

Electronic Arts, Inc.

Q4 Preview: Q3 miss, and lowered FY23 guidance. We remains positive from positive growth outlook. Lowering P/T to \$158.

COMPANY UPDATE

Rating: BUY

Ticker: EA

Price: \$123.57

Target: \$158
(from \$170)

Q4 Preview: EA will report its Q4 FY22 (ending March) results AMC on May 10, 2022 with a conference call at 2:00pm PT (866-324-3683; ID# 8277667).

Q3 miss: EA recently (on February 1) reported its fiscal Q3 FY22 (ending December) results. Revenue was \$2.58 billion (+7% y-o-y), compared to our estimate of \$2.75 billion and consensus of \$2.66 billion. Pro forma EPS was \$3.20, compared to our estimates of \$3.24 and consensus of \$3.22. Q3 guidance was for revenue of \$2.625 billion and for EPS of \$3.15.

Weak Battlefield sales: Sales of *Battlefield 2042* (released in Q3) were weaker than expected, but was offset by strong sales from *FIFA* and continued strength from *Apex* and our other games.

Strong results from other games: Other than *Battlefield*, the company again reported strong results from most of its other games. Q3 results were driven by continued strong sales of its sports games (particularly *Madden* and *FIFA*) and continued strong digital sales across its games including *Apex Legends* (who monthly active players were up over 30% y-o-y). Full game digital game sales are 64% (up from 62% last year) and steadily increasing driving higher margins.

Lowered FY22 guidance: Management lowered its FY22 (ending March 2022) revenue guidance to \$7.525 billion, from \$7.625 billion, but maintained it for EPS of \$6.95. We note this has factored in its recent Codemasters, Glu Mobile, and Playdemic acquisitions.

Q4 guidance: Initial Q4 guidance is for revenue of \$1.761 billion and for EPS of \$1.38. This compares with prior implied Q4 guidance for revenue of \$1.813 billion and for EPS of \$1.43.

Strong FY23 guidance: Management maintained its prior FY23 general qualitative guidance for revenue growth “in the mid- to high-single digits”.

Lowering estimates: We are lowering our FY22 estimates for revenue to \$7.53 billion, from \$7.75 billion, and for EPS to \$6.98 from \$7.10. We are lowering our FY23 estimates for revenue to \$7.80 billion, from \$7.90 billion, and for EPS to \$7.17 from \$7.20.

Solid FY22 growth: Given the current strength in the video game industry (helped with the (Nov. 2020) launch of Sony PS5 and Microsoft Series X/S) we believe EA should beat its lowered FY22 guidance. Key games this year (FY22) are *Battlefield*, and its sports, mobile, and online games. In addition, its 3 recent major acquisitions should help drive solid growth in FY22/23.

New CFO: In January, EA announced Chris Suh as the company’s new Chief Financial Officer replacing Blake Jorgensen. Mr. Suh has more than 25 years of experience at Microsoft in a wide variety of senior roles.

Expect continued share price growth: With strong growth expected in digital, key games expected for over the next several years, and continued positive console transition cycle, we believe a favorable valuation is likely to drive continued growth in share price.

Valuation attractive: We are maintaining our BUY rating, but lowering our 12-month price target to \$158 from \$170, which is calculated by applying a forward P/E of 22x our FY23 EPS estimate of \$7.17. This multiple is about inline with our estimate of EA’s earnings growth rate and we believe appropriately balances its outlook with execution risks.

Company Description

Based in Redwood City, CA, Electronic Arts is a global publisher, developer, and distributor of interactive entertainment software including the EA SPORTS, *Madden NFL*, and *The Sims* games.

April 12, 2022

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$117.58 – 148.93
Shares Outstanding (million):	285
Market cap (\$million):	\$35,217
EV (\$million):	\$34,079
Debt (\$million):	\$1,878
Cash (\$million):	\$3,016
Avg. Daily Trading Vol. (\$million):	\$378
Float (million shares):	266
Short Interest (million shares):	3
Dividend, annual (yield):	\$0.68 (~0.6%)

Revenues (US\$ million)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Jun	1,336A		1,317E	1,342E
Q2 Sep	1,851A		1,799E	1,824E
Q3 Dec	2,577A	2,747E	2,847E	2,872E
Q4 Mar	1,767E	1,817E	1,838E	1,863E
Total	7,531E	7,750E	7,800E	7,900E
EV/Revs	4.5x		4.4x	

Earnings per Share (pro forma)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Jun	0.79A		0.67E	0.73E
Q2 Sep	1.58A		1.43E	
Q3 Dec	3.20A	3.24E	3.39E	3.36E
Q4 Mar	1.42E	1.49E	1.67E	
Total	\$6.98E	\$7.10E	\$7.17E	\$7.20E
P/E	18x		17x	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 8.

OVERVIEW

- EA recently (on February 1) reported its fiscal Q3 FY22 (ending December) results.
- Revenue was \$2.58 billion (+7% y-o-y), compared to our estimate of \$2.75 billion and consensus of \$2.66 billion.
- Pro forma EPS was \$3.20, compared to our estimates of \$3.24 and consensus of \$3.22.
- Q3 guidance was for revenue of \$2.625 billion and for EPS of \$3.15.
- Management lowered its FY22 (ending March 2022) revenue guidance to \$7.525 billion, from \$7.625 billion, but maintained it for EPS of \$6.95. We note this has factored in its recent Codemasters, Glu Mobile, and Playdemic acquisitions.
- Initial Q4 guidance is for revenue of \$1.761 billion and for EPS of \$1.38. This compares with prior implied Q4 guidance for revenue of \$1.813 billion and for EPS of \$1.43.
- We are lowering our FY22 estimates for revenue to \$7.53 billion, from \$7.75 billion, and for EPS to \$6.98 from \$7.10.
- We are lowering our FY23 estimates for revenue to \$7.80 billion, from \$7.90 billion, and for EPS to \$7.17 from \$7.20.

ADDITIONAL DETAILS (pro forma)

- Gross profit for the quarter was \$1,991 million, compared with our estimate of \$1,883 million.
- Gross margin for the quarter was 77%, compared with our estimate of 69% and 75% last year.
- Operating expenses were \$867 million, compared with our estimate of \$745 million.
- Operating income was \$1,124 million, compared with our estimate of \$1,138 million.
- Pro forma net income was \$913 million, compared with our estimate of \$934 million.

- On November 10 2020, Take-Two announced that it has reached an agreement to acquire Codemasters, the UK-based video game publisher and developer, for ~\$994 million. Codemasters had FY20 revenue of ~\$100 million.
- On December 13, 2020, Electronic Arts announced that it has reached an agreement with Codemasters for the recommended acquisition of Codemasters for ~\$1.2 billion (in cash). Take-Two decided to let its offer lapse and EA completed its acquisition of Codemasters on February 18, 2021.
- In February 2021, Electronic Arts announced that it will acquire Glu Mobile Inc., a leading global developer and publisher of mobile games including Design Home, Covet Fashion, and MLB Tap Sports Baseball. Under the terms of the agreement, EA will acquire Glu for \$2.1 billion in enterprise value (\$12.50 in cash for each Glu stock, representing a 36% premium to Glu's share price on February 5, 2021). Upon closing, the acquisition will be immediately accretive to Electronic Arts' total net bookings, and is expected to grow underlying profitability beginning in its first year. The transaction closed in April 2021.
- In June 2021, Electronic Arts announced that it will acquire from AT&T and Warner Bros. Games' Playdemic, Ltd. for \$1.4 billion in cash. Playdemic is a premier mobile gaming company founded in 2010 and known for its popular, award-winning game *Golf Clash*, which is one of the leading mobile games in the U.S. and U.K. with more than 80 million downloads globally to date. This deal closed in September 2021.
- In January, EA announced Chris Suh as the company's new Chief Financial Officer replacing Blake Jorgensen. Mr. Suh has more than 25 years of experience at Microsoft in a wide variety of senior roles.

The company's balance sheet is strong with \$3.0 billion in cash and \$1.9 billion in debt (~\$4/share in net cash), compared with \$2.0 billion in cash and \$1.9 billion in debt as of September.

Exhibit 1: Electronic Arts Acquisition of Glu Mobile Inc. (Announced February 2021 and Completed April 2021)

Transaction Summary

- Electronic Arts Inc. (“EA”) has entered into a definitive agreement to acquire Glu Mobile Inc. (“Glu Mobile”)
- Headquartered in San Francisco, CA, with a nearly 20-year track record of creating and publishing successful mobile games, Glu Mobile offers a diverse portfolio of top grossing and award-winning original and licensed IP titles
- Glu Mobile stockholders will receive all-cash consideration of \$12.50 per share:
 - Implied transaction enterprise value of \$2.1 billion¹
 - 36% premium to Glu Mobile share price of \$9.19 on February 5, 2021²
- The acquisition is to be financed with EA’s cash on hand
- The acquisition is expected to grow EA net bookings and be accretive to underlying profitability
- Transaction expected to close in calendar Q2 of 2021, subject to Glu Mobile stockholder and regulatory approvals

Source: Company reports.

Exhibit 2: Glu Mobile

Glu Mobile at a Glance

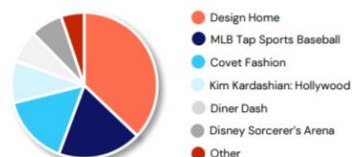
Company Overview

- Founded in 2001 and headquartered in San Francisco, CA (NASDAQ: GLUU)
- Employs nearly 800 game studio, development, central services and publishing people across five locations in the U.S., Canada and India
- Operates diverse portfolio of some of the most successful and recognizable mobile games across genres including Design Home, Covet Fashion and MLB Tap Sports Baseball
- Deep bench of creative talent who will continue as leaders within EA’s organization
- Proven track record in growing both bookings and underlying profitability

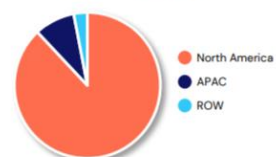
Financial Profile (\$mm)



Bookings by Title¹

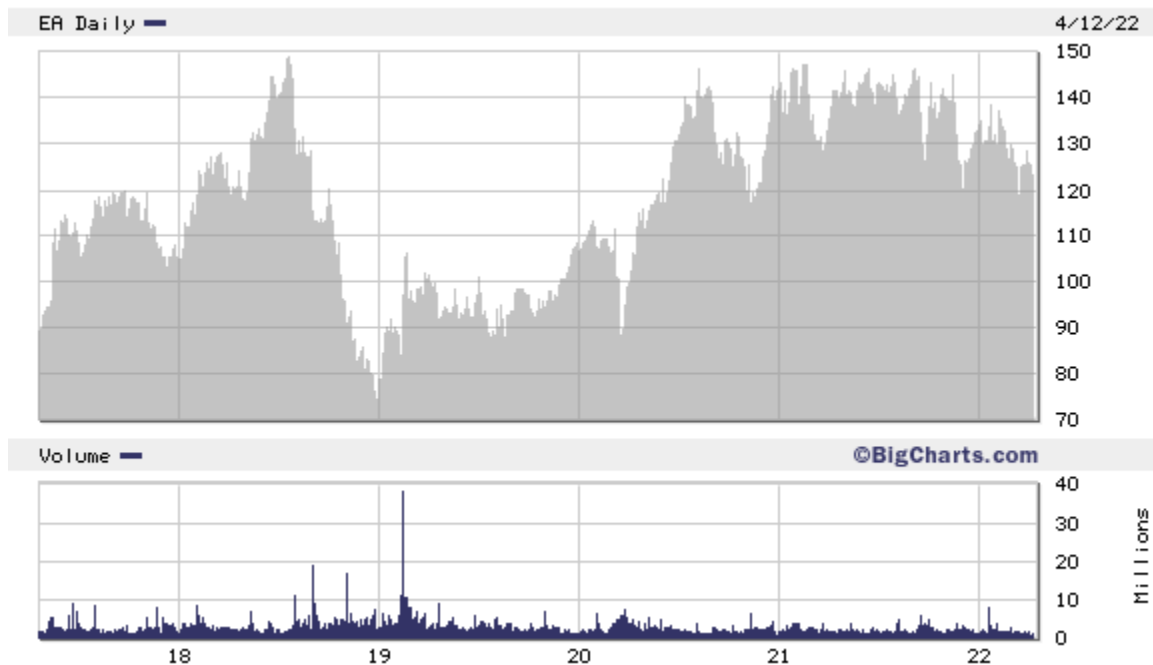


Bookings by Geography¹



Source: Company reports.

Exhibit 3: Electronic Arts Stock Price (Five Years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 4: Consensus Expectations (as of February 1, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Jun	\$1,336A		Q1 Jun	\$0.79A	
Q2 Sep	\$1,851A		Q2 Sep	\$1.58A	
Q3 Dec	\$2,663E		Q3 Dec	\$3.22E	
Q4 Mar	\$1,807E		Q4 Mar	\$1.45E	
Total	\$7,623E	\$8,145E	Total	\$6.86E	\$7.49E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

Electronic Arts, Inc. Pro Forma Income Statement

Income Statement (\$ in millions) Fiscal Year End: March 31	Jun-19 1QA	Sep-19 2QA	Dec-19 3QA	Mar-20 4QA	2020 FY-A	Jun-20 1QA	Sep-20 2QA	Dec-20 3QA	Mar-21 4QA	2021 FY-A	Jun-21 1QA	Sep-21 2QA	Dec-21 3QA	Mar-22 4QE	2022 FY-E	Jun-22 1QE	Sep-22 2QE	Dec-22 3QE	Mar-23 4QE	2023 FY-E
Net Revenues (non GAAP)	743	1,277	1,978	1,213	5,211	1,390	910	2,400	1,490	6,190	1,336	1,851	2,577	1,767	7,531	1,317	1,799	2,847	1,838	7,800
Cost of Goods Sold	145	366	459	222	1,192	287	284	600	314	1,485	292	470	586	537	1,885	515	624	911	569	2,620
Gross Profit	598	911	1,519	991	4,019	1,103	626	1,800	1,176	4,705	1,044	1,381	1,991	1,229	5,645	802	1,175	1,935	1,269	5,181
Research & Devel.	332	326	329	343	1,330	372	347	377	397	1,493	430	452	453	395	1,730	355	380	380	380	1,495
Sales & Marketing	103	142	192	157	594	110	144	205	184	643	178	218	279	180	855	105	175	225	150	655
General & Admin.	94	108	106	121	429	112	108	124	149	493	142	145	135	160	582	110	120	140	150	520
Restructuring and Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	529	576	627	621	2,353	594	599	706	730	2,629	750	815	867	735	3,167	570	675	745	680	2,670
Operating Income (loss)	69	335	892	370	1,666	509	27	1,094	446	2,076	294	566	1,124	494	2,478	232	500	1,190	589	2,511
Interest Income	21	16	13	13	63	(3)	(10)	(6)	(10)	(29)	(14)	(14)	(11)	1	(38)	1	1	1	1	4
Income before Taxes	90	351	905	383	1,729	506	17	1,088	436	2,047	280	552	1,113	495	2,440	233	501	1,191	590	2,515
Income Taxes	16	63	163	69	311	91	3	196	78	368	50	99	200	89	439	42	90	214	106	453
Income b/f minority interest	74	288	742	314	1,418	415	14	892	358	1,679	230	453	913	406	2,001	191	411	977	483	2,062
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	74	288	742	314	1,418	415	14	892	358	1,679	230	453	913	406	2,001	191	411	977	483	2,062
EBITDA	498	445	1,019	500	2,462	639	524	1,233	599	2,995	461	1,182	1,354	737	3,734	307	1,323	1,265	664	3,559
Shares, Basic	297	295	292	290	294	288	289	290	288	289	286	285	283	284	285	284	285	286	287	286
Shares, Diluted	299	296	294	292	295	292	293	292	290	292	289	287	285	286	287	286	287	288	289	288
EPS (Basic pro forma)	0.25	0.98	2.54	1.08	4.83	1.44	0.05	3.08	1.24	5.81	0.80	1.59	3.22	1.43	7.03	0.67	1.44	3.42	1.68	7.22
EPS (Diluted pro forma)	0.25	0.97	2.52	1.08	4.80	1.42	0.05	3.06	1.23	5.75	0.79	1.58	3.20	1.42	6.98	0.67	1.43	3.39	1.67	7.17

Percentage Analysis

% of Sales

Gross Margin	80%	71%	77%	82%	77%	79%	69%	75%	79%	76%	78%	75%	77%	70%	75%	61%	65%	68%	69%	66%
Research & Devel.	45%	26%	17%	28%	26%	27%	38%	16%	27%	24%	32%	24%	18%	22%	23%	27%	21%	13%	21%	19%
Sales & Marketing	14%	11%	10%	13%	11%	8%	16%	9%	12%	10%	13%	12%	11%	10%	11%	8%	10%	8%	8%	8%
General & Admin.	13%	8%	5%	10%	8%	8%	12%	5%	10%	8%	11%	8%	5%	9%	8%	8%	7%	5%	8%	7%
Operating Profit	9%	26%	45%	31%	32%	37%	3%	46%	30%	34%	22%	31%	44%	28%	33%	18%	28%	42%	32%	32%
Net Income	10%	23%	38%	26%	27%	30%	2%	37%	24%	27%	17%	24%	35%	23%	27%	15%	23%	34%	26%	26%

YY % Change

Total Revenue	-1%	5%	23%	-11%	5%	87%	-29%	21%	23%	19%	-4%	103%	7%	19%	22%	-1%	-3%	10%	4%	4%
Gross Margin	2%	7%	22%	-13%	5%	84%	-31%	18%	19%	17%	-5%	121%	11%	5%	20%	-23%	-15%	-3%	3%	-8%
Research & Devel.	5%	9%	15%	-2%	6%	12%	6%	15%	16%	12%	16%	30%	20%	-1%	16%	-17%	-16%	-16%	-4%	-14%
Sales & Marketing	-23%	4%	7%	-29%	-11%	7%	1%	7%	17%	8%	62%	51%	36%	-2%	33%	-41%	-20%	-19%	-17%	-23%
General & Admin.	-5%	8%	19%	11%	8%	19%	0%	17%	23%	15%	27%	34%	9%	7%	18%	-23%	-17%	4%	-6%	-11%
Operating Profit	82%	7%	29%	-19%	11%	638%	-92%	23%	21%	25%	-42%	1996%	3%	11%	19%	-21%	-12%	6%	19%	1%
Net Income	58%	6%	26%	-21%	9%	462%	-95%	20%	14%	18%	-45%	3147%	2%	14%	19%	-17%	-9%	7%	19%	3%

Source: Company reports and Ascendant Capital Markets estimates

Electronic Arts, Inc.

Balance Sheet (\$ millions)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QE	1QE	2QE	3QE	4QE
ASSETS																
Cash and Cash Equivalents	3,533	2,940	3,603	3,768	4,013	4,059	4,772	5,260	2,838	1,630	2,670	3,717	2,947	3,473	3,716	5,158
Marketable securities	1,654	1,943	1,999	1,967	1,947	1,972	1,938	1,106	881	342	346	346	346	346	346	346
A/R - net	329	856	798	461	507	423	778	521	557	1,031	965	499	1,089	877	1,470	552
Inventory	-	-	-	-	-	-	-	-	-	-	-	113	145	130	94	119
Other deferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets (& Prepaid Royalties)	284	301	229	321	223	376	233	326	401	387	377	377	377	377	377	377
Total Current Assets	5,800	6,040	6,629	6,517	6,690	6,830	7,721	7,213	4,677	3,390	4,358	5,051	4,904	5,203	6,003	6,553
Property and equipment, net	446	442	439	449	450	458	467	491	510	516	522	522	522	522	522	522
Long term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill and other intangibles	1,972	1,962	1,954	1,938	1,937	1,933	1,933	3,177	5,165	6,539	6,441	6,437	6,433	6,429	6,425	6,421
Other assets (& Deferred Income Tax)	1,531	2,149	2,139	2,208	2,207	2,249	2,299	2,407	2,382	2,574	2,609	2,609	2,609	2,609	2,609	2,609
TOTAL ASSETS	\$ 9,749	\$ 10,593	\$ 11,161	\$ 11,112	\$ 11,284	\$ 11,470	\$ 12,420	\$ 13,288	\$ 12,734	\$ 13,019	\$ 13,930	\$ 14,619	\$ 14,468	\$ 14,763	\$ 15,559	\$ 16,105
LIABILITIES AND SHAREHOLDERS' EQUITY																
Short term debt	-	-	-	599	599	599	600	-	-	-	-	-	-	-	-	-
A/P	56	148	61	68	51	164	89	96	73	136	86	376	361	434	313	397
Accrued Liabilities	915	1,024	1,204	1,052	1,040	1,083	1,423	1,341	1,093	1,119	1,443	1,443	1,443	1,443	1,443	1,443
Deferred Revenues	679	646	1,073	945	878	639	1,380	1,527	1,305	1,322	2,101	2,748	1,884	1,710	2,151	2,748
Total Current Liabilities	1,650	1,818	2,338	2,664	2,568	2,485	3,492	2,964	2,471	2,577	3,630	4,565	3,689	3,587	3,907	4,586
Long term debt	995	995	995	397	397	397	397	1,876	1,877	1,877	1,878	1,878	1,878	1,878	1,878	1,878
Minority Interest & Other long term liabilities	619	622	591	590	537	513	568	608	658	709	805	805	805	805	805	805
Common stock	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Additional paid-in capital	-	-	-	-	145	-	-	-	-	-	-	-	-	-	-	-
Accumulated other comprehensive loss	(17)	(10)	(33)	(50)	(52)	(89)	(94)	(50)	(35)	(2)	6	(44)	(94)	(144)	(194)	(244)
Retained earnings	6,499	7,165	7,267	7,508	7,831	8,016	8,054	7,887	7,760	7,855	7,608	7,412	8,197	8,634	9,160	9,077
Total Shareholders' Equity	6,485	7,158	7,237	7,461	7,782	8,075	7,963	7,840	7,728	7,856	7,617	7,371	8,096	8,493	8,969	8,836
TOTAL LIABILITIES AND EQUITY	\$ 9,749	\$ 10,593	\$ 11,161	\$ 11,112	\$ 11,284	\$ 11,470	\$ 12,420	\$ 13,288	\$ 12,734	\$ 13,019	\$ 13,930	\$ 14,619	\$ 14,468	\$ 14,763	\$ 15,559	\$ 16,105
Activity Ratios																
A/R Days Sales Outstanding	25	60	36	34	33	42	29	31	38	50	34	40	45	40	55	40
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	20x	15x	20x	40x	20x
A/P Days Payable	27	33	11	23	16	52	13	27	21	25	12	60	60	60	30	60
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$ 21.69	\$ 24.18	\$ 24.62	\$ 25.55	\$ 26.93	\$ 28.14	\$ 27.94	\$ 27.41	\$ 26.74	\$ 27.37	\$ 26.73	\$ 25.77	\$ 28.31	\$ 29.59	\$ 31.14	\$ 30.57
Cash per Share (diluted)	\$ 17.35	\$ 16.50	\$ 19.05	\$ 19.64	\$ 20.62	\$ 21.01	\$ 23.54	\$ 22.26	\$ 12.87	\$ 6.87	\$ 10.58	\$ 14.21	\$ 11.51	\$ 13.31	\$ 14.10	\$ 19.05
Net Cash per Share (diluted)	\$ 14.02	\$ 13.14	\$ 15.67	\$ 18.28	\$ 19.25	\$ 19.63	\$ 22.15	\$ 15.70	\$ 6.37	\$ 0.33	\$ 3.99	\$ 7.64	\$ 4.95	\$ 6.76	\$ 7.58	\$ 12.55

Source: Company reports and Ascendant Capital Markets estimates

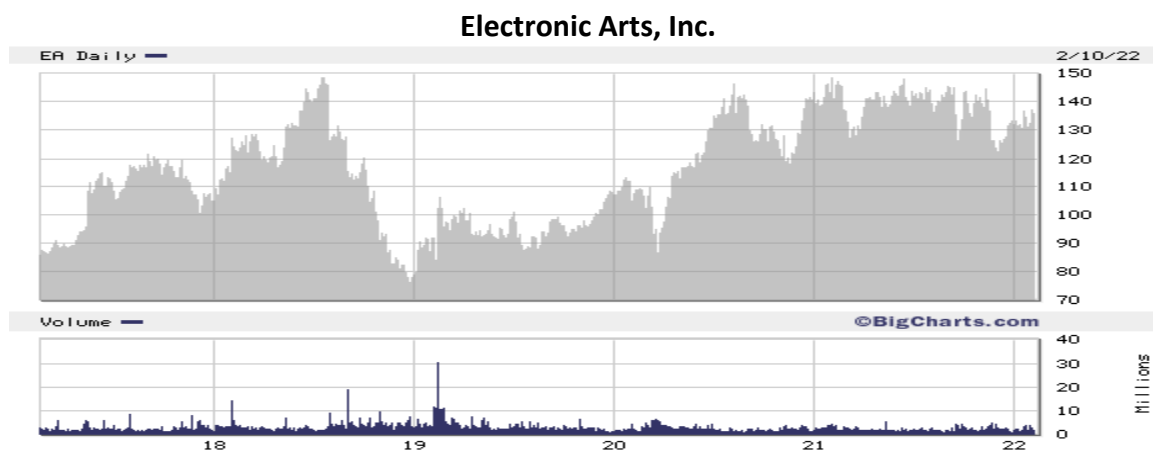
Electronic Arts, Inc.

Cash Flow Statement (\$ millions)	Jun-19	Sep-19	Dec-19	Mar-20	2020	Jun-20	Sep-20	Dec-20	Mar-21	2021	Jun-21	Sep-21	Dec-21	Mar-22	2022	Jun-22	Sep-22	Dec-22	Mar-23	2023	
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E	
OPERATING ACTIVITIES:																					
Net Income	1,421	854	346	418	3,039	365	185	211	76	837	204	294	66	(196)	368	775	447	526	(83)	1,664	
Minority interest in consolidated joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity in net loss of affiliates / minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on sale of affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	37	35	39	39	150	37	40	46	58	181	105	94	146	25	370	25	25	25	25	100	
Stock comp	73	92	91	91	347	102	113	111	109	435	125	149	129	50	453	50	50	50	50	200	
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4	4	4	4	4	16	
Acquisition Amortization	-	-	-	5	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loss on sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on sale of marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Provision for doubtful accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3	3	12	
Charge for acquired in-process R&D and other charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tax benefit from exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)	(50)	(50)	(50)	(50)	(50)	(200)	
Change in assets and liabilities, net of acquisitions:																					
Receivables	294	(529)	59	340	164	(44)	83	(348)	268	(41)	12	(458)	56	463	73	(594)	210	(596)	915	(66)	
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	(113)	(113)	(32)	14	36	(25)	(6)	
Other assets	24	9	43	(41)	35	44	(157)	85	(42)	(70)	(74)	23	(24)	(75)	-	-	-	-	-	-	
Accounts payable	(40)	91	(84)	(3)	(36)	(3)	109	(77)	(11)	18	(19)	61	(51)	290	281	(15)	73	(121)	85	21	
Accrued liabilities	(56)	144	176	(145)	119	(66)	(30)	341	(109)	136	(302)	52	433	-	183	-	-	-	-	-	
Deferred revenue and income taxes	(1,595)	(659)	434	(206)	(2,026)	(57)	(282)	755	22	438	(194)	(151)	779	645	1,079	(862)	(174)	441	595	-	
Net cash provided by operating activities	158	37	1,104	498	1,797	378	61	1,124	371	1,934	(143)	64	1,534	1,122	2,577	(695)	602	318	1,518	1,742	
INVESTING ACTIVITIES:																					
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from sales of marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from the sale of affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditures	(45)	(27)	(28)	(40)	(140)	(38)	(25)	(30)	(31)	(124)	(44)	(43)	(48)	(25)	(160)	(25)	(25)	(25)	(25)	(100)	
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase of marketable securities	358	435	582	767	2,142	30	(28)	30	826	858	222	537	(4)	-	755	-	-	-	-	-	
Proceeds from maturity of securities	(1,263)	(721)	(637)	(738)	(3,359)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of Pogo Corporation, net of cash acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of Westwood Studios, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of Kesmai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of other subsidiaries, net of cash acquired	-	-	-	-	-	-	-	(1,239)	(1,239)	(1,239)	(1,989)	(1,405)	3	-	(3,391)	-	-	-	-	-	
Net cash used in investing activities	(950)	(313)	(83)	(11)	(1,357)	(8)	(53)	-	(444)	(505)	(1,811)	(911)	(49)	(25)	(2,796)	(25)	(25)	(25)	(25)	(100)	
FINANCING ACTIVITIES:																					
Proceeds from debt	-	-	-	-	-	-	-	-	878	878	-	-	-	-	-	-	-	-	-	-	
Proceeds from sales of shares through stock	(48)	26	(30)	23	(29)	(66)	(8)	(67)	(8)	(149)	(154)	(16)	(72)	-	(242)	-	-	-	-	-	
Proceeds from sales of shares and other	-	-	-	-	-	40	13	30	83	83	41	3	-	44	44	-	-	-	-	-	
Purchase of treasury shares/dividends	(305)	(306)	(305)	(291)	(1,207)	(78)	-	(375)	(374)	(827)	(325)	(373)	(373)	(50)	(1,121)	(50)	(50)	(50)	(50)	(200)	
Proceeds from minority interest in cons. joint v	(32)	(32)	(26)	(32)	(122)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net cash provided by financing activities	(385)	(312)	(361)	(300)	(1,358)	(144)	32	(429)	526	(15)	(479)	(348)	(442)	(50)	(1,319)	(50)	(50)	(50)	(50)	(200)	
Effect of exchange rate on cash and cash equivalents	2	(5)	3	(22)	(22)	19	6	18	35	78	11	(13)	(3)	-	(5)	-	-	-	-	-	
Net increase (decrease) in cash and equivalents	(1,175)	(593)	663	165	(940)	245	46	713	488	1,492	(2,422)	(1,208)	1,040	1,047	(1,543)	(770)	527	243	1,443	1,442	
Beginning cash and equivalents	4,708	3,533	2,940	3,603	4,708	3,768	4,013	4,059	4,772	3,768	5,260	2,838	1,630	2,670	5,260	3,717	2,947	3,473	3,716	3,717	
Ending cash and equivalents	3,533	2,940	3,603	3,768	3,768	4,013	4,059	4,772	5,260	5,260	2,838	1,630	2,670	3,717	3,717	2,947	3,473	3,716	5,158	5,158	

Source: Company reports and Ascendant Capital Markets estimates

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Source: <https://bigcharts.marketwatch.com/>

Report	Date	Rating	Price Target
39	1/31/2018	B	138.00
40	5/9/2018	B	150.00
41	7/29/2018	B	155.00
42	10/31/2018	B	112.00
43	2/7/2019	B	100.00
44	5/9/2019	B	110.00
45	8/2/2019	B	112.00
46	10/31/2019	B	110.00
47	2/3/2020	B	121.00
48	6/6/2020	B	138.00
49	8/23/2020	B	165.00
50	12/7/2020	B	167.00
51	2/24/2021	B	170.00
52	6/20/2021	B	171.00
53	9/14/2021	B	175.00
54	1/9/2022	B	170.00

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Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

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