

ModernGraham Valuation

Company Name:

Electronic Arts Inc.

Company Ticker EA

Date of Analysis

2/27/2018



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	\$38,586,384,342	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.92	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	-243.20%	Fail
5. Earnings Growth	PEmg < 20	46.50	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	9.48	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	1.92	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.35	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 Score		Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.71
MG Growth Estimate	15.00%
MG Value	\$104.16
MG Value based on 3% Growth	\$39.23
MG Value based on 0% Growth	\$23.00
Market Implied Growth Rate	19.00%

MG Opinion

Current Price	\$125.80
% of Intrinsic Value	120.78%
Opinion	Overvalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$4.58
Graham Number	\$27.07
PEmg	46.50
Current Ratio	1.92
PB Ratio	9.48
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
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Mar2017	\$2.47	Mar2017	\$2.71
Mar2016	\$3.08	Mar2016	\$2.52
Mar2015	\$3.50	Mar2015	\$1.95
Mar2014	\$2.69	Mar2014	\$0.94
Mar2013	\$0.03	Mar2013	-\$0.11
Mar2012	\$0.31	Mar2012	-\$0.51
Mar2011	\$0.23	Mar2011	-\$1.11
Mar2010	-\$0.84	Mar2010	-\$1.69
Mar2009	-\$2.08	Mar2009	-\$1.81
Mar2008	-\$3.40	Mar2008	-\$1.27
Mar2007	-\$1.45	Mar2007	\$0.07
Mar2006	\$0.24	Mar2006	\$0.92
Mar2005	\$0.75	Mar2005	\$1.22
Mar2004	\$1.59	Mar2004	\$1.29
Mar2003	\$1.87	Mar2003	\$1.01
Mar2002	\$1.08	Mar2002	\$0.52
Mar2001	\$0.36	Mar2002	\$0.25
Mar2000	-\$0.04	Balance Sheet Information	
Mar1999	\$0.44	12/1/2017	
Mar1998	\$0.29	Total Current Assets	\$5,966,000,000
	\$0.30	Total Current Liabilities	\$3,107,000,000
		Long-Term Debt	\$992,000,000
		Total Assets	\$8,642,000,000
		Intangible Assets	\$1,960,000,000
		Total Liabilities	\$4,556,000,000
		Shares Outstanding (Diluted Average)	308,000,000





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.

Recommended Reading:

Other ModernGraham posts about the company

- [10 Best Stocks For Value Investors This Week – 5/21/16](#)
- [Electronic Arts Inc Valuation – May 2016 \\$EA](#)
- [58 Companies in the Spotlight This Week – 1/31/15](#)
- [Electronic Arts Inc. Annual Valuation – 2015 \\$EA](#)
- [14 Companies in the Spotlight This Week – 1/25/14](#)

Other ModernGraham posts about related companies

- [Mattel Inc. Valuation – June 2017 \\$MAT](#)
- [Hasbro Inc Valuation – July 2016 \\$HAS](#)
- [Electronic Arts Inc Valuation – May 2016 \\$EA](#)
- [Mattel Inc Valuation – January 2016 Update \\$MAT](#)
- [Hasbro Inc Valuation – January 2016 Update \\$HAS](#)
- [Mattel Inc. Analysis – September 2015 Update \\$MAT](#)
- [Hasbro Inc. Analysis – August 2015 Update \\$HAS](#)
- [Mattel Inc. Quarterly Valuation – May 2015 \\$MAT](#)
- [Hasbro Inc. Quarterly Valuation – February 2015 \\$HAS](#)
- [Mattel Inc. Quarterly Valuation – February 2015 \\$MAT](#)