

Electronic Arts, Inc.

Q4 about inline, and solid FY23 guidance. We remains positive from strong growth outlook. Raising P/T to \$160.

COMPANY UPDATE

Rating: BUY

Ticker: EA

Price: \$133.44

Target: \$160
(from \$158)

Q4 about inline: EA recently (on May 10) reported its fiscal Q4 FY22 (ending March) results. Revenue was \$1.75 billion (+18% y-o-y), compared to our estimate of \$1.77 billion and consensus of \$1.78 billion. Pro forma EPS was \$1.46, compared to our estimates of \$1.42 and consensus of \$1.44. Q4 guidance was for revenue of \$1.761 billion and for EPS of \$1.38.

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. Q4 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*. Full game digital game sales are 65% (up from 62% last year) and steadily increasing driving higher margins.

Solid FY23 guidance: Management provided initial FY23 guidance for revenue of \$7.90 – 8.10 billion, and for EPS of \$7.05 – 7.15. This is about inline with prior general qualitative guidance for revenue growth “in the mid-to high-single digits”. Initial Q1 guidance is for revenue of \$1.20 – 1.25 billion and for EPS of \$0.16 – 0.27.

Raising estimates: We are raising our FY23 estimates for revenue to \$8.10 billion, from \$7.80 billion, and for EPS to \$7.25 from \$7.17. We are initiating our FY24 estimates for revenue of \$8.40 billion, and for EPS of \$8.00.

Solid FY23 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 FY23 guidance. Key games this year (FY23) are its sports, mobile, and online games. In addition, its 3 recent major acquisitions should help drive solid growth in FY23.

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

M&A chatter: There has been numerous M&A deals in the video game space in the past year, including 3 done by EA and the pending mega deal by Microsoft to buy Activision Blizzard. There has been recent media reports that EA may be an acquisition target, though the company has not confirmed any information.

Expect 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 growth in share price.

Valuation attractive: We are maintaining our BUY rating, but raising our 12-month price target to \$160 from \$158, which is calculated by applying a forward P/E of 20x our FY24 EPS estimate of \$8.00. 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:	\$109.24 – 148.93
Shares Outstanding (million):	283
Market cap (\$million):	\$37,764
EV (\$million):	\$36,580
Debt (\$million):	\$1,878
Cash (\$million):	\$3,062
Avg. Daily Trading Vol. (\$million):	\$333
Float (million shares):	264
Short Interest (million shares):	3
Dividend, annual (yield):	\$0.68 (~0.5%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Jun	1,250E	1,317E	1,467E	
Q2 Sep	1,899E	1,799E	1,949E	
Q3 Dec	2,947E	2,847E	2,997E	
Q4 Mar	<u>2,005E</u>	<u>1,838E</u>	<u>1,988E</u>	
Total	8,100E	7,800E	8,400E	
EV/Revs	4.5x		4.4x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Jun	0.30E	0.67E	0.86E	
Q2 Sep	1.71E	1.43E	1.86E	
Q3 Dec	3.23E	3.39E	3.33E	
Q4 Mar	<u>2.01E</u>	<u>1.67E</u>	<u>1.94E</u>	
Total	\$7.25E	\$7.17E	\$8.00E	
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 9.

OVERVIEW

- EA recently (on May 10) reported its fiscal Q4 FY22 (ending March) results.
- Revenue was \$1.75 billion (+18% y-o-y), compared to our estimate of \$1.77 billion and consensus of \$1.78 billion.
- Pro forma EPS was \$1.46, compared to our estimates of \$1.42 and consensus of \$1.44.
- Q4 guidance was for revenue of \$1.761 billion and for EPS of \$1.38.
- Management provided initial FY23 guidance for revenue of \$7.90 – 8.10 billion, and for EPS of \$7.05 – 7.15. This is about inline with prior general qualitative guidance for revenue growth “in the mid- to high-single digits”.
- Initial Q1 guidance is for revenue of \$1.20 – 1.25 billion and for EPS of \$0.16 – 0.27.
- We are raising our FY23 estimates for revenue to \$8.10 billion, from \$7.80 billion, and for EPS to \$7.25 from \$7.17.
- We are initiating our FY24 estimates for revenue of \$8.40 billion, and for EPS of \$8.00.

ADDITIONAL DETAILS (pro forma)

- Gross profit for the quarter was \$1,379 million, compared with our estimate of \$1,229 million.
- Gross margin for the quarter was 79%, compared with our estimate of 70% and 79% last year.
- Operating expenses were \$866 million, compared with our estimate of \$735 million.
- Operating income was \$513 million, compared with our estimate of \$494 million.
- Pro forma net income was \$413 million, compared with our estimate of \$406 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 \$3.1 billion in cash and \$1.9 billion in debt (~\$4/share in net cash), compared with \$3.0 billion in cash and \$1.9 billion in debt as of December.

Exhibit 1: Electronic Arts FY23 Game Release Schedule

FY23 Title Slate

Q1

F1 22

Q2

FIFA
Madden NFL

Q3

Need for Speed
NHL

Q4

PGA Tour
**Major IP
**Partner Title
**Remake
**Sports Title

**We have four titles scheduled in Q4:FY23 that have not yet been publicly disclosed.

- In addition, Apex Legends Mobile and The Lord of the Rings: Heroes of Middle-earth Mobile are also included in our FY23 guidance.
- Titles are reflected in alphabetical order.
- For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end. The actual quarter close dates are as follows: July 2, 2022, October 1, 2022, December 31, 2022, and April 1, 2023, respectively.

Source: Company reports.

Exhibit 2: 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 3: Glu Mobile

Glu Mobile at a Glance

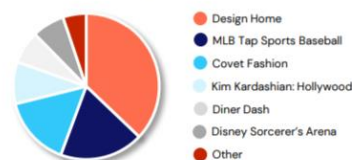
Company Overview

- 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

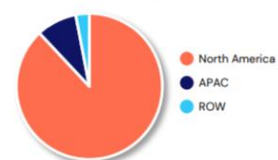
Financial Profile (\$mm)



Bookings by Title¹



Bookings by Geography¹



Source: Company reports.

Exhibit 4: Electronic Arts Stock Price (Five Years)



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

Exhibit 5: Consensus Expectations (as of May 10, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Jun	\$1,336A	\$1,490E	Q1 Jun	\$0.79A	\$0.95E
Q2 Sep	\$1,851A		Q2 Sep	\$1.58A	
Q3 Dec	\$2,577A		Q3 Dec	\$3.20A	
Q4 Mar	\$1,779E		Q4 Mar	\$1.44E	
Total	\$7,498E	\$8,047E	Total	\$6.90E	\$7.50E

*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-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 4QA	2022 FY-A	Jun-22 1QE	Sep-22 2QE	Dec-22 3QE	Mar-23 4QE	2023 FY-E	Jun-23 1QE	Sep-23 2QE	Dec-23 3QE	Mar-24 4QE	2024 FY-E
Net Revenues (non GAAP)	1,390	910	2,400	1,490	6,190	1,336	1,851	2,577	1,751	7,515	1,250	1,899	2,947	2,005	8,100	1,467	1,949	2,997	1,988	8,400
Cost of Goods Sold	287	284	600	314	1,485	292	470	586	372	1,720	515	624	1,011	614	2,765	535	614	1,011	614	2,775
Gross Profit	1,103	626	1,800	1,176	4,705	1,044	1,381	1,991	1,379	5,795	735	1,275	1,935	1,391	5,336	932	1,335	1,985	1,374	5,626
Research & Devel.	372	347	377	397	1,493	430	452	453	495	1,830	365	380	410	380	1,535	365	380	410	380	1,535
Sales & Marketing	110	144	205	184	643	178	218	279	232	907	137	175	225	152	689	137	175	225	152	689
General & Admin.	112	108	124	149	493	142	145	135	139	561	130	130	180	160	600	130	130	180	160	600
Restructuring and Other Charges																				
<u>Amortization of Intangibles</u>																				
Total Operating Expenses	594	599	706	730	2,629	750	815	867	866	3,298	632	685	815	692	2,824	632	685	815	692	2,824
Operating Income (loss)	509	27	1,094	446	2,076	294	566	1,124	513	2,497	103	590	1,120	699	2,512	300	650	1,170	682	2,802
Interest Income	(3)	(10)	(6)	(10)	(29)	(14)	(14)	(11)	(9)	(48)	1	1	1	1	4	1	1	1	1	4
Income before Taxes	506	17	1,088	436	2,047	280	552	1,113	504	2,449	104	591	1,121	700	2,516	301	651	1,171	683	2,806
Income Taxes	91	3	196	78	368	50	99	200	91	441	19	106	202	126	453	54	117	211	123	505
Income b/f minority interest	415	14	892	358	1,679	230	453	913	413	2,008	86	484	919	574	2,063	247	534	960	560	2,301
<u>Minority Interest</u>																				
Net Income	415	14	892	358	1,679	230	453	913	413	2,008	86	484	919	574	2,063	247	534	960	560	2,301
EBITDA	648	180	1,251	613	2,692	524	809	1,399	779	3,511	178	665	1,195	774	2,812	375	725	1,245	757	3,102
Shares, Basic	288	289	290	288	289	286	285	283	281	284	281	282	283	284	283	284	285	286	287	286
Shares, Diluted	292	293	292	290	292	289	287	285	283	286	283	284	285	286	285	286	287	288	289	288
EPS (Basic pro forma)	1.44	0.05	3.08	1.24	5.81	0.80	1.59	3.22	1.47	7.08	0.30	1.72	3.25	2.02	7.30	0.87	1.87	3.36	1.95	8.06
EPS (Diluted pro forma)	1.42	0.05	3.06	1.23	5.75	0.79	1.58	3.20	1.46	7.02	0.30	1.71	3.23	2.01	7.25	0.86	1.86	3.33	1.94	8.00

Percentage Analysis

% of Sales

Gross Margin	79%	69%	75%	79%	76%	78%	75%	77%	79%	77%	59%	67%	66%	69%	66%	64%	68%	66%	69%	67%
Research & Devel.	27%	38%	16%	27%	24%	32%	24%	18%	28%	24%	29%	20%	14%	19%	19%	25%	19%	14%	19%	18%
Sales & Marketing	8%	16%	9%	12%	10%	13%	12%	11%	13%	12%	11%	9%	8%	8%	9%	9%	9%	8%	8%	8%
General & Admin.	8%	12%	5%	10%	8%	11%	8%	5%	8%	7%	10%	7%	6%	8%	7%	9%	7%	6%	8%	7%
Operating Profit	37%	3%	46%	30%	34%	22%	31%	44%	29%	33%	8%	31%	38%	35%	31%	20%	33%	39%	34%	33%
Net Income	30%	2%	37%	24%	27%	17%	24%	35%	24%	27%	7%	26%	31%	29%	25%	17%	27%	32%	28%	27%

YY % Change

Total Revenue	87%	-29%	21%	23%	19%	-4%	103%	7%	18%	21%	-6%	3%	14%	14%	8%	17%	3%	2%	-1%	4%
Gross Margin	84%	-31%	18%	19%	17%	-5%	121%	11%	17%	23%	-30%	-8%	-3%	1%	-8%	27%	5%	3%	-1%	5%
Research & Devel.	12%	6%	15%	16%	12%	16%	30%	20%	25%	23%	-15%	-16%	-9%	-23%	-16%	0%	0%	0%	0%	0%
Sales & Marketing	7%	1%	7%	17%	8%	62%	51%	36%	26%	41%	-23%	-20%	-10%	-34%	-24%	0%	0%	0%	0%	0%
General & Admin.	19%	0%	17%	23%	15%	27%	34%	9%	-7%	14%	-8%	-10%	33%	15%	7%	0%	0%	0%	0%	0%
Operating Profit	638%	-92%	23%	21%	25%	-42%	1996%	3%	15%	20%	-65%	4%	0%	36%	1%	191%	10%	4%	-2%	12%
Net Income	462%	-95%	20%	14%	18%	-45%	3147%	2%	16%	20%	-63%	7%	1%	39%	3%	189%	10%	4%	-2%	12%

Source: Company reports and Ascendant Capital Markets estimates

Electronic Arts, Inc.

Balance Sheet (\$ millions) Fiscal Year End: March 31	Jun-20 1QA	Sep-20 2QA	Dec-20 3QA	Mar-21 4QA	Jun-21 1QA	Sep-21 2QA	Dec-21 3QA	Mar-22 4QA	Jun-22 1QE	Sep-22 2QE	Dec-22 3QE	Mar-23 4QE	Jun-23 1QE	Sep-23 2QE	Dec-23 3QE	Mar-24 4QE
ASSETS																
Cash and Cash Equivalents	4,013	4,059	4,772	5,260	2,838	1,630	2,670	2,732	2,208	2,727	2,922	4,435	3,743	4,382	4,612	6,150
Marketable securities	1,947	1,972	1,938	1,106	881	342	346	330	330	330	330	330	330	330	330	330
A/R - net	507	423	778	521	557	1,031	965	650	1,056	921	1,531	627	1,164	944	1,562	619
Inventory	-	-	-	-	-	-	-	-	145	130	104	128	150	128	104	128
Other deferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets (& Prepaid Royalties)	223	376	233	326	401	387	377	439	439	439	439	439	439	439	439	439
Total Current Assets	6,690	6,830	7,721	7,213	4,677	3,390	4,358	4,151	4,178	4,548	5,326	5,959	5,826	6,223	7,047	7,666
Property and equipment, net	450	458	467	491	510	516	522	550	550	550	550	550	550	550	550	550
Long term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill and other intangibles	1,937	1,933	1,933	3,177	5,165	6,539	6,441	6,349	6,345	6,341	6,337	6,333	6,329	6,325	6,321	6,317
Other assets (& Deferred Income Tax)	2,207	2,249	2,299	2,407	2,382	2,574	2,609	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
TOTAL ASSETS	\$ 11,284	\$ 11,470	\$ 12,420	\$ 13,288	\$ 12,734	\$ 13,019	\$ 13,930	\$ 13,800	\$ 13,823	\$ 14,189	\$ 14,963	\$ 15,592	\$ 15,455	\$ 15,848	\$ 16,668	\$ 17,283
LIABILITIES AND SHAREHOLDERS' EQUITY																
Short term debt	599	599	600	-	-	-	-	-	-	-	-	-	-	-	-	-
A/P	51	164	89	96	73	136	86	101	361	434	346	427	375	427	346	427
Accrued Liabilities	1,040	1,083	1,423	1,341	1,093	1,119	1,443	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388
Deferred Revenues	878	639	1,380	1,527	1,305	1,322	2,101	2,024	1,162	988	1,429	2,024	1,162	988	1,429	2,024
Total Current Liabilities	2,568	2,485	3,492	2,964	2,471	2,577	3,630	3,513	2,912	2,810	3,163	3,839	2,925	2,804	3,163	3,839
Long term debt	397	397	397	1,876	1,877	1,877	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878
Minority Interest & Other long term liabilities	537	513	568	608	658	709	805	784	784	784	784	784	784	784	784	784
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	(52)	(89)	(94)	(50)	(35)	(2)	6	15	(35)	(85)	(135)	(185)	(235)	(285)	(335)	(385)
Retained earnings	7,831	8,016	8,054	7,887	7,760	7,855	7,608	7,607	8,281	8,798	9,270	9,272	10,100	10,664	11,175	11,164
Total Shareholders' Equity	7,782	8,075	7,963	7,840	7,728	7,856	7,617	7,625	8,249	8,716	9,138	9,090	9,868	10,382	10,843	10,782
TOTAL LIABILITIES AND EQUITY	\$ 11,284	\$ 11,470	\$ 12,420	\$ 13,288	\$ 12,734	\$ 13,019	\$ 13,930	\$ 13,800	\$ 13,823	\$ 14,189	\$ 14,963	\$ 15,592	\$ 15,455	\$ 15,848	\$ 16,668	\$ 17,283
Activity Ratios																
A/R Days Sales Outstanding	33	42	29	31	38	50	34	33	45	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!	15x	20x	40x	20x	15x	20x	40x	20x
A/P Days Payable	16	52	13	27	21	25	12	22	60	60	30	60	60	60	30	60
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$ 26.93	\$ 28.14	\$ 27.94	\$ 27.70	\$ 26.74	\$ 27.37	\$ 26.73	\$ 26.94	\$ 29.15	\$ 30.69	\$ 32.06	\$ 31.78	\$ 34.50	\$ 36.17	\$ 37.65	\$ 37.31
Cash per Share (diluted)	\$ 20.62	\$ 21.01	\$ 23.54	\$ 22.49	\$ 12.87	\$ 6.87	\$ 10.58	\$ 10.82	\$ 8.97	\$ 10.77	\$ 11.41	\$ 16.66	\$ 14.24	\$ 16.42	\$ 17.16	\$ 22.42
Net Cash per Share (diluted)	\$ 19.25	\$ 19.63	\$ 22.15	\$ 15.87	\$ 6.37	\$ 0.33	\$ 3.99	\$ 4.18	\$ 2.33	\$ 4.15	\$ 4.82	\$ 10.09	\$ 7.67	\$ 9.87	\$ 10.64	\$ 15.92

Source: Company reports and Ascendant Capital Markets estimates

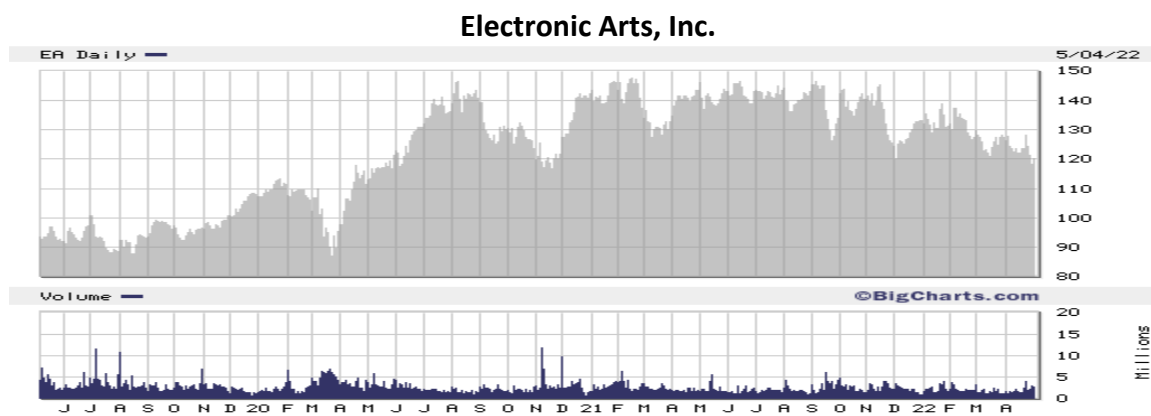
Electronic Arts, Inc.

Cash Flow Statement (\$ millions)	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	Jun-23	Sep-23	Dec-23	Mar-24	2024	
Fiscal Year End: March 31	1QA	2QA	3QA	4QA	FY-A	1QA	2QA	3QA	4QA	FY-A	1QE	2QE	3QE	4QE	FY-E	1QE	2QE	3QE	4QE	FY-E	
OPERATING ACTIVITIES:																					
Net Income	365	185	211	76	837	204	294	66	225	789	674	517	471	2	1,665	828	564	510	(11)	1,891	
Minority interest in consolidated joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity in net loss of affiliates / minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on sale of affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	37	40	46	58	181	105	94	146	141	486	25	25	25	25	100	25	25	25	25	100	
Stock comp	102	113	111	109	435	125	149	129	125	528	50	50	50	50	200	50	50	50	50	200	
Amortization	-	-	-	-	-	-	-	-	-	-	4	4	4	4	16	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	3	12	3	3	3	3	12	
Tax benefit from exercise of stock options	-	-	-	-	-	-	-	-	-	-	(50)	(50)	(50)	(50)	(200)	(50)	(50)	(50)	(50)	(200)	
Change in assets and liabilities, net of acquisitions:																					
Receivables	(44)	83	(348)	268	(41)	12	(458)	56	313	(77)	(409)	132	(613)	902	11	(541)	218	(621)	940	(4)	
Inventories	-	-	-	-	-	-	-	-	-	-	(145)	14	26	(24)	(128)	(22)	22	24	(24)	-	
Other assets	44	(157)	85	(42)	(70)	(74)	23	(24)	(82)	(157)	-	-	-	-	-	-	-	-	-	-	
Accounts payable	(3)	109	(77)	(11)	18	(19)	61	(51)	2	(7)	260	73	(88)	81	326	(53)	53	(81)	81	-	
Accrued liabilities	(66)	(30)	341	(109)	136	(302)	52	433	(14)	169	-	-	-	-	-	-	-	-	-	-	
Deferred revenue and income taxes	(57)	(282)	755	22	438	(194)	(151)	779	(266)	168	(862)	(174)	441	595	-	(862)	(174)	441	595	-	
Net cash provided by operating activities	378	61	1,124	371	1,934	(143)	64	1,534	444	1,899	(449)	594	270	1,588	2,003	(617)	714	305	1,613	2,015	
INVESTING ACTIVITIES:																					
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from sales of marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from the sale of affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditures	(38)	(25)	(30)	(31)	(124)	(44)	(43)	(48)	(53)	(188)	(25)	(25)	(25)	(25)	(100)	(25)	(25)	(25)	(25)	(100)	
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase of marketable securities	30	(28)	30	826	858	222	537	(4)	20	775	-	-	-	-	-	-	-	-	-	-	
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 acquired	-	-	(1,239)	(1,239)	(1,239)	(1,989)	(1,405)	3	(3,391)	(3,391)	-	-	-	-	-	-	-	-	-	-	
Net cash used in investing activities	(8)	(53)	-	(444)	(505)	(1,811)	(911)	(49)	(33)	(2,804)	(25)	(25)	(25)	(25)	(100)	(25)	(25)	(25)	(25)	(100)	
FINANCING ACTIVITIES:																					
Proceeds from debt	-	-	-	878	878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from sales of shares through stock	(66)	(8)	(67)	(8)	(149)	(154)	(16)	(72)	(11)	(253)	-	-	-	-	-	-	-	-	-	-	
Proceeds from sales of shares and other	40	13	30	83	83	41	3	33	33	77	-	-	-	-	-	-	-	-	-	-	
Purchase of treasury shares/dividends	(78)	-	(375)	(374)	(827)	(325)	(373)	(373)	(373)	(1,444)	(50)	(50)	(50)	(50)	(200)	(50)	(50)	(50)	(50)	(200)	
Proceeds from minority interest in cons. joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net cash provided by financing activities	(144)	32	(429)	526	(15)	(479)	(348)	(442)	(351)	(1,620)	(50)	(50)	(50)	(50)	(200)	(50)	(50)	(50)	(50)	(200)	
Effect of exchange rate on cash and cash equivalents	19	6	18	35	78	11	(13)	(3)	2	(3)	-	-	-	-	-	-	-	-	-	-	
Net increase (decrease) in cash and equivalents	245	46	713	488	1,492	(2,422)	(1,208)	1,040	62	(2,528)	(524)	519	195	1,513	1,703	(692)	639	230	1,538	1,715	
Beginning cash and equivalents	3,768	4,013	4,059	4,772	3,768	5,260	2,838	1,630	2,670	5,260	2,732	2,208	2,727	2,922	2,732	4,435	3,743	4,382	4,612	4,435	
Ending cash and equivalents	4,013	4,059	4,772	5,260	5,260	2,838	1,630	2,670	2,732	2,732	2,208	2,727	2,922	4,435	4,435	3,743	4,382	4,612	6,150	6,150	

Source: Company reports and Ascendant Capital Markets estimates

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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

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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:

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

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Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	13	31%

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