

September 17, 2023

Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

Electronic Arts, Inc.

Q1 about inline, and maintained FY24 guidance. We remain positive from solid growth outlook. Lowering P/T to \$146.

COMPANY UPDATE

Rating: BUY

Ticker: EA

Price: \$120.46

Target: \$146
(from \$154)

Q1 about inline: EA recently (on August 1) reported its fiscal Q1 FY24 (ending June) results. Revenue was \$1.58 billion (+21% y-o-y), compared to our estimate of \$1.63 billion and consensus of \$1.59 billion. Pro forma EPS was \$1.14, compared to our estimates of \$1.10 and consensus of \$1.02. Q1 guidance was for revenue of \$1.50 – 1.60 billion and for EPS of \$0.85 – 1.05.

Solid Q1: The company again reported strong results from its sports games (particularly *FIFA* with *FIFA 23* helped by the recent FIFA World Cup (in Qatar) tournament). *Star Wars Jedi: Survivor* launched to critical acclaim and commercial success. *The Sims 4* player network has grown to more than 74 million worldwide (up 4 million in Q1).

Strong *FIFA 23*: *FIFA 23* is the biggest title in franchise history. FIFA franchise had the biggest Q1 in company history. *FIFA Ultimate Team* daily average users grew 15%. FIFA Mobile attracted over 65 million new players in the quarter alone.

Maintained FY24 guidance: Management maintained FY24 guidance for revenue of \$7.30 – 7.70 billion, and for EPS of \$6.35 – 6.95. Initial Q2 guidance is for revenue of \$1.70 – 1.80 billion and for EPS of \$1.10 – 1.30.

Lowering FY24 estimates: We are lowering our FY24 estimates for revenue to \$7.76 billion, from \$7.80 billion, and for EPS to \$7.05 from \$7.08. We are maintaining our FY25 estimates for revenue of \$8.00 billion, and for EPS of \$7.70.

Launch of EA SPORTS FC: EA announced (in May 2022) that it will no longer have the FIFA license for its soccer game after 2022's version (*FIFA 23*) is released. After holding the FIFA license for 30 years, EA's soccer game will be rebranded in 2023 as EA SPORTS FC (this year's version will be *EAS FC 24*). We note that almost all of the other players, leagues, and teams licenses remain so it should have minimal impact on what is EA's biggest game.

Big games in FY24: EA has several major titles that should drive a strong FY24, including *Star Wars Jedi: Survivor*, *Immortals of Aveum*, *Lord of the Rings: Heroes of Middle Earth* for mobile, and its strong sports games (soccer, football, hockey, car racing).

Layoffs: In March 2023, EA announced that it would lay off about 6% of its workforce and reduce office space to lower costs. We believe these cost cuts will driver higher operating leverage in FY24/25.

New CFO: In June 2023, EA appointed Stuart Canfield as its new Chief Financial Officer replacing Chris Suh who left to pursue other interests. Mr. Canfield is a 20 year veteran of EA.

Expect share price rebound: With solid growth expected in digital, key games expected over the next several years, and continued positive benefits from the strong industry growth during the pandemic, we believe a favorable valuation is likely to drive a rebound and growth in EA's share price.

Valuation attractive: We are maintaining our BUY rating, but lowering our 12-month price target to \$146 from \$154, which is calculated by applying a forward P/E of 19x our FY25 EPS estimate of \$7.70. 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.

Stock Data

| | |
|--------------------------------------|-------------------|
| Exchange: | NasdaqGS |
| 52-week Range: | \$108.53 – 140.30 |
| Shares Outstanding (million): | 275 |
| Market cap (\$million): | \$33,127 |
| EV (\$million): | \$32,405 |
| Debt (\$million): | \$1,880 |
| Cash (\$million): | \$2,602 |
| Avg. Daily Trading Vol. (\$million): | \$276 |
| Float (million shares): | 245 |
| Short Interest (million shares): | 4 |
| Dividend, annual (yield): | \$0.76 (~0.6%) |

Revenues (US\$ million)

| | 2024E (Cur.) | 2024E (Old) | 2025E (Cur.) | 2025E (Old) |
|---------|-----------------|----------------|-----------------|----------------|
| Q1 Jun | 1,578A | 1,625E | 1,367E | |
| Q2 Sep | 1,750E | 1,699E | 1,849E | |
| Q3 Dec | 2,595E | 2,639E | 2,897E | |
| Q4 Mar | <u>1,838E</u> | | <u>1,888E</u> | |
| Total | 7,760E | 7,800E | 8,000E | |
| EV/Revs | 4.2x | | 4.1x | |

Earnings per Share (pro forma)

| | 2024E (Cur.) | 2024E (Old) | 2025E (Cur.) | 2025E (Old) |
|--------|-----------------|----------------|-----------------|----------------|
| Q1 Jun | 1.14A | 1.10E | 0.63E | |
| Q2 Sep | 1.35E | 1.54E | 1.77E | |
| Q3 Dec | 2.86E | 2.74E | 3.39E | |
| Q4 Mar | <u>1.71E</u> | | <u>1.89E</u> | |
| Total | \$7.05E | \$7.08E | \$7.70E | |
| P/E | 17x | | 16x | |

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 August 1) reported its fiscal Q1 FY24 (ending June) results.
- Revenue was \$1.58 billion (+21% y-o-y), compared to our estimate of \$1.63 billion and consensus of \$1.59 billion.
- Pro forma EPS was \$1.14, compared to our estimates of \$1.10 and consensus of \$1.02.
- Q1 guidance was for revenue of \$1.50 – 1.60 billion and for EPS of \$0.85 – 1.05.
- Management maintained FY24 guidance for revenue of \$7.30 – 7.70 billion, and for EPS of \$6.35 – 6.95.
- Initial Q2 guidance is for revenue of \$1.70 – 1.80 billion and for EPS of \$1.10 – 1.30.
- We are lowering our FY24 estimates for revenue to \$7.76 billion, from \$7.80 billion, and for EPS to \$7.05 from \$7.08.
- We are maintaining our FY25 estimates for revenue of \$8.00 billion, and for EPS of \$7.70.

ADDITIONAL DETAILS (pro forma)

- Gross profit for the quarter was \$1,228 million, compared with our estimate of \$1,009 million.
- Gross margin for the quarter was 78%, compared with our estimate of 62% and 78% last year.
- Operating expenses were \$858 million, compared with our estimate of \$632 million.
- Operating income was \$370 million, compared with our estimate of \$377 million.
- Pro forma net income was \$311 million, compared with our estimate of \$306 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 March 2023, EA announced that it would lay off about 6% of its workforce and reduce office space to lower costs.
- In June 2023, EA appointed Stuart Canfield as its new Chief Financial Officer replacing Chris Suh who left to pursue other interests. Mr. Canfield is a 20 year veteran of EA.

The company's balance sheet is solid with \$2.6 billion in cash and \$1.9 billion in debt (~\$3/share in net cash), compared with \$2.8 billion in cash and \$1.9 billion in debt as of March.

Exhibit 1: Electronic Arts FY24 Game Release Schedule (as of August 2023)

Existing Live Services and FY24 Title Slate

Massive Online Communities



Blockbusters & Original IP



EA SPORTS



FY24: Announced Titles*

PGA Tour (launched 4/7)
 Star Wars: Jedi Survivor (launched 4/28)
 Lord of the Rings: Heroes of Middle-Earth (launched 5/10)
 Super Mega Baseball 4 (launched 6/2)
 F1 23 (launched 6/16)

Madden NFL 24 (8/18)
 Immortals of Aveum (8/22)
 EAS FC 24 (9/29)

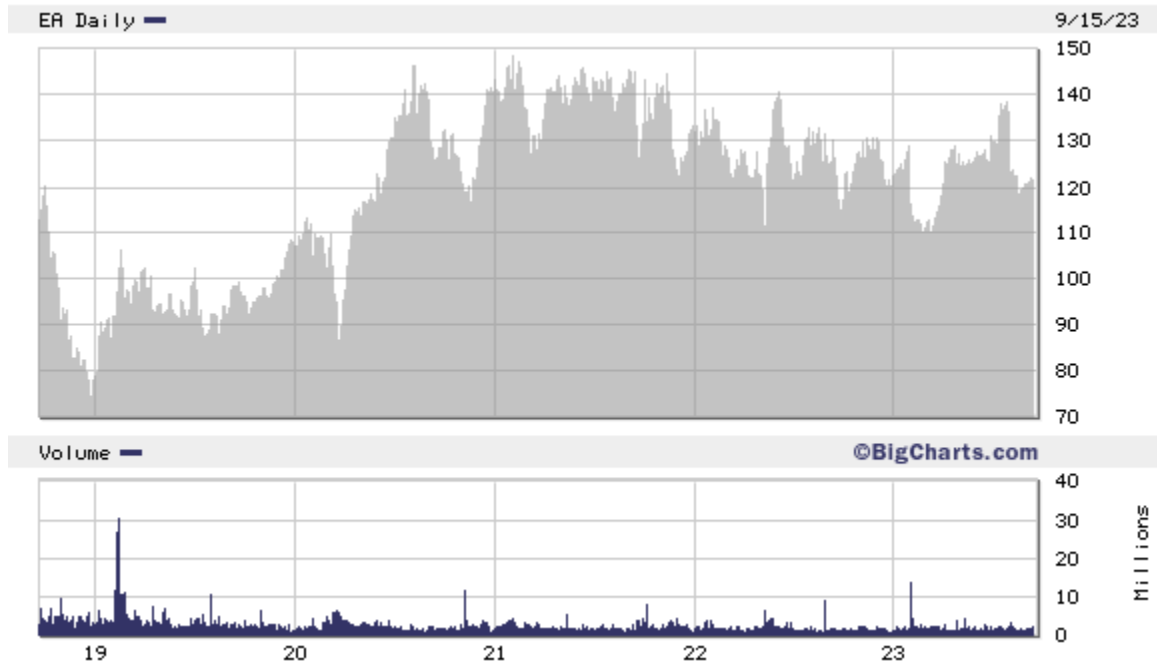
NHL 24

- Denotes annual full game release
- Denotes new title release in FY24

*UFC 5 and one unannounced Racing title not included above

Source: Company reports.

Exhibit 2: Electronic Arts Stock Price (Five Years)



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

Exhibit 3: Consensus Expectations (as of August 1, 2023)

| | Revenue (mils) | | | EPS | |
|--------------|-----------------|-----------------|--------------|----------------|----------------|
| | 2024E | 2025E | | 2024E | 2025E |
| Q1 Jun | \$1,587E | | Q1 Jun | \$1.02E | |
| Q2 Sep | \$1,819E | | Q2 Sep | \$1.50E | |
| Q3 Dec | | | Q3 Dec | | |
| Q4 Mar | | | Q4 Mar | | |
| Total | \$7,600E | \$8,156E | Total | \$6.86E | \$7.71E |

*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-21 1QA | Sep-21 2QA | Dec-21 3QA | Mar-22 4QA | 2022 FY-A | Jun-22 1QA | Sep-22 2QA | Dec-22 3QA | Mar-23 4QA | 2023 FY-A | Jun-23 1QA | Sep-23 2QE | Dec-23 3QE | Mar-24 4QE | 2024 FY-E | Jun-24 1QE | Sep-24 2QE | Dec-24 3QE | Mar-25 4QE | 2025 FY-E |
|--|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|--------------|
| Net Revenues (non GAAP) | 1,336 | 1,851 | 2,577 | 1,751 | 7,515 | 1,299 | 1,754 | 2,342 | 1,946 | 7,341 | 1,578 | 1,750 | 2,595 | 1,838 | 7,760 | 1,367 | 1,849 | 2,897 | 1,888 | 8,000 |
| Cost of Goods Sold | 292 | 470 | 586 | 372 | 1,720 | 282 | 422 | 540 | 421 | 1,665 | 350 | 504 | 889 | 563 | 2,307 | 519 | 559 | 914 | 542 | 2,534 |
| Gross Profit | 1,044 | 1,381 | 1,991 | 1,379 | 5,795 | 1,017 | 1,332 | 1,802 | 1,525 | 5,676 | 1,228 | 1,246 | 1,706 | 1,275 | 5,454 | 848 | 1,290 | 1,983 | 1,346 | 5,466 |
| Research & Devel. | 430 | 452 | 453 | 495 | 1,830 | 491 | 470 | 461 | 539 | 1,961 | 503 | 460 | 370 | 380 | 1,713 | 365 | 380 | 410 | 380 | 1,535 |
| Sales & Marketing | 178 | 218 | 279 | 232 | 907 | 221 | 217 | 241 | 240 | 919 | 218 | 195 | 195 | 152 | 760 | 137 | 175 | 225 | 152 | 689 |
| General & Admin. | 142 | 145 | 135 | 139 | 561 | 138 | 146 | 133 | 151 | 568 | 137 | 130 | 165 | 160 | 592 | 130 | 130 | 180 | 160 | 600 |
| Restructuring and Other Charges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortization of Intangibles | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Expenses | 750 | 815 | 867 | 866 | 3,298 | 850 | 833 | 835 | 930 | 3,448 | 858 | 785 | 730 | 692 | 3,065 | 632 | 685 | 815 | 692 | 2,824 |
| Operating Income (loss) | 294 | 566 | 1,124 | 513 | 2,497 | 167 | 499 | 967 | 595 | 2,228 | 370 | 461 | 976 | 583 | 2,389 | 216 | 605 | 1,168 | 654 | 2,642 |
| Interest Income | (14) | (14) | (11) | (9) | (48) | (5) | - | (7) | 6 | (6) | 14 | 1 | 1 | 1 | 17 | 1 | 1 | 1 | 1 | 4 |
| Income before Taxes | 280 | 552 | 1,113 | 504 | 2,449 | 162 | 499 | 960 | 601 | 2,222 | 384 | 462 | 977 | 584 | 2,406 | 217 | 606 | 1,169 | 655 | 2,646 |
| Income Taxes | 50 | 99 | 200 | 91 | 441 | 31 | 95 | 182 | 114 | 422 | 73 | 88 | 186 | 111 | 457 | 41 | 115 | 222 | 124 | 503 |
| Income b/f minority interest | 230 | 453 | 913 | 413 | 2,008 | 131 | 404 | 778 | 487 | 1,800 | 311 | 374 | 791 | 473 | 1,949 | 176 | 491 | 947 | 531 | 2,144 |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Income | 230 | 453 | 913 | 413 | 2,008 | 131 | 404 | 778 | 487 | 1,800 | 311 | 374 | 791 | 473 | 1,949 | 176 | 491 | 947 | 531 | 2,144 |
| EBITDA | 524 | 809 | 1,399 | 779 | 3,511 | 406 | 766 | 1,230 | 910 | 3,312 | 588 | 536 | 1,051 | 658 | 2,832 | 291 | 680 | 1,243 | 729 | 2,942 |
| Shares, Basic | 286 | 285 | 283 | 281 | 284 | 279 | 278 | 276 | 274 | 277 | 272 | 277 | 277 | 277 | 276 | 277 | 278 | 279 | 280 | 279 |
| Shares, Diluted | 289 | 287 | 285 | 283 | 286 | 281 | 279 | 278 | 274 | 278 | 274 | 277 | 277 | 277 | 276 | 277 | 278 | 279 | 280 | 279 |
| EPS (Basic pro forma) | 0.80 | 1.59 | 3.22 | 1.47 | 7.08 | 0.47 | 1.45 | 2.82 | 1.78 | 6.50 | 1.14 | 1.35 | 2.86 | 1.71 | 7.07 | 0.63 | 1.77 | 3.39 | 1.89 | 7.70 |
| EPS (Diluted pro forma) | 0.79 | 1.58 | 3.20 | 1.46 | 7.02 | 0.47 | 1.45 | 2.80 | 1.78 | 6.47 | 1.14 | 1.35 | 2.86 | 1.71 | 7.05 | 0.63 | 1.77 | 3.39 | 1.89 | 7.70 |

Percentage Analysis

% of Sales

| | | | | | | | | | | | | | | | | | | | | |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Gross Margin | 78% | 75% | 77% | 79% | 77% | 78% | 76% | 77% | 78% | 77% | 78% | 71% | 66% | 69% | 70% | 62% | 70% | 68% | 71% | 68% |
| Research & Devel. | 32% | 24% | 18% | 28% | 24% | 38% | 27% | 20% | 28% | 27% | 32% | 26% | 14% | 21% | 22% | 27% | 21% | 14% | 20% | 19% |
| Sales & Marketing | 13% | 12% | 11% | 13% | 12% | 17% | 12% | 10% | 12% | 13% | 14% | 11% | 8% | 8% | 10% | 10% | 9% | 8% | 8% | 9% |
| General & Admin. | 11% | 8% | 5% | 8% | 7% | 11% | 8% | 6% | 8% | 8% | 9% | 7% | 6% | 9% | 8% | 10% | 7% | 6% | 8% | 7% |
| Operating Profit | 22% | 31% | 44% | 29% | 33% | 13% | 28% | 41% | 31% | 30% | 23% | 26% | 38% | 32% | 31% | 16% | 33% | 40% | 35% | 33% |
| Net Income | 17% | 24% | 35% | 24% | 27% | 10% | 23% | 33% | 25% | 25% | 20% | 21% | 30% | 26% | 25% | 13% | 27% | 33% | 28% | 27% |

Y/Y % Change

| | | | | | | | | | | | | | | | | | | | | |
|-------------------|------|-------|-----|-----|-----|------|------|------|-----|------|------|------|------|------|------|------|------|-----|-----|------|
| Total Revenue | -4% | 103% | 7% | 18% | 21% | -3% | -5% | -9% | 11% | -2% | 21% | 0% | 11% | -6% | 6% | -13% | 6% | 12% | 3% | 3% |
| Gross Margin | -5% | 121% | 11% | 17% | 23% | -3% | -4% | -9% | 11% | -2% | 21% | -6% | -5% | -16% | -4% | -31% | 4% | 16% | 6% | 0% |
| Research & Devel. | 16% | 30% | 20% | 25% | 23% | 14% | 4% | 2% | 9% | 7% | 2% | -2% | -20% | -29% | -13% | -27% | -17% | 11% | 0% | -10% |
| Sales & Marketing | 62% | 51% | 36% | 26% | 41% | 24% | 0% | -14% | 3% | 1% | -1% | -10% | -19% | -37% | -17% | -37% | -10% | 15% | 0% | -9% |
| General & Admin. | 27% | 34% | 9% | -7% | 14% | -3% | 1% | -1% | 9% | 1% | -1% | -11% | 24% | 6% | 4% | -5% | 0% | 9% | 0% | 1% |
| Operating Profit | -42% | 1996% | 3% | 15% | 20% | -43% | -12% | -14% | 16% | -11% | 122% | -8% | 1% | -2% | 7% | -42% | 31% | 20% | 12% | 11% |
| Net Income | -45% | 3147% | 2% | 16% | 20% | -43% | -11% | -15% | 18% | -10% | 137% | -8% | 2% | -3% | 8% | -44% | 31% | 20% | 12% | 10% |

Source: Company reports and Ascendant Capital Markets estimates

Electronic Arts, Inc.

| Balance Sheet (\$ millions) Fiscal Year End: March 31 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1QA | 2QA | 3QA | 4QA | 1QA | 2QA | 3QA | 4QA | 1QA | 2QE | 3QE | 4QE | 1QE | 2QE | 3QE | 4QE |
| ASSETS | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 2,838 | 1,630 | 2,670 | 2,732 | 2,082 | 1,539 | 2,202 | 2,424 | 2,259 | 2,290 | 2,548 | 3,835 | 3,070 | 3,649 | 3,897 | 5,385 |
| Marketable securities | 881 | 342 | 346 | 330 | 334 | 335 | 351 | 343 | 343 | 343 | 343 | 343 | 343 | 343 | 343 | 343 |
| A/R - net | 557 | 1,031 | 965 | 650 | 579 | 919 | 836 | 684 | 517 | 855 | 1,316 | 552 | 1,114 | 899 | 1,501 | 575 |
| Inventory | - | - | - | - | - | - | - | - | - | 106 | 92 | 118 | 146 | 117 | 94 | 114 |
| Other deferred | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other current assets (& Prepaid Royalties) | 401 | 387 | 377 | 439 | 522 | 649 | 453 | 518 | 455 | 455 | 455 | 455 | 455 | 455 | 455 | 455 |
| Total Current Assets | 4,677 | 3,390 | 4,358 | 4,151 | 3,517 | 3,442 | 3,842 | 3,969 | 3,574 | 4,050 | 4,754 | 5,303 | 5,128 | 5,464 | 6,290 | 6,872 |
| Property and equipment, net | 510 | 516 | 522 | 550 | 545 | 531 | 553 | 549 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 |
| Long term investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investment in affiliates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Goodwill and other intangibles | 5,165 | 6,539 | 6,441 | 6,349 | 6,275 | 6,186 | 6,115 | 5,998 | 5,958 | 5,954 | 5,950 | 5,946 | 5,942 | 5,938 | 5,934 | 5,930 |
| Other assets (& Deferred Income Tax) | 2,382 | 2,574 | 2,609 | 2,750 | 2,855 | 2,920 | 2,960 | 2,943 | 3,006 | 3,006 | 3,006 | 3,006 | 3,006 | 3,006 | 3,006 | 3,006 |
| TOTAL ASSETS | \$ 12,734 | \$ 13,019 | \$ 13,930 | \$ 13,800 | \$ 13,192 | \$ 13,079 | \$ 13,470 | \$ 13,459 | \$ 13,083 | \$ 13,555 | \$ 14,255 | \$ 14,800 | \$ 14,621 | \$ 14,953 | \$ 15,775 | \$ 16,353 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | | | | | |
| Short term debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| A/P | 73 | 136 | 86 | 101 | 70 | 136 | 62 | 99 | 75 | 354 | 305 | 393 | 364 | 391 | 314 | 379 |
| Accrued Liabilities | 1,093 | 1,119 | 1,443 | 1,388 | 1,215 | 1,034 | 1,243 | 1,285 | 1,145 | 1,145 | 1,145 | 1,145 | 1,145 | 1,145 | 1,145 | 1,145 |
| Deferred Revenues | 1,305 | 1,322 | 2,101 | 2,024 | 1,548 | 1,391 | 1,808 | 1,901 | 1,580 | 1,406 | 1,847 | 2,442 | 1,580 | 1,406 | 1,847 | 2,442 |
| Total Current Liabilities | 2,471 | 2,577 | 3,630 | 3,513 | 2,833 | 2,561 | 3,113 | 3,285 | 2,800 | 2,905 | 3,297 | 3,980 | 3,089 | 2,942 | 3,305 | 3,966 |
| Long term debt | 1,877 | 1,877 | 1,878 | 1,878 | 1,878 | 1,879 | 1,879 | 1,880 | 1,880 | 1,880 | 1,880 | 1,880 | 1,880 | 1,880 | 1,880 | 1,880 |
| Minority Interest & Other long term liabilities | 658 | 709 | 805 | 784 | 840 | 841 | 927 | 1,001 | 1,069 | 1,069 | 1,069 | 1,069 | 1,069 | 1,069 | 1,069 | 1,069 |
| Common stock | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Additional paid-in capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated other comprehensive loss | (35) | (2) | 6 | 15 | 71 | 137 | (37) | (67) | (75) | (125) | (175) | (225) | (275) | (325) | (375) | (425) |
| Retained earnings | 7,760 | 7,855 | 7,608 | 7,607 | 7,567 | 7,658 | 7,585 | 7,357 | 7,406 | 7,823 | 8,181 | 8,093 | 8,855 | 9,384 | 9,892 | 9,860 |
| Total Shareholders' Equity | 7,728 | 7,856 | 7,617 | 7,625 | 7,641 | 7,798 | 7,551 | 7,293 | 7,334 | 7,701 | 8,009 | 7,871 | 8,583 | 9,062 | 9,520 | 9,438 |
| TOTAL LIABILITIES AND EQUITY | \$ 12,734 | \$ 13,019 | \$ 13,930 | \$ 13,800 | \$ 13,192 | \$ 13,079 | \$ 13,470 | \$ 13,459 | \$ 13,083 | \$ 13,555 | \$ 14,255 | \$ 14,800 | \$ 14,621 | \$ 14,953 | \$ 15,775 | \$ 16,353 |
| Activity Ratios | | | | | | | | | | | | | | | | |
| A/R Days Sales Outstanding | 38 | 50 | 34 | 33 | 40 | 47 | 32 | 32 | 29 | 40 | 55 | 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! | 20x | 40x | 20x | 15x | 20x | 40x | 20x |
| A/P Days Payable | 21 | 25 | 12 | 22 | 20 | 26 | 10 | 20 | 18 | 60 | 30 | 60 | 60 | 60 | 30 | 60 |
| Book & Cash Value (per share) | | | | | | | | | | | | | | | | |
| Book Value per Share (diluted) | \$ 26.74 | \$ 27.37 | \$ 26.73 | \$ 26.94 | \$ 27.19 | \$ 27.95 | \$ 27.16 | \$ 26.62 | \$ 26.77 | \$ 27.80 | \$ 28.91 | \$ 28.42 | \$ 30.99 | \$ 32.60 | \$ 34.12 | \$ 33.71 |
| Cash per Share (diluted) | \$ 12.87 | \$ 6.87 | \$ 10.58 | \$ 10.82 | \$ 8.60 | \$ 6.72 | \$ 9.18 | \$ 10.10 | \$ 9.50 | \$ 9.51 | \$ 10.44 | \$ 15.08 | \$ 12.32 | \$ 14.36 | \$ 15.20 | \$ 20.46 |
| Net Cash per Share (diluted) | \$ 6.37 | \$ 0.33 | \$ 3.99 | \$ 4.18 | \$ 1.91 | \$ (0.02) | \$ 2.42 | \$ 3.24 | \$ 2.64 | \$ 2.72 | \$ 3.65 | \$ 8.29 | \$ 5.53 | \$ 7.60 | \$ 8.46 | \$ 13.74 |

Source: Company reports and Ascendant Capital Markets estimates

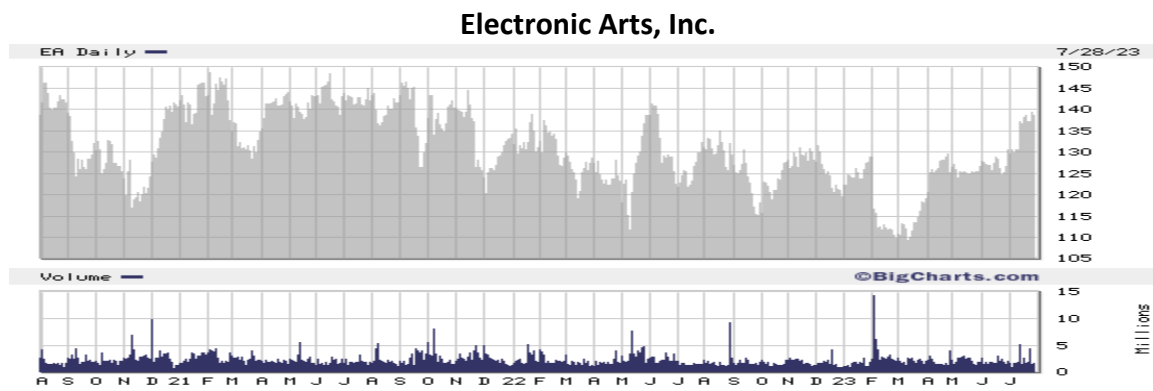
Electronic Arts, Inc.

| Cash Flow Statement (\$ millions) | 2021 | | | | 2022 | | | | 2023 | | | | 2024 | | | | 2025 | | | |
|--|----------------|----------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| OPERATING ACTIVITIES: | | | | | | | | | | | | | | | | | | | | |
| Net Income | 204 | 294 | 66 | 225 | 789 | 311 | 299 | 204 | (12) | 802 | 402 | 417 | 359 | (88) | 1,089 | 762 | 529 | 508 | (32) | 1,767 |
| Minority interest in consolidated joint venture | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity in net loss of affiliates / minority interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of affiliates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 105 | 94 | 146 | 141 | 486 | 114 | 127 | 122 | 173 | 536 | 88 | 25 | 25 | 25 | 163 | 25 | 25 | 25 | 25 | 100 |
| Stock comp | 125 | 149 | 129 | 125 | 528 | 125 | 140 | 141 | 142 | 548 | 130 | 50 | 50 | 50 | 280 | 50 | 50 | 50 | 50 | 200 |
| Amortization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12 | 4 | 4 | 4 | 4 | 16 |
| Acquisition Amortization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loss on sale of fixed assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gain on sale of marketable securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Provision for doubtful accounts | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Charge for acquired in-process R&D and other charges | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | 3 | 9 | 3 | 3 | 3 | 3 | 12 |
| Tax benefit from exercise of stock options | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tax benefit from net operating losses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in assets and liabilities, net of acquisitions: | | | | | | | | | | | | | | | | | | | | |
| Receivables | 12 | (458) | 56 | 313 | (77) | 70 | (346) | 90 | 152 | (34) | 167 | (341) | (464) | 761 | 123 | (565) | 212 | (605) | 923 | (34) |
| Inventories | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | (74) | 23 | (24) | (82) | (157) | (15) | (10) | (28) | (50) | (103) | 96 | - | - | - | 96 | (28) | 28 | 23 | (20) | 4 |
| Accounts payable | (19) | 61 | (51) | 2 | (7) | (16) | 69 | (74) | 31 | 10 | (18) | 279 | (49) | 88 | 300 | (29) | 26 | (77) | 66 | (14) |
| Accrued liabilities | (302) | 52 | 433 | (14) | 169 | (105) | (234) | 297 | 106 | 64 | (92) | - | - | - | (92) | - | - | - | - | - |
| Deferred revenue and income taxes | (194) | (151) | 779 | (266) | 168 | (562) | (157) | 371 | 75 | (273) | (414) | (174) | 441 | 595 | 448 | (862) | (174) | 441 | 595 | - |
| Net cash provided by operating activities | (143) | 64 | 1,534 | 444 | 1,899 | (78) | (112) | 1,123 | 617 | 1,550 | 359 | 106 | 333 | 1,361 | 2,160 | (690) | 654 | 323 | 1,564 | 1,851 |
| INVESTING ACTIVITIES: | | | | | | | | | | | | | | | | | | | | |
| Proceeds from sale of property and equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from sales of marketable securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from the sale of affiliates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital Expenditures | (44) | (43) | (48) | (53) | (188) | (59) | (53) | (48) | (47) | (207) | (45) | (25) | (25) | (25) | (120) | (25) | (25) | (25) | (25) | (100) |
| Investment in affiliates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of marketable securities | 222 | 537 | (4) | 20 | 775 | (6) | (1) | (13) | 10 | (10) | 1 | - | - | - | 1 | - | - | - | - | - |
| Proceeds from maturity of securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 | (1,989) | (1,405) | 3 | - | (3,391) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net cash used in investing activities | (1,811) | (911) | (49) | (33) | (2,804) | (65) | (54) | (61) | (37) | (217) | (44) | (25) | (25) | (25) | (119) | (25) | (25) | (25) | (25) | (100) |
| FINANCING ACTIVITIES: | | | | | | | | | | | | | | | | | | | | |
| Proceeds from debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from sales of shares through stock | (154) | (16) | (72) | (11) | (253) | (104) | 30 | (44) | (14) | (132) | (105) | - | - | - | (105) | - | - | - | - | - |
| Proceeds from sales of shares and other | 41 | 3 | 33 | 33 | 77 | 1 | 3 | 33 | 33 | 37 | - | - | - | - | - | - | - | - | - | - |
| Purchase of treasury shares/dividends | (325) | (373) | (373) | (373) | (1,444) | (373) | (378) | (377) | (377) | (1,505) | (377) | (50) | (50) | (50) | (527) | (50) | (50) | (50) | (50) | (200) |
| Proceeds from minority interest in cons. joint venture | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net cash provided by financing activities | (479) | (348) | (442) | (351) | (1,620) | (476) | (348) | (418) | (358) | (1,600) | (482) | (50) | (50) | (50) | (632) | (50) | (50) | (50) | (50) | (200) |
| Effect of exchange rate on cash and cash equivalents | 11 | (13) | (3) | 2 | (3) | (31) | (29) | 19 | - | (41) | 2 | - | - | - | 2 | - | - | - | - | - |
| Net increase (decrease) in cash and equivalents | (2,422) | (1,208) | 1,040 | 62 | (2,528) | (650) | (543) | 663 | 222 | (308) | (165) | 31 | 258 | 1,286 | 1,411 | (765) | 579 | 248 | 1,489 | 1,551 |
| Beginning cash and equivalents | 5,260 | 2,838 | 1,630 | 2,670 | 5,260 | 2,732 | 2,082 | 1,539 | 2,202 | 2,732 | 2,424 | 2,259 | 2,290 | 2,548 | 2,424 | 3,835 | 3,070 | 3,649 | 3,897 | 3,835 |
| Ending cash and equivalents | 2,838 | 1,630 | 2,670 | 2,732 | 2,732 | 2,082 | 1,539 | 2,202 | 2,424 | 2,424 | 2,259 | 2,290 | 2,548 | 3,835 | 3,835 | 3,070 | 3,649 | 3,897 | 5,385 | 5,385 |

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst’s personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.



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

| | Report Date | | Price |
|--------|-------------|--------|--------|
| Report | Date | Rating | 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 |
| 55 | 4/12/2022 | B | 158.00 |
| 56 | 6/12/2022 | B | 160.00 |
| 57 | 9/13/2022 | B | 156.00 |
| 58 | 12/17/2022 | B | 152.00 |
| 59 | 4/8/2023 | B | 145.00 |
| 60 | 6/7/2023 | B | 154.00 |

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 month.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include changes in demand for the company's products, changes to game release timing, competition, piracy of software, and weaker macroeconomic factors.

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 Distribution of Investment Ratings (as of July 14, 2023)

| Rating | Count | Percent | Investment Banking Services Past 12 months | |
|--------|-------|---------|---|---------|
| | | | Count | Percent |
| Buy | 51 | 98% | 16 | 31% |
| Hold | 0 | 0% | 0 | 0% |
| Sell | 1 | 2% | 0 | 0% |
| Total | 52 | 100% | 16 | 31% |

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.