ELEVATION CAPITAL
GLOBAL SHARES FUND

UBISOFT

Ubisoft is a relatively unknown name in the investment community, but they are the studio that has created some of the largest global franchises in gaming. From Assassin's Creed to Watch Dogs and the Far Cry games to Rainbow Six, Ubisoft is a powerhouse developer. Ubisoft (UBI.EPA, Market Capitalisation: €5.29B) produces, publishes and distributes video games for consoles, PC, smartphones and tablets in both physical and digital format. Headquartered in Montreuil, France; it is one of the top four independent publishers globally with a 9.2% share of physical sales in the US and 9.0% share in Europe, Middle East and Africa.

Ubisoft stands out given its history of creating successful new brands, its ownership rights for its most significant franchises, and its ability to release high quality new content and games on a regular basis. Not many Ubisoft games are really 'game of the year' contenders, yet every single one of their franchises would appear in a honours roll call. They have yet to have that truly incredible 'forget every other game for the next few months' smash hit. Yet they release one great game after the next. Rather than being a one-hit wonder with a superb game, Ubisoft consistently releases popular, high quality games.

Ubisoft has built its empire of franchises with a strict focus on creating enormous open-worlds with diverse flora and fauna, and a progression arc which rewards patience. The phrase "Ubisoft game" has even become shorthand for a gaming experience synonymous with a giant in-game map with endless activities and side-missions to complete. By specialising in a certain style of game, Ubisoft have built up a set of best-practices which allows them to produce games which uphold Ubisoft's reputation for quality. Everything from the visuals and audio, to the narratology of Ubisoft games is always at an exacting standard. It is very rare to see a bad apple come from Ubisoft and when it does happen, they rectify it.

Company Highlights

1986 "Ubi Soft" (representing "ubiquitous software") is founded by the Guillemot brothers, selling CDs, computers and video games to farmers in Brittany, France.

1996 Ubi Soft listed its initial public offering on the Euronext Paris exchange, raising over US$80 million.

1998 Within two years, they established worldwide studios in Annecy & Shanghai (1996), Montreal (1997) and Milan (1998).

2000 Ubi Soft acquires Red Storm Entertainment, for €170 million, giving them access to the Tom Clancy's series of stealth and spy games, highly popular in the U.S.

2005 Renamed to Ubisoft, they then acquire the NHL Rivals, NFL Fever, NBA Inside Drive and MLB Inside Pitch franchises from Microsoft Game Studios.

2007 Ubisoft establishes another new IP, Assassin's Creed, which has grown into one of their key assets.

2011 Creation of Ubisoft Motion Pictures, a film division, to create films and TV shows based on game properties.

2015 Begin a series of small acquisitions in the mobile space with Longtail Halifax and Ketchapp, mobile developers.

2018 Announces strategic partnership with Chinese giant Tencent (who acquired 5% of Ubisoft), bringing a selection of Ketchapp games to mobile mini-game application Weixin.

2020 Acquire rights to make an open world Star Wars game, marking an end to Electronic Arts' exclusive rights to the titles.

Business Overview

Thanks to the depth of its portfolio of franchises, the full ownership of its brands and studios, the leading production team among the industry's "pure players" and a culture which is focused on long-term sustainability and innovation, Ubisoft has managed to successfully transform its economic model into a more profitable and sustainable business. The Group now benefits from an expanded portfolio of global franchises that are more geared to player commitment over the long-term: Assassin's Creed, Far Cry, For Honor, Tom Clancy's Ghost Recon, The Crew, Tom Clancy's Rainbow Six, Tom Clancy's The Division and Watch Dogs. Ubisoft owns its brands along with the technologies and knowhow needed to develop them, thus offering long-term visibility on the company's future growth. Today, video game franchises have an increasingly significant impact within the entertainment industry as a whole. Owning its own brands is, therefore, an essential advantage when it comes to maximising their potential and reaching an even wider audience. Due to the strong growth of its digital activities over the last few years, player communities and their commitment over time have grown significantly. Ubisoft is still the industry leader in creating vast open-world games with large maps and historical storylines. A selection of their marquee franchises, which reflect these game characteristics, are described below:

A first person shooter franchise (with action-adventure elements) launched in March 2004. Far Cry games do not have any significant shared narrative elements, but are well known for putting players in exotic hostile environments.

An open-world action-adventure video game franchise launched in November 2007. It depicts a centuries-old struggle of two philosophical schools: the Assassins and the Templars, waging war behind the backdrop of history.

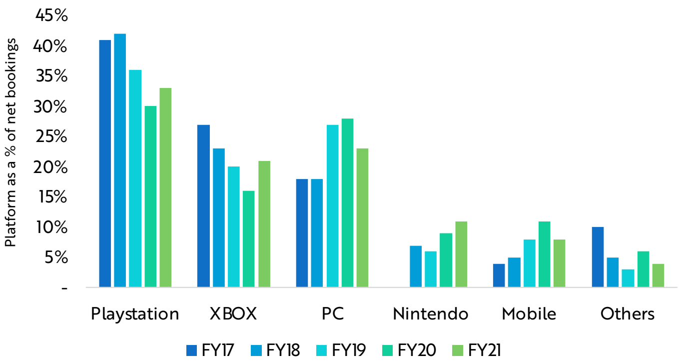
An action-adventure game, played from a third-person perspective. The game features an openworld set and an online multiplayer mode allowing up to eight players to engage in cooperative and competitive gameplay.

There are several variations within the series: team-based (multiplayer) first person tactical shooters (Rainbow Six), stealth (Splinter Cell), team-based tactical shooter in an open world (Ghost Recon) and an action RPG shooter (The Division).

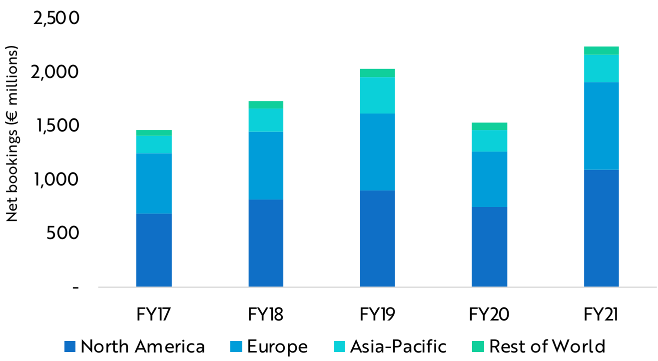
Shifting sales landscape for Ubisoft

Ubisoft's platform exposure is less diversified than its peers. A recurring theme in the company's recent management presentations is the focus on increasing its presence in the PC and mobile segments. Both are associated with higher engagement, a recurring revenue profile, and higher profitability. The shift towards these segments is already well-advanced, with PC increasing from 16% of net bookings in FY17 to 24% in FY21, and mobile increasing from 3% of net bookings in FY17 to 6% in FY21. The biggest casualties of this shift have been the Playstation and XBOX segments -- however potential margin improvements from the new generation of consoles may see these declines level out over the next few years. Geographically, Ubisoft generates the vast majority of its sales in North America (49%) and Europe (36%), and is underdeveloped in its Asia-Pacific distribution (11%). This provides a worthy opportunity for Ubisoft to both diversify its revenue base and increase total volumes by penetrating Asia-Pacific, which is the largest games market globally. The region is forecast to generate US$82 billion or 54% of total consumer spend on games in 2022.

Sales by Platform (net bookings)



Sales by Geographic Region (net bookings)

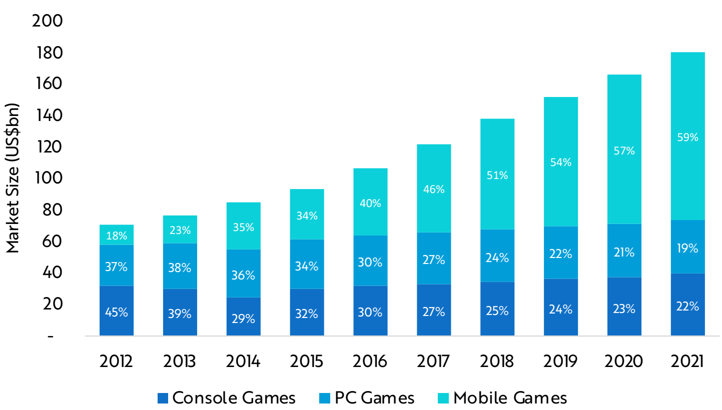


Industry Overview

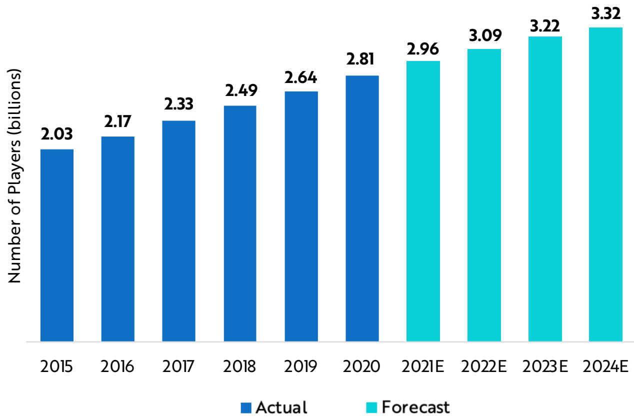
On a global basis, the video gaming industry is worth approximately US$176 billion, according to Newzoo estimates. Mobile gaming is the largest segment, at ~US$91 billion or 52% of the market. Console gaming is the second-largest segment, at ~US$49 billion or 28% of the market, with PC gaming trailing at ~US$33 billion or 19% of the market. Overall, the market is forecast to grow steadily over the next four years, with the number of global players growing from 2.81 billion to 3.32 billion, at a cumulative average growth rate (CAGR) of +4.3%. Asia-Pacific is easily the world's biggest region by games revenues, with $88.2 billion in 2021 alone, making up 50.2% of all game revenues. With its contribution of $45.6 billion, China is by far the primary driver here. Owing to the region's massive mobile-first games market, Asia-Pacific was less impacted by COVID-19. More affected due to its larger emphasis on console, North America remains 2021's second-biggest region, boasting game revenues of US$42.6 billion (mainly from the U.S.). Both Asia-Pacific and North America are on track for solid growth with healthy CAGRs of +8.7% and +7.9%, respectively.

The ongoing growth of mobile means PC's market share will decrease slightly in the coming years. However, content from the maturing new console generation (PS5, XBOX Series X) will catalyse growth for console's share of global games revenues toward 2024. Next-generation consoles have been affected by a struggle to source hardware, as global shortages of chips resulted in a supply shortage for many consumer electronics, however recent production data shows these supply constraints easing.

Market size by gaming device

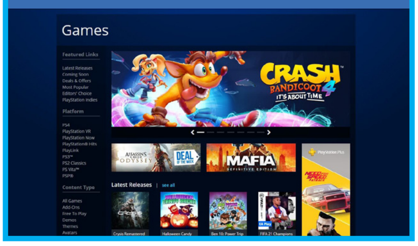


Number of gaming players globally



Key trends

Digital distribution



Gamers are now purchasing games online rather than from brick-and-mortar retailers. According to IDC, digital game-related spending on consoles will grow by ~15% pa to ~$17bn in 2023. Digital's share of console spending has risen to ~60% in 2021 from ~46% in 2017. Developers are now adjusting distribution and marketing strategies to capitalise.

Game as a service

Publishers are adopting the 'games as a service' model by creating additional content that extends their games' life cycles and generates recurring revenue. As a result we expect publishers to release fewer titles over time while keeping players engaged longer with regular updates and add-ons. Ubisoft now targets 3-4 AAA releases per year rather than 6.

eSports

eSports - games that are played competitively - are proving to be much more popular than games that aren't. The fastest growing eSports revenue stream is media rights as video games gather substantial audiences. Worldwide gaming video content viewers surged to 666m. There is now a growing opportunity for developers to create 'competition-ready' games.

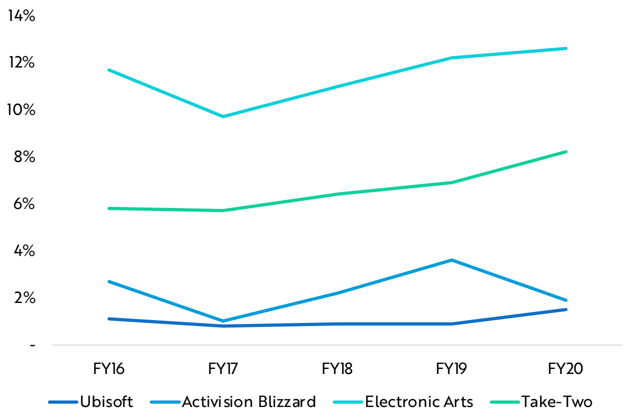
Competitive Landscape

Much like the 'Big 4' Accounting firms, there exists a 'Big 4' in the gaming industry comprised of: Ubisoft, Activision Blizzard, Electronic Arts (EA) and Take-Two. Ubisoft is the smallest of the Big 4, but its portfolio maps well across the industry's most popular genres: Shooter (Rainbow Six, Far Cry), Action (Assassin's Creed) and Role-Playing (The Division, Assassin's Creed Origins). It is under-represented in the Sports genre, however, which is dominated by two publishers: EA (Madden NFL, FIFA series) and Take-Two (NBA, WWE Series). It's most recent attempt - a snowsports game called Steep - did not perform particularly well.

Key differentiating feature is ownership of franchises

Similar to the wider industry trend, Ubisoft generates the vast majority of its revenue from a relatively small number of "franchises". Unlike the other independent publishers, however, Ubisoft owns 100% of its key franchises. This means it has minimal royalty fees: FY20 royalties were ~1.5% of sales, compared with EA's licence fees at ~12.6% of FY20 sales. In addition, full franchise ownership allows Ubisoft to monetise its intellectual property (IP) through various channels, including ancillary products. It also provides greater control over its titles, for example, allowing it to respond to gaming community feedback with changes to the game relatively easily (i.e., without the additional need to check with the IP owner).

Royalties as % of Sales



IP Ownership Overview

UBISOFT	
Assassin's Creed	Yes
Far Cry	Yes
Rainbow Six	Yes
Watch Dogs	Yes
The Division	Yes
Ghost Recon	Yes
For Honor	Yes
The Crew	Yes

Activision Blizzard	
Call of Duty	Yes
World of Warcraft	Yes
Overwatch	Yes
Destiny	No
HearthStone	Yes

T2	
Grand Theft Auto	Share profits with dev.
Red Dead Redemption	Share profits with dev.
NBA2K	No
Borderlands	Developed externally
Mafia	Yes

EA	
FIFA	No
Battlefield	Yes
Star Wars Battlefront	No
Madden	No
NHL	No

Source: Morgan Stanley Equity Research

Ubisoft exceeds peers in their Marketing and R&D spend

Ubisoft spends more on marketing and research & development (R&D) than its peers. As a result, its profitability is lower. We believe the three primary reasons for this are:

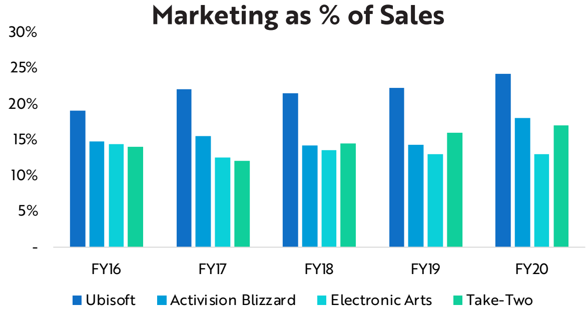
(i) The lower 'attachment rate' of higher margin recurring revenues to distribution revenues (further discussed on page 7);

(ii) The lack of 'title' scale. None of Ubisoft's individual new releases (i.e. within the financial year of the release) sold more than ~12m units. Since individual game budgets are mostly fixed, video game publishers benefit from strong economies of scale. For example, EA has the highest EBIT margin and it owns FIFA, one of the largest video franchises globally, which sold ~31m units of FIFA 21;

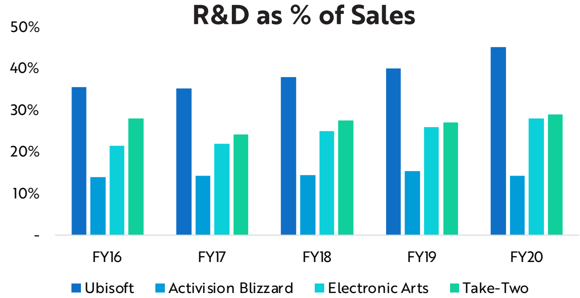
(iii) Ubisoft's insistence on building large open worlds with historical storylines, geographies and characters. This means that Ubisoft spends a lot on R&D to ensure their games are culturally appropriate and accurate, and they rely on external knowledge to facilitate this.

The introduction of more free-to-play Ubisoft titles and the corresponding wind-down in the number of AAA releases per year, should assist in reducing both marketing and R&D to a level closer to that of their peers.

Marketing as % of Sales



R&D as % of Sales



Strategic Initiatives

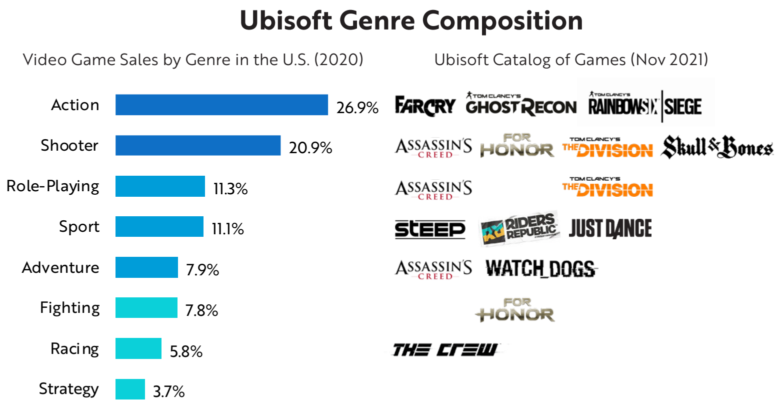
Ubisoft has been aggressive in delivering exciting new projects to their loyal following, and retaining their reputation for quality by licensing some of the biggest brand names in film and pop-culture, such as Avatar, Monopoly, Mario, and the Family Feud series. Ubisoft also announced they would start branding games developed by their first-party developers as "Ubisoft Originals". CFO Frederick Duguet told investors that "we see that we are progressively, continuously moving from a model that used to be only focused on AAA releases to a model where we have a combination of strong releases from AAA and strong back catalog dynamics, but also complimenting our program of new releases with free-to-play and other premium experiences." This is the first of three key strategies for Ubisoft, as it attempts to catch up to their AAA-publisher peers in performance and reach:

1 Shift to high-end free-to-play games

Ubisoft has told investors they will be focusing on making higher-end free-to-play games going forward. We also think they are preparing for a larger shift to game subscription services. The rise of Xbox Game Pass has been impossible not to notice. This is where Microsoft, and a few other publishers, are debuting AAA games "for free" with outstanding engagement. Ubisoft has its own subscription service it is hoping to expand, and so an opportunity is present to provide a service similar to that of the Xbox Game Pass.

2 Broader product offering

Over the last few years, Ubisoft has dramatically transformed its portfolio. In 2016, Ubisoft entered an active development cycle, with the launch of 6 new franchises. As a result it has created more new IP than any other game developer in recent times. These launches also enabled Ubisoft to diversify its product offering and service customers interested in alternative genres (such as Sports and Racing). This has allowed Ubisoft to increase its target audience and reach new customers globally, many of whom are relatively untapped for the genres Ubisoft is offering (e.g. action sports).



3 Increased shelf life and engagement

New launches typically come with an open world (a virtual map that the player can explore, as opposed to more linear gameplay), are multiplayer centric and are role-playing games. These features are associated with longer "shelf life" (i.e. the game takes longer to complete), network effects and stronger engagement. Ubisoft has been migrating toward a "games as a service" model that incorporates continuing support for existing games through the provision of live services (content updates, season passes, eSports, etc.) to drive engagement.

INDUSTRY'S BIGGEST SEGMENTS*	2011	7 YEARS LATER
MULTIPLAYER CENTRIC		RAINBOW SIX FOR HONOR GHOST RECON THE CREW THE DIVISION
OPEN WORLDS	ASSASSIN'S CREED	ASSASSIN'S CREED WATCH DOGS THE DIVISION GHOST RECON THE CREW FAR CRY
ACTION ADVENTURE	ASSASSIN'S CREED	ASSASSIN'S CREED WATCH DOGS
RPG		ASSASSIN'S CREED THE DIVISION
SHOOTER		FAR CRY GHOST RECON RAINBOW SIX

* Excluding Sports & Casual

Source: Morgan Stanley Equity Research

Narrowing the Player Recurring Investment gap

Ubisoft is currently undermonetising recurring digital revenue (Player Recurring Investment or "PRI") compared with peers. The main sources of PRI are downloadable content (DLC), microtransactions or in-game purchases, and mobile (subscription, advertising, in-game purchases). Ubisoft's PRI (excluding mobile) was 34% of FY20 revenues, compared with 70% at EA and 76% at Activision Blizzard and Take-Two. Another way to compare Ubisoft to peers is to look at the "attachment rate" of recurring revenues to distribution revenues (i.e. how much in-game revenues Ubisoft earns per €1 in full game sales). We estimate that in FY20 Ubisoft generated €0.46 PRI (excluding mobile) revenues for every €1 in distribution revenues. Although Ubisoft's "attachment rate" has increased sixfold from €0.07 in FY16, it is still substantially lagging peers leaving considerable room for revenue upside. A number of factors could explain the lag versus peers:

(i) historical lack of scale;
(ii) wrong mix of genres / game features;
(iii) a number of less successful launches;
(iv) over-represented in console and under-represented in PC; and,
(v) very few mobile products.

Attachment Rate vs Peers

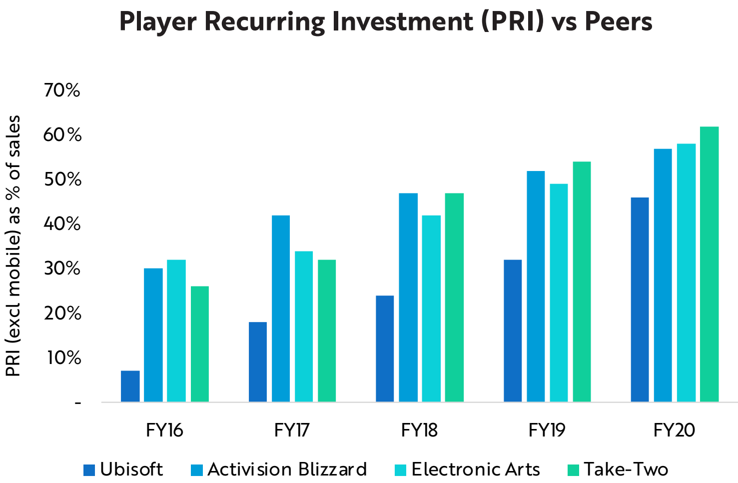
	FY16	FY17	FY18	FY19	FY20
Ubisoft	€ 0.07	€ 0.21	€ 0.32	€ 0.35	€ 0.46
Activision Blizzard	€ 0.43	€ 0.72	€ 0.87	€ 0.92	€ 0.98
Electronic Arts	€ 0.47	€ 0.52	€ 0.74	€ 0.81	€ 0.89
Take-Two	€ 0.35	€ 0.47	€ 0.90	€ 0.94	€ 1.02

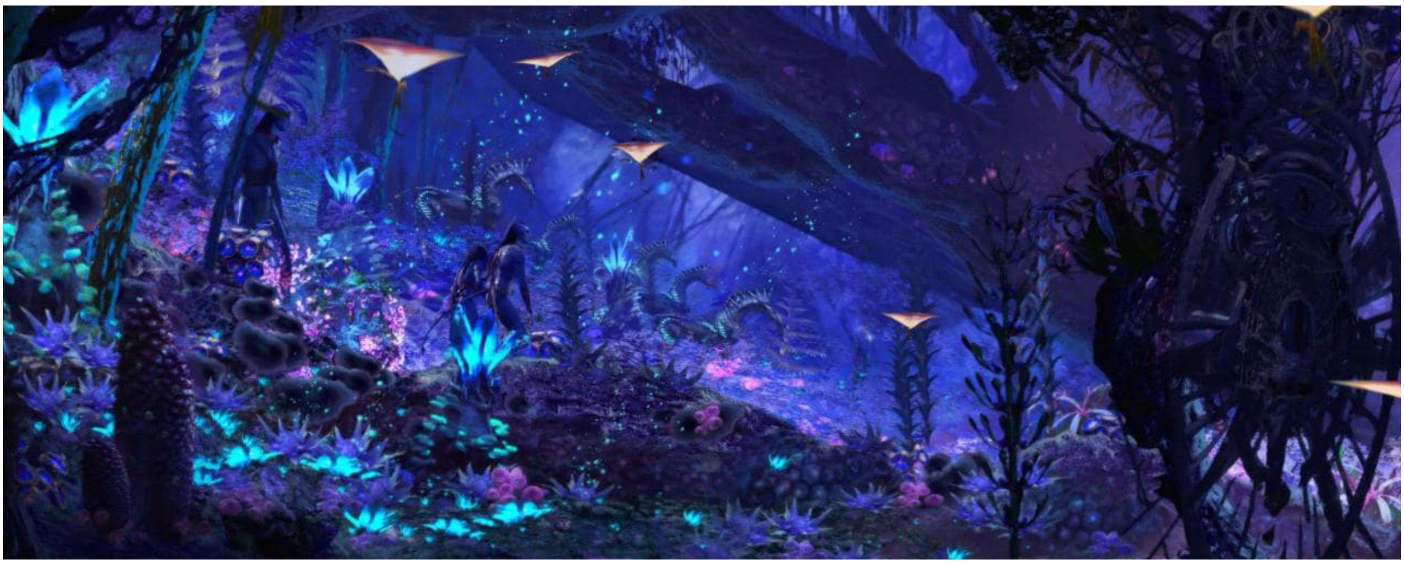
[All reporting figures converted to Euros at USD/EUR rate of 0.89 for comparison]

These factors are currently being addressed by the strategic initiatives outlined, leaving us confident in future improvement in these metrics. Improvement will enable Ubisoft to further increase the profitability derived from its game developments.

Opportunity to design games to maximise recurring revenues

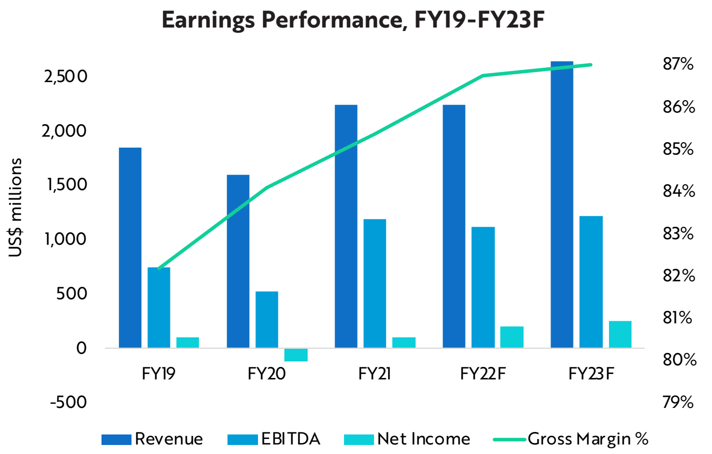
Ubisoft's new investment phase is the natural evolution of their commitment to build quality and depth in their portfolio. The development focus on games with an array of live services will ultimately lead to larger audiences and more recurring revenues. The transition to increasing PRI is not without risk, however Ubisoft has proven time and time again its capacity to successfully enter new markets and segments in which it initially lacked expertise. 18 years ago, they entered the open-world segment with considerable success, and 10 years ago they underwent significant investment to become one of the best operators of live services. The upside from a successful uptick in PRI is apparent: Take-Two, a company with a far more attractive attachment rate, has mastered the concept of a "game as a service" through its Grand Theft Auto 5 offering, which 7 years after its release date is still the most popular game in the console world thanks to its online offering and extensive live services.



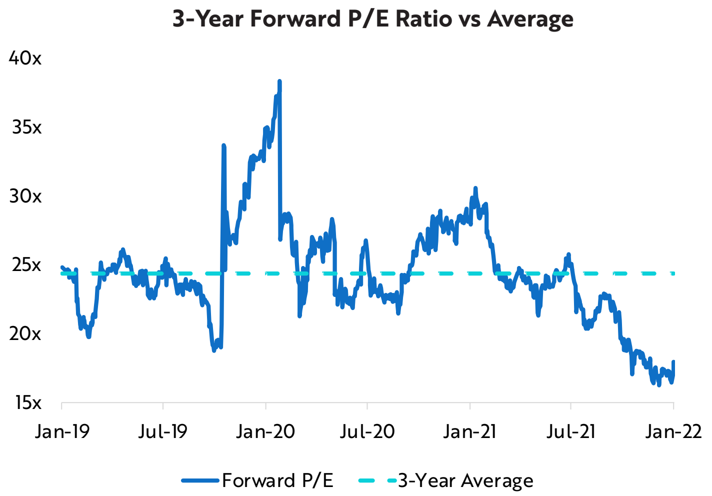


Financial Analysis

Ubisoft delivered underwhelming results pre-pandemic, with significant declines in revenue, EBITDA and net income. Ubisoft attributed this underperformance to the challenges in shifting their product mix. However, riding the tailwinds from consumers being locked down, Ubisoft had a very successful pandemic as the lockdowns resulted in historical levels of gaming spending. There is further optimism looking forward as Ubisoft continues to improve its margins and execute its growth strategies for digital and Asia-Pacific. Its partnership with Tencent should fuel revenue growth in the medium-term as distribution networks improve. Ubisoft continued feeding the depth and diversity of their back-catalog, which again outperformed expectations and represented for the third consecutive year more than 50% of total net bookings, progressively cementing the recurring revenue profile of the business.

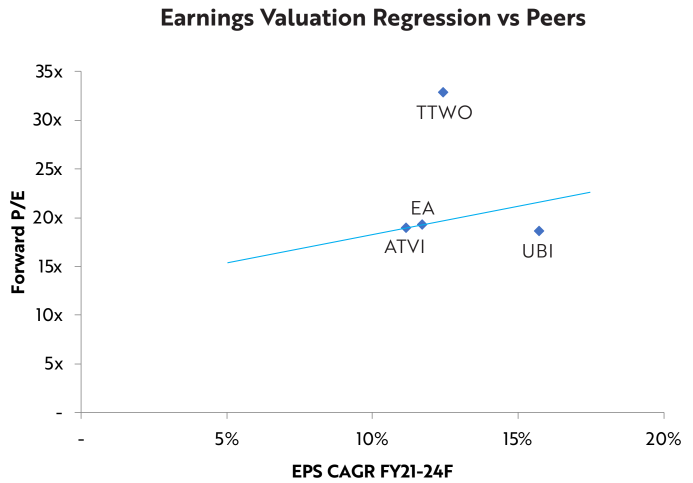


Ubisoft is currently trading at a 26.2% discount to its average 3-year forward (next twelve months) price-to-earnings (P/E) ratio of 24.4x. The recent decline in the share price may not simply be down to a decline in sales growth - but also general apprehension that large-scale investment in titles such as Avatar: Frontiers of Pandora, and Star Wars may not pay off. For instance, delays in releasing the long-awaited Skull & Bones title have led to some skepticism on how successful the game will ultimately be upon its release. Unlike its larger competitors, Ubisoft appears to be taking more risks in terms of investing in gaming titles that are unknown in terms of their potential success. However, based on track record, should Ubisoft succeed in developing a strong gaming portfolio with newer titles, then we anticipate that the stock could see a significant re-rating from here.



> *"Leveraging our growing technology capabilities and a solid balance sheet, [Ubisoft] are in a strong position to capitalise on the great opportunities offered by the videogame industry"*
>
> **- YVES GUILLEMOT, UBISOFT 2021 UNIVERSAL REGISTRATION DOCUMENT**

Another valuation methodology we have utilised to assess the merits of investing in Ubisoft is to regress the forward P/E against the earnings-per-share (EPS) CAGR for the period FY21-24F. This enables us to analyse the valuations applied to companies from their earnings, while accounting for differences in the growth rates of their earnings. Therefore, we would expect a positive correlation between the Forward P/E and EPS CAGR, with faster earnings growth companies receiving higher multiples. When we analyse Ubisoft relative to its peers in the gaming industry, we see that it is forecast to generate the largest EPS CAGR (15.7%) while being priced at a forward P/E below the trend line. This indicates Ubisoft is trading at a discount relative to its forecast growth, and that a forward P/E of approximately 21x would be more appropriate, an increase of 16% from its current forward P/E (17.9x).



M&A Target

Following a disappointing share price performance over the last few years, we believe Ubisoft is now attractively priced as an acquisition target. Shares have waned since the beginning of the pandemic (down 40%), whereas rivals Electronic Arts, Activision Blizzard and Take-Two have risen 25%, 9% and 35% respectively. Ubisoft's underperformance can be traced back to early 2018, when Vivendi failed in an attempt to take over Ubisoft. Since the mooted acquisition, Ubisoft's shares have declined by 60% and are now valued at under six times forward EBITDA including debt, compared to the remaining 'Big 4' all trading at double-digit multiples.

There are suggestions Microsoft is readying itself for another blockbuster acquisition, following its recent large-scale acquisitions of Bethesda and ZeniMax. Microsoft could easily acquire Ubisoft for around what it paid for Bethesda (US$7.5 billion). As discussed earlier, an interesting value proposition for Microsoft to pursue a Ubisoft purchase is the Xbox Game Pass. Ubisoft also has a streaming network called UPlay, which could be attractive if Microsoft could expand Game Pass with both EA Play and UPlay.

On 10 January 2022, Take-Two announced it was seeking to acquire social and mobile gaming giant Zynga for US$12.7 billion. This proposed transaction would be the largest acquisition of a single gaming company in the history of the sector. The proposed transaction implies an enterprise value/EBITDA ratio of nearly 20 times for Zynga, which creates an attractive precedent for Ubisoft. Assuming a 30% discount to the Zynga takeover, this would imply a ~14x EV/EBITDA multiple and a valuation for Ubisoft of €10.46 billion or €84.92 per share. As Take-Two noted in their press release, the roster of highly talented developers and understanding of key intellectual property is something that cannot be replicated quickly or easily, and we see many parallels with our investment case for Ubisoft. Ubisoft would make an attractive investment proposition due to its strong ownership of intellectual property and roster of franchises rich with heritage, brand recognition and popularity. Franchises such as Assassins Creed and Tom Clancy's are difficult to emulate, with cult-like followings and loyalty. It's also an opportunity for rival brands to gain access to some of the most talented European developers and creative heads.

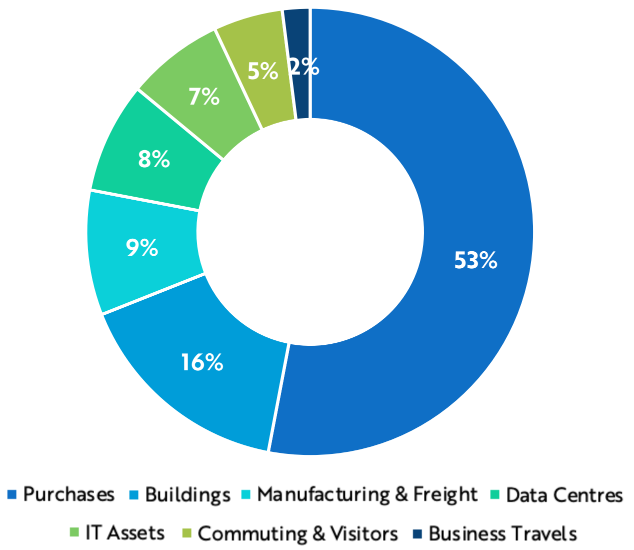
Any takeover bid would first have to contend with Yves Guillemot, whose family founded Ubisoft and still owns a 16% shareholding (corresponding to a 22% voting stake). Guillemot has been resistant to a sale - navigating hostile bids from EA in 2004 and Vivendi in 2018 - and insists his mobile-centric turnaround plan will begin delivering value back to shareholders. If Ubisoft's performance remains stagnant, however, there will likely be plenty of would-be acquirers ready to pounce, such as Activision Blizzard or Sony. Vivendi has a five year stand down from 2018 but 2023 is not far away and we would not be surprised to see the Bollore family return with a cashed-up Vivendi. While the Guillemot family may continue to be resistant to M&A, continued underperformance and a third takeover attempt will be tough to battle.

Providing further momentum for a potential takeover of Ubisoft is the fact that dealmaking in the broader gaming industry continues apace, and this is expected to continue through 2022. The combined first three quarters of 2021 more than tripled the full-year record set in 2020 for mergers & acquisitions and nearly tripled the 2020 total for investments. By October 2021, 844 M&A deals had been announced or closed already during the year, for disclosed value of more than US$71 billion. The biggest deals were the US$11.1 billion reverse merger that brought IronSource into the public markets, Microsoft's US$7.5 billion acquisition of Bethesda, Electronic Arts big purchases of Glu Mobile and Playdemic, and Embracer Group's acquisition of high-profile game developer Gearbox Software. (Source: Axios)

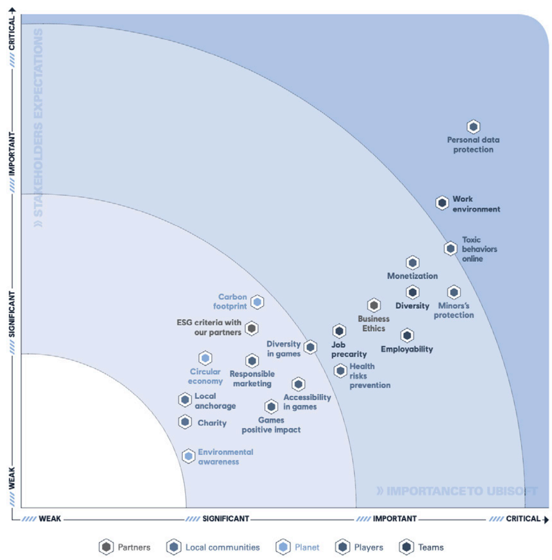
ESG

Ubisoft has recognised the responsibility it has to operate sustainably and improve its economic, social and governance (ESG) standards. During the Climate Action Summit in 2019, Ubisoft joined other leading videogame companies as a founding member of the Playing for the Planet Alliance, an initiative facilitated by the UN Environment Programme. In 2020, Ubisoft further committed to actively contribute to global carbon neutrality with a long-term plan to play green. The plan focuses on two areas: (i) further reducing the company's emissions (Ubisoft's carbon footprint in 2020 was 141.7 kilotons CO2-equivalent, a 7% reduction from 2015's carbon footprint); and, (ii) encouraging their communities and stakeholders to do more for the planet. This important work is taking place through several local partnerships (like Ubisoft Future Games of London's campaign with the nonprofit ocean conservation organization Oceana) and internal initiatives such as the Ubisoft Green Days. As a major media and entertainment company, Ubisoft can also inspire its audiences with the content of its games. Their open-world games immerse players in beautiful environments and can instill a greater sense of connection with the natural world. When discussing the upcoming Avatar: Frontiers of Pandora, David Polfeldt, the Managing Director of Massive Entertainment – a Ubisoft Studio, stated that the game "fits very well with many of the things we are interested in: ecology, sustainability, fighting for what you believe in." In Hungry Shark, a series of mobile games, players are sharks, acting as protectors of the oceans in the face of pollution by humans. It's a lighthearted concept that can also be a vehicle for environmental messages. How do these ESG initiatives translate to shareholder value? Firstly, over 60% of the gaming market is aged between 18-34 years old - a demographic whose purchasing decisions are heavily influenced by ESG concerns such as emissions, traceability and welfare. Secondly, ESG fund assets have surpassed US$1 trillion, meaning companies like Ubisoft must remain proactive in their ESG approach to stay eligible and attractive to these investors.

Ubisoft Carbon Emissions, by Category



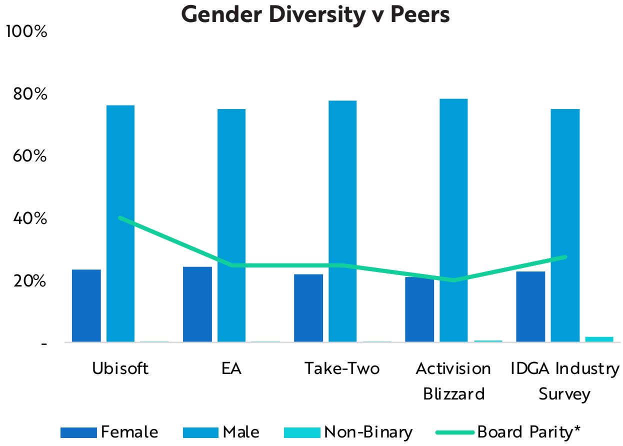
Ubisoft ESG Materiality Matrix



Addressing gaming industry workplace harassment

Ubisoft has been the subject of harassment and misconduct allegations since June 2020, with claims of abuse by powerful men at the company in offices in France, Canada and Singapore that had gone unpunished for years. Ubisoft responded by hiring Chief People Officer, Anika Grant, to investigate claims and develop a better method for addressing future complaints. Grant immediately was able to identify those responsible which resulted in several top people exiting, including the Chief Creative Officer and Head of HR. However, Grant noted that further room for improvement lies in the whistleblower experience: "I don't think we always communicated enough back to the people who had raised an issue in the first place about what we found as part of the investigations. And so I think, unfortunately, people lost trust in that process." Improvements in this area will benefit Ubisoft through the attraction of talent, better outputs through a collaborative workspace, and a positive portrayal in the media and to potential investors.

Gender Diversity v Peers



*female-to-male ratio on the board of directors

Valuation

We believe as Ubisoft starts to deliver results consistent with a company offering a growth profile, the stock will re-rate to levels consistent with peer group averages.

We have utilised a number of valuation methodologies to assess Ubisoft's fair value. This is a useful approach when the differences with their competitors are so apparent that singularly comparing via earnings multiple results in potentially distorted valuations. We have assessed the valuation of Ubisoft via four methodologies:

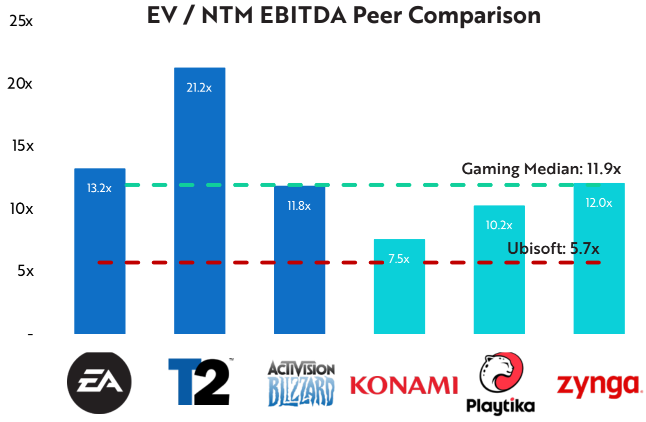
(1) Discount Cash Flow (DCF) model: estimates a valuation by forecasting future cash flows and discounting to the present day;

(2) Comparable Companies: compares Ubisoft to a set of peers and derives a value from relative EV/ NTM EBITDA multiples;

(3) Comparable Transactions: compares Ubisoft to a set of peers and derives a value from M&A transaction multiples; and,

(4) Broker Target Prices: derives a valuation range from equity research analyst target prices from investment banks globally.

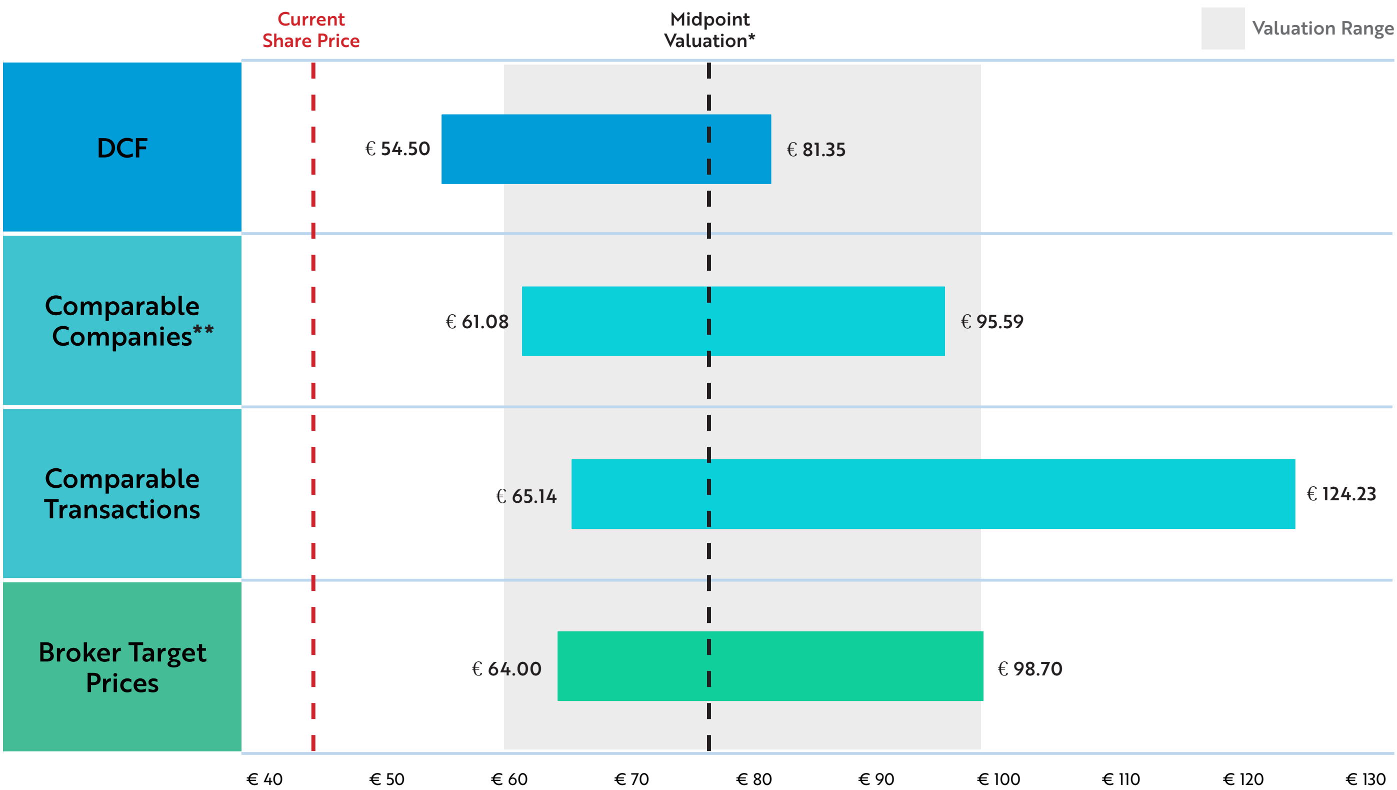
Our weighted average valuation range for Ubisoft is €59.67 to €98.49 per share, which implies Ubisoft is trading at a discount of between 38.54% to 128.67% based on the 31 December 2021 closing share price.



Key Gaming M&A Deals, 2014-2021

Acquirer	Target	Year	Deal Value (€Bn)	EV / TTM EBITDA (x)
Facebook	Oculus VR	2014	1.8	36.1
Microsoft	Mojang	2014	2.2	19.9
Gtech	Int. Game Tech	2014	4.2	9.1
Activision Blizzard	King	2015	5.3	8.7
Tencent	Supercell	2016	7.7	9.7
Shanghai Giant	Playtika	2016	3.9	15.8
Electronic Arts	Codemasters	2020	1.1	29.8
Microsoft	ZeniMax	2020	7.2	21.9
Zynga	Peak	2020	1.6	18.9
Tencent	Leyou	2020	1.3	16.0
Electronic Arts	Glu Mobile	2021	2.1	24.2
Embracer Group	Gearbox Software	2021	1.2	25.6
ByteDance	Moonton	2021	3.6	22.4
Take-Two	Zynga	2022	11.2	19.2
Average				**19.8x**

Estimated valuation range for Ubisoft is between €59.67 and €98.49 per share



*Valuation Range taken from the low and high ranges of the following spread: 40% DCF, 30% Comparable Companies, 30% Comparable Transactions
**Comparable Companies derived using EV/Sales figures from the following set: EA.NASDAQ, TTWO.NASDAQ, ATVI.NASDAQ, PLTK.NASDAQ, ZNGA.NASDAQ, and 9766.TYO

Conclusion

We believe that Ubisoft is currently trading at a discount to its intrinsic value, and that it offers attractive upside to the patient investor in the medium-term.

In the long term, Ubisoft is set to be a structural winner. Their case is a catch-up story -- where they continue to draw closer to their peers on in-game digital revenues, margin expansion, PC and mobile opportunities, and the relatively untapped Chinese market. Ubisoft also benefits from large structural shifts in the wider industry, such as the ongoing digital transformation, expansion in the total addressable market due to cloud-based streaming, and virtual reality / artificial intelligence innovation.

We also like the optionality presented by a potential acquisition of Ubisoft by one of the high-performing gaming companies such as Tencent, Take-Two, Activision Blizzard or Microsoft. The strong intellectual property rights and heritage franchises make Ubisoft an attractive proposition for an acquirer looking to bolster their offering and utilise synergies to improve a currently underperforming asset in turnaround.

This summary report was written in December 2021 - January 2022.

Any data not referenced was sourced from Ubisoft Annual Reports & Earnings Conference Calls.

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Independent Thinking
Disciplined Investing

[In-de-pend-ent Think-ing] ində́pendənt THiNkiNG verb
Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying.

[Dis-ci-plined In-vest-ing] disciplinəd inves'ting verb
The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. We also believe that cash is sometimes the most attractive investment.

MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY FUND MANAGER OF THE YEAR 2017, NEW ZEALAND

NOMINEE - FUNDSOURCE INTERNATIONAL EQUITY SECTOR FUND MANAGER OF THE YEAR 2013, NEW ZEALAND

NOMINEE - MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY FUND MANAGER OF THE YEAR 2012, NEW ZEALAND

NOMINEE - FUNDSOURCE INTERNATIONAL EQUITY SECTOR FUND MANAGER OF THE YEAR 2012, NEW ZEALAND

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