

# ModernGraham Valuation

Company Name:

Electronic Arts Inc.

Company Ticker EA

Date of Analysis

11/28/2018



## 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  | \$25,674,893,266 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2  | 3.52             | Pass |
| 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 | -468.40%         | Fail |
| 5. Earnings Growth                         | PEmg < 20  | 25.67            | Fail |
| 6. Moderate PEmg Ratio                     | PB Ratio < 2.5 OR PB*PEmg < 50   | 4.91             | 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                  | 3.52 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1                    | 0.24 | 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

|                     |            |
|---------------------|------------|
| <b>Defensive</b>    | <b>No</b>  |
| <b>Enterprising</b> | <b>Yes</b> |

## Stage 2: Determination of Intrinsic Value

|                             |                 |
|-----------------------------|-----------------|
| EPSmg                       | \$3.32          |
| MG Growth Estimate          | 15.00%          |
| <b>MG Value</b>             | <b>\$127.67</b> |
| MG Value based on 3% Growth | \$48.08         |
| MG Value based on 0% Growth | \$28.19         |
| Market Implied Growth Rate  | 8.58%           |

### MG Opinion

|                      |                    |
|----------------------|--------------------|
| Current Price        | \$85.12            |
| % of Intrinsic Value | 66.67%             |
| <b>Opinion</b>       | <b>Undervalued</b> |
| <b>MG Grade</b>      | <b>B-</b>          |

## Stage 3: Information for Further Research

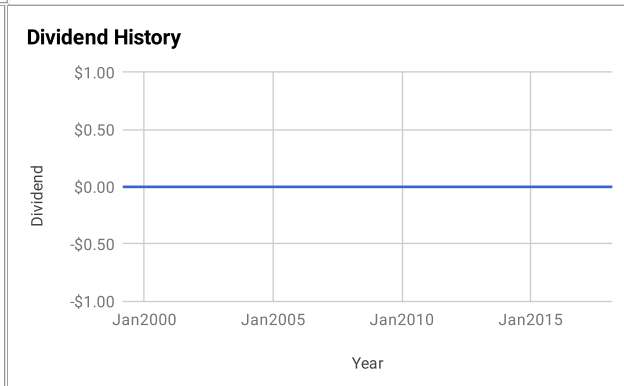
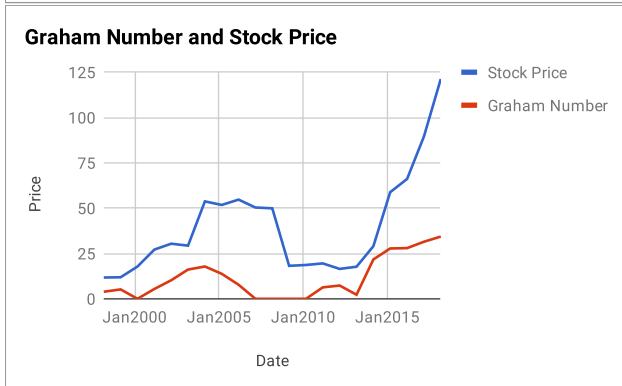
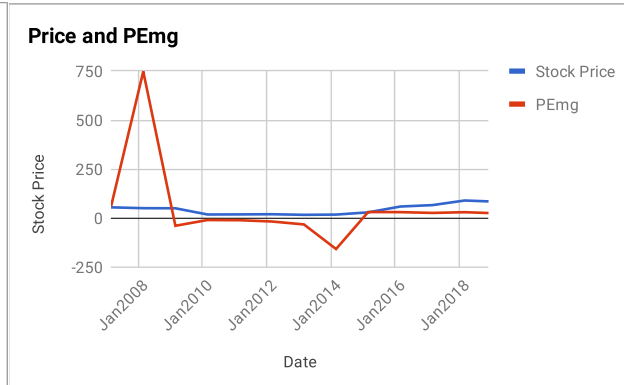
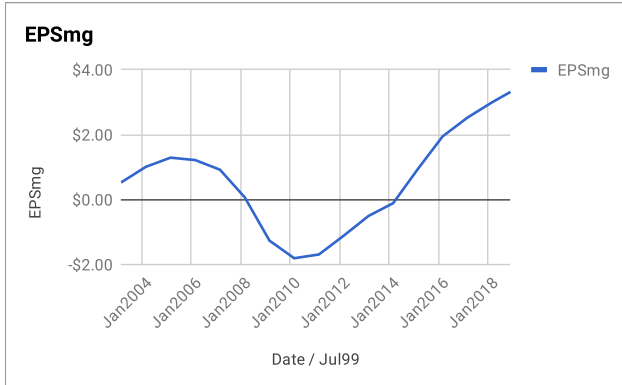
|  |         |
|--|---------|
| Net Current Asset Value (NCAV)                 | \$8.70  |
| Graham Number                                  | \$34.34 |
| PEmg   | 25.67   |
| Current Ratio                                  | 3.52    |
| PB Ratio                                       | 4.91    |
| Current Dividend                               | \$0.00  |
| Dividend Yield                                 | 0.00%   |
| Number of Consecutive Years of Dividend Growth | 0       |

### Useful Links:

|  |                               |
|--|-------------------------------|
| <a href="#">ModernGraham tagged articles</a> | <a href="#">Morningstar</a>   |
| <a href="#">Google Finance</a>               | <a href="#">MSN Money</a>     |
| <a href="#">Yahoo Finance</a>                | <a href="#">Seeking Alpha</a> |
| <a href="#">GuruFocus</a>                    | <a href="#">SEC Filings</a>   |

| EPS History               |         | EPSmg History                             |                 |
|---------------------------|---------|---|-----------------|
| Next Fiscal Year Estimate |         | Next Fiscal Year Estimate                 |                 |
| Mar2018                   | \$3.49  | Mar2018                                   | \$3.32          |
| Mar2017                   | \$3.34  | Mar2017                                   | \$3.00          |
| 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  | Mar2003                                   | \$0.52          |
| Mar2001                   | \$0.36  | <b>Balance Sheet Information 9/1/2018</b> |                 |
| Mar2000                   | -\$0.04 | Total Current Assets                      | \$5,803,000,000 |
| Mar1999                   | \$0.44  | Total Current Liabilities                 | \$1,649,000,000 |
|                           | \$0.29  | Long-Term Debt                            | \$993,000,000   |
|                           |         | Total Assets                              | \$8,450,000,000 |
|                           |         | Intangible Assets                         | \$1,994,000,000 |
|                           |         | Total Liabilities                         | \$3,133,000,000 |
|                           |         | Shares Outstanding (Diluted Average)      | 307,000,000     |





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

[Electronic Arts Inc Valuation – February 2018 \\$EA](#)  
[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](#)

Other  
ModernGraham  
posts about related  
companies

[Activision Blizzard Inc Valuation – June 2018 \\$ATVI](#)  
[Mattel Inc Valuation – June 2018 \\$MAT](#)  
[Hasbro Inc Valuation – March 2018 \\$HAS](#)  
[Electronic Arts Inc Valuation – February 2018 \\$EA](#)  
[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](#)