



# UBISOFT®

H1 FY13 Earnings Presentation

November 6, 2012



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

## **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 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 July 2, 2012 with the French Financial Markets Authority (l'Autorité des marchés financiers)).

# Summary

**H1** : Sales better than anticipated

**H1** : Gross Margins significantly up, bottom line impacted by expected H2 marketing expenses

**Q3** : On track for best Q3 ever

**FY13** : Sales guidance and top end of current operating income guidance raised

**FY13** : A turning point. Past investments drive quality improvement, stronger online operations and lead to better financial performance, despite challenging environment

**Longer term** : New generation of consoles and Free to Play model for PC/Mobile/Tablet to benefit Ubisoft disproportionately

**H1 FY13**

H2 FY13 line-up and FY13 guidance

Longer term

## H1 FY13

**Q2 sales higher than guidance (148 M€ vs 110 M€)**

**Outperformance :**

- Online, Ghost Recon Future Soldier, Back-catalog
- Extra Just Dance 4 shipments

**H1 sales at 279 M€, up 12%**

**Online up 59% to 28 M€ in Q2 (55 M€ for H1, +82%)**

**H1 back-catalog down 9%, a significant improvement over Q1**

## H1 FY13

### **Gross margin up 5 percentage points**

3<sup>rd</sup> year of improvement

Better online, core titles (Ghost Recon FS) and Just Dance 4

### **Current operating loss : (58) M€**

A 29 M€ increase in selling expenses for Q3 titles and online games

### **Cash flows from operations : stable at (146) M€**

# H1 FY13 : Ghost Recon Future Soldier better than expected



*"If you're after a superbly paced, thoughtful shooter  
that boasts a strong campaign and enjoyable multiplayer, GRFS is bang on target"*

IGN, May 2012

**Sales better than planned**

**High ASP**

**GRFS generated more sales in Q1 FY13 than Driver + Tintin in total FY12**

**Best sell-through performer in value and units in May + June in the US**

**Lead/Associate studios : Paris, Redstorm, Bucarest, Kiev**

# H1 FY13 : Online material impact



**H1 Online sales : 55 M€, up 82%**

**Free-to-Play PC :** continued strong growth

**Mobile :** Rayman Jungle Run, N°1 in 39 countries at launch

**Xbla :** Trials Evolution, was highest grossing day-1 sales in XBLA history

**Digital distribution :** launch of Uplay PC distribution platform





# H1 FY13 : Current Operating Income

	H1 2012-13		H1 2011-12	
€ million		%	€m	%
<b>Sales</b>	<b>279,2</b>		<b>248,5</b>	
<b>Gross profit</b>	<b>192,7</b>	<b>69,0</b>	<b>158,4</b>	<b>63,7</b>
R&D expenses	(96,8)	34,7	(86,7)	34,9
Selling expenses	(116,8)	41,8	(87,7)	35,3
G&A expenses	(37,2)	13,3	(33,2)	13,4
SG&A expenses	(154,0)	55,1	(121,0)	48,7
<b>Current operating income</b>	<b>(58,1)</b>	<b>(20,8)</b>	<b>(49,3)</b>	<b>(19,9)</b>

- **Gross margin up over 5 percentage point and +34,3 M€ on +30,7 M€ sales**
  - Continued online sales momentum + improved performance from core games (GRFS) + JD4
- **R&D up 10,1 M€, stable as a percentage of sales**
- **SG&A up 33,0 M€**
  - variable marketing expenses up at 83,2 M€ or 29,8% of sales (61,8 M€ and 24,9% in H1 FY12). Related to early marketing on Q3 titles.
  - fixed structure costs at 70,8 M€ or 25,3% of sales (59,1M€ and 23,8% in H1 FY11), due mostly to higher online related costs, IT developments and exchange rate impact.

# H1 FY13 : R&D

€ million	H1 2012-13	H1 2011-12
Depreciation of in-house games	61,4	45,2
Depreciation of external games and licences	7,9	11,1
Royalties	12,8	14,4
Non Capitalized R&D & others	14,8	16,0
<b>Total R&amp;D depreciation and royalties</b>	<b>96,8</b>	<b>86,7</b>
Capitalized software-related production	171,5	148,3
Investment in external production and licenses (excluding future commitments)	19,5	26,3
Royalties	12,8	14,4
Non Capitalized R&D & Others	14,8	16,0
<b>Total development investment</b>	<b>218,5</b>	<b>205,0</b>

- **R&D up 10,1 M€, stable as a percentage of sales**
  - Depreciation up : 13 M€
  - Royalties down : 2 M€
  - Decreased Non-Capitalized R&D linked notably to lower Facebook investment
- **9,4% increase in internal and external capitalized investment, half of it from exchange effect**

# H1 FY13 : Net Income

€ million	H1 2012-13	H1 2010-12
<b>Current operating income</b>	<b>(58,1)</b>	<b>(49, 3)</b>
Fair Value Variation	0,0	0,0
Stock-based compensation	(2,1)	(5,5)
Other revenues (expenses)	0,0	0,0
<b>Operating income/(loss)</b>	<b>(60,2)</b>	<b>(54,8)</b>
Net financial income/(expense)	5,1	(1,7)
Share of profit of associates	(0,1)	(0,1)
Net income tax	23,0	19,5
<b>Net income</b>	<b>(32,2)</b>	<b>(37,1)</b>
<b>Diluted earnings/(loss) per share (€)</b>	<b>(0,34)</b>	<b>(0,39)</b>
<b>Nbr of shares fully diluted</b>	<b>95 897</b>	<b>95 865</b>

- **Financial income of 5.1 M€ :**
  - Interest charge: (2.1) M€ vs (1.1) M€ in H1 FY12
  - 7.2 M€ gains on GLFT shares (2.2 million shares sold, 1 million still owned)
- **Tax rate 36.7% excl. stock base compensation and profit on Gameloft shares**
- **Diluted EPS before non recurring items and stock based compensation : (0.40) vs (0.33) in H1 FY12**

# H1 FY13 : Cash flows and closing cash position

€ million	<u>H1 2012-13</u>	<u>H1 2011-12</u>
Opening cash position	84,6	99,2
Cash flows from operations	(146,4)	(142,7)
Change in WCR	(98,4)	(35,4)
Cash flows from operating activities	(244,9)	(178,1)
Net investment in capital assets	(10,9)	( 15,3)
Net free cash flow	(255,8)	(193,4)
Net acquisitions/disposals	(0,1)	( 8,4)
Sale of Gameloft Shares	10,7	0
Proceeds from issue of capital and other financial flows	0,7	(1,4)
Tax credit sales	0,0	0,0
Effect of exchange rate fluctuations	7,5	2,5
Decrease/(increase) in net debt	(237,0)	(200,6)
Closing cash position	(152,5)	(101,4)

- **Stable cash flows from operation**, in line with operating results
- **Significant WCR increase (up 63M€ vs FY12)** with Accounts Receivables up 72M€ due to lower starting base (-13M€ vs 49M€) while ending balance similar (64M€ vs 59M€)

H1 FY13

**H2 FY13 line-up and FY13 guidance**

Longer term

**FY13 : A very focused line-up of high potential titles**

	Number of retail titles
Q3 FY13	16
Q3 FY12	30
Q3 FY10	>40

## H2 FY13 Core Games : Significant growth expected

	FY13	FY12
Core	<div>Assassin's Creed 3</div> <div>Ghost Recon Future Soldier</div> <div>Rayman Legends (WiiU exclusive)</div> <div>Far Cry 3</div> <div>ZombiU (WiiU excl.)</div>	<div>Assassin's Creed Revelations</div> <div>Driver + Tintin</div> <div>Rayman Origins</div>
	<div>Settlers Online</div> <div>Anno Online</div> <div>Ghost Recon Online</div> <div>Might &amp; Magic Heroes Online</div> <div>Silent Hunter Online</div> <div>Assassin's Creed Utopia</div> <div>Might &amp; Magic Duel of Champions</div>	<div>Settlers Online</div>

+

strong  
digital distribution  
&  
DLCs  
in H2 FY13

## H2 FY13 Core Games : Assassin's Creed 3, the biggest launch in Ubisoft's history



*"Time disappears when you play AC3." IGN, October 2012*

*"Ubisoft Montreal and its sister studios around the world have crafted  
a prodigious and complex game  
rich in theme-driven storytelling and diverse gameplay. " GameInformer, Nov 2012*

**First week estimated sell-thru : >3.5 million units**

**up >100% yoy**

**New engine, new setting, new hero, huge content**

**Released on Oct. 30<sup>th</sup> (Xbox360, PS3, WiiU, PC, PS Vita)**

**Lead/Associate studios :** Montreal, Annecy, Singapore, Quebec City, Bucharest,  
Kiev, Sofia



## H2 FY13 Core Games : Far Cry 3, a major contender in the biggest genre of the industry



*"Far Cry 3 = FC2 + Uncharted + Red Dead Redemption"* Kotaku, October 2012

*"The thin line between Far Cry 3 and Skyrim"* Gamespot, October 2012

**A MONSTER game, a unique kind of shooters**

**An impressive and lively open world**

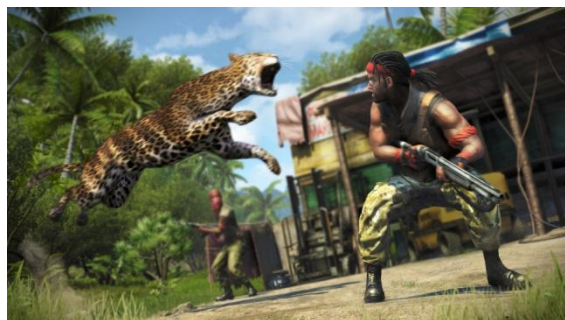
**Beautiful graphics & huge single and multiplayer**

**Among the best Ubisoft playtests scores**

**Release on November 29<sup>th</sup> (Xbox360, PS3, PC)**

**Lead/Associate studios : Montreal, Massive, Shanghai**

# FARCRY3



## H2 FY13 Core Games : ZombiU, the top 1/3 party title on WiiU?



*"Ubisoft's zombie shooter is impressing us more and more, and just might be reason enough to buy a Wii U"* IGN, October 2012

**The top 1/3 party title for the launch of the WiiU?**

**A true demonstration of the WiiU gameplay capabilities**

**Zombies videogames are making a killing**

**Release on November 18th (WiiU)**

**Lead/Associate studios : Montpellier, Bucharest**





## H2 FY13 Core Games : Ubisoft brings its core brands to Free-to-Play

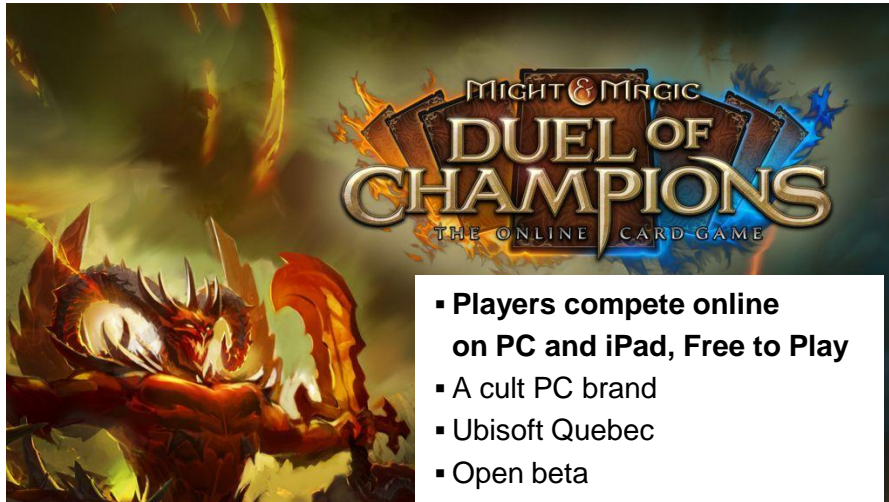


## H2 FY13 Core Games : Ubisoft brings its core brands to Free-to-Play



### ASSASSIN'S CREED UTOPIA GREE

- Free to Play on Gree's WW iOS/Android platform
- Developed by Gree
- To be released early 2013



- Players compete online on PC and iPad, Free to Play
- A cult PC brand
- Ubisoft Quebec
- Open beta



- A hardcore brand for a committed audience
- Ubisoft Bluebyte
- PC Free to play
- Closed beta



# H2 FY13 Casual Games : Many opportunities but prudent expectations

	FY13	FY12	
Casual	<div>Just Dance 4</div> <div>Just Dance Disney</div> <div>Hip Hop Dance Experience</div> <div>Rocksmith</div> <div>YourShape (WiiU excl.)</div> <div>Rabbids Land (WiiU excl.)</div> <div>Avengers (WiiU excl.)</div> <div>ESPN Sport Connect. (WiiU excl.)</div>	<div>Just Dance 3</div> <div>Just Dance Party</div> <div>Black Eyed Peas Experience</div> <div>Abba</div> <div>Rocksmith</div> <div>Rabbids Alive &amp; Kicking</div> <div>YourShape</div> <div>MotionSports</div> <div>PowerUp Heroes</div>	<div>Casual sales</div> <div>material decrease</div> <div>conservatively forecasted</div>
	<div>Howrse</div> <div>Nutty Fluffies</div>	<div>Howrse</div>	

## H2 FY13 Casual Games : Many opportunities but prudent expectations



**First 5 weeks estimated sales down double digit (in line with guidance)**

**Geographical expansion + new WiiU platform**

**Released** (Wii, WiiU, Kinect, Move)

**Lead/Associate studios** : Paris, Reflections, Bucurest

## H2 FY13 : Digital growth drivers for our core and casual brands

Make a difference in the online world = quality + brands' reputation

Digital distribution

PC Free-to-Play, eSport

iOs/Android & Xbla/PSN  
(paymium & Free to Play)

+ DLCs from consoles games



## FY13

### **Raised expectations**

**Q3 Sales** : 740 M€ – 800 M€, up 13% to 23%

**FY13 Sales** : 1 200 M€ – 1 260 M€ (vs 1 160 M€ – 1 200 M€) up yoy +13% to +19%

**FY13 Gross margin** : up 3 to 4 percentage points (vs 2 to 3 points)

**FY13 Current Op. Income** : 70 M€ – 100 M€ (vs 70 M€ – 90 M€), up yoy +25% to +79%

**FY13 : Positive Operating Cash Flows**

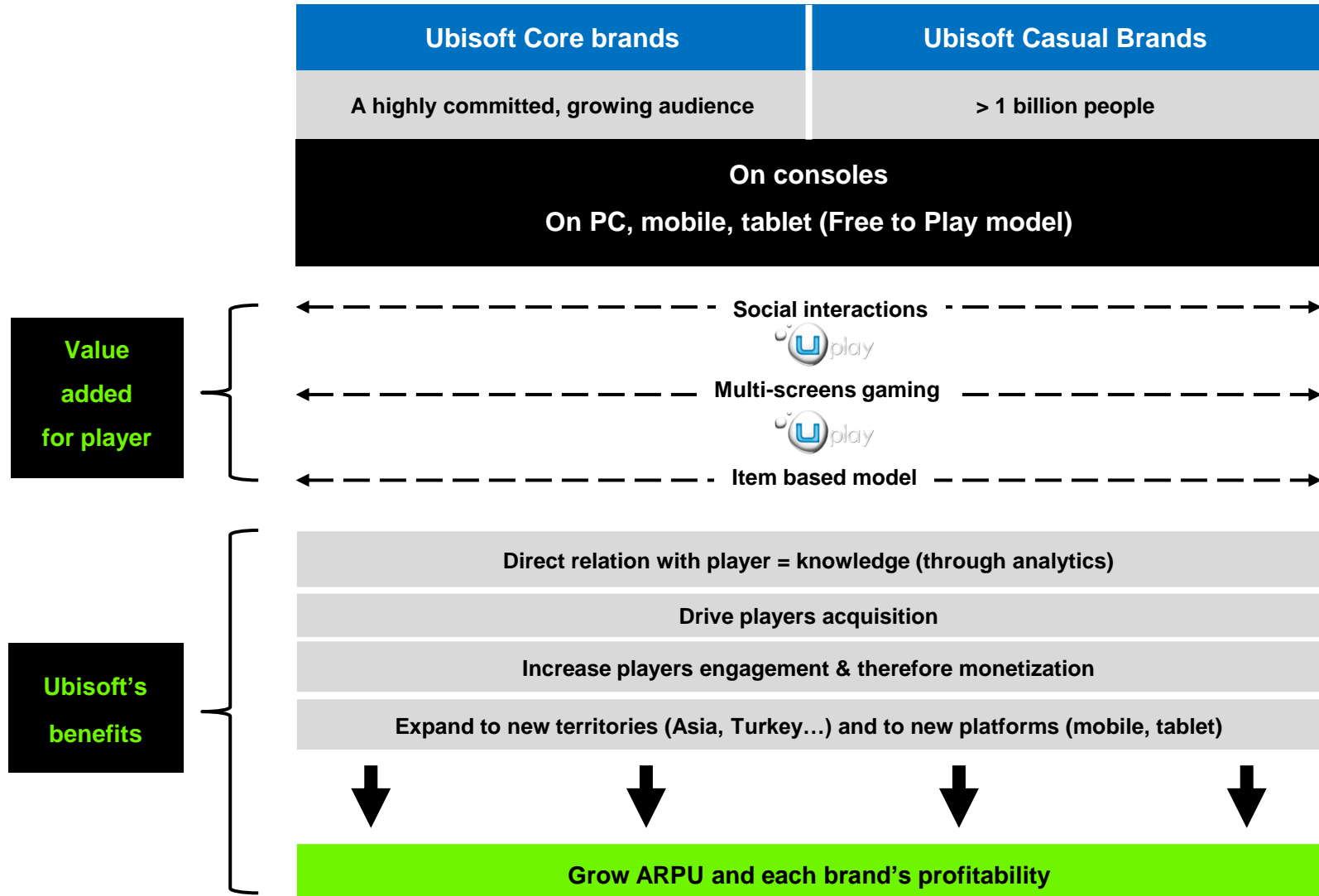


H1 FY13

H2 FY13 line-up and FY13 guidance

**Longer term**

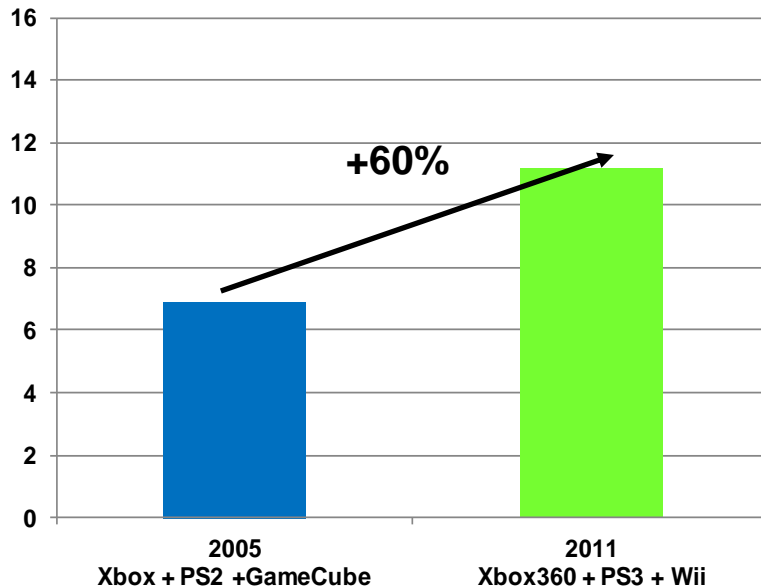
# Long term opportunities for our core and casual brands



# Long term growth opportunities with the console market

**HD consoles grew significantly :  
an unmatched experience  
for core gamers**

Market software sales  
(€ billion)



## Long term opportunities

Players even more connected

=

Bring social benefits & online services

=

A growing ARPU

+

New HD consoles cycle

=

Better graphics, more power

=

Core gamers love it

**Ubisoft is getting ready for this**

# Long term growth opportunities on PC and wireless with the Free to Play model

## Long term opportunities

1- Bring core and casual brands to huge PC audiences previously unreachable



2- Expand brands on mobile and tablet platforms



The Free to Play model adapts to  $\neq$  purchasing power and consumption patterns

# Conclusion

**Capture  
the long term growth  
of the videogame markets**

**Make a difference  
with Ubisoft's unique capacity  
to create great experiences  
for both core  
and casual audiences**



**Long term progression**

## Appendices

## FY13 : Driven by core games and online/digital

In million €	Core Brands	Casual Brands	Total sales
FY12	578	483	1 061
FY13	Significant growth	Material decrease conservatively budgeted	1 200 – 1 260

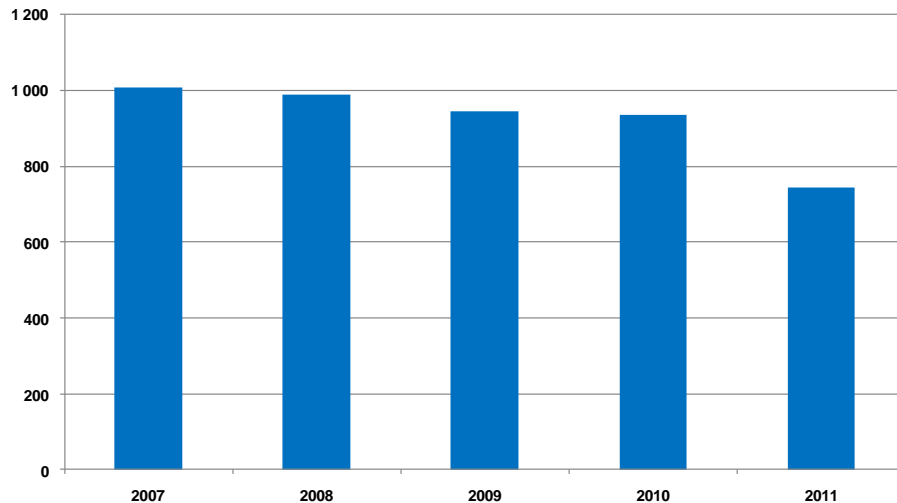
In million €	Core & Casual Online/Digital
FY12	80
FY13	+80 / +100% growth

# FY13 Core Games : Significantly stronger offer on HD consoles

A significant progression opportunity lies in front of Ubisoft

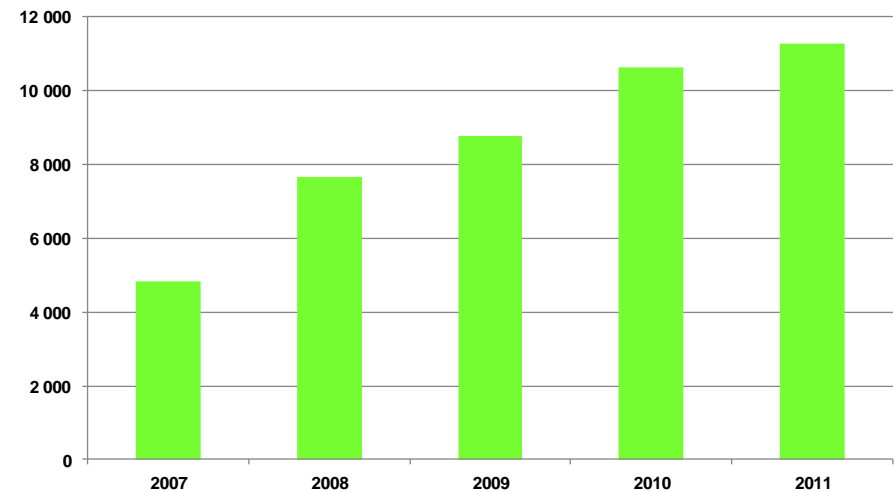
## Ubisoft Core Games Sales

PS2 + Xbox + Xbox360 + PS3  
(sell-thru \$ million)



## HD consoles market software sales

Xbox360 + PS3  
(\$ million)



Ubisoft delivers its strongest line-up for core gamers in FY13 with  
**Assassin's Creed 3, FarCry 3 and Ghost Recon Future Soldier**

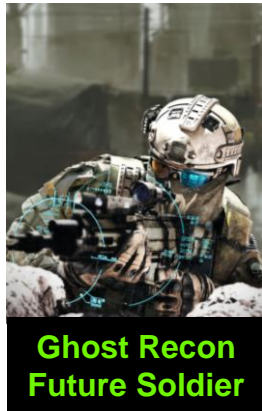


# FY13 Core Games : Ubisoft re-enters the shooter category

Ubisoft re-enters the biggest segment of the industry



FarCry 3



Ghost Recon  
Future Soldier



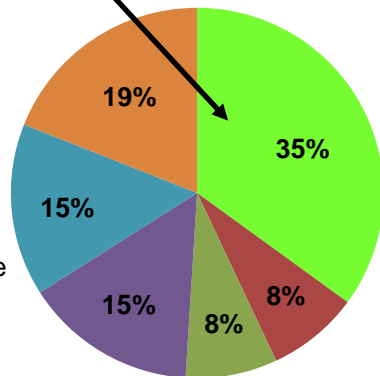
maniaplanet

ShootMania

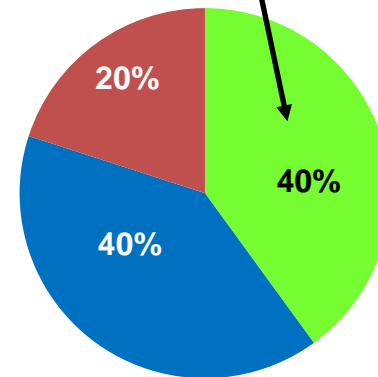


Ghost Recon Online

- Shooters
- RPG
- Driving
- Sport
- Action Adventure
- Others



The console opportunity



- Shooters
- RPG
- Others

The PC online opportunity

# Core Games : Splinter Cell Black List (Spring 2013)



*"SC Blacklist is visually stunning and colorfully gruesome, but what really stands out is stunning choreography."* Gamespot, June 2012

*"SC Blacklist simply comes across as a more ambitious game than its predecessors."* GameInformer, June 2012

**Builds on Splinter Conviction's DNA (85% Metacritic) and deliver a much deeper and broader experience**

**SC Conviction core team + 1<sup>st</sup> AAA from Toronto studio**

**Release date : Spring 2013 (Xbox360, PS3, PC)**

**Lead/Associate studios : Toronto, Montreal**



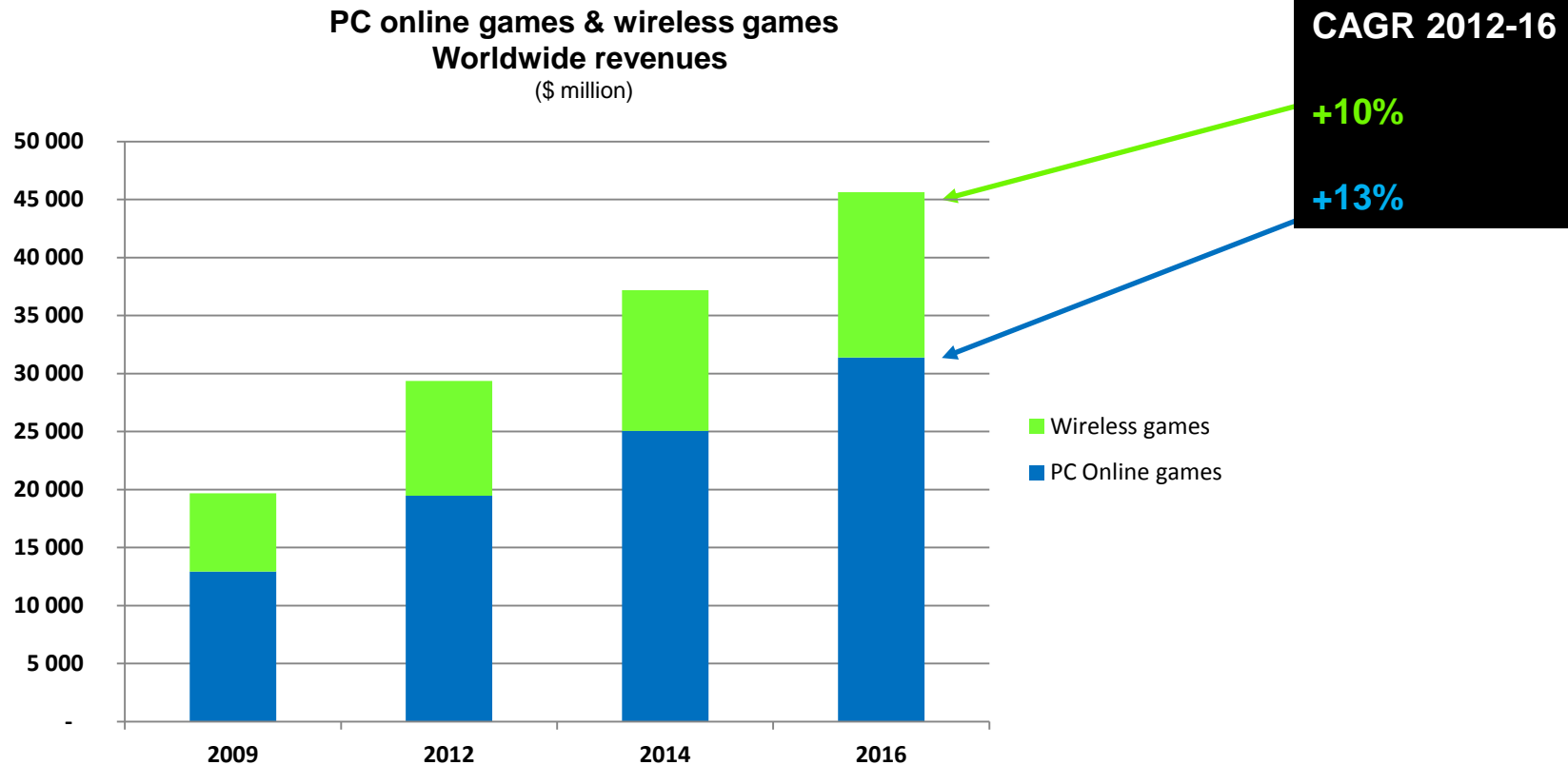
**Game Chronicles**



**Gamespot**

# FY13 Online/Digital : A strong growth and profitability driver

Ubisoft targets the fast growing online market



# H1 FY13 : Net income before non recurring elements and stock-based compensation

In million of euros, except for per share data	H1 2012-13			H1 2011-12		
	As reported	Adjustment	Before non recurring elements and stock based compensation	As reported	Adjustment	Before non recurring elements and stock based compensation
<b>Sales</b>	<b>279,2</b>		<b>279,2</b>	<b>248,5</b>		<b>248,5</b>
<b>Total Operating expenses</b>	<b>( 339,5)</b>	<b>2,1</b>	<b>( 337,4)</b>	<b>( 303,3)</b>	<b>5,5</b>	<b>( 297,8)</b>
Stock-based compensation	( 2,1)	2,1	0,0	( 5,5)	5,5	0,0
Amortization of acquired tangibles	0,0	0,0	0,0	0,0	0,0	0,0
Other operating income and expenses	0,0	0,0	0,0	0,0	0,0	0,0
<b>Operating Income</b>	<b>( 60,2)</b>	<b>2,1</b>	<b>( 58,1)</b>	<b>( 54,8)</b>	<b>5,5</b>	<b>( 49,3)</b>
Net Financial income	5,1	( 7,2)	( 2,1)	( 1,7)	0,0	( 1,7)
Income tax	22,9	(0,8)	22,1	19,5	0,0	19,5
<b>Net Income</b>	<b>( 32,2)</b>	<b>( 5,9)</b>	<b>( 38,1)</b>	<b>( 37,0)</b>	<b>5,5</b>	<b>( 31,5)</b>
Diluted earnings per share	( 0,34)	( 0,06)	( 0,40)	( 0,39)	0,06	( 0,33)

# H1 FY13 : Working Capital

€ million	<u>H1 2012-13</u>	<u>H1 2011-12</u>
Δ Inventories	22,5	12,2
Δ Trade receivables	79,3	6,6
Δ Other receivables	23,3	23,2
Δ Trade payables	-24,6	-12,9
Δ Other payables	-2,1	6,3
<b>Change in WCR</b>	<b>98,4</b>	<b>35,4</b>