

ModernGraham Valuation

Company Name:

Electronic Arts Inc.

Company Ticker EA

Date of Analysis

5/19/2016



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$22,593,909,120	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.80	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	-239.83%	Fail
5. Earnings Growth	PEmg < 20	27.98	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	7.24	Fail
7. Moderate Price to Assets			

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.80	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.51	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Fail
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.66
MG Growth Estimate	15.00%
MG Value	\$102.51
MG Value based on 3% Growth	\$38.61
MG Value based on 0% Growth	\$22.63
Market Implied Growth Rate	9.74%

MG Opinion

Current Price	\$74.49
% of Intrinsic Value	72.66%
Opinion	Undervalued
MG Grade	B-

Stage 3: Information for Further Research

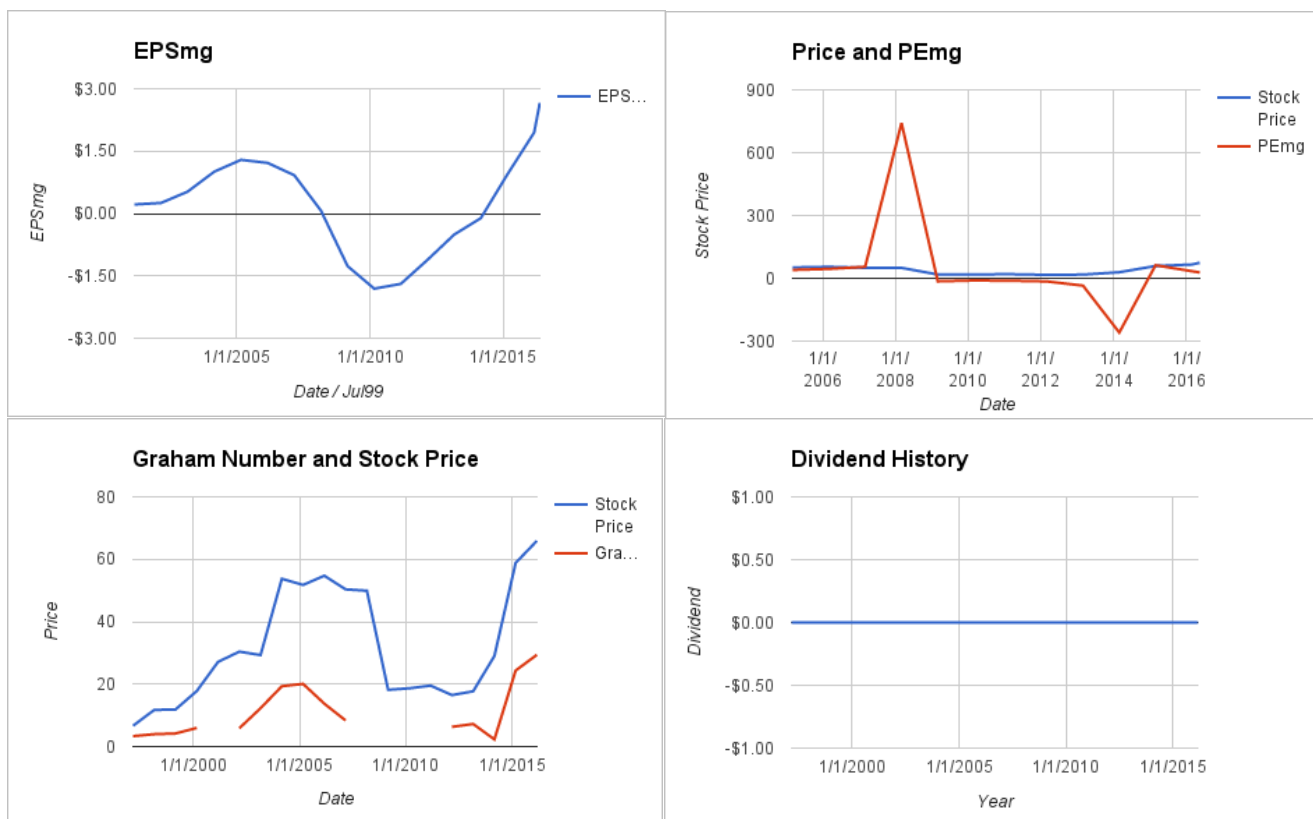
Net Current Asset Value (NCAV)	\$2.12
Graham Number	\$29.40
PEmg	27.98
Current Ratio	1.80
PB Ratio	7.24
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.50	Next Fiscal Year Estimate	\$2.66
3/1/2016	\$3.50	3/1/2016	\$1.95
3/1/2015	\$2.69	3/1/2015	\$0.94
3/1/2014	\$0.03	3/1/2014	-\$0.11
3/1/2013	\$0.31	3/1/2013	-\$0.51
3/1/2012	\$0.23	3/1/2012	-\$1.11
3/1/2011	-\$0.84	3/1/2011	-\$1.69
3/1/2010	-\$2.08	3/1/2010	-\$1.81
3/1/2009	-\$3.40	3/1/2009	-\$1.27
3/1/2008	-\$1.45	3/1/2008	\$0.07
3/1/2007	\$0.24	3/1/2007	\$0.92
3/1/2006	\$0.75	3/1/2006	\$1.22
3/1/2005	\$1.59	3/1/2005	\$1.29
3/1/2004	\$1.87	3/1/2004	\$1.01
3/1/2003	\$1.09	3/1/2003	\$0.53
3/1/2002	\$0.36	3/1/2002	\$0.25
3/1/2001	-\$0.04	3/1/2001	\$0.22
3/1/2000	\$0.44	Balance Sheet Information 3/1/2016	
3/1/1999	\$0.29	Total Current Assets	\$4,354,000,000
3/1/1998	\$0.30	Total Current Liabilities	\$2,418,000,000
3/1/1997	\$0.24	Long-term Debt	\$989,000,000
		Total Assets	\$7,050,000,000
		Intangible Assets	\$1,767,000,000
		Total Liabilities	\$3,654,000,000
		Shares Outstanding (Diluted Average)	330,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

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