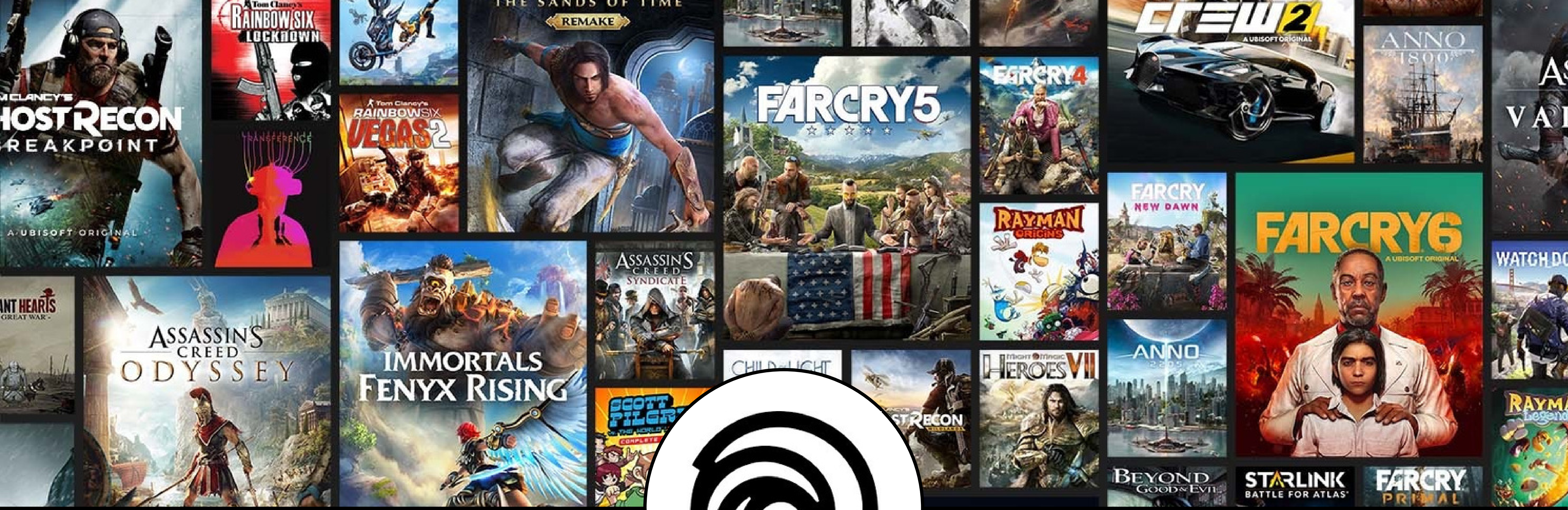


Takeover-Defense Strategy for Ubisoft

Mergers & Acquisitions
Group 9

Frankfurt School
of Finance & Management
German Excellence. Global Relevance.

Table of Contents

Executive Summary

To Fend Off any Hostile Takeover Approaches, We Advise Ubisoft to Follow a White Knight Strategy by Partnering with Sony

UBISOFT

Strategic Overview

- Ubisoft is one of the largest video game and software companies, exhibiting quitestable growth
- Nevertheless, Ubisoft's deteriorating stock price and potential further consolidation in the gaming industry has made the firm vulnerable to a potential takeover, but Ubisoft Chairman Yves Guillemot reiterated its intention to remain independent, with offers still being consideredif they are in the interest of all shareholders
- Generally, the global gaming industry is highly competitive, continuously changing, and highly innovative –with Ubisoft facing fierce competition and high expectations from customers

Financial Analysis

- Considering the results of our valuation methods, Ubisoft is currently undervalued, largely due to the current recession in the stock market.
- The synergy effects with a potential buyer can increase the median enterprise value from the football field by 147%, which wouldresult in a share price of EUR 84.8.

Takeover Defense

- After evaluation different active and preventative defense strategies, we advise Ubisoft to follow the White Knight strategy by partnering with Sony as a strategic buyer
- Webelievethatin the current market environment and Ubisoft's vulnerable position, a white knight acquisition by Sony might be the most favorable option for Ubisoft shareholders. This acquisition will unlock both cost and revenue synergies and allow the combined entity to accelerate its development of new revenue streams, such as VR, E-Sports and the metaverse –all of which are areas with great growth potential
- Finally, to maximiseshareholder profits, a cash-share combination deal with a fixed number of shares would be ideal

Ubisoft is Rumoredto be the Next Takeover Target

UBISOFT

Technology | Deals

Assassin's Creed Publisher Ubisoft Draws Buyout Interest

- Blackstone, KKR among private equity firms studying business
- French video game maker hasn't entered any serious talks

Ubisoft founders to oppose full takeover, report suggests

Ubisoft's acquisition is set to be a battle for control of the publisher

Report: Private Equity Eyeing Ubisoft As The Next Big Gaming Acquisition

Sources feel a sale of the French publisher is inevitable as its stock price struggles

Rumor: Ubisoft Acquisition Possibly in the Works After Tanked Stocks & Other Issues

Bloomberg: Ubisoft attracting preliminary takeover interest

- M&A activityin the gaming industry hit a record high of $85 billion in 2021
- This trend moved into 2022, with huge acquisitions starting the year off, such as Microsoft's $69 billion acquisition of Activision Blizzard and Take-Two's $12.7 billion buyout of Zynga
- We have observed both consolidation within the gaming industry as well as interest from tech companies looking to accelerate their development of the metaverse
- This renders both strategic buyers, financial sponsors as well as Big Tech potential acquirers of Ubisoft
- Ubisoft's share price plummeted after encountering production issues, leading to a delay in releases and reporting that its operating income for 2021-22 missed estimates

Ubisoft CEO on buyout rumors: "We have everything we need to remain independent"

Sources: Financial Times, Bloomberg

Ubisoft at a Glance: Company Overview (I/II)

Family-owned Developer Studio Achieved Global Relevance

UBISOFT

Overview

Ubisoft was founded in March 1986by 5 brothers of the Guillemot family in France

Ubisoft belongs to thelargest video game and software companiesin the industry and has a very strong and well-known video game brand lineup

The company has over20,000 employeesand 40 studios across the globe

Ubisoft programmed one ofmost famous gameslike Assassin's Creed, the Far Cry, Just Dance, etc.

Ownership structure

Guillemot Family 24.95%

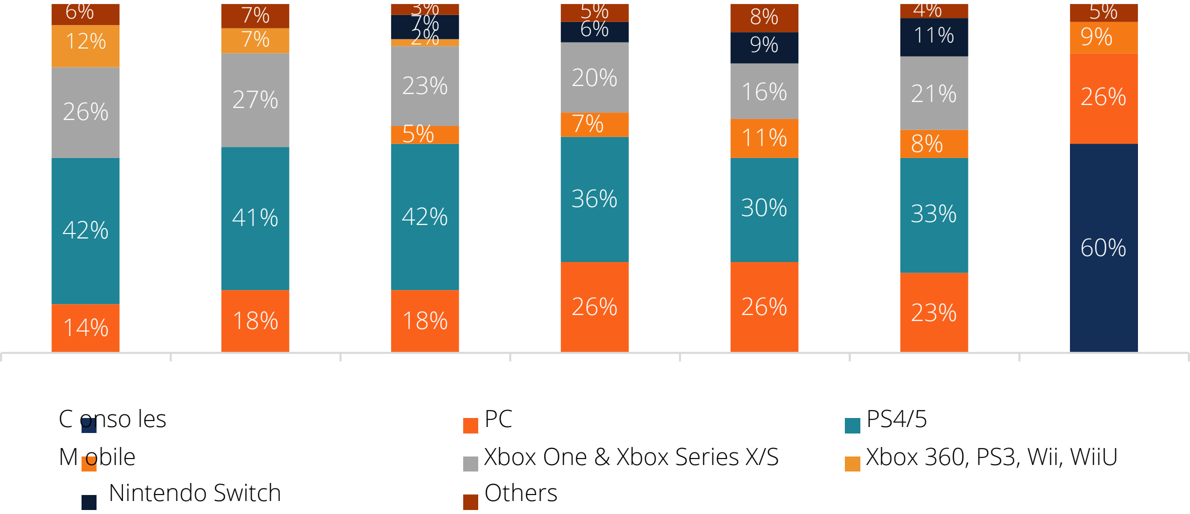
JP Morgan 24.67%

Ubisoft Entertainment SA

Crédit Agricole SA 10.81%

Others 39.57%

Sales Distribution by Segment in %



Sources: Statista, Ubisoft Annual Report 2021, Bureau van Dijk Orbis

Service/Product Portfolio

Ubisoft's core products are their console, PC and mobile games which they develop and sell.

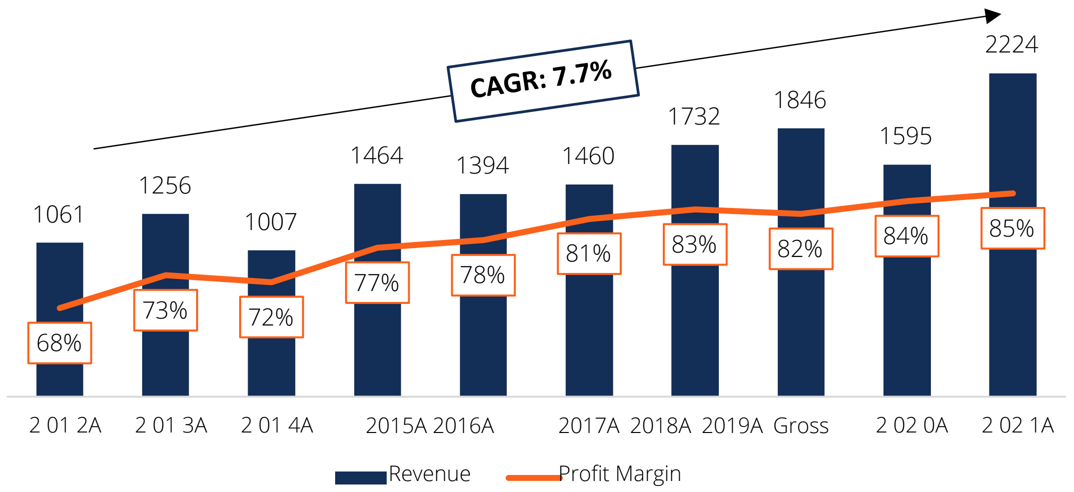
Some of theirgames were turned into movie series, such as 'RabbidsInvasion' and the movie to the game 'Assassin's Creed'was even shown in cinemas.

Ubisoft operates the online service Ubisoft Connect, consisting of Uplay and Ubisoft Club, which is used as a distribution platform to selltheirgames and as a digital rights management system to protect their games against piracy.

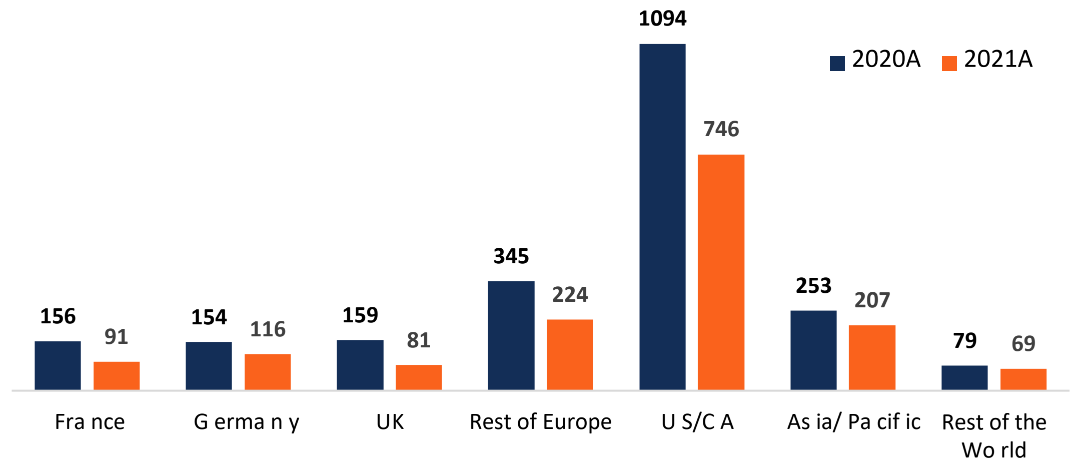
Ubisoft at a Glance: Financial Summary (II/II)

Ubisoft Exhibits Stable Growth –With a Few Ups and Downs

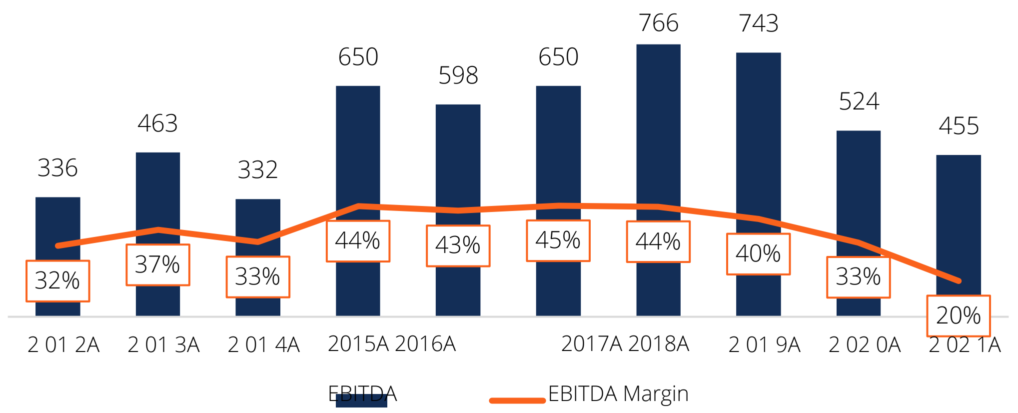
Revenue (in € mio.)



Sales by geographic region (in € mio.)



EBITDA (in € mio.)



Comments

- Ubisoft generated a stable CAGR of 7.7% over 2012-2021 with a few ups and downs.
- The Corona crisis was noticeable for Ubisoft, sales fell by 13.6% in 2020 compared to the previous year. However, this setback was immensely improved in 2021, with growth of c. 40%.
- Ubisoft is very strongly established in the gaming industry not only in Europe but also especially in North America, where the market is the biggest.

Sources: Reuters, S&P Capital IQ, Ubisoft'sAnnual Report 2021

Competitive Environment

Highest Gross Profit Margin ensures Competitiveness

Company	Headquarter	# Employees	Revenue (EUR mio.)	Gross Profit Margin	EBITDA Margin	Net Debt/EBITDA	TEV/EBITDA
UBISOFT	Montreuil, France	20,754	2,223.8	85.4%	20,5%	0.5x	NA
EA	Redwood City, United States	11,000	5,316.6	73.5%	21.9%	NA	26.1x
Take Two Interactive	New York, United States	7,779	3,185.6	55.6%	22.4%	NA	14.1x
Nintendo	Kyoto, Japan	6,717	13,045.1	55.2%	37.0%	NA	7.9x
Activision Blizzard	Santa Monica, United States	9,800	8,314.4	73.7%	37.7%	NA	15.3x
CAPCOM	Osaka, Japan	3,152	706,9	55.3%	39.2%	NA	18.2x
CD PROJEKT	Warsaw, Poland	493	191	71.8%	31.7%	NA	38.9x
zynga	San Francisco, United States	2,952	2,645.1	63.8%	16.3%	NA	20.4x

Sources: S&P Capital IQ

SWOT Analysis

Ubisoft must step up its Game to Defend its Position as the Leading Developer Studio

Strengths

- Strong and established brand with many successful flagship products
- Attracting and retaining customers via customer loyalty rewards program
- First mover advantage (particularly valuable in an increasingly crowded market)
- Strong in-house development team allows for quick adaptation to new trends
- High R&D expenditures enable continuous innovation and fast reactions
- Loyal community –78% of players will purchase newly published games

Weaknesses

- Extremely fast-paced and constantly changing industry
- Ubisoft's slow and deliberate decision-making processes can result in missing opportunities and losing its first-mover advantage
- Increased competition from not only other gaming companies but also Big Tech who are developing their versions of the metaverse and VR/AR
- Complaints from customers about Ubisoft's launcher (Uplay software)
- Internal problems with sexism and racism
- Every game series has the same underlying engine without major changes –homogenization of flagship titles

Opportunities

- Expansion into new revenue streams such as the metaverse and AR/VR gaming
- Strong projected growth in gaming industry thanks to new technology and introduction of new trends,increasing number of gamers through reaching more generations
- Emergence of 5G will expand the market, reaching more people due to mobile gaming
- Capitalizing on increasing popularity of E-Sports
- Finding new ways to generate revenue from customers – advertising, in-game purchases, subscriptions
- Introduction of not only co-op but also multi player game modes could have a high impact on revenue

Threats

- Difficult to keep up with a growing number of competitors and increased customer expectations
- Some geographic regions might be harder to enter (e.g., Tencent's massive audience in China)
- Changing demographics -young people appear to be less brand loyal and more open towards experimentation
- Changes in the political environment can have an impact on both the local and international markets
- New regulations and expensive legal actions in different markets may lead to less investment into emerging markets and thus missing out on growth opportunities

Ubisoft must continue to invest into R&D to keep up with competitors in the gaming industry and with Big Tech –and to quickly react to the increasing number of trends and growing customer expectations.

Sources: Ubisoft, EMBApro

Porter's Five Forces Analysis

Ubisoft Faces Fierce Competition and High Expectations from Customers

UBISOFT

Global Gaming Industry Overview

- The global gaming industry is highly competitive, continuously changing, and highly innovative
- Ubisoft competes against a wide range of companies. These can be larger, have larger customer bases, greater brand recognition, longer operating histories, a dominant or more secure position, broader geographic scope, volume, scale, resources, and market share or offer different product
- Other competitors are smaller or younger companies that may be more agile in responding quickly to regulatory and technological changes
- Many areas evolve rapidly with innovative and disruptive technologies, emerging competitors, business alliances, shifting consumer habits and user needs, price sensitivity on the part of consumers, and frequent introductions of new products

Porter's Five Forces Analysis

New Entrants	Substitutes	Supplier Bargaining	Buyer Bargaining	Industry Rivalries
Moderate	**Moderate**	**Low**	**Very High**	**Very High**
Requires high capital expenditure to set up required infrastructure and high licensing fees	Other gaming companies and Big Tech firms are developing AR and VR gaming	Ubisoft uses a wide variety of suppliers	High number of games and competitors	Usually very little company loyalty – customers care about games and not the firm behind them
But often, a single successful game can accelerate a company's success/growth	App-based mobile games are popular and reach many users – and are often free or very inexpensive	Different suppliers provide both physical products (eg. hardware, software, etc.) and intellectual property (eg. software code)	Gamers tend to have a pack mentality – even one disappointing game can have detrimental consequences and decrease a brand's popularity	Fast growing and constantly changing industry
Low entry barriers from a regulation viewpoint due to minimal government regulation	Constant technological advancements reduce the advantage of existing firms	Ubisoft is a huge customer to suppliers but suppliers of unique materials might hold some bargaining power	Mostly small and few large customers	High number of new releases pressure Ubisoft to keep up and continue innovation

Ubisoft cannot solely rely on its brand name and existing popular products. Instead, it must keep releasing innovative video games and market them accordingly.

Discounted Cash Flow Analysis (I/II)

Our Growth Assumptions Result in an Undervaluation of Ubisoft's Stock Price

UBISOFT

Ubisoft Entertainment SA -FCF Projections:	Units:	Projected FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
Revenue:	€	2,268.3	2,381.7	2,548.4	2,675.8	2,769.5	2,847.0	2,904.0
Revenue Growth Rate:	M	*2.00%*	*5.00%*	*7.00%*	*5.00%*	*3.50%*	*2.80%*	*2.00%*
	%							
EBITDA		1,007.1	1,071.8	1,134.0	1,196.1	1,238.0	1,278.3	1,312.6
EBITDA Margin:	€	*44.40%*	*45.00%*	*44.50%*	*44.70%*	*44.70%*	*44.90%*	*45.20%*
EBITDA Growth Rate:		*6.25%*	*6.42%*	*5.81%*	*5.47%*	*3.50%*	*3.26%*	*2.68%*
	M							
Operating Income (EBIT):	%	462.7	502.5	527.5	561.9	584.4	609.3	633.1
(-) Taxes, Excluding Effect of Interest:	%	(185.1)	(201.0)	(211.0)	(224.8)	(233.7)	(243.7)	(253.2)
	€							
Net Operating Profit After Taxes (NOPAT):	M €M	277.6	301.5	316.5	337.2	350.6	365.6	379.8
Adjustments for Non-Cash Charges:	€							
(+) Depreciation & Amortization:	€ M	544.4	569.2	606.5	634.2	653.6	669.1	679.5
% Revenue:	M	*24.00%*	*23.90%*	*23.80%*	*23.70%*	*23.60%*	*23.50%*	*23.40%*
	%							
(-) Net Change in Working Capital:		(22.7)	(23.8)	(25.5)	(26.8)	(27.7)	(28.5)	(29.0)
% Revenue:	€	*(1.00%)*	*(1.00%)*	*(1.00%)*	*(1.00%)*	*(1.00%)*	*(1.00%)*	*(1.00%)*
(-) Capital Expenditures:	M	(567.1)	(593.0)	(632.0)	(660.9)	(681.3)	(697.5)	(708.6)
% Revenue:	%	*25.00%*	*24.90%*	*24.80%*	*24.70%*	*24.60%*	*24.50%*	*24.40%*
	€							
Unlevered Free Cash Flow:		232.3	253.9	265.5	283.6	295.2	308.6	321.8
Growth Rate:	M		*9.31%*	*4.59%*	*6.81%*	*4.09%*	*4.54%*	*4.26%*
	%							
Discount Rate (WACC):	€	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%
Cumulative Discount Factor:		0.94	0.89	0.83	0.79	0.74	0.70	0.66
PV of Unlevered FCF:		218.67	225.03	221.58	222.83	218.35	214.90	210.93
	M							
	%							
EBITDA:		1,007.1	1,071.8	1,134.0	1,196.1	1,238.0	1,278.3	1,312.6
Growth Rate:	%		*6.42%*	*5.81%*	*5.47%*	*3.50%*	*3.26%*	*2.68%*
	#							
	€							

In 2022, we expect a moderate growth rate of 3%, due to the recovery of the Covid-19 crisis and the Ukraine-Russia conflict. The growth rate decreases to the perpetual growth rate by the end of 2028.

For our calculations, we have calculated the EBITDA margin based on the previous years (2017-2021).

We calculated D&A based on the percentage of sales ratio. In 2022, this ratio was 24.6%.

We believe that new investments must be constantly made in the gaming sector in order to survive in this competitive market. For this reason, we have calculated the investments slightly above D&A.

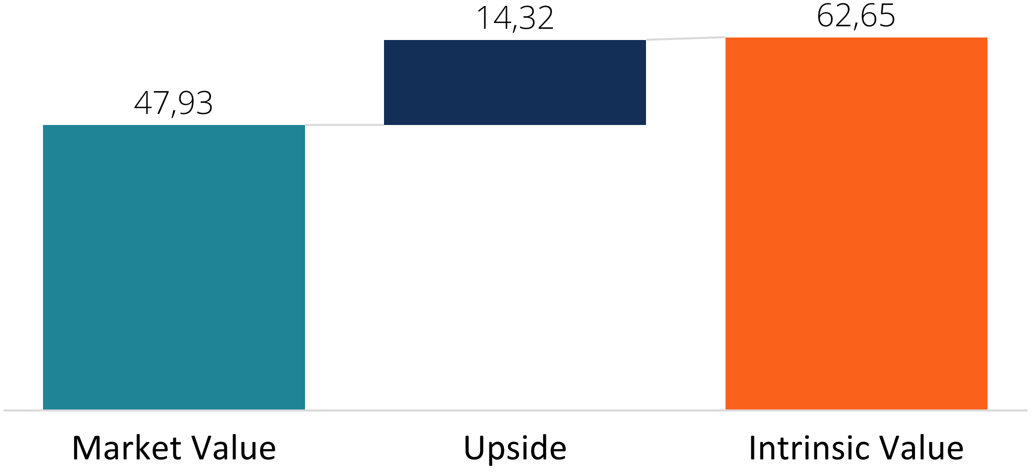
For the calculation of the WACC, we have used backward-looking 5-year average for the cost of equity instead of a distorted snapshot of 2022.

Discounted Cash Flow Analysis (II/II)

Based on our Analysis, Ubisoft is Significantly Undervalued

Implied Equity Value and Share Price		
Perpetual Growth Rate	%	2.75
Baseline Terminal Value	€	10,298
Implied Terminal FCF Growth Rate	%	3.00
(+) PV of Terminal Value	€	6,751
(+) Sum of PV of FCF	€	1,532
Implied Enterprise Value	€	8,283
% of Implied EV from Terminal Value	%	81,5
(+) Cash & Cash-Equivalents	€	1,494.8
(-) Total Debt	€	2,068.5
(-) Minority Interest	€	8,9
Implied Equity Value	€	7,718
Diluted Shares Outstanding		123.2
Implied Share Price from DCF	€	62.65
Premium to current	%	31

Share Price: Market value vs. Intrinsic value



Comments

- For the Terminal Value calculation, we have computed the average from the Gordon growth and the exit multiple method.
- After calculating the implied equity value and dividing the diluted shares outstanding, we arrive at a share price of EUR 60.33. This reflects our base case in our DCF model, the price is reasonable in line with other analysts' opinions.
- Our calculations yield a premium of 31%, which means that the share is strongly undervalued on today's stock market. We conclude this to be due to the current recession in the stock market.

Sensitivity Analysis

Ubisoft's Valuation is Highly Sensitive Regarding Growth and Cost of Capital

UBISOFT

Sensitivity Table – Share Price (in €)								
	Weighted Average Cost of Capital (WACC):							
	62.65	4.72%	5.22%	5.72%	**6.22%**	6.72%	7.22%	7.72%
Perpe-tual Growth Rate	3.60%	183.5	125.3	94.6	75.5	62.6	53.3	46.2
	3.40%	156.7	112.2	86.9	70.6	59.2	50.8	44.3
	3.20%	137.0	101.8	80.5	66.4	56.2	48.6	42.6
	3.00%	121.8	93.2	75.1	**62.6**	53.5	46.5	41.0
	2.80%	109.8	86.0	70.4	59.3	51.1	44.7	39.6
	2.60%	100.1	80.0	66.3	56.4	48.9	43.0	38.3
	2.40%	92.0	74.7	62.7	53.7	46.9	41.5	37.1

Comments

- The share price can fluctuate between EUR 37.1 and EUR 183.5 with a with a perpetual growth rate (2.4%-3.6%) and a WACC (4.72%-7.22%).
- Assumptions with the biggest impact: WACC and Perpetual Growth Rate

Sensitivity Table – Enterprise Value (in € mio.)								
	Weighted Average Cost of Capital (WACC):							
	8,283.12	4.72%	5.22%	5.72%	**6.22%**	6.72%	7.22%	7.72%
Perpe-tual Growth Rate	3.60%	23,172.8	16,001.9	12,213.8	9,871.8	8,280.6	7,129.2	6,257.3
	3.40%	19,872.2	14,393.5	11,276.7	9,265.4	7,860.1	6,822.9	6,025.9
	3.20%	17,440.2	13,103.7	10,488.3	8,739.3	7,487.4	6,547.1	5,814.9
	3.00%	15,573.7	12,046.2	9,815.9	**8,278.5**	7,154.7	6,297.4	5,621.9
	2.80%	14,096.1	11,163.5	9,235.6	7,871.7	6,856.0	6,070.3	5,444.5
	2.60%	12,897.3	10,415.6	8,729.7	7,509.8	6,586.3	5,862.9	5,281.0
	2.40%	11,905.2	9,773.8	8,284.7	7,185.8	6,341.5	5,672.7	5,129.8

Comments

- Enterprise value ranges from 23,172.8 to 5,129.8 with a perpetual growth rate (2.4%-3.6%) and WACC (4.72%-7.22%).
- Assumptions with the biggest impact: WACC and Perpetual Growth Rate

Comparable Company Analysis

BasedonourPeer Group Ubisoft can be Valued at c. 17x EBITDA in FY2022

UBISOFT

Comparable Company Rationale

- We looked for peer companies that were comparable to Ubisoft in terms of business model as well as in certain KPIs. Our aim was to rather find few, very similar companies than many companies that were only superficially similar. Besides the business model,the KPIs included EBITDA margin and revenue growth rate. According to our median multiples, Ubisoft can be valued with an EV/Revenue multiple between 4.8x and 5.2x and an EV/EBITDA multiple between 17.1x and 19.1x.

		Market Data			Financials				Valuation			
Company Name	HQ	Price (EUR / share)	Market Cap in m	TEV (EUR M)	Revenue (EUR M)	EBITDA (EUR M)	EBIT (EUR M)	Earnings (EUR M)	EV / Revenue FY22E	EV/ LTM Revenue LTM	EV / EBITDA FY22E	EV / EBITDA LTM
Electronic Arts Inc.	US	129.8	35,824.9	34,640.9	6,293.3	1,573.5	1,136.1	710.3	NA	5.0 x	NA	19.8
Activision Blizzard, Inc.	US	78.1	60,986.8	53,459.8	7,740.5	3,035.3	2,933.3	2,373.2	6.8 x	6.4 x	17.6 x	x
Atari SA	FR	0.2	49.9	52.0	18.9	(3.1)	(3.4)	(11.9)	1.6 x	3.0 x	NA	16.6
Take-Two Interactive Software, Inc.	US	122.6	12,049.7	9,747.8	3,155.0	742.1	427.1	376.3	NA	2.8 x	NA	x
CD Projekt S.A.	PL	124.1	12,505.7	11,568.2	193.6	61.4	58.5	45.5	12.4 x	13.0	25.3 x	NA
Roblox Corporation	US	31.3	19,065.2	17,239.8	1,687.5	(286.5)	(343.5)	(432.3)	6.1 x	x	44.9 x	11.3
37 Interactive Entertainment Network.	CN	22.6	49,755.3	43,212.6	2,244.6	421.1	410.7	398.0	2.2 x	8.3 x	11.4 x	x
NEXON Co., Ltd.	JP	3,070.0	2,718,442.6	2,160,160.6	2,096.0	784.7	720.1	877.4	6.2 x	2.6 x	17.1 x	40.7
Frontier Developments plc	G	12.7	493.1	481.0	105.4	24.6	23.1	25.1	4.3 x	7.8 x	14.0 x	x
Zynga Inc.	B	8.5	9,007.2	9,862.3	2,462.5	402.1	192.0	(91.6)	3.4 x	4.7 x	14.6 x	NA
	US									3.5 x		11.3
Maximum		3,070.0	2,718,442.6	2,160,160.6	7,740.5	3,035.3	2,933.3	2,373.2	12.4	13.0 x	44.9 x	x 40.7 x
75th Percentile		123.8	46,272.7	41,069.7	2,981.9	774.1	646.8	632.2	6.4	7.5 x	21.5	22.7 24.4
Median		54.7	15,785.5	14,404.0	2,170.3	411.6	301.4	210.9	5.2 x	4.8 x	x 17.1 x	x 19.1 x
Average		360.0	291,818.0	234,042.5	2,599.7	675.5	555.4	427.0	5.4 x	5.7 x	20.7 x	21.3 x 29.5
25th		15.1	9,767.8	9,776.5	567.1	33.8	32.0	(2.7)	3.1 x	3.2 x	14.3 x	x 15.3 x
Percentile		0.2	49.9	52.0	18.9	(286.5)	(343.5)	(432.3)	1.6	2.6 x	11.4	18.5 11.3
Minimum											x	x

Sources: S&P Capital IQ

Comparable Transaction Analysis

Based on our Peer Group, Ubisoft can be Valued at 14.3xEBITDA

UBISOFT

Precedent Transaction Rationale

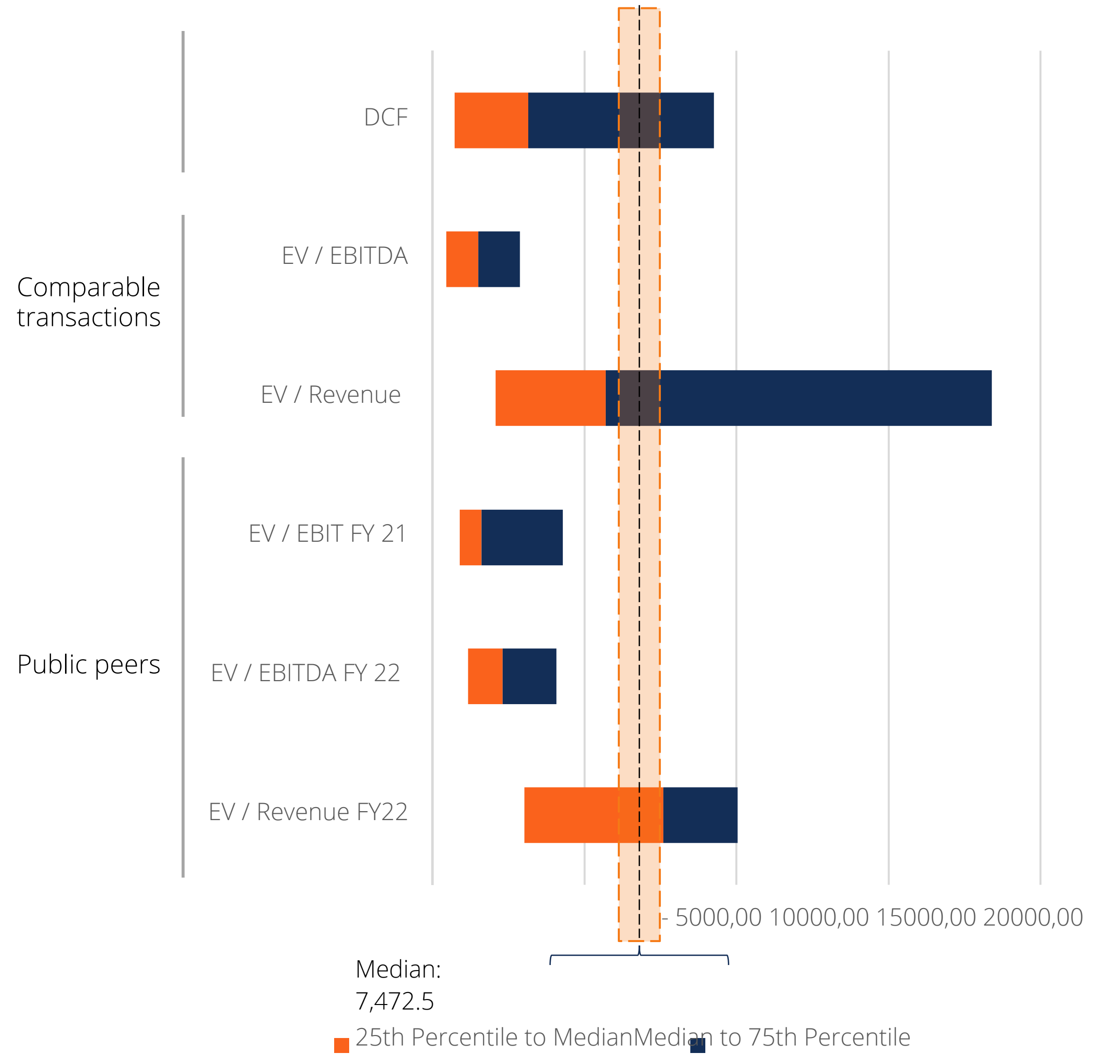
Our approach was to use certain databases, such as S&P Capital IQ and MergerMarketsto identify historic transactions that fit to Ubisoft in terms of business model. We rather filtered by business model than other KPI's (deal size, revenue, etc.). Our aim was to find few but well-fitting M&A transactions. Accordingto our median multiples, Ubisoft can be valued at 3.3x EV/Revenue and 14.3x EV/EBITDA.

Market Data				Financials			Valuation	
Announced Date	Target Company	HQ	Bidder Company	Revenue (M)	EBITDA (M)	Enterprise Value (M)	EV / Revenue	EV / EBITDA
13/04/2021	Gamesys Group plc	U	Bally's Corporation	814.4	227.8	2,745.4	3.3 x	12.1 x
01/02/2021	Nexters Global Limited	K	Nexters Inc	NA	NA	1,676.1	NA	NA
14/12/2020	Codemasters Group	CP	Electronic Arts Inc.	85.9	46.8	983.4	11.8 x	21.0 x
11/12/2020	Sendas Distribuidora	U	Companhia Brasileira	6,831.6	NA	3.726.0	0.6 x	NA
10/11/2020	Codemasters Group	K	Take-Two Interactive Software, Inc.	85.9	47.6	786.9	9.2 x	16.5 x
13/06/2019	Gamesys Limited	BR	Gamesys Group plc	363.6	52.1	550.6	1.6 x	10.6 x
Maximum		U		6,831.6	227.8	3,726.0	11.8 x	21.0 x
75th Percentile		K		814.4	96.0	2,478.1	9.2 x	17.7 x
Median		U		363.6	49.8	1,329.7	3.3 x	14.3 x
Average		K		1,636.3	93.6	1,744.7	5.3 x	15.0 x
25th Percentile				85.9	47.4	836.0	1.6 x	11.7 x
Minimum				85.9	46.8	550.6	0.6 x	10.6 x

Sources: MergerMarkets,S&PCapitalIQ

Valuation Summary

According to all Valuation Methods, the MedianEnterpriseValueis nearly € 7.5bn



Valuation considerations

•We have evaluated Ubisoft using all methods that are common in practice. We distinguish between multiples derived from a Comparable Company Analysis (CCA, peer group of listed companies) and a Company Transaction Analysis (CTA, previous M&A transactions that fit), as well as a Discounted Cash Flow (DCF) Analysis.

- In this football field we show the Enterprise Value based on the valuation methods. Please note that in order to get to the share price, the EV/Equity Bridge must be built.
- Through the analyses, we arrived at a median enterprise value of7,472.5.

Sources: C.f., DCF Analysis, Comparable Company Analysis, Comparable Transaction Analysis

Takeover Defense

Ubisoft Intends to Remain Independent

Current Situation:

- Ubisoft's deteriorating stock price and potential further consolidation in the gaming industry has made the firm vulnerable to apotential takeover
- In its recent earnings call, Ubisoft Chairman Yves Guillemot reiterated its intention to remain independent, with offers still being considered if they are in the interest of all shareholders

Preventative Measures

Poison Pill

Existing shareholders are given the option to purchase additional shares at a discounted price, diluting the acquirer's ownership and making it more difficult for the acquirer to own a majority stake.

Assessment: We would advise against a poison pill defense strategy. Ubisoft is already significantly undervalued, and this approach would only further dilute the value of its stock.

Golden Parachute

Key employees' compensation packages are adjusted to provide more benefits if they were to be laid off post-takeover. This can discourage takeovers because of the large costs associated with the golden parachute contracts.

Assessment: We would advise against a golden parachute defense strategy.

It is already known that the Guillemot family, who is part of Ubisoft's management, intends to remain in control, thus decreasing its effectiveness.

Poison Put

Existing bondholders are given the right to demand an earlier repayment in case of a change of control due to a hostile takeover. This impacts the amount of cash that an acquired company has and forces the acquiring company to ensure that it has sufficient cash to cover the immediate repayment of bonds.

Assessment: In case Ubisoft already has significant amounts of debt, this strategy increases the company's debt load and could lead toinsolvency.

Active Measures

White Knight

A friendly acquirer interrupts the takeover by purchasing Ubisoft. Ubisoft's management and board will accept that they will give up their independence and lose majority ownership, but the result is in their favor.

Assessment.We would advise Ubisoft to further evaluate this approach. Considering its current vulnerable position, this approach could prove to be the most beneficial for both the shareholders and the management/board.

Acquisi-tion Strategy

Ubisoft resorts to making an acquisition, rendering the balance sheet less attractive from the lower cash balance and/or use of debt.

Assessment: Due to the urgency of the situation, this acquisition might not be necessary, might not make sense strategically and could lead to a high premium being paid –thus decreasing shareholder value.

Corporate Restruc-turing

As a rather holistic and strategic approach, Ubisoft implements a restructuring strategy. This could include a divestiture. Ubisoft would sell a business segment or asset which does not add enough value to the core business.

Assessment : The divestiture could allow Ubisoft to cut costs and shift their focus to their core business, while allowing the divested business's operations to become leaner and unlock hidden value potential. With the right communication, this could help Ubisoft boost its share price.

Corporate Restructuring

A Divestiture is Better Suited as a Long-term Strategy

Course of Action

Monitor Ubisoft’s portfolio and identify a business segment or asset suitable for a divestiture

-> redundant, distraction from core operations or non-complementaryto other divisions

However, from the viewpoint of investors, a divestiture can be interpreted as a failed strategy in the sense that this non-core business failed to deliver the expected benefits and show that there is a need for cash for reinvestment or to better position itself from a liquidity standpoint
-> need for clear communication to all shareholders!

Choose the best divestiture method

-> either via sell-off, carve-out or spin-off

Divestiture Method

Sell-off Rationale	
	The division is sold to an investor (PE or competitor) against cash. These funds can then be applied to more productive core units instead or invested into new ventures
Carve-out	Rationale
	Partial IPO: Ubisoft sells some of its shares in its subsidiary to the public through an IPO, establishing the subsidiary as a standalone company. Most likely, they will still retain a significant equity stake in the new entity. The cash proceeds are distributed to to Ubisoft, the subsidiary or a combination
Spin-off	Rationale
	Ubisoft creates a new independent company by selling or distributing new shares of its existing business. The existing shareholder will receive those shares in proportion to their original proportion of ownership. The spun-off company is expected to be worth more independently rather than as parts of a larger business.

While in the longer-term, a corporate restructuring could prove to be a valuable option, we are certain that in the current market environment, considering the increasing takeover interest in Ubisoft from both strategic and financial buyers, as well as negative press causing a significant drop in Ubisoft's share price, this is currently not the right option. Rather, a friendly takeover is mostlikely the best option forshareholders.

White Knight Approach

Sony Turns Out to be the Most Suitable Savior

- Although Ubisoft would not remain independent in this case, an acquisition by a white knight is still preferable to a hostiletakeover
- Unlike a hostile takeover, the acquisition would happen under more favorable terms for Ubisoft: management could most likely be preserved, better acquisition terms, and the core business would be preserved
- Below, we have selected a variety of both potential strategic and financial buyers that could function as friendly acquirers, with criteria for strategic buyers including: access to E-sports & gaming industry, VR and AR development, suitable software, possible merger of game portfolio, market share, and synergies

Potential Strategic Buyers	
Company	Rationale
Microsoft	Microsoft is active in the VR and metaverse space. They recently acquiredother gaming companies -Activision Blizzard, Bethesda and Mojang –also creating access to E-sports. A potential acquisition could create some antitrust issues.
SONY	Sony's customers are responsible for 33% of Ubisoft's revenue. Sony acquired more than a dozen gaming studios, with the current acquisition of Bungie pending. It is also an active player in the VR market with their own PSVR product. Additionally, it already provides a functioning platform (Playstationnetwork) and is expanding into the Esports league and the metaverse.
EA	Electronic Arts is one of the most renowned market players, who owns the gaming launcher "Origin". The implemented games show high compatibility with Ubisoft's games in terms of supplementation and style. EA also provides an ESportsplatform (CGD) with an ESPN deal.

Potential Financial Buyers	
Company	Rationale
Blackstone KKR	Both Blackstone and KKR have been rumored to have preliminary takeover interests. However, while they are among the largest and most respected private equity firms,neither of the two has a strong portfolio made up of gaming companies.
The Carlyle Group	Carlyle has become increasingly interested in the gaming industry, recently acquiring the UK developer and publisher of video games Jagexfor $530m. Acquiring Ubisoft might be the next large acquisition.

In general, we believe an acquisition by a strategic buyer to most likely yield a higher premium. In the current market environment and Ubisoft's vulnerable position, a white knight acquisition by Sony might be the most favorable option for Ubisoft shareholders –as well asfor its management, in case they could be preserved. This acquisition could unlock both cost and revenue synergies and allow the combined entity to accelerate its development of new revenue streams, such as VR, E-Sports and the metaverse –all of which are areas with great growth potential.

Valuation and Synergies effect with Sony (I/II)

Acquisition Creates Competitive Conglomerate with Valuable Synergies

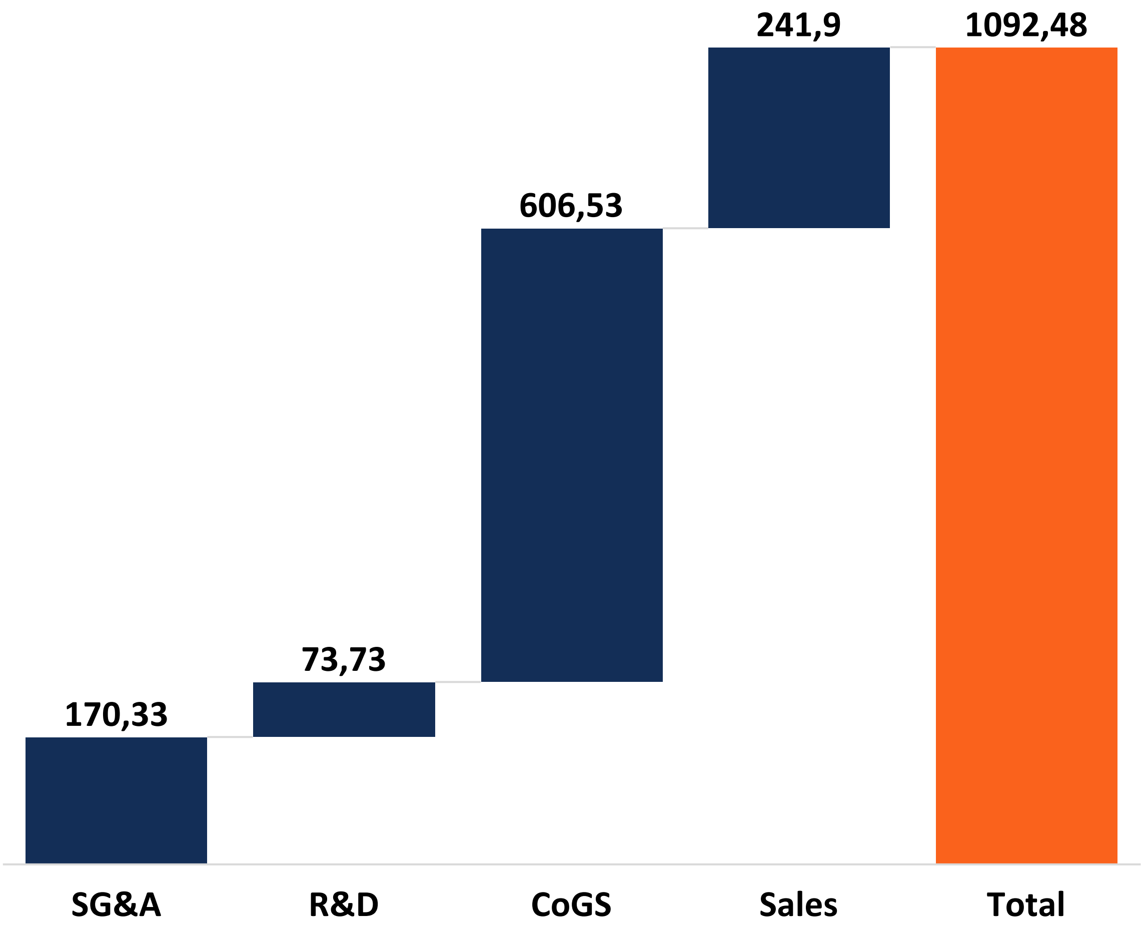
Cost Synergies

- Integration of management systems, reducing headcount, shared sales channels and the stronger brand awareness reduce Sales, General and Administrative costs
- Combining research facilities and results from prior efforts will improve R&D efficiency
- Merging value chains will highly reduce marginal production costs

Revenue Synergies

- Ubisoft and Sony will form a highly competitive conglomerate that customers trust
- Shared industry experience will improve product quality
- Cross-selling effects and a higher market exposure will increase sales
- Combination will allow geographic expansion and increased competition with Asian competitors (Nintendo) with Sony as a strong global player

Synergy Calculation (in € mio.)



Valuation and Synergies effect with Sony (II/II)

Acquisition Creates Competitive Conglomerate with Valuable Synergies

Ubisoft -Revenue Synergy based on % increased	Units:	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
			Projected					
Revenue Growth			2,00%	3,00%	4,00%	5,00%	6,00%	
(+) Additional Revenue:			47,63	76,45	107,03	138,47	170,82	
(-) Additional Cost of Sales			-7,15	-11,47	-16,05	-20,77	-25,62	
(-) Operating Expenses			-19,05	-30,96	-43,13	-55,81	-68,50	
Additional Operating Income			21,44	34,02	47,84	61,90	76,70	

Ubisoft -Cost Synergies and Merger & Integration Costs	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Cost Savings		3%	4%	5%	6%	7%	
Cost of Good Sold		59,54	89,19	120,41	152,32	185,06	
Research and Development		7,15	10,70	14,57	18,74	22,58	
Selling, general and administrative expenses		16,67	25,42	33,96	42,65	51,63	
Total Cost Savings		83,36	125,32	168,94	213,71	259,26	
Merger & Integration Costs		169,22	84,47	0,00	0,00	0,00	

Value of Synergies	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Exit
Pre-Tax Cash Flow from Synergies		-64,43	74,87	216,78	275,61	335,96		
After-Tax Cash Flow from Synergies		-38,66	44,92	130,07	165,36	201,58	205,61	
Discount Period	1	2	3	4	5	6	7	
Discount Rate (WACC -Sony)	4,95%	4,95%	4,95%	4,95%	4,95%	4,95%	4,95%	
Cumulative Discount Factor	0,95	0,91	0,87	0,82	0,79	0,75	0,71	
Present Value of Unlevered FCF		-35,09	38,86	107,20	129,86	150,83	146,58	3018,78

New Implied Equity Value and Share Price		
Perpetual Growth Rate	%	2.75
(+) Implied EV of synergies	€	3,557.0
(+) Implied EV of the Football Field	€	7,472.5
Implied Enterprise Value	€	11,028.5
% increase of the EV through synergies	%	147,59
(+) Cash & Cash-Equivalents	€	1,494.8
(-) Total Debt	€	2,068.5
(-) Minority Interest	€	8,9
Implied Equity Value	€	10,445.9
Diluted Shares Outstanding		123.2
Implied Share Price from DCF	€	84,8
Premium to current	%	76,9

In our calculation of synergies, we have assumed that no synergies will occur in 2022, as implementation takes time. In addition, we assume that the synergies will continue until 2027 and will not materialize in 2028.

Payment Structure
Ubisoft Shareholders Profit Most from a Cash-Share Combination Deal

UBISOFT

100% Cash Deal

- Ubisoft shareholders will not bear any risk associated with expected synergies having to materialise
- Some shareholders might prefer cash –cash is tangible, and the value received post-closing is guaranteed
- All-cash deal can result in a higher valuation since Ubisoft shareholders would get to share in the possible growth of the combined firm
- Cash deals are more straightforward: we compare the Ubisoft's value as an independent firm against the offer price
  - ØHowever, an all-cash deal is less vulnerable to defense and more difficult to reject. Thus, Ubisoft's management and board must be certain about potential acquirers before contacting them

100% Share Deal

- Ubisoft shareholders will share the risk of the likelihood that synergies will materialise with acquiring shareholders
- Share deal will enable Ubisoft shareholders to take part in the combined entity's upside potential
- Tax benefit: share deal allows shareholders to defer the payment of tax on gain associated with the sale
- Share deals are more challenging to evaluate, and the value of the future combined company must be estimated
  ØHowever, a share deal is somewhat easier to reject, in case that the management and board should change their minds

Since Ubisoft's management and board are very confident in Ubisoft's future, it reasonable to include at least a significant portion of shares in a combined cash-share deal. This enables shareholders to profit from the advantages of both a cash and a share deal. The exact portion would have to be determined at a later point in time, in accordance with shareholders' best interests.

Regarding the specific offer structure, we believe that a fixed value of shares would be preferable. While the proportional ownership of is uncertain until closing and the number of shares issued will depend on the prevailing price, Ubisoft's shareholders receive better protection in a fixed-value deal. In case of a fixed number of shares deal, Ubisoft's shareholders are vulnerable to a price drop in the acquiring company's share. This is not the case for a fixed-value deal where the acquiring shareholders bear the entire price risk until closing –particularly when considering that the market tends to react less favorably to announcements of share deals.

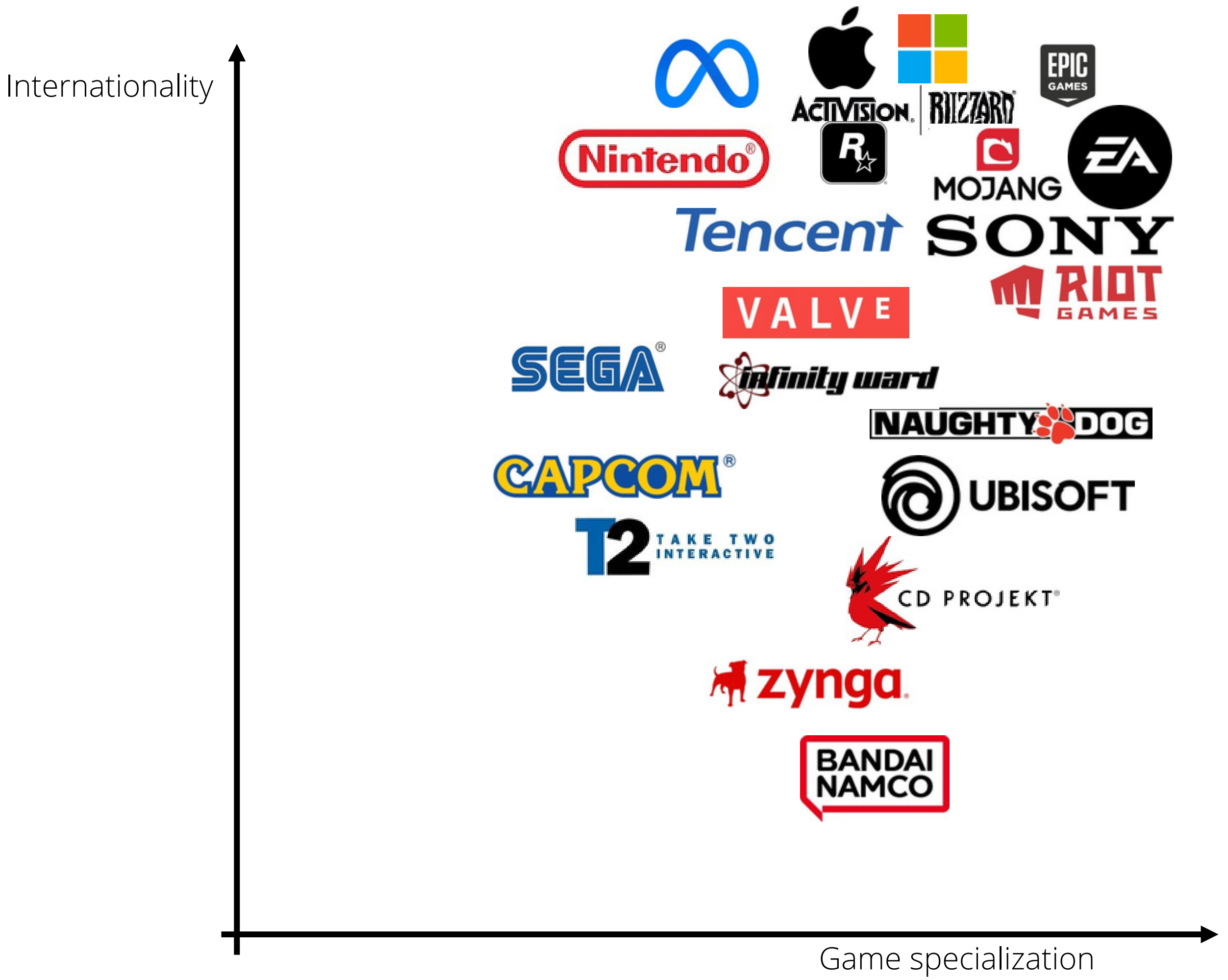
Conclusion

Takeover Defense Rationale

- Ubisoft currently faces tremendous takeover pressure due to its undervaluation and the increasing interest of both strategic and financial sponsors in the gaming industry. Although Ubisoft management intends to stay independent, the company must prepare to fight off any hostile takeover attempt. A White Knight strategy seems to be the most logical and favorable way to do so.
- Our analysis of Ubisoft itself as well as market trends, competitors, potential acquirers and associated synergies yield that Sony proves to be the most logical and profitable friendly acquirer.
- Sony is a well-known player in the gaming industry. This acquisition could unlock both cost and revenue synergies and allow the combined entity to accelerate its development of new revenue streams, such as VR, E-Sports and the metaverse –all of which are areas with great growth potential.
- This could enable Ubisoft to reach its fullest potential and remain competitve in the highly innovative gaming industry.
- Since Ubisoft's management and board are very confident in Ubisoft's future, it reasonable to include at least a significant portion of shares in a combined cash-share deal. This enables shareholders to profit from the advantages of both a cash and a share deal. The exact portion would have to be determined at a later point in time, in accordance with shareholders' best interests.

Competitive Environment

Ubisoft has a Strong Position in the Current Market



Majority of competitors have a broad range of high-quality game portfolios and an international customer base.

Hardware and Software

Only Software