Q1 NET BOOKINGS: ~ 350 M€  
FY19 IFRS 15 SALES: ~ 2 000 M€ / Q1 IFRS 15 SALES: ~ 350 M€

**NON-IFRS OPERATING INCOME: ~440 M€**

**FREE CASH FLOW: ~ 300 M€**

**DIGITAL: ~ 65%** of net bookings, vs ~ 60% prev.

**PRI: ~ 30%** of net bookings, vs > 25% prev.

**BACK-CATALOG: ~ 50%** of net bookings, vs > 45% prev.

driven by ACO + significant reorders on FC5 + mobile growth + Live titles

**3 new AAA releases:** 19 M units (vs 4 AAA and 23 M units prev.)

 +  + 1 unannounced franchise



**THANK YOU !**