

**Electronic Arts Inc**

Electronic Arts (EA) is a global interactive entertainment software company. The company's games are based on wholly owned intellectual property (IP), such as Battlefield, Mass Effect, Need for Speed, The Sims, and licensed IP, such as International Federation of Association Football (FIFA), Madden National Football League (NFL), and National Hockey League (NHL). EA also publishes and distributes games developed by third parties. Net bookings fell 5% y/y to USD1.75bn (within its guidance of USD1.73bn-USD1.78bn, a 3% miss), due to the unfavourable timing of its F1 launch. In the full game segment, net bookings declined 9% y/y to USD635m, with digital accounting for 66% (+5ppt y/y) of full game units sold on a trailing 12-month basis. In live services and others, net bookings fell 3% y/y to USD1.12bn, mainly due to the unfavorable timing of the FIFA launch. Adj. GP contracted 4% y/y to USD1.33bn, while the margin expanded to 75.9% (+130bps y/y, a 140bps beat). Adj. OP declined 12% y/y to USD499m (margin: -220bps y/y to 28.4%, a 160bps beat). EPS grew 5% y/y to USD 1.07 (a 6% beat), positively impacted by a better product mix and contributions to higher margins from its console and PC platforms. Free cash outflow stood at USD165m (vs FCF of USD21m in Q2 FY 2022). Management initiated its Q3 FY 2023 guidance, expecting net bookings of USD2.43bn-USD2.53bn and EPS of USD 0.43-USD 0.59. The company lowered its FY 2023 guidance, expecting revenues of USD7.55bn-USD7.75bn (vs USD7.60bn-USD7.80bn earlier) and net bookings of USD7.65bn-USD7.85bn (vs USD7.90bn-USD8.10bn earlier). However, it raised its EPS guidance to USD 3.11-USD 3.34 from USD 2.79-USD 2.87 previously.

Corporate Ratings	Periodicity	Fiscal Quarterly	Currency	Default	Parent/Consolidated	C	Data	Adjusted (if Available)			
S&P	BBB+										
Outlook	Stable										
Moody's	Baa1										
Outlook	Stable										
Fitch	A-										
Outlook	Stable										
CDS Data											
5 YR CDS	N/A Curncy										
% 3 Months	N/A Curncy										
% 6 Months	N/A Curncy										
% 1 Year	N/A Curncy										
52 Week Low	N/A Curncy										
52 Week High	N/A Curncy										
Profitability											
EBIT	1,688										
Operating Margin	23.17										
Pretax Margin	22.83										
Return on Assets	9.11										
Return on Common Equity	15.19										
Return on Capital	12.20										
Asset turnover	0.56										
Structure											
Current Ratio	1.34										
Quick Ratio	1.09										
Total Debt to Total Assets	17.00										
Total Debt to Com Equity	28.52										
Acct Receivable Turnover	7.47										
Inventory Turnover	--										
Gross Margin	77.10										
EBIT / Total Inter	34.45										
Growth Potential											
Sales 1yr Growth	24.20										
Asset 1yr Growth	3.85										
Capital 1yr Growth	-1.38										
Income Statement Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Revenue	2,221.9	2,465.4	7,285.0	1,904.0	1,767.0	1,825.0	1,789.0	1,826.0	1,551.0	1,346.0	1,673.0
Operating Income	776.1	1,047.0	1,688.0	509.0	510.0	462.0	207.0	392.0	384.0	193.0	256.0
Pretax Income	772.7	1,046.2	1,663.0	509.0	505.0	453.0	196.0	378.0	370.0	183.0	250.0
Income bef XO Items	324.5	210.9	901.0	299.0	311.0	225.0	66.0	294.0	204.0	76.0	211.0
Net Income	620.2	845.3	1,189.0	365.4	366.9	304.5	152.1	336.6	254.8	90.8	215.1
Basic EPS Before XO Items	--	--	4.25	1.31	1.32	1.08	0.54	1.18	0.89	0.32	0.74
Basic EPS	2.22	3.04	6.58	1.45	0.47	1.46	3.20	1.58	0.71	1.23	3.06
Diluted EPS Before XO Items			4.23	1.31	1.31	1.08	0.53	1.17	0.89	0.31	0.73
Diluted EPS			3.21	1.07	1.11	0.80	0.23	1.02	0.71	0.26	0.72
Dividends per Share	0.19	0.19	0.7	0.19	0.19	0.17	0.17	0.17	0.17	0.17	0.00
EBITDA	850.2	1,126.4	2,733.0	626.0	280.0	557.0	1,270.0	660.0	338.0	504.0	1,140.0
Return on Common Equity	18.6	21.4	11.5	11.5	11.7	10.2	8.2	9.9	8.7	10.9	15.5
Balance Sheet Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Total Current Assets	3,442.0	3,442.0	3,517.0	4,151.0	4,358.0	3,390.0	4,677.0	7,213.0	7,213.0	7,721.0	7,721.0
Total Long-Term Assets	9,637.0	9,637.0	9,675.0	9,649.0	9,572.0	9,629.0	8,057.0	6,075.0	6,075.0	4,699.0	4,699.0
Total Assets	13,079.0	13,079.0	13,192.0	13,800.0	13,930.0	13,019.0	12,734.0	13,288.0	13,288.0	12,420.0	12,420.0
Total Current Liabilities	2,561.0	2,561.0	2,833.0	3,513.0	3,630.0	2,577.0	2,471.0	2,964.0	2,964.0	3,492.0	3,492.0
Total Long-Term Liabilities	2,720.0	2,720.0	2,718.0	2,662.0	2,683.0	2,586.0	2,535.0	2,484.0	2,484.0	965.0	965.0
Total Liabilities	5,281.0	5,281.0	5,551.0	6,175.0	6,313.0	5,163.0	5,006.0	5,448.0	5,448.0	4,457.0	4,457.0
Total Shareholders' Equity	7,798.0	7,798.0	7,641.0	7,625.0	7,617.0	7,856.0	7,728.0	7,840.0	7,840.0	7,963.0	7,963.0
Shares Outstanding	277.0	277.0	279.0	280.0	282.0	284.0	285.0	285.0	285.0	288.0	288.0
Book Value per Share	28.9	28.5	28.2	27.0	27.2	27.0	27.7	27.1	27.1	27.4	27.6
Tangible Book Value / Sh	5.8	5.8	5.8	4.9	4.6	4.2	4.6	9.0	16.3	20.9	20.9
Shareholder Equity/Total Liab	59.6	59.6	59.6	57.9	55.3	54.7	60.3	60.7	59.0	64.1	64.1
Cash Flow Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Net Income	324.5	210.9	901.0	299.0	311.0	225.0	66.0	294.0	204.0	76.0	211.0
Depreciation and Amortization	115.6	110.3	172.0	45.0	44.0	42.0	41.0	39.0	40.0	38.0	37.0
Change in Working Capital	68.0	197.0	197.0	46.0	-90.0	-85.0	-1,393.0	-2,043.0	20.0	-116.0	-116.0
Cash - Operating Activities	1,788.0	-112.0	-78.0	444.0	1,534.0	64.0	-143.0	371.0	1,124.0	371.0	1,124.0
Capital Expenditures	-49.0	-50.7	-213.0	-53.0	-59.0	-53.0	-48.0	-43.0	-44.0	-31.0	-30.0
Cash - Investing Activities	-201.0	-201.0	-201.0	-54.0	-65.0	-33.0	-49.0	-911.0	-1,811.0	-444.0	0.0
Cash - Financing Activities	-1,678.0	-377.0	-377.0	-349.0	-445.0	-361.0	-468.0	561.0	-411.0	-411.0	-411.0
Net Changes in Cash	-91.0	-543.0	-650.0	62.0	1,040.0	-1,208.0	-2,422.0	488.0	713.0	713.0	713.0
Free Cash Flow	743.5	1,205.2	1,575.0	-165.0	-137.0	391.0	1,486.0	21.0	-187.0	340.0	1,094.0

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