



# UBISOFT®

FY14 Earnings presentation

May 15, 2014

- **Yves Guillemot, President and Chief Executive Officer**
- **Alain Martinez, Chief Financial Officer**
- **Jean-Benoît Roquette, SVP Investor Relations**

#### **D I S C L A I M E R**

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 to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on June 25, 2013 with the French Financial Markets Authority (l'Autorité des marchés financiers)).

**Past 9 years key success factors**

FY14 performance

FY15 targets

# PAST 9 YEARS KEY SUCCESS FACTORS : Quality and regular releases

AC THE 4TH  
BIGGEST BRAND !

2 OF THE 4  
BIGGEST NEW IPS !

Cumulated Retail Sales (Value)			
(Xbox360, PS3, Wii, WiiU, Xbox One, PS4 + PC)			Publishers
2005 - 2013 (9 years)			
1	CALL OF DUTY	ACTIVISION BLIZZARD	F
2	MARIO	NINTENDO	F
3	FIFA SOCCER	EA	F
4	ASSASSIN'S CREED	UBISOFT	NB
5	GRAND THEFT AUTO	TAKE-TWO	F
6	WII FIT*	NINTENDO	NB
7	THE SIMS	EA	F
8	MADDEN NFL	EA	F
9	GUITAR HERO*	ACTIVISION	NB
10	BATTLEFIELD	EA	F
11	HALO	MICROSOFT	F
12	NEED FOR SPEED	EA	F
13	JUST DANCE	UBISOFT	NB
14	WORLD OF WARCRAFT	ACTIVISION	F
15	NBA 2K	TAKE-TWO	F
16	LEGO	WARNER	NB
17	SONIC	SEGA	F
18	ROCK BAND*	EA	NB
19	ELDER SCROLLS	BETHESDA	F
20	GEARS OF WAR	MICROSOFT	NB
*includes hardware                      F: Franchise                      NB: New Brands			

## KEY LEARNINGS

FRANCHISES  
=  
LG TERM VISIBILITY

### KEY FACTORS OF SUCCESS

- Quality
- Regular Releases
- Deep Production Capacity

NEW CYCLES  
=  
OPPORTUNITY  
FOR NEW BRANDS

*Far Cry – Watch Dogs – The Division – The Crew*  
*strong contenders for Next-Gen top 20*

# A MAJOR OPPORTUNITY FOR UBISOFT

Open Worlds will take a bigger share  
of the market

New cycle's early years  
= great timing for new IPs

Fast growing digital footprint  
= better players' engagement

*Ubisoft to benefit disproportionately  
from the market's growth*

# AGENDA

Past 9 years key success factors

**FY14 performance**

FY15 targets

## FY14

**Sales** : 1 007 M€, -20% (-17% at cstt exch. rates)

**Core revenues** : 758 M€, -18%

AC4 great performance > 11 million units

2 big titles vs 3 in FY13

**Casual revenues** : 249 M€, -24%

Just Dance 2014 > 6 million units

**Digital** : 195 M€, +32%

19% of total sales

Driven by digital distribution, sale of items and DLCs

**Back-catalog** : 229 M€, -1%

Far Cry 3 almost 3 more million units, a thriving franchise

# FY14 : Ubisoft constantly stood out for the quality of its titles

	Last 25 consoles titles	Average Metacritic	Developers
1	GTA 5	97	TTWO
2	Dark Souls II	92	Namco Bandai Games
3	<b>Rayman Legends</b>	<b>90</b>	<b>Ubisoft</b>
4	Diablo III	87	Activision
5	<b>Rocksmith</b>	<b>87</b>	<b>Ubisoft</b>
6	FIFA 14	86	EA
7	Titanfall	86	EA
8	NBA 2K14	86	TTWO
9	<b>Assassin's Creed 4</b>	<b>85</b>	<b>Ubisoft</b>
10	<b>South Park: The Stick of Truth</b>	<b>84</b>	<b>Ubisoft</b>
11	Resogun	84	Sony
12	<b>Splinter Cell's Blacklist</b>	<b>83</b>	<b>Ubisoft</b>
13	Skylander Swap Force	82	Activision
14	Battlefield 4	82	EA
15	Saints Row IV	81	Deep Silver
16	Lego Marvel Super Heroes	81	Warner
17	NHL 14	81	EA
18	Forza	80	Microsoft
19	Infamous	80	Sony
20	Dead Rising	78	Microsoft
21	Need for Speed: rivals	77	EA
22	PES 14	77	Konami
23	Madden NFL 25	76	EA
24	Batman: Arkham Origins	75	Warner
25	WWE 2K14	75	TTWO

**4** in the top 10  
**best rated** titles

**Forbes**  
**Best Video Game  
Publisher**

**Edge magazine**  
**3rd party  
Publisher  
of the year**





# FY14 Q4 : Solid performance from South Park



metacritic	<b>South Park: The Stick of Truth</b> PC Game (2014)	85
	<b>South Park: The Stick of Truth</b> PS3 Game (2014)	85
	<b>South Park: The Stick of Truth</b> X360 Game (2014)	82

**FY14**

**Gross margin down 1 point, at high level 71,7%**

Positive impact of stronger than expected South Park digital distribution

**Non-IFRS Operating Loss : (66) M€**

Delay of Watch Dogs & write-offs on F2P titles

**Cash flows from operating activities : (120) M€**

Better than expected : stronger digital distribution + stronger R&D depreciation + lower cash R&D

# FY14 : Non-IFRS P&L

€ million, except for per share data	<u>2013-14</u>		<u>2012-13</u>	
		%		%
<b>Sales</b>	<b>1 007,1</b>		<b>1 256,2</b>	
<b>Gross profit</b>	<b>721,8</b>	<b>71,7</b>	<b>913,5</b>	<b>72,7</b>
R&D expenses	(426,1)	(42,3)	(428,2)	(34,1)
Selling expenses	(279,3)	(27,7)	(304,0)	(24,2)
G & A expenses	(82,0)	(8,1)	(81,0)	(6,4)
SG & A expenses	(361,3)	(35,9)	(385,0)	(30,6)
<b>Non-IFRS operating income</b>	<b>(65,6)</b>	<b>(6,5)</b>	<b>100,3</b>	<b>8,0</b>
Net Financial Income	(5,8)		(3,2)	
Income Tax	22,1		(27,9)	
<b>Non-IFRS Net Income</b>	<b>(49,3)</b>		<b>69,2</b>	
<b>Non-IFRS Diluted EPS</b>	<b>(0,46)</b>		<b>0,71</b>	
Nbr of shares fully diluted (000)	107 342		97 316	

- **Gross margin down 192 M€, at high 72% level (down 1 point yoy)**
  - Down due to drop of core segment sales
  - But almost compensated, as a percentage of sales, by growth of digital distribution
- **R&D almost flat to 426 M€, + 8 percentage point**
- **SG&A down 24 M€, + 5 percentage point**
  - variable marketing expenses down at 204 M€ or 20% of sales (229 M€ and 18% in FY13). Includes Watch Dogs expenses.
  - fixed structure costs stable at 157 M€ or 16% of sales (156 M€ and 12% in FY13).
- **Income tax rate lower than expected at 30% instead of 45% target (due to expected reduction of France corporate tax rate from 38% to 34%)**

# FY14 : R&D

€ million	<u>2013-14</u>	<u>2012-13</u>
Depreciation of in-house software-related production	313,0	315,1
Depreciation of external software-related production and licenses	44,4	28,7
Royalties	21,4	33,7
Non Capitalized R&D & others	47,3	50,8
<b>Total R&amp;D depreciation and royalties</b>	<b>426,1</b>	<b>428,2</b>
Capitalized in-house software-related production	373,8	337,8
Capitalized external software-related production and licenses (excluding future commitments)	37,2	36,6
Royalties	21,4	33,7
Non Capitalized R&D & others	47,3	50,8
<b>Total development investment</b>	<b>479,7</b>	<b>458,9</b>

- **14 M€ depreciation increase despite lower big titles count** : write-offs on F2P as well as some accelerated and anticipated depreciations
- **Royalties down 12 M€** = lower casual sales
- **5% increase in total cash R&D**

# FY14 : IFRS / non-IFRS reconciliation

€ million, except for per share data	2013-14			2012-13		
	IFRS	Adjustment	Non-IFRS	IFRS	Adjustment	Non-IFRS
<b>Sales</b>	<b>1 007,1</b>		<b>1 007,1</b>	<b>1 256,2</b>		<b>1 256,2</b>
<b>Total Operating expenses</b>	<b>(1 105,0)</b>	<b>32,3</b>	<b>(1 072,7)</b>	<b>(1 168,3)</b>	<b>12,4</b>	<b>(1 155,9)</b>
Stock-based compensation	(9,7)	9,7	0,0	(8,1)	8,1	0,0
Non-Current expenses and income	(22,6)	22,6	0,0	(4,3)	4,3	0,0
Other operating income and expenses	0,0	0,0	0,0	0,0	0,0	0,0
<b>Operating Income</b>	<b>(97,9)</b>	<b>32,3</b>	<b>(65,6)</b>	<b>87,9</b>	<b>12,4</b>	<b>100,3</b>
Net Financial income	10,3	(16,1)	(5,8)	4,0	(7,2)	(3,2)
Income tax	22,1	0,0	22,1	(27,1)	(0,8)	(27,8)
<b>Net Income</b>	<b>(65,5)</b>	<b>16,2</b>	<b>(49,3)</b>	<b>64,8</b>	<b>4,4</b>	<b>69,2</b>
Diluted earnings per share	(0,61)	0,15	(0,46)	0,67	0,04	0,71

## IFRS Non-Current expenses and income : (23) M€

- Goodwill and brand depreciation, of which 17 M€ related to The Learning Company's assets acquired in 2001

## IFRS Net financial income : 10 M€

- **Includes:** 4.4 M€ profit on sale of Gameloft shares + 11.7 M€ (non-cash) from adjustment of earn-out liabilities

# FY14 : Cash flows and closing cash position

€ million	<u>2013-14</u>	<u>2012-13</u>
<b>Opening cash position</b>	<b>104,5</b>	<b>84,6</b>
<b>Cash flows from operations</b>	<b>(79,3)</b>	<b>58,8</b>
<b>Change in WCR</b>	<b>(40,8)</b>	<b>(30,4)</b>
<b>Cash flows from operating activities</b>	<b>(120,1)</b>	<b>28,4</b>
Net investment in capital assets	(42,9)	(25,0)
<b>Net free cash flow</b>	<b>(163,0)</b>	<b>3,4</b>
Net acquisitions/disposals	(9,7)	(5,0)
Proceeds from issue of capital and other financial flows	65,7	6,0
Disposal of Gameloft Shares	6,0	10,7
Effect of exchange rate fluctuations	(16,3)	4,8
<b>Decrease/(increase) in net debt</b>	<b>(117,3)</b>	<b>19,9</b>
<b>Closing cash position</b>	<b>(12,7)</b>	<b>104,5</b>

- **Cash flows from Operations better than anticipated :**
  - Higher gross margin due to digital distribution
  - Lower R&D investments and higher R&D depreciation
- **WCR increase due to :** March launch of South Park / inventory build up for Watch Dogs release / increase in deferred tax assets

# AGENDA

Past 9 years key success factors

FY14 performance

**FY15**

# FY15 : Driven by core and digital segments strong growth

**FY15**

## Objectives

**FY Sales** : minimum 1 400 M€, up 39%

**Q1 Sales** : Around 310 M€, up > 300%

**Gross margins** : up 3 to 4 points

**Marketing expenses down in %** : < 18%

**Non-IFRS Operating Income** : minimum 150 M€

**Positive Free Cash Flows**

## Key drivers

**Console market back to growth**

**Strong growth in core segment** : 4 big titles, vs 2 in FY14

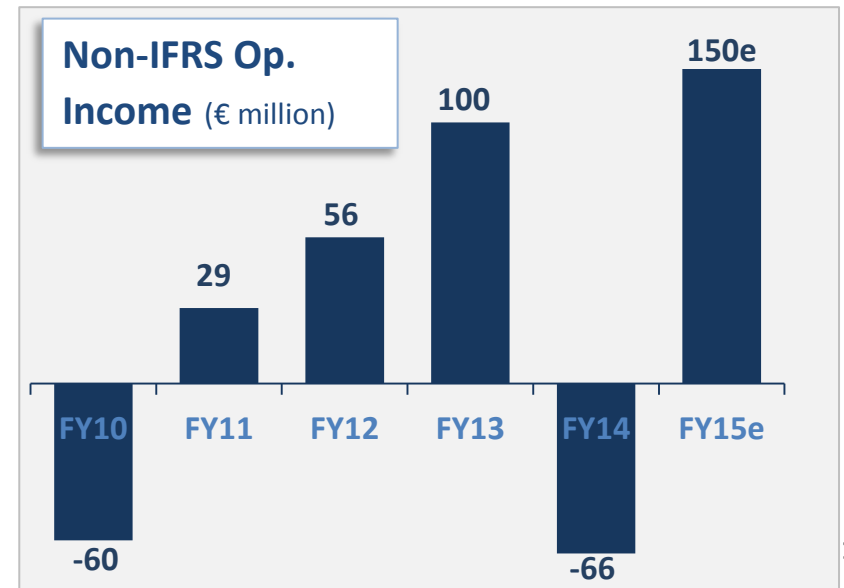
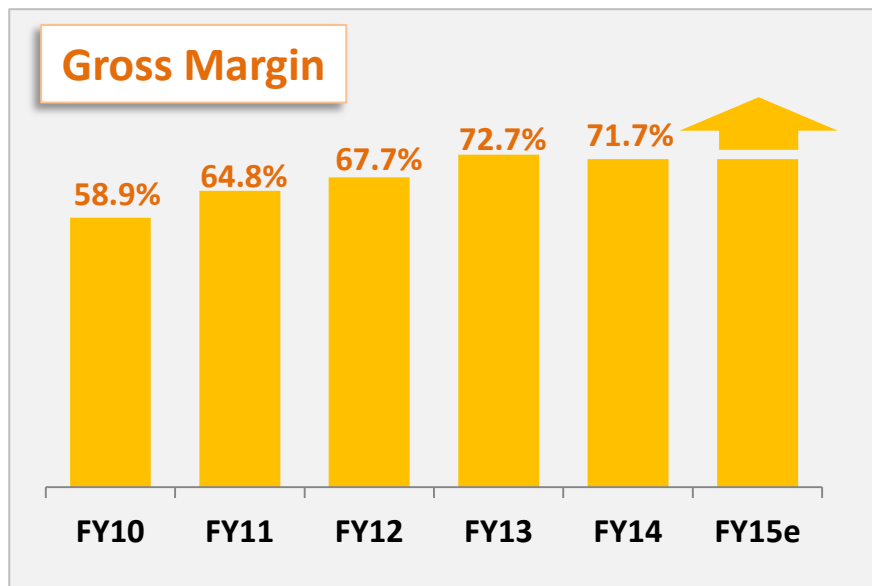
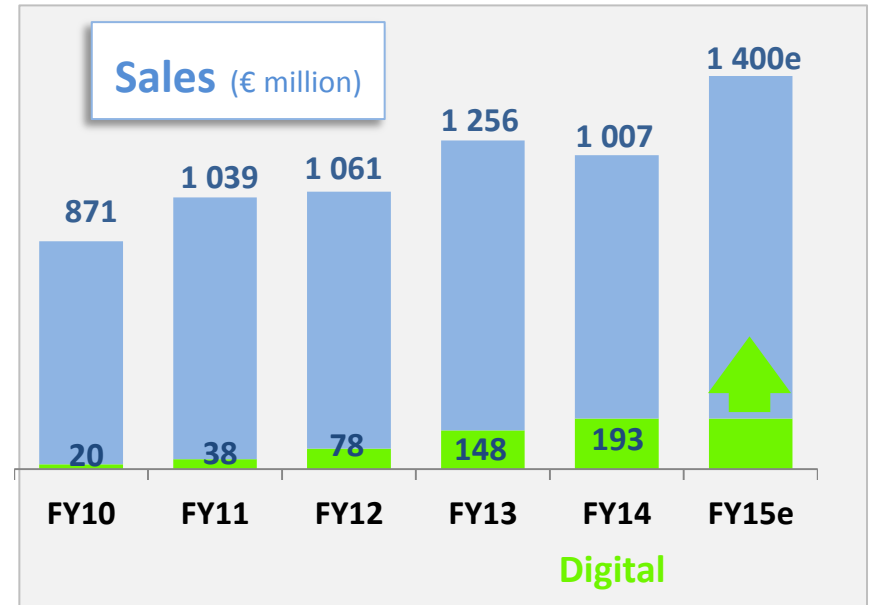
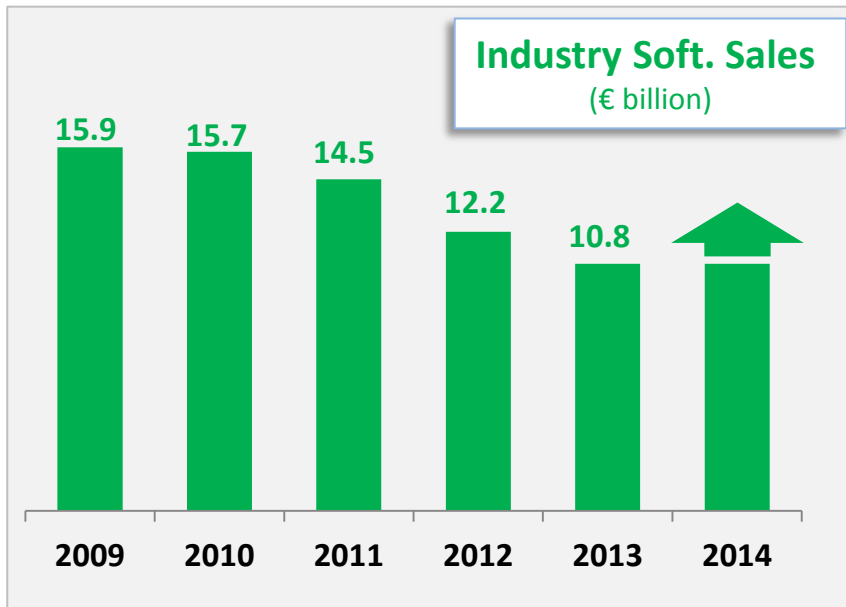
**3 titles in the top 10 in calendar 2014**

**Strong digital growth** : 25% of total revenues, distribution + Free-to-Play

**Casual segment** : strong decline expected



# FY15 : Back to financial performance improvement



# FY15 : FAR CRY 4, a new step towards the revolution of the shooter genre

## FARCRY4



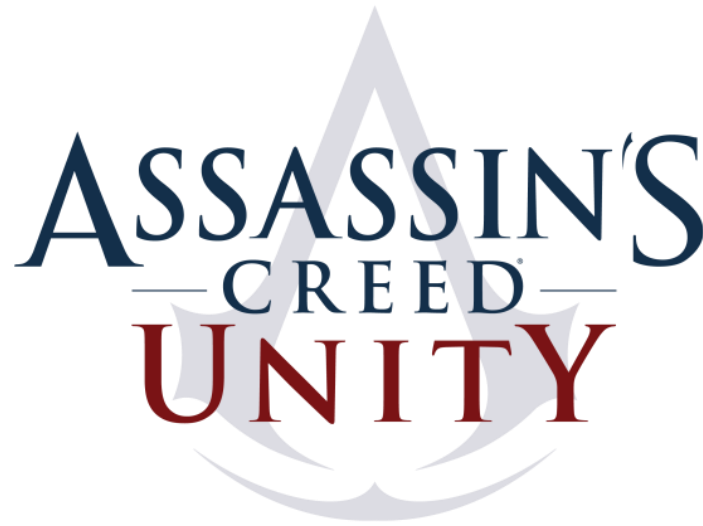
**Builds on the success of Far Cry 3**

**Goal :** among the top 10 best selling games of the year

**Release date :** November 18<sup>th</sup> (PS4, Xbox One, PC, 360, PS3)

**Lead/Associate studios :** Montreal – Red Storm – Toronto –  
Shangai – Kiev

# FY15 : ASSASSIN'S CREED UNITY, great new setting and innovations



***“Qu’ils mangent de la brioche!\**”**

*Marie-Antoinette, 1789*

*\*“Let them eat cake”*

**French Revolution setting as strong as American Revolution**

**Amazing Next Gen graphics**

**Release date :** Fall 2014 (PS4, Xbox One, PC)

**Lead/Associate studios :** Montreal – Toronto – Singapore –  
Quebec – Annecy – Shanghai – Chengdu – Kiev –  
Montpellier – Bucharest

# FY15 : THE CREW, designed to be the “World of Warcraft” of driving games



**THE CREW™**

**A seamless single, coop and multiplayer experience**

**Arcade style in a massive open world**

**Release date : Fall 2014 (PS4, Xbox One, PC)**

**Lead/Associate studios : Ivory Tower – Reflection – Shanghai**

# FY15 : WATCH DOGS set for best ever new IP launch



*"From the great opening mission  
to the insane spider robots,  
Watch Dogs continues to impress us."*

IGN, April 2014



**Most  
anticipated game\***

\*January 2014 survey among Gamespot readers

# WATCH DOGS™

**The most pre-ordered new IP in the industry's history**

**Builds on Ubisoft's strengths :** IP creation - open world - massive production values

**Release date :** May 27<sup>th</sup> (XboxOne, PS4, PS, Xbox360, PS3)

**Lead/Associate studios :** Montreal – Newcastle – Paris – Bucharest – Quebec City



# FY15 : DIGITAL REVENUES significant growth expected

## DIGITAL DISTRIBUTION



## PC FREE-TO-PLAY



## MOBILE FREE-TO-PLAY



## CONSOLES & PC DLC/ITEMS



## CONSOLES & PC DIGITAL



# APPENDICES

## FY14 : Topline split

In million €	Core Brands	Casual Brands	Total sales
FY13	928	328	1 256
FY14	758	249	1 007
	-18%	-24%	-20%

In million €	Core & Casual Digital Revenues
FY13	148
FY14	195
	+32%



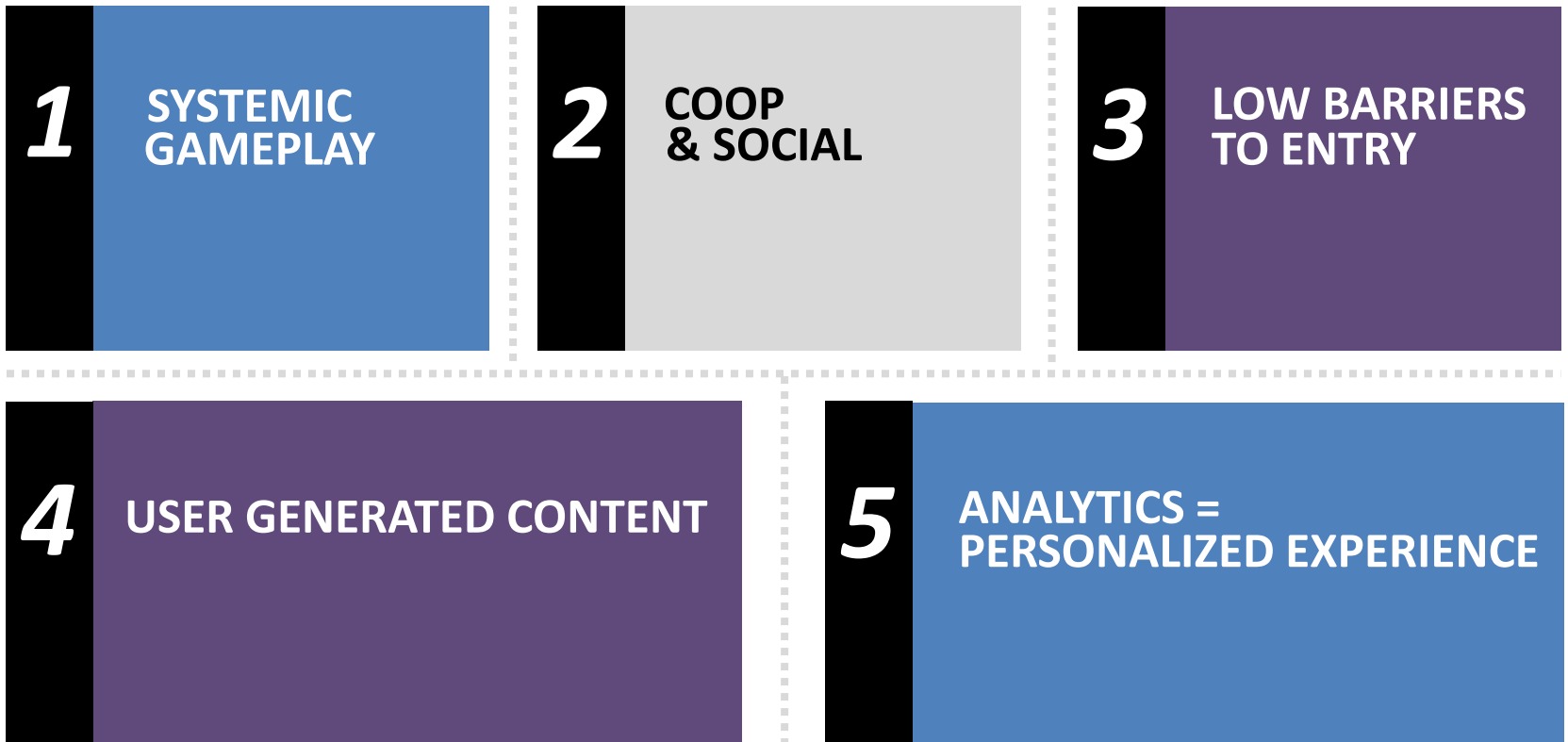
*"We believe that our **major production capacity**, strong of a network of 26 international studios and over 8 000 developers, now **optimized with our lead and associate organization**, will allow us to come with an **enhanced pipeline of increasingly high quality franchises and new IPs**. We will be able to **release our franchises more and more regularly, providing solid visibility on our future revenue and profitability streams**.*

*All that, combined with **the Open-World and Online expertise/know-how that we have been growing steadily internally** make us believe that we will **benefit disproportionately from the arrival of the new generation and from the continued growth of the online market**"*



Yves Guillemot, Ubisoft CEO

## **5 BREAKTHROUGHS**



## 1

### SYSTEMIC GAMEPLAY

The **BEST** and **MOST LUCRATIVE** online games are built on **SOLID SYSTEMIC FOUNDATIONS**

**COMMON RESOURCES** for **INFINITE** entertainment combinations



- Huge world
- Retention
- **LONG GAMING HOURS**

**LOWER**  
development **COST**  
per hour played

## 2 COOP & SOCIAL

### **PROGRESS** and interact **WITH FRIENDS**

Requires Updates in real time  
(things 360 & PS3 could not do)



Players  
**COME BACK REGULARLY**  
to the world

Players spend  
**MORE TIME**  
playing

**LOWER**  
the **COST** Per  
Acquisition (**CPA**)

## 3

### LOW BARRIERS TO ENTRY

**TRY** for **FREE** and **KEEP**  
your **PROGRESS**  
when you start to **PAY**

#### ULTRA-ACCESSIBLE :

- **INSTANT-ON** platforms
- **MOBILE** interfaces
- **SMALL SESSIONS** that add to **A LOT OF TIME**
- **CROSS PLATFORM**

**ASYNCHRONOUS,**  
**WHENEVER** with  
your **FRIENDS**



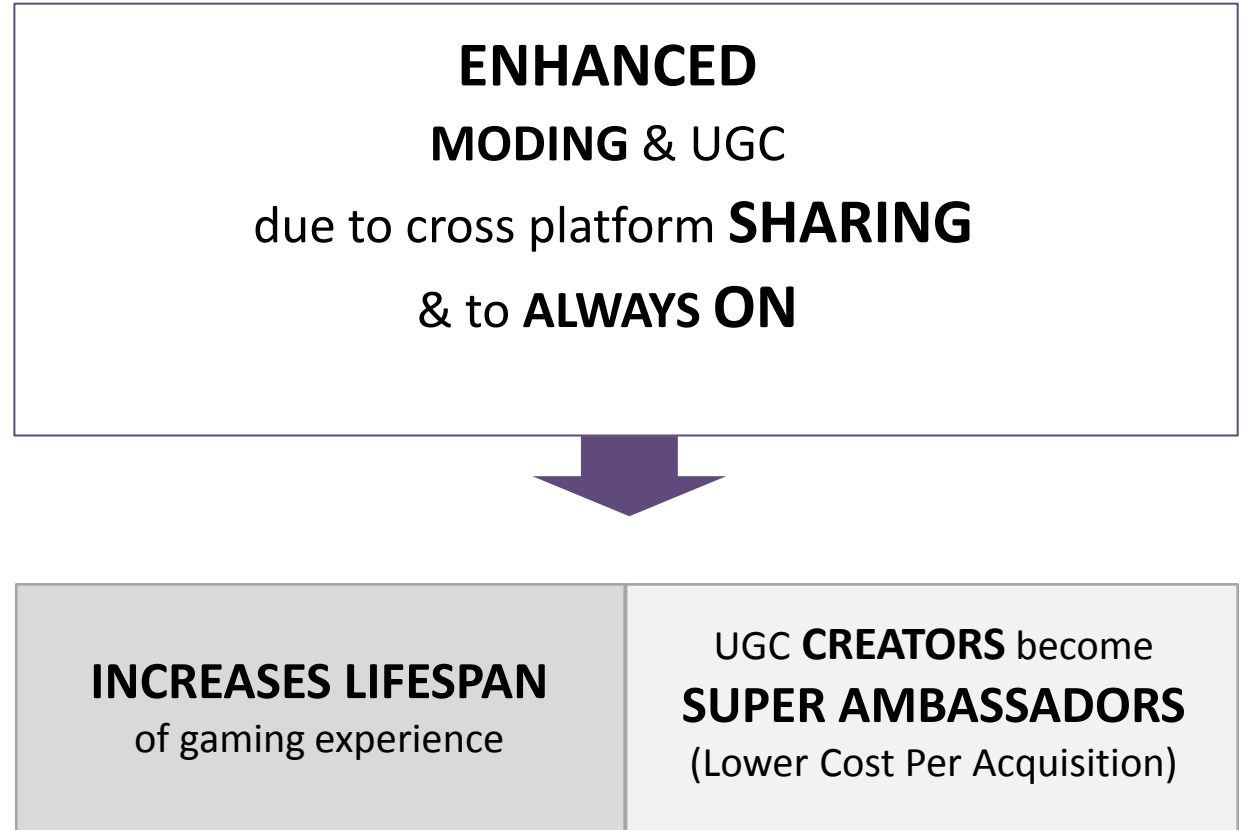
Seamless  
& **FRictionless**

**COOL**

**ACCESSIBLE**  
to non gamers

Asynchronous,  
an **EASY ACCESS** to  
**MULTIPLAYER**

## 4 MORE CONTENT FROM UGC



**KNOW PLAYERS** (profile, what they play, what interests them most),  
track their sessions

= Offer **CONTENT** that **MEETS** their **NEEDS**



**STRONGER  
RELATIONSHIP**  
with gamers

a **PERSONNALIZED**  
experience increases  
**ENGAGEMENT** and  
**RETENTION**

**TARGETED  
MARKETING**